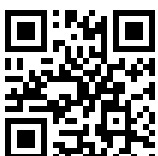
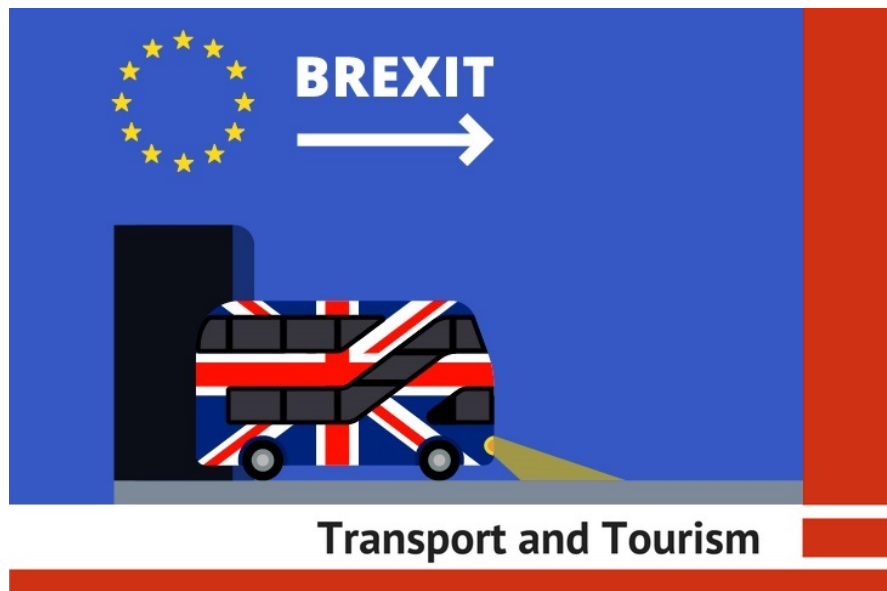


STUDY

Requested by the TRAN committee



Research for TRAN Committee - BREXIT: transport and tourism - the consequences of a no-deal scenario



Research for TRAN Committee - BREXIT: transport and tourism - the consequences of a no-deal scenario

Abstract

The study investigates the potential impacts on the EU-27 of a no-deal scenario in the Brexit process, focusing on the transport, postal and tourism sectors. The study analyses both the economic policy and legislative dimension, detailing the practical consequences of such a new status quo. Alternatives to safeguard the EU interests are also discussed in the document and a set of practical recommendations is formulated. A no-deal scenario would seriously hurt both the UK and the EU-27 at least in a short-term perspective, although with different intensity among the Member States.

This document was requested by the European Parliament's Committee on Transport and Tourism.

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LIST OF ABBREVIATIONS

ABTA	Association of British Travel Agents
ACI	Airport Council International
ADR	European Agreement concerning the International Carriage of Dangerous Good by Road
AETR	European Agreement concerning the Work of Crews of Vehicles Engaged in International Road Transport
ASOR	Agreement on the International Carriage of Passengers by Road by means of Occasional Coach and Bus Services
ATM	Air Traffic Management
B2B	Business to Business
B2C	Business to Consumer
BPA	British Ports Association
BRIC	Brasil, Russia, India and China
C2B	Consumer to Business
C2C	Consumer to Consumer
CAA	Civil Aviation Authority
CC	Compliance Checklists
CCNR	Central Commission for the Navigation of the Rhine.
CEN	European Committee for Standardisation
CER	Community of European Railway and Infrastructure Companies
CERP	European Committee for Postal Regulation
CESNI	Comité Européen pour l'Élaboration de Standards dans le Domaine de Navigation Intérieure
CNC	Core Network Corridors
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
COTIF	Convention concerning International Carriage by Rail
CPMR	Conference of Peripheral Maritime Regions of Europe
DG COMP	EC's Directorate-General for Competition
DG GROW	EC's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG MOVE	EC's Directorate-General for Mobility and Transport
DIHK	Deutscher Industrie und Handelskammertag
EASA	European Aviation Safety Agency
EC	European Commission

ECJ	European Court of Justice
ECMT	European Conference of Ministers of Transport
EEA	European Economic Area
EEIG	European Economic Interest Group
EFSI	European Fund for Strategic Investment
EHIC	European Health Insurance Card
EIB	European Investment Bank
EIL	Eurostar International Limited
EMSA	European Maritime Safety Agency
EP	European Parliament
ERA	European Railway Agency
ERDF	European Regional Development Fund
ERGP	European Regulators Group for Postal Services
ESF	European Social Fund
ESI	European Structural and Investment funds
ETIS	European Tourism Indicator System
ETS	Emissions Trading Scheme
EU	European Union
EUCO	European Council
FAB	Functional Airspace Block
FTA	Freight Transport Association
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GPA	Government Procurement Agreement
GVA	Gross Value Added
IAG	International Airlines Group
ICAO	International Civil Aviation Organization
ICT	Information Communication Technology
ILO	International Labour Organization
IMO	International Maritime Organization
INEA	Innovation and Networks Executive Agency
LTA	Linked Travel Arrangements

MARPOL	International Convention for the Prevention of Pollution from Ships
MLC	Maritime Labour Convention
MoS	Motorways of the Sea
NRA	National Regulatory Authorities
OFCOM	UK's Office of Communications
ONS	Office for National Statistics
PSO	Public Service Obligation
PSR	Port Service Regulation
PTD	Package Travel Directive
RDG	Rail Delivery Group
RFC	Rail Freight Corridor
RIA	Rail Industry Association
RSSB	Rail Safety and Standards Board
SARPs	Standards and Recommended Practices
SES	Single European Sky
SESAR	Single European Sky ATM Research
SME	Small and Medium-sized Enterprise
SOLAS	Safety of Life at Sea
STCW	Standards of Training, Certification and Watchkeeping for Seafarers
TEN-T	Trans European Network-Transport
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TRAN	EP's Committee on Transport and Tourism
TSI	Technical Specifications for Interoperability
UCC	Union Customs Code
UIC	International Union of Railways
UK	United Kingdom
UNWTO	United Nations World Tourism Organization
UPU	Universal Postal Union
USA	United States of America
VAT	Value Added Tax
WTO	World Trade Organization

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EXECUTIVE SUMMARY

This study focuses on the impact and consequences of a potential 'no-deal' scenario in the ongoing negotiations between the European Union (EU) and the United Kingdom (UK) in connection to the Brexit process. These negotiations are being conducted under the terms of Article 50 of the Lisbon Treaty with the deadline of 29 March 2019.

The no-deal scenario constitutes a hypothetical situation where no formal agreement between the EU and the UK is achieved, with the latter becoming simply a third country, without any specific provisions and regulation governing the future relations with the EU-27.

The economies and societies of the EU-27 and the UK and are deeply integrated through the existing freedoms of movements for people, goods, services and capital. The EU-27 is the main trading partner of the UK and plays an important role in relation to the UK's trade with third countries; in fact, today the UK reaches such markets through international agreements signed by the EU.

In the case of freight, maritime transport plays a dominant role in the exchanges between the EU and the UK, followed by the exchange of goods executed through the Eurotunnel, which offers the possibility to carry products by road and by rail. In passenger transport, air is the most commonly used mode by both parties.

The relationship between the UK and the EU-27 in terms of tourism is quite intense, as the majority of the trips carried out by UK residents have an EU Member State (MS) as their destination and the majority of tourists visiting the UK are from the EU.

In the postal sector, the cross-border parcel deliveries between both parties are still quite under-developed although they are expected to increase, due to the raise of e-commerce.

A no-deal Brexit would imply losses for the two parties involved, although within the EU-27 the intensity of the impact would vary among MS.

In general terms, a no-deal Brexit would mean that the UK exits the EU internal market for aviation, road, rail and maritime transport. As a result, new customs, regulatory authorisations and license procedures, as well as border controls would impact operations and all current EU law-based rights and obligations would cease.

Regarding customs, it should be noted that the UK's participation in the Customs Union allows operators to export and import goods free of declarations, as well as without the need to undergo health, veterinary and safety controls. Leaving the Customs Union would mean that the current (and simplified) system for trade of goods would no longer exist. This could lead to cancellations of shipments or lower revenue for freight operators, among others.

In order to ensure the best protection for the EU, the negative consequences of a no-deal scenario in all sectors could be mitigated, for example, by pursuing agreements.

In this sense, the European Council (EUCO) has highlighted that the main objective should be to ensure continued connectivity between the UK and the EU after the UK's withdrawal. To achieve this goal, a series of transport, safety and security **agreements** should be concluded between (first) the EU and (should this not be feasible) the MSs, on the one side, and the UK on the other.

An option could be to gradually phase out agreements concluded by MS, such as the European Aviation Safety Agency (EASA), or those instruments having set up the European Maritime Safety Agency (EMSA) or the European Union Agency for Railways (ERA), as far as they concern the UK. Then some of the issues affected by those agreements could be negotiated for the purposes of enhancing collaboration between the EU and the UK (e.g. ensuring some sort of participation of the UK in EU agencies as third country after Brexit, so EU and UK policies in the fields covered by those agencies may remain aligned).

Regarding **air transport**, a no-deal scenario would mean no traffic rights for UK airlines and, consequently, no access to the Single European Sky. It would also require the application of renewed ownership and control rules that would include third country restrictions. Moreover, the mutual recognition of certificates and approvals would cease to apply as, formally, the UK would no longer be allowed to participate in the EASA. Indeed, to ensure basic connectivity between the EU and the UK in this context, special arrangements could be made so as to avoid leaving relevant issues unsolved, such as the operation of air routes between the EU and the UK by EEA and UK air carriers after a no-deal Brexit.

For instance, it would be necessary to agree on the conditions on which the UK will cooperate with the EASA. EU Regulation (EC) No 216/2008¹, under which EASA functions, states that EASA is open for participation to non-EU countries provided that they are contracting parties to the Chicago Convention² (which is the case of the UK) and have concluded agreements with the EU whereby they adopt and apply the EU aviation safety rules. If the UK became an EASA member under this arrangement, it would not have voting rights in the EASA decision-making process and would need to comply with all EU law in the aviation safety field, unless negotiated otherwise.

Regarding passengers' rights, Regulation (EC) No 261/2004³ on air passengers' rights would not be applicable to passengers departing from an airport located in the UK to an airport situated in the territory of the EU, unless the operating air carrier of the flight concerned is a Union carrier (i.e. it has a Union license). Thus, to secure the EU passengers' rights in trips between the EU-27 and the UK, the EU should require carriers to obtain a Union license that is issued to non-EU carriers that fly passengers departing from the UK to an airport situated on the territory of a MS. This solution would, additionally, allow for the taking into account of the specific rights for disabled persons and persons with reduced mobility travelling by air post-Brexit.

In terms of **maritime transport**, the Regulation (EU) 2017/352⁴ (the so-called EU Port Services Regulation) establishes a framework for the provision of port services and common rules on financial transparency, port services and port infrastructure charges. The Regulation (EU) 2017/352 requires ports to maintain separate accounts for any public funds they receive and report them to the relevant authorities in a bid to create a level playing field. These requirements are going to be reflected in UK national law before the country leaves the EU. After Brexit, the UK could decide to depart from these requirements. In any case, as almost all UK ports are privately owned, unlike ports in mainland EU, the absence of these rules may not lead to significant changes.

¹ Official Journal of the EU - [OJ L 079 19.3.2008, pp. 1.](#)

² The Convention on International Civil Aviation (also known as "Chicago Convention") established the International Civil Aviation Organization ("ICAO"). This is a United Nations specialised agency competent for the coordination and regulation of international air travel. The Chicago Convention provides for rules on airspace, aircraft registration and safety, while it states the rights of the signatories with regard to air travel.

³ Official Journal of the EU - [OJ L 46, 17.2.2004, pp. 1-8.](#)

⁴ Official Journal of the EU - [OJ L 57, 3.3.2017, pp.1-18.](#)

As for maritime cabotage, according to Article 1(1) of Regulation (EEC) 3577/92⁵ (the so-called Maritime Cabotage Regulation), the provision of maritime transport services within EU Member States is restricted to EU ship-owners. From the withdrawal date in a no-deal scenario, it would no longer be possible for UK nationals to provide maritime transport services in accordance with Regulation (EEC) 3577/92 if the conditions to qualify as an EU ship-owner are not fulfilled, unless EU or (alternatively) MS' legislation allows access to cabotage for vessels bearing the flag of a third country. Currently, UK laws provide that a ship can be registered in the UK if it is owned by a qualified owner, including corporate bodies of an EEA State.

Regarding the International Maritime Organization (IMO), post-Brexit, UK vessels and shipping companies operating in EU waters would mostly still have to comply with EU regulations (through IMO). Firstly, because IMO and EU law share a harmonised regulatory framework in this area, and secondly, due to the fact that the EU would continue to apply its rules to vessels irrespective of their flag or ownership.

As for IMO's membership, no major change may be expected as the UK and the MS are part of the organisation, while the EU as such only has observer status therein.

Concerning the EMSA, and maritime safety matters, in case no agreements between the EU and the UK were signed, the UK would not have to adopt and apply EU law in the field of maritime safety and prevention of pollution by ships, which is obviously of great importance. Thus, it would not participate in the functioning of the EMSA. To avoid this situation, it would be advisable that the EU and the UK signed an agreement to enable the UK to participate in the EMSA within the framework established in Articles 13 (5) and 17 of the Regulation (EU) 1406/2002⁶.

There are many areas of **rail transport** that may be affected by a no-deal scenario, including border control checks and customs, which would impact trade of goods and services. As a result, the Community of European Railway and Infrastructure Companies (CER) has warned that Brexit must not be allowed to undermine the continuing development of the Single European Railway and called on the EU and the UK to ensure continued legal certainty for rail businesses. According to the CER's statement, any restriction on the free movement of people could result in serious challenges for rail transport. For example, from a passenger's perspective, these include uncertainty as to the controls and visa requirements passengers may need to fulfil. Also, access should be guaranteed for UK operators to the EU market and for EU operators to the UK market on the basis of symmetrical conditions, and the harmonisation of technical rules and mutual recognition processes in the Single European Rail Area should also continue.

In the **road sector**, the harmonisation of the rules on access to the market and access to the profession of a road transport operator between the EU and the UK could be conducted by following the 2017 EUCO Guidelines⁷ with (i) the UK applying all EU 'acquis' in the area (although this may not be easy to achieve without significant concessions in exchange) and (ii) having an integrated road transport area such as the EEA, where road transport operators of EEA States have the right to transport goods to and from EEA MS.

⁵ Official Journal of the EU - [OJ L 364, 12.12.1992, p.7.](#)

⁶ Official Journal of the EU - [OJ L 208, 5.8.2002, pp. 1-9.](#)

⁷ [European Council Guidelines on the framework for the future EU-UK relationship, 23 March 2018.](#)

As for standards of vehicles, it should be noted that many of them are developed at the United Nations level and then followed by the EU. Therefore, it is likely that the UK will decide to follow international standards and, thus, be in line with EU rules on the matter.

With regard to rights of passengers travelling by bus and coach, after Brexit, in principle, Regulation (EU) 181/2011⁸ would continue to apply to passengers travelling with regular services to or from the UK where the boarding or the alighting point of the passenger is situated in the EU, and the scheduled distance of the service is 250km or more. Thus, *a priori*, the EU would not be required to take action in order to secure EU passengers' rights in these types of trips between EU and the UK.

In a no-deal scenario, the EU legal framework encouraging **tourism** flows between the UK and the rest of the EU would no longer be applicable and as a result the tourism industry would be jeopardised.

In a no-deal scenario, EU tourism would suffer the negative effects of the restrictions to the movement of people, goods and services. This would mean facing new customs checks, delays and possible unilateral controls on immigration. In addition, EU tourists visiting the UK would have no access to emergency medical care, in the terms they do today, may have no air passenger rights in cases of delays or cancellation of flights under EU law and would have limits on their roaming fees. Indeed, the tourism industry would also have to face the consequences of the breakdown of the aviation arrangements that, most likely, would result in an increase of flight prices. Moreover, the sector could be affected by the loss of the cross-border police and security cooperation. These inconveniences may also restrain the UK travellers from visiting the EU.

Consequently, it would be advisable to achieve a series of agreements between the EU and the UK to enable the continuity of the uninterrupted flow of tourists between the territories of both parties. Specifically, agreements are needed in key areas, such as visa systems and immigration controls, which might restrain the free movement of people or cause delays in travel times, thereby resulting in considerable disturbances of the tourists traffic.

Furthermore, health insurance coverage would be yet another important matter that would need to be regulated by agreements (probably between MS and the UK) as the European Health Insurance Card would no longer be valid in the UK. Lack of a coordinated system for health insurance coverage of medical services for outgoing and incoming travellers between the EU and the UK would, *inter alia*, translate into an increase of travelling costs.

To ensure the smooth functioning of the post-Brexit **postal services** between the EU-27 and the UK, there are a series of points that could be discussed with the UK.

Firstly, certain aspects of Regulation 2018/644⁹ (the so-called EU Cross-border Parcel Delivery Regulation which, with the exception of the provision on penalties, started to apply on 22 May 2018, may be worth considering.

A no-deal scenario would entitle the UK to depart from the rules established in the Regulation. This could mean, among others, that (i) Ofcom (the UK regulatory authority) would no longer need to send to the European Commission (EC) prices provided by Royal Mail (the UK universal services provider) or the details of any affordability assessment it conducts with

⁸ Official Journal of the EU - [OJ L 55, 28.2.2011, pp. 1-12](#).

⁹ Official Journal of the EU - [OJ L 112, 2.5.2018, p.19](#).

regard to the latter's tariffs; (ii) the national authorities of the remaining EU Member States would no longer be required to collect data regarding deliveries from their territory to the UK and this information would no longer be published by the EC on its website; and (iii) the national authorities of the remaining Member States would no longer be required to carry out affordability assessments on parcel deliveries to the UK.

Therefore, entering into an agreement so as to avoid or minimise the impact of these potential consequences should be considered.

Secondly, with regard to Directive (EC) 97/67¹⁰ (the so-called EU Postal Services Directive (already transposed to the UK national legislation) in a no-deal Brexit, the UK may decide to change its national laws and not to:

- Guarantee that postal parcels below 20kg received from the MS are delivered within the UK's territory;
- Notify the EC of the identity of the British universal service provider(s);
- Ensure that the British universal service provider(s) keeps separate accounts; and
- Collect this information and provide it to the EC upon request.

Moreover, in a no-deal scenario, the UK national quality standards would not be required to be compatible with the quality standards applicable to intra-EU postal services and would not need to be notified to the EC. Should this be the case, it could result in a malfunctioning of the postal services between the EU-27 and the UK. Guaranteeing that the rules and requirements established in the above-mentioned directive continue to be applicable in the UK is recommendable to ensure that the postal services between the EU and the UK work as smoothly as possible.

Additionally, to avoid rises in the prices of postal services and parcel deliveries, and to prevent an increase in the processing time of these services, an agreement on custom controls, on custom forms and on the VAT charges for this type of service or goods involved would also be necessary.

¹⁰ Official Journal of the EU - [OJ L 15, 21.1.1998, p. 14.](#)

1. OVERVIEW OF RELATIONS BETWEEN THE UK AND THE EU

KEY FINDINGS

- The UK is one of the most solid economies in the EU (after Germany) and in 2017, its GDP amounted to EUR 2,100 billion, an equivalent of **13.7% of the EU-28 total GDP**.
- The **EU represents the main UK partner in trade of goods**. In 2015, it accounted for about 45% of the EU total export and 53.4% of the EU total import.
- **The UK trade balance with the EU presents a deficit** with a value of about EUR 110 billion in 2017, i.e. 5% of GDP. The largest imbalance is registered with Germany.
- **The EU also influences the UK external trade indirectly**, as a large number of the UK trade relations with third countries takes place in the framework of international trade agreements signed by the EU.
- In relation to services, **the EU-27 still constitutes the largest market for the UK** (38.3% of the export in 2014), however the UK records a balance surplus for almost all types of services.
- **EU investments in the UK amount to 48% of the total**, while 47% of foreign UK investments are in the EU.
- In 2017, **the presence of EU citizens in the UK amounted to 5.5% of the country's population** (3.6 million people), while 784,900 UK citizens lived in the EU-27 (mainly in Spain, France and Germany).

This Chapter provides a description of the existing relation between the UK and the EU-27 economies, analysing the degree of their mutual integration in the European single market.

The first part is devoted to a general description of the integration of the UK and EU-27 in terms of the four freedoms, i.e. freedom of movement of goods, services, capital and persons.

From Sections 1.1 to 1.3 sectorial analyses are presented, focusing on aspects related to economy, legislation and policies.

In 2017, the British population accounted for 12.9% of the EU population. In the same year, its Gross Domestic Product (GDP, based on purchasing power parity - PPP) amounted to EUR 2,100 billion, equal to 13.7% of the EU-28 total GDP. Compared to 2016, this implies an increase of 2% (1.8% in real terms).

These figures confirm the position of the UK as one of the most solid economies in the EU (after Germany). The GDP per person employed is substantially aligned with the EU-28, while the GDP per capita is nearly 6% higher. Unemployment in the UK is 4% lower than the EU-28 average, while the weight of the UK's public debt over the country's GDP is slightly higher than the respective average for the EU.

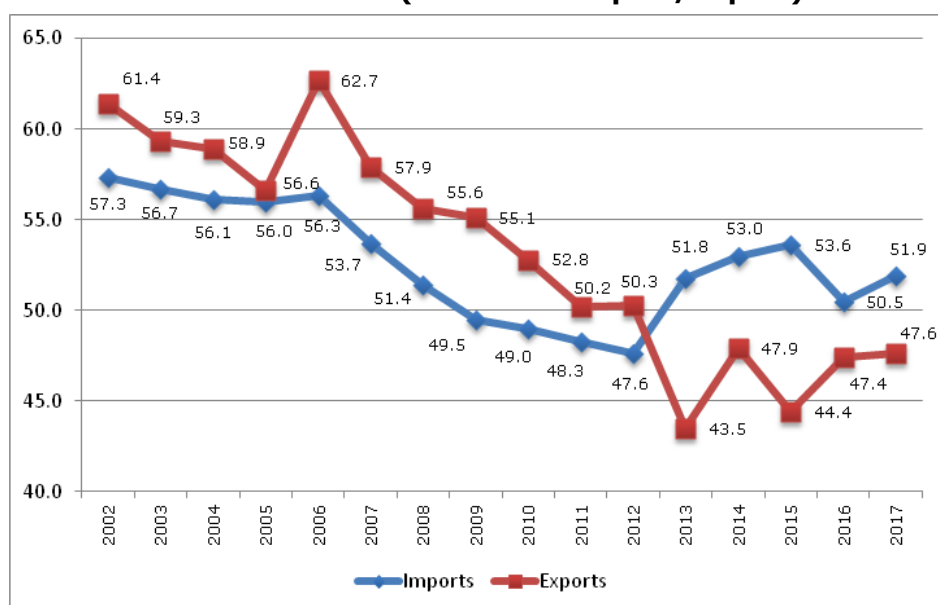
In 2015, the EU-28 contributed 17% to the global GDP (PPP). This figure included the UK share of 2.4% (International Monetary Fund– IMF, 2018) (Please see Table 1 for details).

Table 1: UK and EU-28 – Macroeconomic figures (2017)

	UK	EU-28
GDP (EUR billion)	2,100.7	15,327
Population (millions)	66.0	512.6
GDP per capita (EUR)	31,800	29,900
GDP per person employed, (EUR)	65,500	65,000
Unemployment rate (%)	4.4	7.6
GDP growth 2016-2017 (%)	2.0	2.8
General Government consolidated gross debt (GDP %)	87.7	83.1

Source: Author's elaboration based on EUROSTAT data (2018)

In relation to the trade of **goods**, the EU represented the main partner of the UK and in 2015¹¹, it accounted for about 45% of the country's total export and 53.4% of the UK's total import (please see Figure 1 below). The UK trade balance with the EU presents a deficit since 2013. In 2017, its value was about EUR 110 billion i.e. 5% of the country's GDP. In 2014, the UK trade recorded a deficit with 20 EU Member States (MS), with the largest imbalance registered with Germany (EUR 36 billion compared to EUR 10 billion in 1999), followed by the Netherlands, Belgium and Italy. A significant trade balance surplus, instead, was registered with Ireland (EUR 7.5 billion; EUR 4 billion in 1999). In relation to the rest of the world, the UK trade deficit amounted to EUR 46 billion in 2014, equal to 2% of the country's GDP.

Figure 1: Trade between UK and EU (% of total import/export)

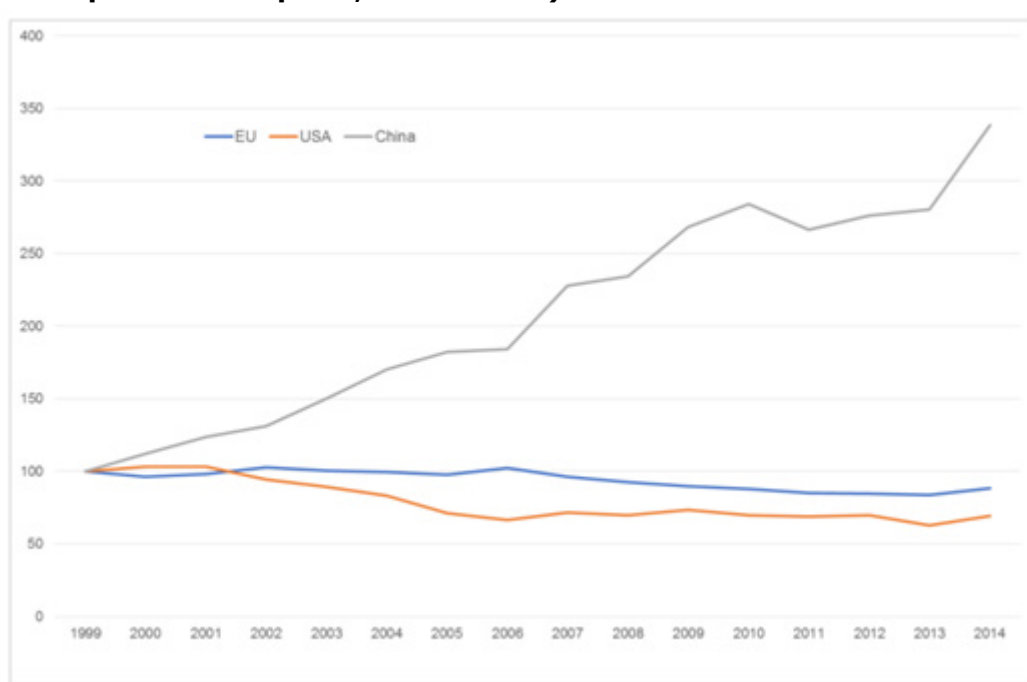
Source: Author's elaboration based on EUROSTAT data (2018)

¹¹ Outside EU, the UK's largest export partners are: the United States (12%), Switzerland (6.7%) and China (5.1%).

The EU also influences the UK external trade indirectly, as a large number of the UK trade relations with third countries take place in the framework of international trade agreements signed by the EU. The further development of the EU trade negotiations with third countries would increase such influence in the absence of Brexit.

As pointed out in Bush et al. (2016), in accordance with a world tendency, the UK trade relations outside the EU-27 are characterised by an increasing importance of countries like China, whose weight in terms of import and export share has been growing continuously and consistently over the years. On the contrary, the shares of the EU and the United States of America (USA) are stable or declining (please see Figure 2). In 2014, the share of China amounted to 8%, while other non-EU partners like USA and Norway accounted for 7.8% and 4.0% respectively.

Figure 2: UK trade with EU, USA and China (exports plus imports, share of total exports and imports, 1999 = 100)



Source: Bush et al., 2016

In relation to **services**, EU-27 still constitutes the largest market for the UK (38.3% of the export in 2014) but differently from the trade in goods, the UK records a surplus for almost all the types of services (with the financial services constituting the most important one) totalling EUR 25.8 billion. Additionally, UK has a surplus with third countries accounting for EUR 84.4 billion (5% of GDP).

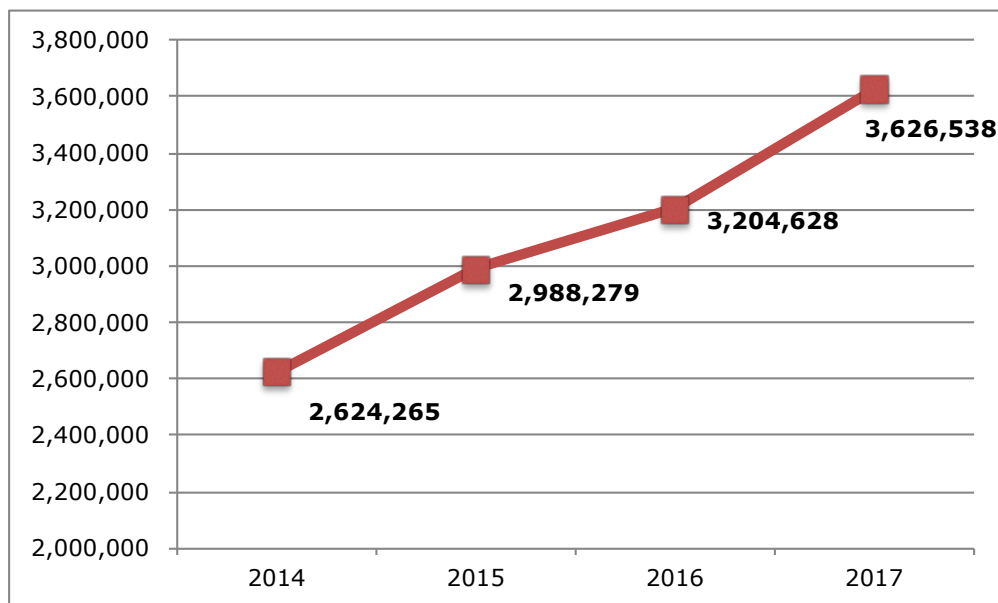
The **capital** movement plays a significant role in the UK economy with the value of financial and insurance activities in 2014, corresponding to 7.9% of GDP.

In international investments, the EU plays a leading role. In fact, the EU investments in the UK amount to 48% of the total (USA account for 24%), while 47% of foreign UK investments are in the EU (24% in USA).

Regarding the movement of **people**, the presence of EU citizens in the UK amounted to 5.5% of the country's population (3.6 million people) in 2017, with a constant increase over the years (in 2014, it was 4.1%), as reported in Figure 3 below. The most relevant foreign

country of citizenship was Poland, which accounted for 28% of all EU immigrants, followed by Romania (9%) and Lithuania (6%).

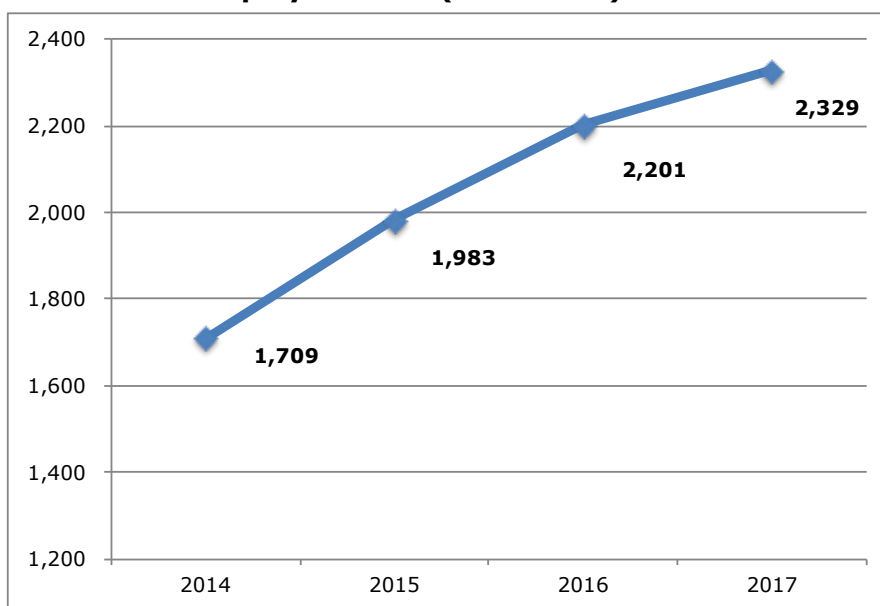
Figure 3: EU-27 citizens living in UK (on 1 January)



Source: Author's elaboration based on EUROSTAT data (2018)

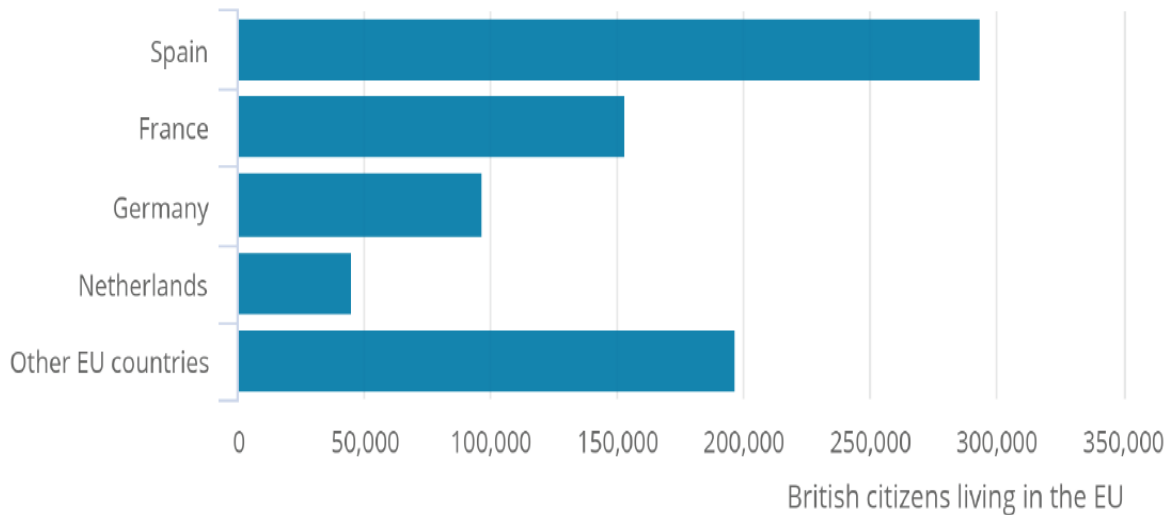
As presented in Figure 34, people with the EU-27 citizenship employed in the UK constituted 8.5% of the country's workforce in 2017, with an increasing trend over the years (it was 6.4% in 2014). On the other hand, on the 1st January 2017, 784,900 of the UK citizens lived in the EU-27¹², with the most popular locations including Spain, France and Germany (please see Figure 45).

Figure 4: EU-27 citizens employed in UK (thousands)



Source: Author's elaboration based on EUROSTAT data (2018)

¹² Excluding Ireland.

Figure 5: Population of UK citizens living abroad (on 1 January 2017)

Source: UK Office for National Statistics (ONS) (2018)

As reported in the EU Financial Report of 2016 (European Commission 2017a), the UK is one of the main contributors to the **European Union (EU) budget**, after Germany and France. In 2016, it contributed EUR 16.6 billion, which corresponded to 13% of the entire EU budget.

In the same year, the EU expenditure in the UK amounted to EUR 7 billion, with the category of natural resources absorbing 54% of the total expenditures.

1.1. Transport

1.1.1. Economy

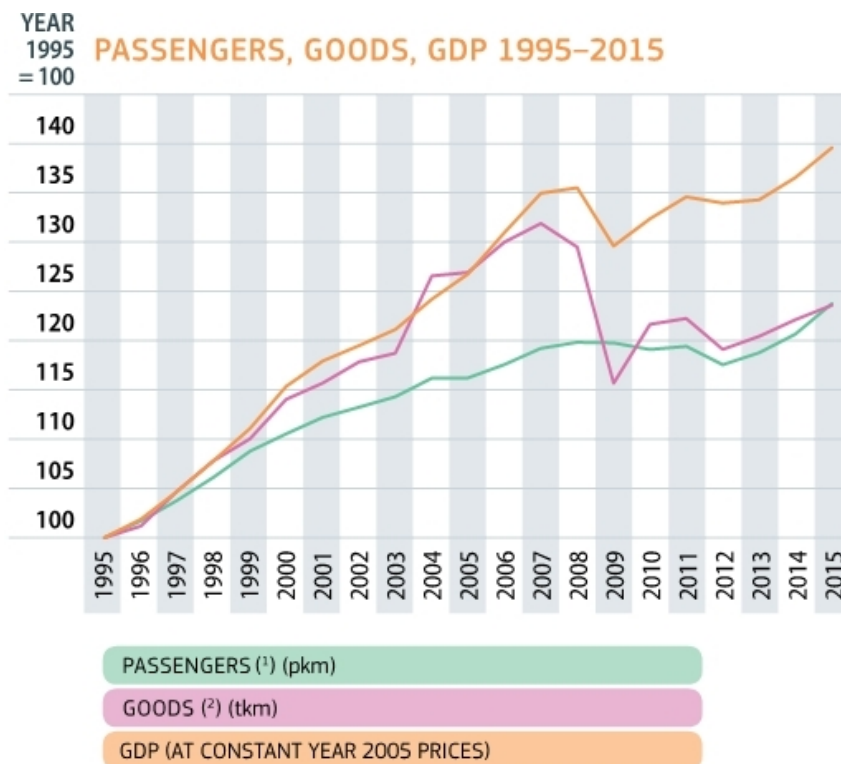
The development of the EU transport sector and of its GDP¹³ show a concordant trend. As shown in Figure 6 below, the average freight and passenger transport activities in the period between 1999 and 2015 presented an average annual growth rate of 1.1%, accompanied by the GDP growth rate of 1.7%. The 2015 growth compared to 2014 reached the levels of 2.2% for GDP, 2.6% for passenger transport and 1.2% for freight transport.

In 2015, the EU freight transport activities amounted to 3,516 billion tkm, with a modal split dominated by road (49%) and sea (31.6%), as reported in

Figure 7. In the same year, the growth rate measured by the volume of freight transported by the two major modes of transport was respectively +33.7% and +19.5%, compared to the previous year.

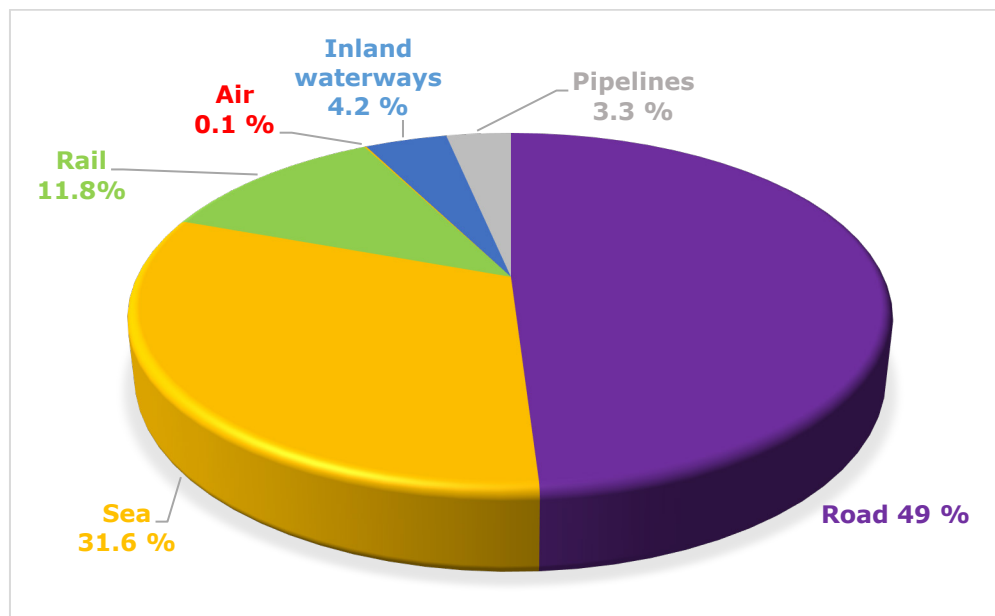
¹³ Prices and exchange rates at 2005.

Figure 6: GDP, passenger and freight transport (1995-2015)



Source: Author’s elaboration based on data of the European Commission (2018k)

Figure 7: EU-28 freight transport modal split (tonnes-km; 2015)



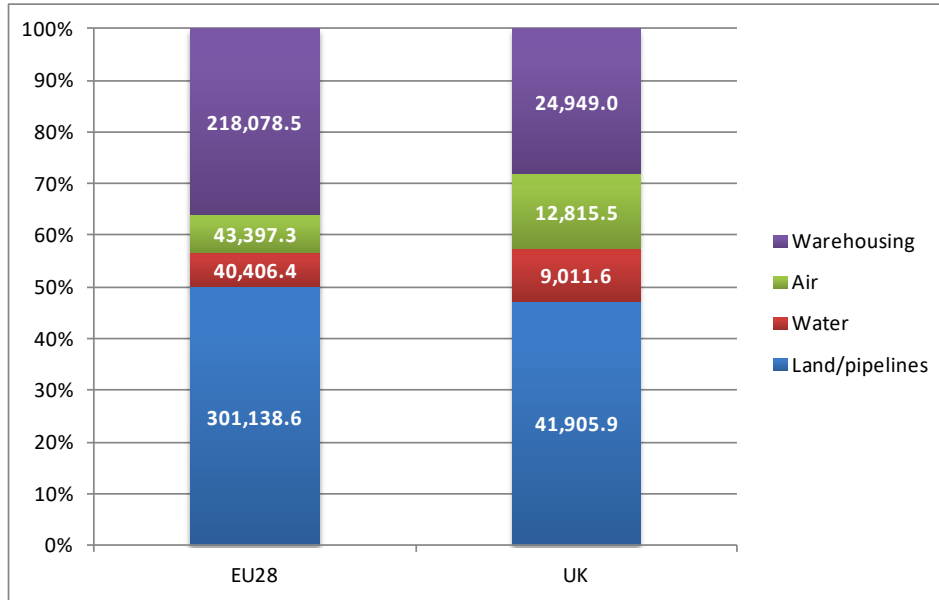
Source: Author’s elaboration based on data of the European Commission (2018k)

The transport and storage service sector accounted for 4.6% of the **Gross Value Added** (GVA) in the EU-28 in 2015, with EUR 662 billion generated at current prices. The UK, whose weight in the EU-28 GVA was 17.5%, contributed 0.7%¹⁴to the EU transport and storage service sector.

¹⁴ Figures are net of postal service and pipelines.

The main differences in the composition of the UK GVA, compared to EU-28, are a less-developed warehousing sector, whose contribution is 28% against 36% of the EU-28, and a more developed air sector, whose contribution (14% of GVA value) is double that of the EU (please see Figure 8).

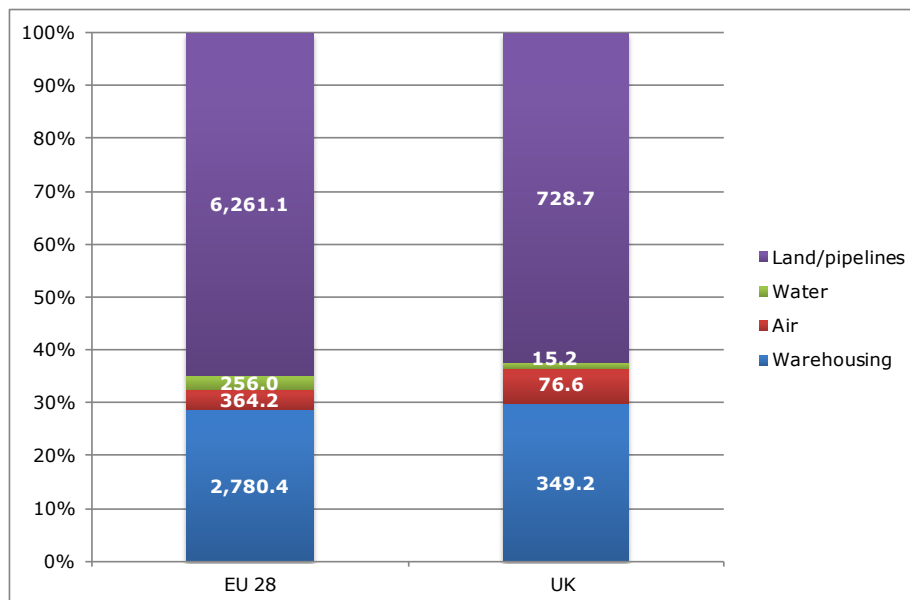
Figure 8: Transport and storage contribution to GVA in 2015- comparison between EU-28 and UK (EUR million)



Source: Author's elaboration based on EUROSTAT data (2018)

In 2015, **employment** in the EU-28 transport and storage sector amounted to 9.7 million, corresponding to 4.2% of its total workforce, while in the UK, the employment in this sector was 1.2 million, corresponding to 3.7% of the workforce in the country. Compared to the EU-28, the UK employs less people in the water sector, while a larger number are employed in the air sector (please see Figure 9).

Figure 9: Workforce shares per transport and storage sectors in EU-28 and UK in 2015 (thousand persons)



Source: Author's elaboration based on EUROSTAT data (2018)

A more detailed breakdown in terms of employment and number of enterprises by mode of transport is reported in Table 2. Compared to the EU-28, the UK employed proportionally more persons in the road passenger transport than in road freight transport. A common trait is the market concentration in the railway sector, characterised by a low number of operators (the number of enterprises in the sector account for only 0.1% of all enterprises operating in the transport and warehousing sector both in the EU-28 and the UK).

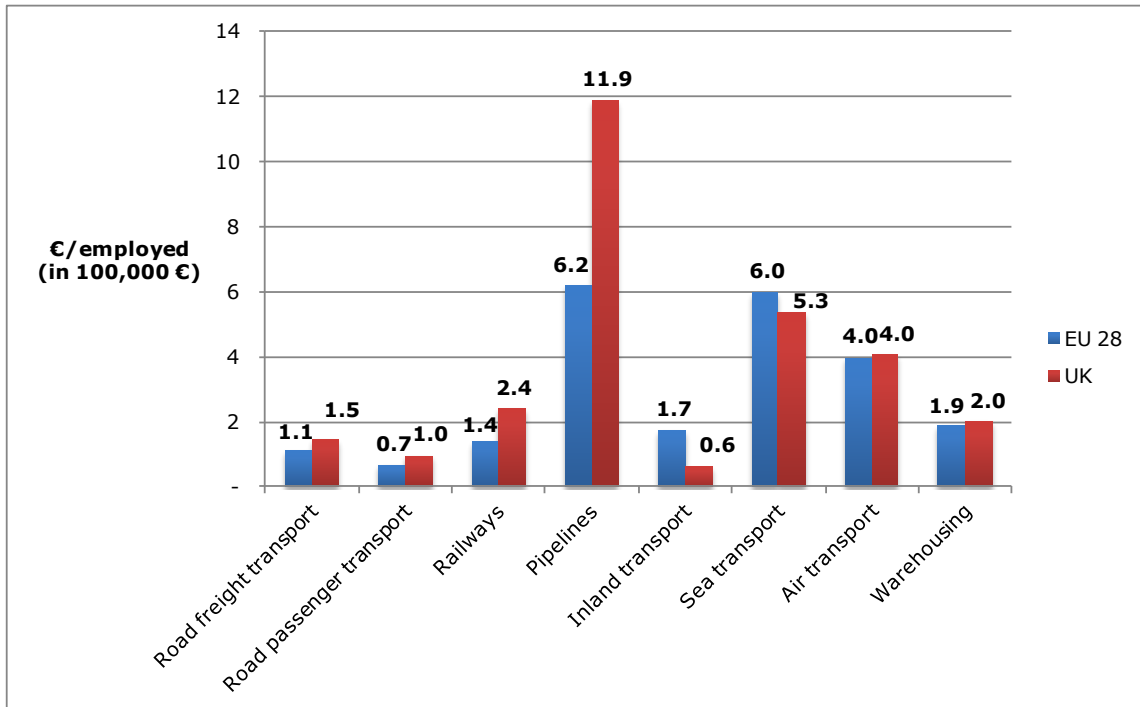
Table 2: Employment and enterprises breakdown for transport sector (2014)

Transport mode	EU-28 Employment (% of the total)	EU-28 No. of enterprises (% of the total)	UK Employment (% of the total)	UK No. of enterprises (% of the total)
Road freight	33.2%	50.7%	23.1%	61.1%
Road passenger	23.6%	33.1%	25.6%	18.2%
Railways	5.1%	0.1%	6.0%	0.1%
Pipelines	0.3%	0.02%	0.1%	0.01%
Inland Waterways	0.5%	0.9%	0.2%	0.4%
Sea	2.0%	1.0%	1.7%	1.8%
Air	4.2%	0.4%	8.0%	1.1%
Warehousing	31.0%	13.8%	35.4%	17.2%
TOTAL	100%	100%	100%	100%

Source: Author's elaboration based on data of the European Commission (2018k)

Using a ratio between the turnover and the number of persons employed as a measure of productivity, the pipeline sector appears to be the most productive, with the UK outperforming the EU-28. Other significant differences can be observed in the higher productivity of the UK railway and in the higher productivity of the European inland waterway transport (please see Figure 10 for details).

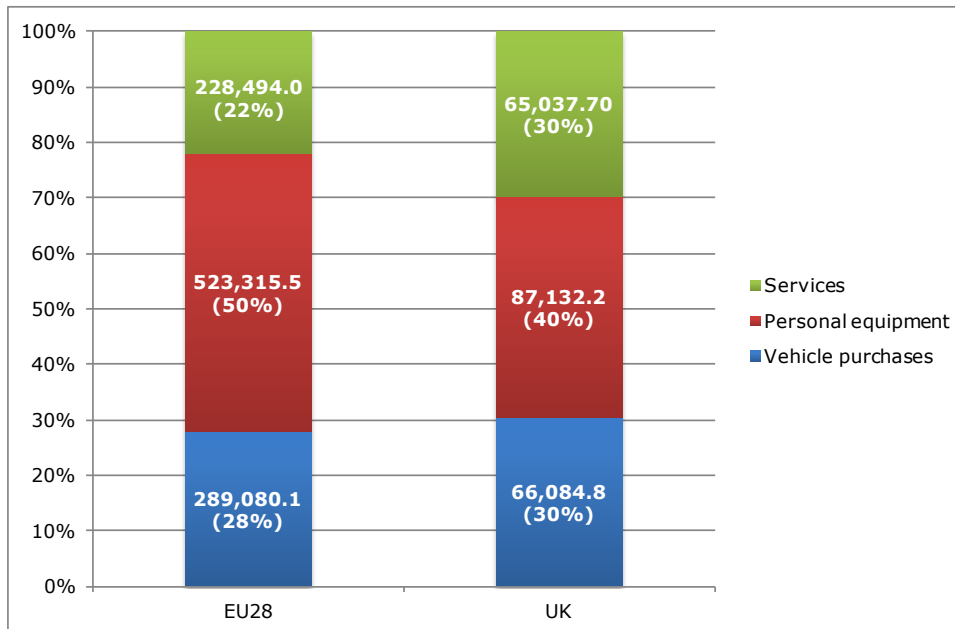
Figure 10: Ratio between turnover and employment in the different transport modes (2014)



Source: Author's elaboration based on EUROSTAT data (2018)

In 2015, **household expenditure** on transport-related items in the EU-28 amounted to EUR 1,040 billion (13% of the total consumption), while in the UK, it totalled EUR 218 billion (13% of the country's internal expenditure and 2.7% of the EU's expenditure (please see Figure 11). At both levels, the personal transport equipment expenditure (e.g. fuel) had the largest share, although this was lower in the UK (40%) than in the EU (50%). While the expenditure for vehicles purchase was similar in the EU and the UK, the latter one reported higher expenses on transport services (30%) as compared to those expenses in the EU (22%).

Figure 11: Households expenditures for transport in EU-28 and UK in 2015 (EUR)



Source: Author's elaboration based on data of the European Commission (2018k)

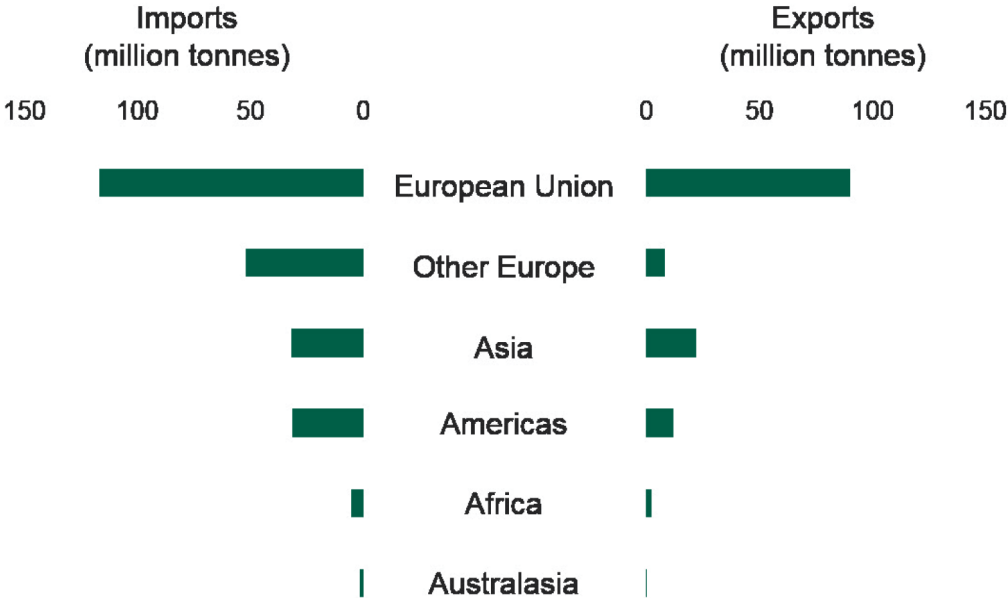
1.1.2. Freight transport

In 2016, trade in goods between the UK and the EU-27 presented the following modal split (measured by volume):

- **75% of goods were transported by maritime shipping**, with a predominance of products transported by lorries on RO-RO ships (80%) over the conventional shipping/bulk goods (20%). The relevance of the EU for the UK maritime trade can be observed in Figure 12.
- **25% of goods were transported through the Channel Tunnel**, with 95% of goods carried by lorries on a special rail-bound shuttle service. The rail mode with a direct connection through the channel is quite insignificant with a share of 5% (UK Government statistics, 2018).

However, the UK Government statistics fail to reveal the rail traffic which is used only partially within a multimodal chain. In fact, rail plays a role in RO-RO ship connections between the North Sea ports of the EU and the UK as well as in coastal shipping, by serving the North Sea and the UK ports. Once goods are delivered to port by rail, they are transferred on-board ships (either in bulk or in containers/cassettes). Statistics on the part of transport made by rail in this multimodal chain are included in the registered maritime or RO-RO traffic.

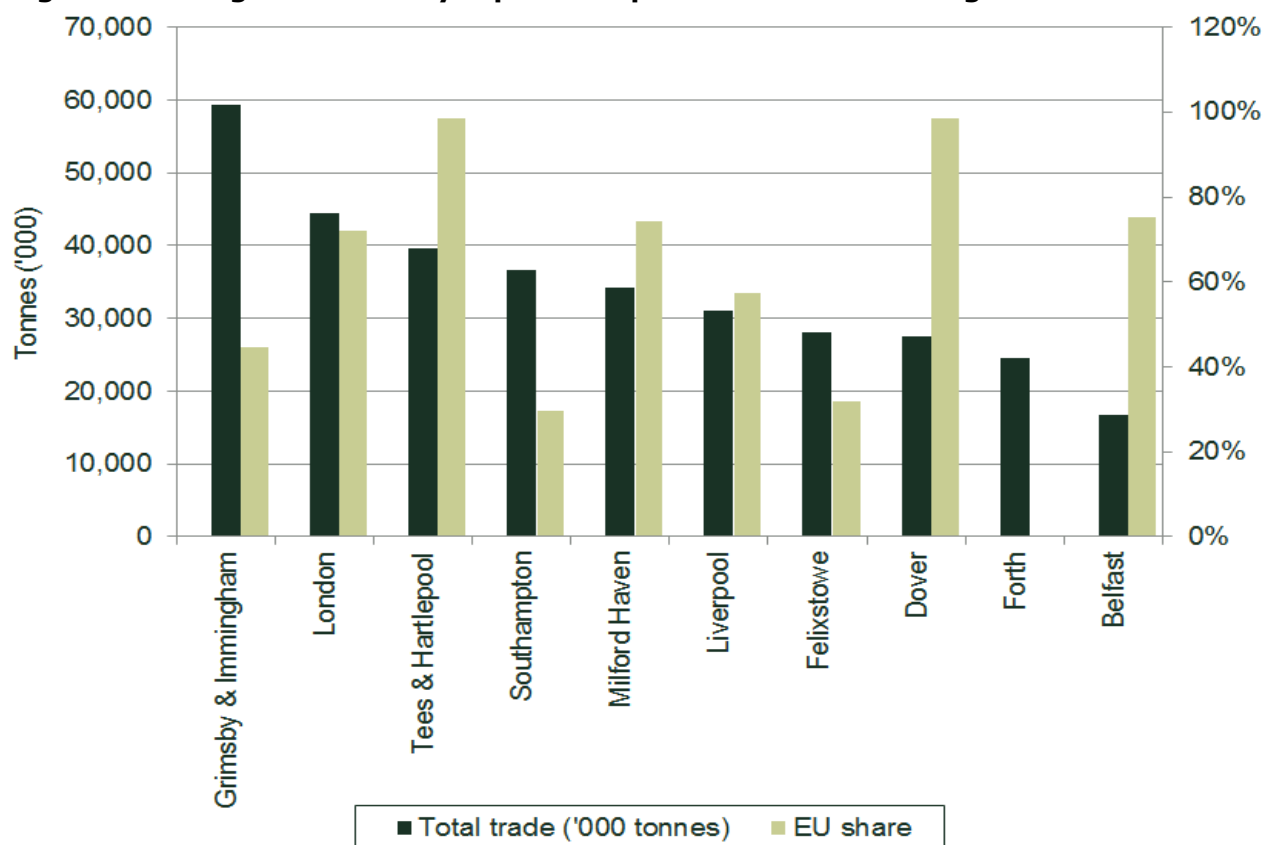
Figure 12: Imports and exports handled by UK ports by continent, 2016



Source: UK Port Freight Statistics, Department for Transport, 2016

The share of EU goods handled in the top 10 UK ports increased over the years, with the exception of the port of Dover, where this share reached nearly 100% in 2014. Figure 13, presents the share of the EU goods in the freight handled by the largest UK ports in 2014.

Figure 13: Freight handled by top ten UK ports and share of EU goods in 2014



Source: Oxera Agenda (2016)

Table 3 below describes the main maritime routes between the UK and the EU-27 in 2015. The link between the UK and the Netherlands was the most significant as it carried 35 million tonnes of freight in 2015, followed by the maritime connection between the UK and Belgium, which transported 27 million tonnes of goods.

Table 3: Main routes in maritime transport between UK and EU-27 (2015)

Country of loading port	Country of unloading port	Thousand tonnes
UK	The Netherlands	35,177
France	UK	22,211
Belgium	UK	15,484
Sweden	UK	13,276
UK	Germany	12,180
UK	Ireland	11,561
UK	Belgium	11,490
Ireland	UK	8,320
Spain	UK	7,976

Source: Author's elaboration based on data of the European Commission (2018k)

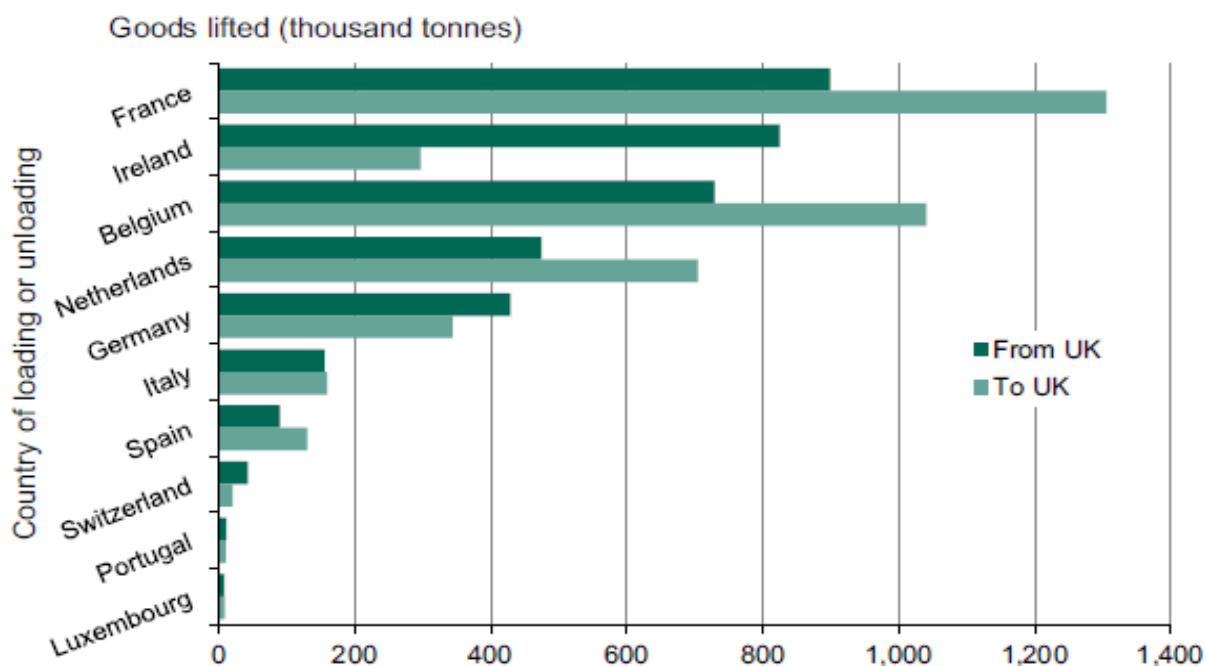
About 80% of lorries used for transport in the UK belong to the operators registered in the EU-27 countries (please see Figure 14). The main destinations of UK lorries used in international transport include the following countries: France, Belgium, the Netherlands, Ireland and Germany (please see Figure 15). The share of UK trucks in EU international road transport is decreasing, likely due to competition from Eastern hauliers.

Figure 14: UK and foreign registered powered goods vehicles travelling between mainland Europe (EU-27) and Great Britain, 2006-2016



Source: UK Department for Transport (2018)

Figure 15: Goods lifted by UK registered vehicles, by country of loading or unloading (2016)



Source: UK Department for Transport (2018)

1.1.3. Passenger transport

In 2016, there were 49.6 million registered trips by UK residents to other EU destinations (about 76% of the total trips) and 24 million visitors to the UK came from other EU destinations (67% of the total number of visitors). The statistics aggregate travels for holidays, business, study, visits to friends/relatives and other. Further detail on tourism-related travel (holidays) is provided in the next Chapter.

As detailed in Table 4 below, visitors from the UK contributed around EUR 28 billion to the EU-27 economy in 2016 (a 15% increase on 2015), through expenditure on transport-related services, including taxes (e.g. Air Passenger Duty) and fees paid to carriers registered in other MS. The most important destinations of the British travellers included Spain, with around 12 million visits, followed by France, Italy and Ireland. These four countries account for 56% of the total visits by UK residents.

Table 4: Visits to EU-27 and spending by UK residents¹⁵

Country	Visits (thousand) 2015	Visits (thousand) 2016	Spending (EUR million) 2015	Spending (EUR million) 2016
Total EU-27	44,946	49,603	28,141	28,854
Austria	549	774	505	715
Belgium	1,637	1,533	768	468
Bulgaria	301	429	192	261
Croatia	410	464	399	387
Cyprus	567	781	515	613
Czech Republic	431	525	216	243
Denmark	461	553	233	287
Estonia	51	42	25	20
Finland	189	194	152	135
France	8,841	8,538	5,036	4,443
Germany	2,592	2,732	1,440	1,273
Greece	2,314	2,480	1,919	1,978
Hungary	503	645	264	328
Ireland	3,504	3,721	1,390	1,478
Italy	3,533	4,088	2,786	2,878
Latvia	149	243	88	107
Lithuania	262	346	148	162
Luxembourg	62	71	34	24

¹⁵ Statistics also contains trips made for business or for study.

Country	Visits (thousand) 2015	Visits (thousand) 2016	Spending (EUR million) 2015	Spending (EUR million) 2016
Malta	501	651	310	526
Netherlands	2,548	2,761	1,116	1,182
Poland	2,033	2,424	997	991
Portugal	2,602	2,806	2,230	1,922
Romania	478	775	333	491
Slovakia	172	210	86	77
Slovenia	52	77	30	39
Spain	10,012	11,629	6,697	7,605
Sweden	373	410	230	221

Source: Author's own elaboration based on UK Office for National Statistics data (2018)

Table 5 below shows that visitors from the EU contributed around EUR 12 billion to the UK economy in 2016. Importantly, this expenditure supported around 185,000 jobs in the UK¹⁶. France, Germany and Ireland were the top three countries of origin of the visitors coming to the UK and they accounted for 40% of total trips to UK.

Table 5: Visits to UK and spending from EU-27 countries

Country	Visits (thousand) 2015	Visits (thousand) 2016	Spending (EUR million) 2015	Spending (EUR million) 2016
Total EU-27	24,159.99	25,417	13,111	11,965
Austria	276.76	301.58	224	215
Belgium	1,175.49	1,048.16	508	372
Bulgaria	173.44	248.02	83	97
Croatia	39.74	52.72	37	24
Cyprus	124.28	125.37	125	155
Czech Republic	464.65	414.11	191	185
Denmark	755.64	730.37	487	449
Estonia	35.61	37.25	72	23
Finland	245.44	260.97	187	171
France	4,157.72	4,055.88	2,017	1,656
Germany	3,248.51	3,341.14	1,888	1,817
Greece	224.55	227.47	231	166

¹⁶ FTE – Full-time equivalent.

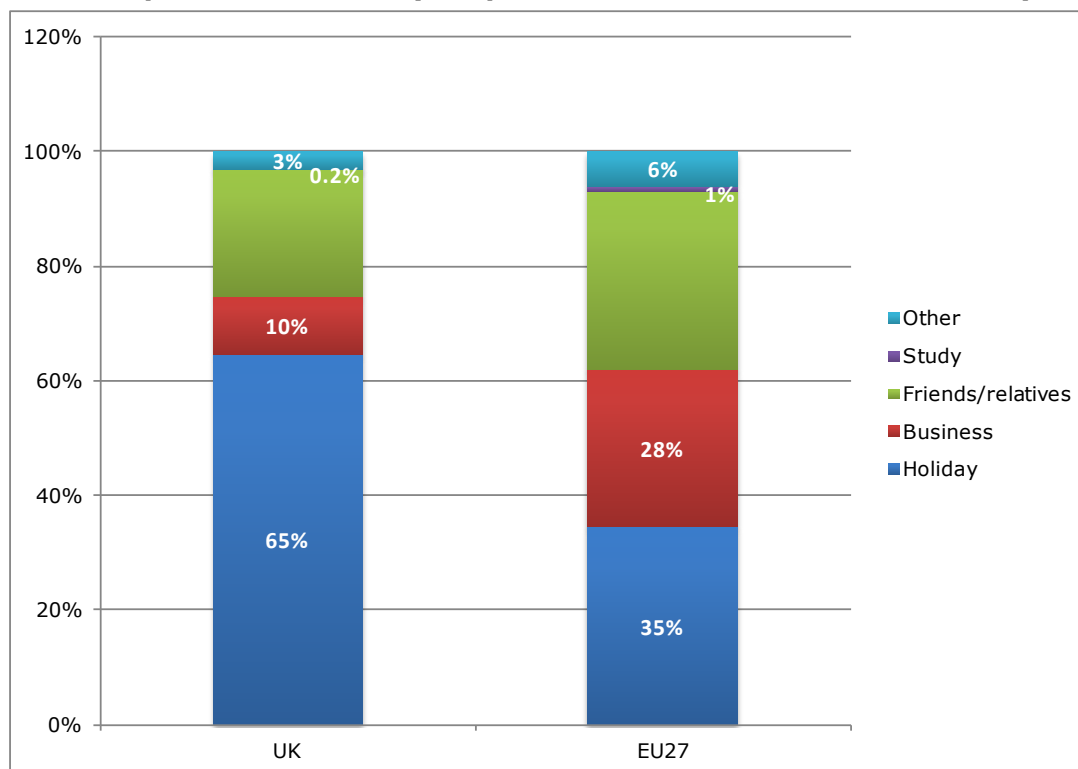
Country	Visits (thousand) 2015	Visits (thousand) 2016	Spending (EUR million) 2015	Spending (EUR million) 2016
Hungary	327.66	397.47	93	105
Ireland	2,631.55	2,896.75	1,279	1,291
Italy	1,791.83	1,988.30	1,219	1,193
Latvia	112.91	126.56	59	54
Lithuania	271.08	242.32	75	88
Luxembourg	122.43	103.85	83	49
Malta	73.94	86.97	57	82
Netherlands	1,896.70	2,061.69	926	870
Poland	1,706.87	1,920.63	601	474
Portugal	392.27	492.45	238	256
Romania	692.96	890.76	294	368
Slovakia	174.77	156.22	71	45
Slovenia	34.47	51.49	13	22
Spain	2,161.50	2,342.22	1,351	1,177
Sweden	850.18	820.80	699	558

Source: Author's own elaboration based on UK Office for National Statistics data (2018)

Taking into consideration the purpose of travel (please see Figure 16), most trips by UK residents are for holidays (65%), followed by visits to friends and relatives (22%). In case of the EU-27 residents, holidays constitute the purpose of only 35% of trips to the UK, while there is a more prominent role of business trips (28%) and travels to visit friends and relatives.

When analysing the possible consequences of no-deal Brexit scenario, it should be stressed that tourism shares largely the same problems as the transport sector and they are closely linked to the access to the single aviation market (the issue was discussed in more detail in Chapters 2 and 9).

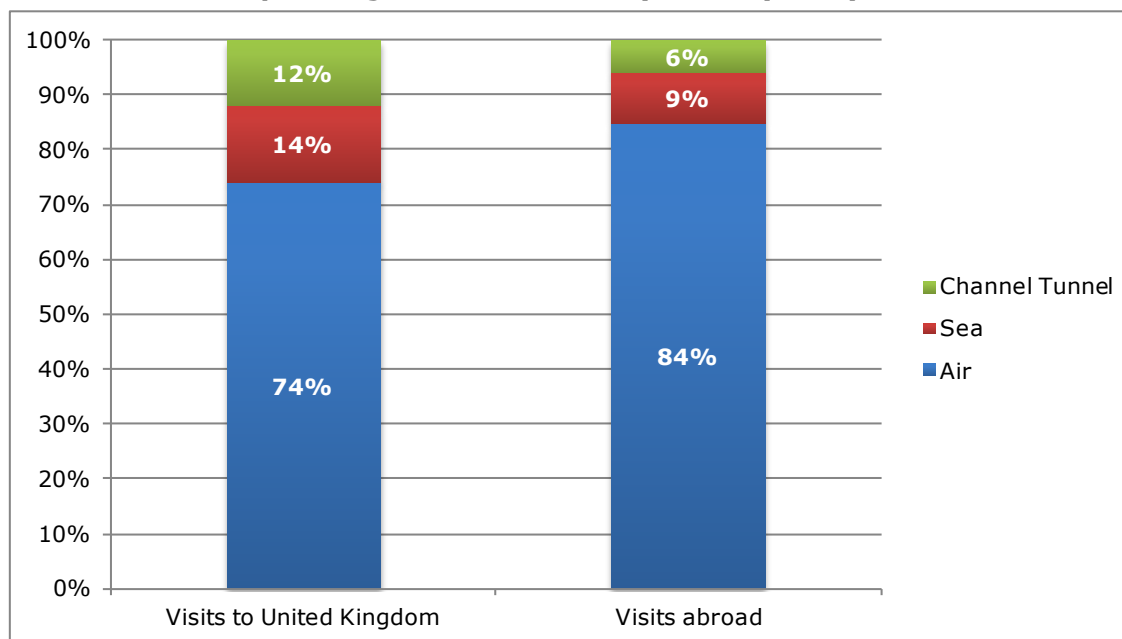
Figure 16: Purpose of the visits (comparison UK – EU-27 residents; 2016)



Source: Author’s own elaboration based on UK Office for National Statistics data (2018)

In relation to the modal split and considering the global flow of passengers, the most important mode to travel from/to the UK is by air (please see Figure 17). The EU-27 destinations account for 68% of passenger movement at the UK airports.

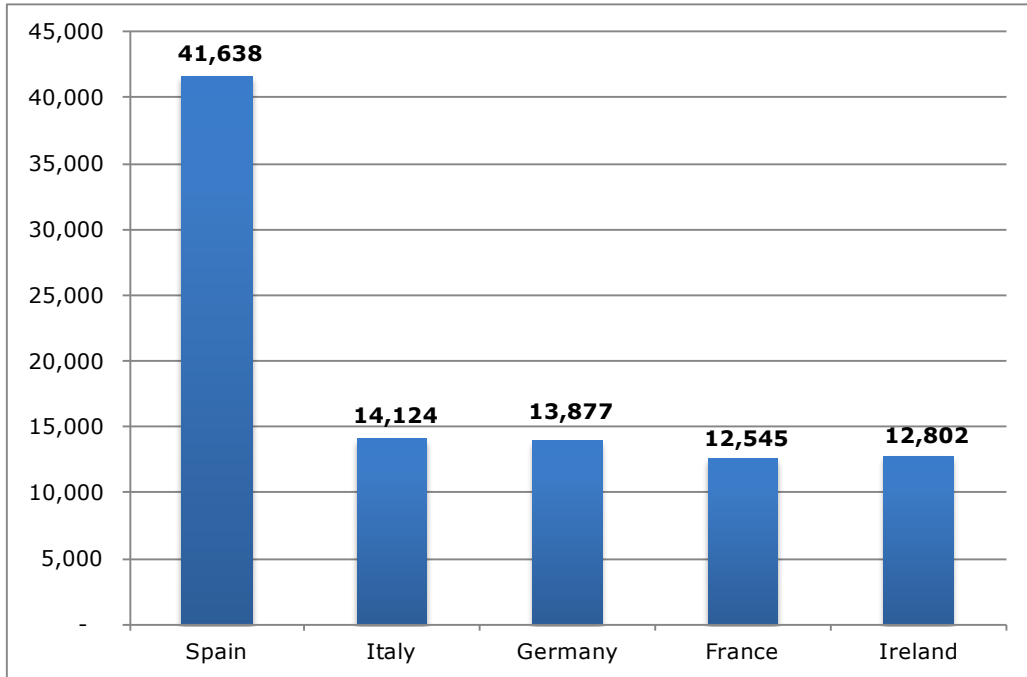
Figure 17: Overseas passengers to/from UK by mode (2016)



Source: Author’s own elaboration based on UK Office for National Statistics data (2018)

As reported in Figure 18 below, the largest flow of air passengers was registered between the UK and Spain, with about 42 million passengers in 2016. The other main EU countries were led by Germany in a distant second place with 26 million passengers.

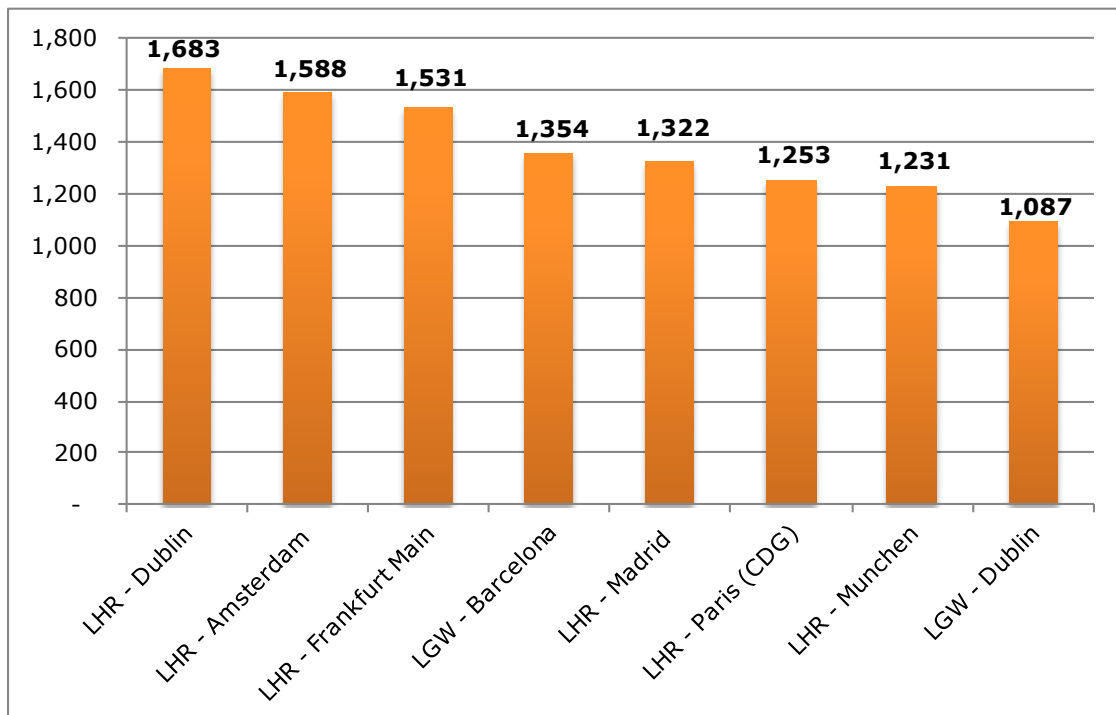
Figure 18: Passengers carried between UK and EU-27 in 2016 (thousands)



Source: Author's own elaboration based on data of the European Commission (2018k)

London Heathrow is the busiest European airport, with about 75 million passengers carried in 2015¹⁷, an increase of 2% compared to 2014. London Gatwick, in the same year, is the seventh busiest airport in the EU, with 40 million passengers and an increase of 6% compared to 2014. Figure 19 below shows the busiest itineraries between single UK and single other airports in the EU.

Figure 19: Main UK – EU airport pairs for passengers carried in 2015 (thousands)



Source: Author's own elaboration based on data of the European Commission (2018k)

¹⁷ Data take into account: arriving + departing + transit.

With regard to **sea transport**, the main UK port is Dover with 13 million passengers carried in 2015¹⁸. This figure constitutes a decrease of 20% compared to 2000, partially due to the competition of the Eurotunnel.

In 2017, about 21 million travellers used the services of the Channel Tunnel, with a daily average of 57,000 passengers. Every year, the rail shuttle carries more than 2.6 million cars and coaches and 1.6 million trucks; this figure makes Eurotunnel the world leader in combined transport.

1.1.4. Policies

The transport sector constitutes a shared competency, i.e. both the EU and MS can act, while taking into account the principles of subsidiarity and proportionality. The role of the EU is particularly pronounced in the actions that cannot be (better) achieved through measures implemented by MS individually.

The EU Common Transport Policy is organised around the following policy areas:

- Economic – including the creation of a single market in transport services that facilitates the free movement of goods, services and people, and the creation of an integrated transport system;
- Social – including the promotion of high safety standards, security and passengers' and workers' rights;
- Environmental – aiming to minimise the negative environmental impact by the transport system (including reducing the impact of noise, pollution, harmful emissions and greenhouse gases);
- Infrastructure – undertaking the creation of a trans-European transport network (TEN-T) connecting national networks together, making them interoperable and linking outside regions of the EU;
- External relations – comprising the development of relations with third countries and, in some cases, allowing the EU to act collectively at an international level.

The Treaty on the European Union (TEU)¹⁹ in relation to the internal market refers to a “highly competitive social market economy”, implying a regulated competition policy taking into consideration the social aspects of a market economy. For the transport sector, the following principles apply (Treaty on the Functioning of the European Union)²⁰:

- To introduce competition in a transport sector that still is a monopoly market with one incumbent enterprise (for example the rail sector) requires specific rules on competition.
- Competition policy in the transport sector is regulated by an independent mode-specific regulatory body, as a stand-alone organisation or integrated into another regulatory body (of a public utility), is the only means to lead to the normal conduct of the market participants.
- Public Service Obligation (PSO) meaning a requirement defined or determined by a competent authority in order to ensure public passenger transport services in the social interest that an operator [public service operator], if it were considering its own commercial interests, would not assume or would not assume to the same extent or under the same conditions without reward” (Regulation (EU) 1370/2007)²¹.

¹⁸ Embarked and disembarked.

¹⁹ Official Journal of the EU - [OJ C 326, 26.10.2012, pp. 13–390](#).

²⁰ Official Journal of the EU - [OJ C 326, 26.10.2012, pp. 47–390](#).

²¹ Official Journal of the EU - [OJ L 315, 3.12.2007, pp. 1–13](#).

The **2011 White Paper** on the future of transport (European Commission, 2011) constitutes the main framework document for the implementation of the EU transport policy, defining 10 objectives to overcome the future challenges for the sector. In 2016, the EC released a working document on the progress made in implementing the programme set in the White Paper (European Commission, 2016a).

Hereinafter, the specific EC policies for the different transport modes are described.

Aviation

The three main pillars of the aviation policy are the following:

- Aviation strategy for Europe

In December 2015, the EC adopted the Aviation Strategy for Europe to boost Europe's economy, strengthen its industrial base and reinforce its global leadership position.

- Single Market

The aviation market was gradually liberalised through three successive packages of measures adopted at the EU level which covered air carrier licensing, market access and fares.

- Single European Sky (SES) and Single European Sky ATM Research (SESAR)

The Single European Sky initiative aims to harmonise the Air Traffic Management (ATM) in the EU, with the objective of increasing safety, efficiency and predictability of air traffic. The ATM Research programme provides the technology required for the Single Sky. The programme aims to modernise infrastructure and raise efficiency by optimising capacity.

Road

In order to promote an efficient, safe, secure and environmentally friendly mobility, the following policy objectives are defined:

- To promote efficient road freight and passenger transport services and harmonise safer and more environmentally friendly technical standards;
- To create fair conditions for competition without discrimination;
- To ensure a degree of fiscal and social harmonisation, and to guarantee that road transport rules are applied effectively²².

Rail

Since 1991, the EU has been restructuring the European rail transport market in order to strengthen the position of railways vis-à-vis other transport modes (Directive (EU) 2012/34)²³. The major areas that are crucial for developing a strong and competitive rail transport industry are the following:

- Opening the rail transport market to a regulated competition;
- Improving the interoperability and safety of national networks;
- Developing rail transport infrastructure;
- Clearly differentiating between public services compensated by the state – the so-called Public Service Obligations (PSO) and commercial services.

²² European Commission [A Road Transport Strategy for Europe](#) web site, 2018.

²³ Official Journal of the EU - [OJ L 343, 14.12.2012, p. 32-77](#).

Maritime

In the maritime sector, the following main EC policy objectives can be identified:

- Protection of the EU with safety rules preventing shipping with low safety standards, reducing the risk of serious maritime accidents and minimising the environmental impact;
- Safeguarding access to the maritime transport market, improving health and safety conditions, regulating the professional qualifications of seafarers;
- Promotion of reduction of administrative burden through digitalisation;
- Working actively against piracy and terrorism threats;
- Ensuring safe and secure conditions of maritime transport services as well as passenger rights and the quality of public service transport (European Commission 2016b).

Inland waterways

The EU promotes the transport by inland waterways through the NAIADES II Action Programme, which sets actions and measures for the period 2014-2020²⁴. NAIADES II was adopted in 2013 as revision of the NAIADES Programme adopted in 2006. The key areas of intervention of NAIADES II are the following:

- Quality infrastructure – Strengthening the role of inland waterways in the TEN-T network by filling missing links, clearing bottlenecks, deploying innovative technology, developing smart infrastructure and improving intermodal connections.
- Quality through innovation – Preparing a roadmap for research, development and innovation initiatives.
- Smooth functioning of the market – Reviewing the provisions for the technical requirements of vessels, continuous analysis of market developments, reducing the inland waterways supply fragmentation, fostering synergies between players.
- Environmental quality through low emissions – Promoting low-emissions technologies for engines.
- Skilled workforce and quality jobs – Reducing barriers to labour access and mobility, valorising qualifications, introducing electronic instruments to monitor ship and crew sailing time.
- Integration of inland waterway transport into the multimodal logistics chain – Integrating infrastructures, services and information streams.

Functions of the EC

The EC has the following functions concerning the transport sector in the EU:

- The EC's Directorate General for Transport and Mobility (DG MOVE) is involved in ensuring that the Treaty on the Functioning of the European Union (TFEU)²⁵ provisions concerning transport are observed and the respective legal acts are prepared and passed (TFEU; TEU).
- DG MOVE is in charge of ensuring that the respective EU transport directives are transposed into the national legislation of each MS.

²⁴ [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions towards quality inland waterway transport NAIADES II, 2013.](#)

²⁵ Official Journal of the EU - [OJ C 326, 26.10.2012, pp. 47-390.](#)

- DG MOVE is entitled to open infringement procedures to take legal action against an MS that fails to implement the EU rail laws: EU directives, EU regulations and their corresponding implementation and delegated acts.
- The EC's Directorate General for Competition (DG COMP) is involved in ensuring that the Articles of TFEU on competition in the transport sector are observed.
- DG COMP is in charge of observing that subsidies granted by the EC and the MS are in compliance with Articles 107 and 108 of the TFEU.
- The DG MOVE and DG COMP may transfer the issue to the European Court of Justice (ECJ) that in certain cases can impose financial penalties on transport undertakings.

1.1.5. Legislation

EU legislation in the field of transport aims to achieve market liberalisation across a number of sectors including aviation, rail, maritime and road transport. In view of the extensive amount of EU rules that govern transport services in the EU, for the purposes of Brexit, each sector/mode should be analysed individually. Tables 6-10 below present the main pieces of EU legislation regulating different modes of transportation and provide a brief description of each of them.

Table 6: Main legislation in the air sector

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EC) 1008/2008 of 24 September 2008 on common rules for the operation of air services in the Community ²⁶	Enshrines the common rules for the operation of air services and the registration of aircraft operators in the EU. Regulates the licensing of Community air carriers, the right of Community air carriers to operate intra-Community air services and the pricing of these services.
Regulation (EC) 216/2008 of 20 February 2008 on common rules in the field of civil aviation and establishing a EASA ²⁷	Establishes a uniform high level of civil aviation safety in the EU.
Regulation (EC) 549/2004 of 10 March 2004 laying down the framework for the creation of the SES ²⁸	Lays down the framework for the creation of the SES. This initiative is aimed at reducing the fragmentation of EU airspace, thereby increasing its capacity and the efficiency of air traffic management and air navigation services. In practice, the SES should result in shortened flight times (because of shorter paths and fewer delays) and, consequently, in reduced flight costs and aircraft emissions.
Regulation (EC) 80/2009 of 14 January 2009 on a Code of Conduct for computerised reservation systems ²⁹	Provides for a code of conduct for computerised reservation systems

Source: Author's own elaboration

²⁶ Official Journal of the EU - [OJ L 293, 31.10.2008, pp. 3-20.](#)

²⁷ Official Journal of the EU - [OJ L 79, 19.3.2008, pp. 1-49.](#)

²⁸ Official Journal of the EU - [OJ L 96, 31.3.2004, pp. 1-9.](#)

²⁹ Official Journal of the EU - [OJ L 35, 4.2.2009, pp. 47-55.](#)

Table 7: Main legislation in the railway sector

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EU) 2016/796 of 11 May 2016 on the European Union Agency for Railways ³⁰	Establishes the European Railway Agency ('the Agency') in order to promote the establishment of a European railway area without borders and to help revitalise the railway sector.
Directive (EU) 2016/797 of 11 May 2016 on the Interoperability of the rail system within the European Union ³¹	Sets out the procedures related to interoperable components and systems in the rail sector covering: <ul style="list-style-type: none"> - Conditions for being placed on the market; - Conformity or suitability for use; - Procedures in cases of non-compliance with essential requirements. This Directive repeals Directive (EC) 2008/57 with effect from June 2020 and constitutes a recast of the latter.
Directive (EU) 2016/798 of 11 May 2016 on railway safety ³²	Enhances railway safety across the EU by revising the role of national safety authorities and reallocating responsibilities between them and the Agency. This Directive repeals Directive (EC) 2004/49 with effect from 16 June 2020 and constitutes a recast of the latter.
Directive (EU) 2012/34 of 21 November 2012 establishing a single European railway area ³³	Establishes common rules on the management and use of railway infrastructure in the EU. Puts forward, among others, the independence of regulatory bodies with appropriate competences and resources, the transparency of financial flows/accounting separation, non-discriminatory and affordable track access charges.
Directive (EC) 2004/49 of 29 April 2004 on safety on the Community's railways ³⁴	Sets the certification requirements in order to access the railway infrastructure in the EU. Directive (EU) 2016/798 repeals this Directive with effect from 16 June 2020.
Directive (EC) 2007/59 of 23 October 2007 on the certification of train drivers operating locomotives and trains on the railway system in the Community ³⁵	Provides for the conditions and procedures regarding certification of train drivers operating locomotives and trains on the railway system in the EU.
Regulation (EU) 913/2010 of 22 September 2010 concerning a European rail network for competitive freight ³⁶	Establishes a European rail network for competitive freight.

Source: Author's own elaboration

³⁰ Official Journal of the EU - [OJ L 138, 26.5.2016, pp. 1-43.](#)

³¹ Official Journal of the EU - [OJ L 138, 26.5.2016, pp. 44-101.](#)

³² Official Journal of the EU - [OJ L 138, 26.5.2016, pp. 102-149.](#)

³³ Official Journal of the EU - [OJ L 343, 14.12.2012, pp. 32-77.](#)

³⁴ Official Journal of the EU - [OJ L 164, 30.4.2004, pp. 44-113.](#)

³⁵ Official Journal of the EU - [OJ L 315, 3.12.2007, pp. 51-78.](#)

³⁶ Official Journal of the EU - [OJ L 276, 20.10.2010, pp. 22-32.](#)

Table 8: Main legislation in the maritime sector

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EEC) 4055/86 of 22 December 1986 applying the principle of freedom to provide services to maritime transport between Member States and between Member States and third countries ³⁷	Regulates the freedom to provide maritime transport services between MS and between MS and third countries.
Regulation (EEC) 3577/92 of 7 December 1992 applying the principle of freedom to provide services to maritime transport within Member States ³⁸	Applies the principle of freedom to provide services to maritime cabotage (i.e. transport services within MS).
Regulation (EC) 391/2009 of 23 April 2009 on common rules and standards for ship inspection and survey organisations ³⁹	Sets common rules and standards for ships' inspections and survey organisations.
Directive (EC) 2009/16 of 23 April 2009 on port State control ⁴⁰	Sets rules to drastically reduce substandard shipping in the waters under the jurisdiction of MS.
Directive (EC) 97/70 of 11 December 1997 setting up a harmonised safety regime for fishing vessels of 24 metres in length and over ⁴¹	Establishes a harmonised safety regime for fishing vessels of 24 metres in length and over.
Directive (EC) 2008/106 of 19 November 2008 on the minimum level of training of seafarers ⁴²	Establishes minimum requirements to be observed as regards the level of training of seafarers.
Regulation (EU) 2017/352 of 15 February 2017 establishing a framework for the provision of port services and common rules on the financial transparency of ports ⁴³	Establishes a framework for the provision of port services and common rules on the financial transparency of ports.

Source: Author's own elaboration

Table 9: Main legislation in the inland waterway sector

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EC) 1356/96 of 8 July 1996 on common rules applicable to the transport of goods or passengers by inland waterway between Member States ⁴⁴	Puts forward common rules applicable to the transport of goods or passengers by inland waterways between MS with a view to establishing freedom to provide such transport services.

³⁷ Official Journal of the EU - [OJ L 378, 31.12.1986, pp. 1-3.](#)

³⁸ Official Journal of the EU - [OJ L 364, 12.12.1992, pp. 7-10.](#)

³⁹ Official Journal of the EU - [OJ L 131, 28.5.2009, pp. 11-23.](#)

⁴⁰ Official Journal of the EU - [OJ L 131, 28.5.2009, pp. 57-100.](#)

⁴¹ Official Journal of the EU - [OJ L 34, 9.2.1998, pp. 1-29.](#)

⁴² Official Journal of the EU - [OJ L 323, 3.12.2008, pp. 33-61.](#)

⁴³ Official Journal of the EU - [OJ L 57, 3.3.2017, pp. 1-18.](#)

⁴⁴ Official Journal of the EU - [OJ L 175, 13.7.1996, pp. 7-8.](#)

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EEC) 3921/91 of 16 December 1991 laying down the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a Member State ⁴⁵	Lays down the conditions under which non-resident carriers may transport goods or passengers along inland waterway within a MS.
Directive (EC) 96/50 of 23 July 1996 on the harmonization of the conditions for obtaining national boat masters' certificates for the carriage of goods and passengers by inland waterway in the Community ⁴⁶	Harmonises the conditions for obtaining national boat masters' certificates for the carriage of goods and passengers along the EU inland waterways.
Directive (EC) 2005/44 of 7 September 2005 on harmonised river information services on inland waterways in the Community ⁴⁷	Provides for the interoperability of the EU inland waterway systems to support traffic and to ensure safety and efficiency of navigation
Directive (EC) 1999/62 of 17 June 1999 on the charging of heavy goods vehicles for the use of certain infrastructures ⁴⁸	Defines technical requirements for inland waterway vessels providing for mutual recognition of navigation certificates.

Source: Author's own elaboration

Table 10: Main legislation in the road sector

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EC) 1071/2009 of 21 October 2009 establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator ⁴⁹	Sets out rules for companies willing to engage in road haulage (i.e. transport of goods by road) and passenger transport business. Applies to all companies established in the EU that are active in (or intending to be active in) transporting goods or people in exchange for payment.
Regulation (EC) 1072/2009 of 21 October 2009 on common rules for access to the international road haulage market ⁵⁰	Lays down common rules on the access to the market of international carriage of goods by road within the EU. Establishes the conditions under which non-resident hauliers may provide transport services within a MS

⁴⁵ Official Journal of the EU - [OJ L 373, 31.12.1991, pp. 1-3.](#)

⁴⁶ Official Journal of the EU - [OJ L 235, 17.9.1996, pp. 31-38.](#)

⁴⁷ Official Journal of the EU - [OJ L 255, 30.9.2005, pp. 152-159.](#)

⁴⁸ Official Journal of the EU - [OJ L 187, 20.7.1999, pp. 42-50.](#)

⁴⁹ Official Journal of the EU - [OJ L 300, 14.11.2009, pp. 51-71.](#)

⁵⁰ Official Journal of the EU - [OJ L 300, 14.11.2009, pp. 72-87.](#)

NAME OF LEGISLATIVE DOCUMENT	DESCRIPTION OF LEGISLATIVE DOCUMENT
Regulation (EC) 1073/2009 of 21 October 2009 on common rules for access to the international market for coach and bus services ⁵¹	Common rules for the international carriage of passengers by road within the territory of the EU and the conditions under which non-resident carriers may provide national transport services within a MS.
Directive (EC) 2003/59 of 15 July 2003 on the initial qualification and periodic training of drivers of certain road vehicles for the carriage of goods or passengers ⁵²	Regulates the certificates of professional competence for drivers.
Directive (EC) 2006/126 of 20 December 2006 on driving licences ⁵³	Establishes rules on the mutual recognition of driving licences issued by MS.
Directive (EC) 2002/15 of 11 March 2002 on the organisation of the working time of persons performing mobile road transport activities ⁵⁴	Sets out minimum rules for the organisation of working time for drivers supplementing the provisions of Regulation (EC) 561/2006 ⁵⁵ which lays down common rules on drivers' driving times and rest periods.
Interbus Agreement, Agreement on the international occasional carriage of passengers by coach and bus ⁵⁶	Provides for rules on the international occasional carriage of passengers by coach and bus. Incorporates most of the liberalisation measures of the ASOR Agreement ⁵⁷ while adding social, fiscal and technical measures based on the principle of non-discrimination between the various contracting parties.

Source: Author's own elaboration

Moreover, the impact of Brexit will affect the EU rules on consumer protection having an impact on transport and the EU rules on passenger rights. The main EU legislation in this area that should be taken into account includes:

- Directive (EC) 2005/29 of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market⁵⁸;
- Directive (EU) 2011/83 of 25 October 2011 on consumer rights⁵⁹;
- Directive (EEC) 93/13 of 5 April 1993 on unfair terms in consumer contracts⁶⁰;

⁵¹ Official Journal of the EU - [OJ L 300, 14.11.2009, pp. 88–105](#).

⁵² Official Journal of the EU - [OJ L 226, 10.9.2003, pp. 4–17](#).

⁵³ Official Journal of the EU - [OJ L 403, 30.12.2006, pp. 18–60](#).

⁵⁴ Official Journal of the EU - [OJ L 80, 23.3.2002, pp. 35–39](#).

⁵⁵ Official Journal of the EU - [OJ L 102, 11.4.2006, pp. 1–14](#).

⁵⁶ Official Journal of the EU - [OJ L 321, 26.11.2002, pp. 13–43](#).

⁵⁷ Official Journal of the EU - [OJ L 230, 05.08.1982, pp. 39](#).

⁵⁸ Official Journal of the EU - [OJ L 149, 11.6.2005, pp. 22–39](#).

⁵⁹ Official Journal of the EU - [OJ L 304, 22.11.2011, pp. 64–88](#).

⁶⁰ Official Journal of the EU - [OJ L 95, 21.4.1993, pp. 29–34](#).

- Directive (EC) 1999/44 of 25 May 1999 on certain aspects of the sale of consumer goods and associated guarantees⁶¹;
- Directive (EU) 2015/2302 of 25 November 2015 on package travel and linked travel arrangements⁶²;
- Directive (EC) 98/6 of 16 February 1998 on consumer protection in the indication of the prices of products offered to consumers⁶³;
- Regulation (EC) 261/2004 of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights⁶⁴;
- Regulation (EU) 1177/2010 of 24 November 2010 concerning the rights of passengers when travelling by sea and inland waterway⁶⁵;
- Regulation (EC) 1371/2007 of 23 October 2007 on rail passengers' rights and obligations⁶⁶;
- Regulation (EU) 181/2011 of 16 February 2011 concerning the rights of passengers in bus and coach transport⁶⁷.

Finally, the following agreements should also be considered:

- USA-EU Open Skies Agreement;
- International maritime agreements such as COTIF, SOLAS, MARPOL, STCW, IMO, MLC, ILO;
- International road agreements such as: ECMT, Recognition of driving licences and vehicle registration documents based on 1949 Geneva Convention on Road Traffic, Recognition of driver cards and tachographs in international transport based on AETR agreement or the ADR agreement in relation to safety and security aspects.

1.2. Tourism

1.2.1. Economy

Tourism is defined as "the activity of visitors taking a trip to a main destination outside their usual environment, for less than a year, for any main purpose, including business, leisure or other personal purpose, other than to be employed by a resident entity in the place visited" (EUROSTAT, 2018).

Travel and tourism sector contributed 3.6% to the EU-28 GDP in 2017. The contribution has been increasing over the years and is expected to reach 3.9% by 2028 (please see Figure 20 below). Taking also into account indirect and induced effects, including linked industries operating in the distribution, construction, culture and creativeness, the sector's contribution to GDP is 10% and by 2028 it is expected to increase further (please see Figure 21).

⁶¹ Official Journal of the EU - [OJ L 171, 7.7.1999, pp. 12-16.](#)

⁶² Official Journal of the EU - [OJ L 326, 11.12.2015, pp. 1-33.](#)

⁶³ Official Journal of the EU - [OJ L 80, 18.3.1998, pp. 27-31.](#)

⁶⁴ Official Journal of the EU - [OJ L 46, 17.2.2004, pp. 1-8.](#)

⁶⁵ Official Journal of the EU - [OJ L 334, 17.12.2010, pp. 1-16.](#)

⁶⁶ Official Journal of the EU - [OJ L 315, 3.12.2007, pp. 14-41.](#)

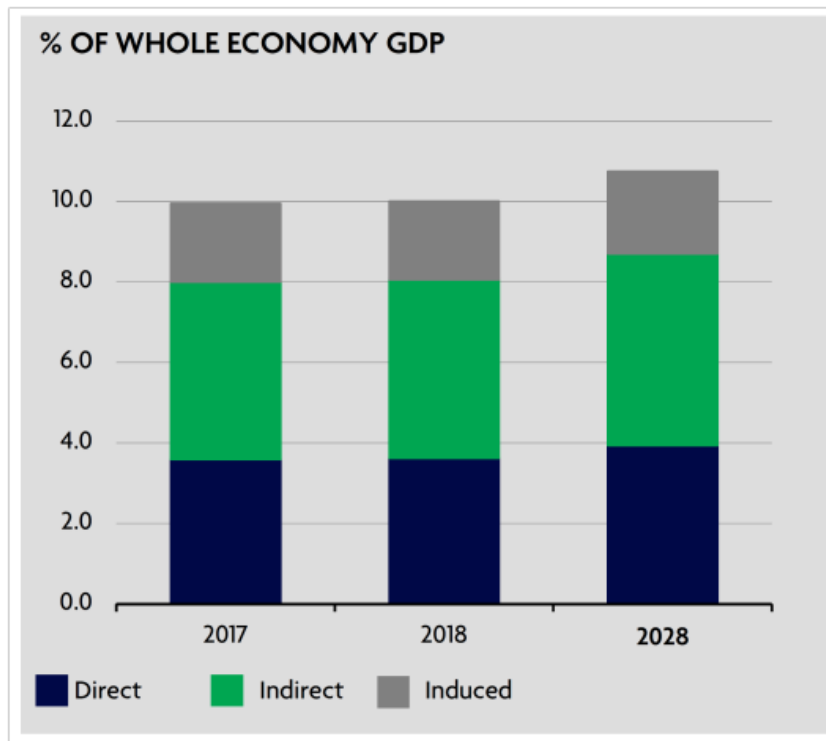
⁶⁷ Official Journal of the EU - [OJ L 55, 28.2.2011, pp. 1-12.](#)

Figure 20: Direct contribution of travel and tourism to EU-28 GDP



Source: World Travel & Tourism Council (2018)

Figure 21: Total contribution of travel and tourism to EU-28 GDP



Source: World Travel & Tourism Council (2018)

International tourism is the fourth export category after chemicals, automotive products and food, contributing 6% to EU-28 exports, which corresponds to 22% of the EU export in services⁶⁸. In 2016, international tourism receipts reached the value of EUR 1,100 billion and passenger transport amounted to EUR 196 billion (UNWTO, 2018).

⁶⁸ Expenditures by visitors are recorded as exports for the destination country and as imports for the visitor country.

The countries with most significant contribution of their travel and tourism sector to the EU-28 GDP include Spain (11%), France (7%) and Italy (6%). The contribution of the UK is around 4%.

In 2017, the travel and tourism sector contributed 9.8% to the total employment in EU-28, creating about 36.6 million jobs. The breakdown is as follows:

- Direct employment: 14.4 million;
- Indirect: 15.5 million;
- Induced: 6.7 million.

By 2018, this figure is expected to increase to 37.4 million jobs, with a weight of 11.2% of the EU total employment.

Employment in the sector has a particular socio-economic value, as the main categories involved are young people, women and migrants. For example, with regard to the employment of women, its weight in the tourism sectors was 58% in 2014 (higher than 36% registered in the non-financial business economy as a whole).

Employment in tourism is dynamic and resilient, being less affected by the negative consequences of the economic downturns and being able to recover more quickly than other economic sectors, although it is affected by seasonality.

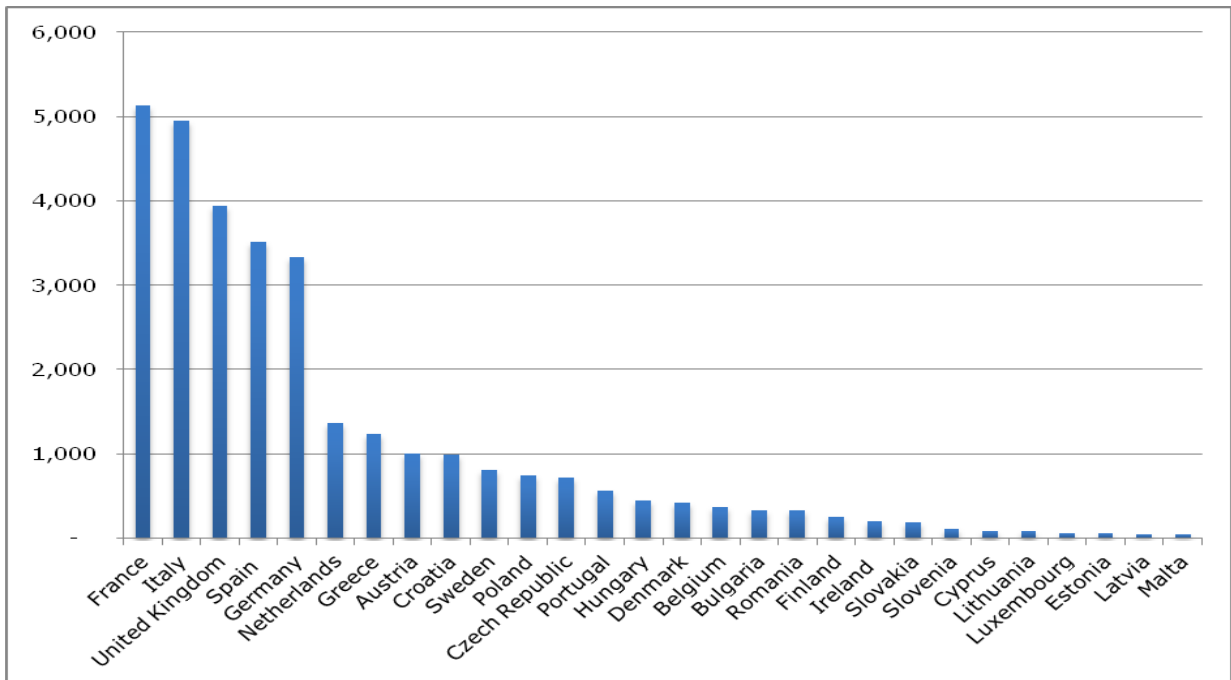
In 2014, there were 2.3 million EU enterprises registered in the tourism industry, mostly small and medium-sized (SME), employing jointly 12 million people, which corresponded to 9% of the total employment in non-financial business activities (in the services sector alone, tourism industries accounted for 22% of workers). The distribution of the employment in the different sectors was the following:

- Food & beverage industry: 7 million;
- Accommodation sector: 2.4 million;
- Transport: 1.9 million;
- Travel agencies and tour operators: 0.5 million;
- Car and other rentals: 0.2 million (UNWTO, 2018).

In 2016, the EU-28 hosted 500 million international tourists, which represented 40% of the world's figure. In that year, international tourists visiting EU spent EUR 342 billion which corresponded to 31% of the global spending worldwide (UNWTO, 2018).

608,000 establishments constituted the EU-28 tourist accommodation offer in 2016, and they provided about 31 million beds. The UK is one of the biggest players, together with France and Italy, as detailed in Figure 22 below. In fact, the UK contributes about 3.9 million of beds (13% of the EU total) and 84,500 establishments (14% of the EU total).

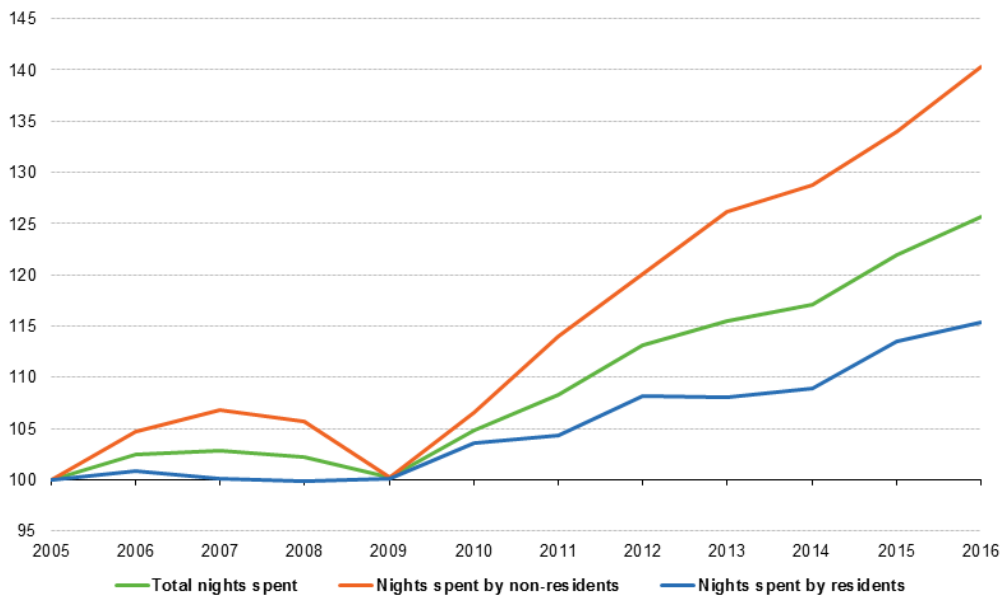
Figure 22: Number of bed places in touristic establishments by MS (2016)



Source: Author's own elaboration based on EUROSTAT data (2018)

Over recent years, the nights spent in EU touristic establishments have experienced a positive trend, with the exception of the economic downturn in 2008-2009. In 2016, they amounted to 2.9 billion nights, with an increase of 3% compared to 2015 (please see Figure 23).

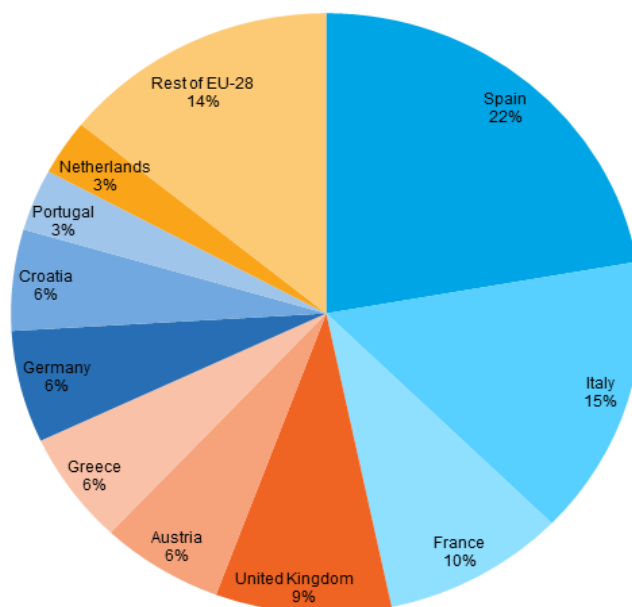
Figure 23: Trends in nights spent at EU-28 tourist accommodation (2005-2016)



Source: EUROSTAT (2018)

As detailed in Figure 24 below the main destination is Spain, with 22% of the total nights spent in the EU-28 (almost 300 million nights), followed by Italy (with a 15% market share corresponding to 200 million nights) and France (with a share of 10% and 124 million nights). The UK accounts for 120 million nights which are equivalent to a 9% share in the EU tourism market.

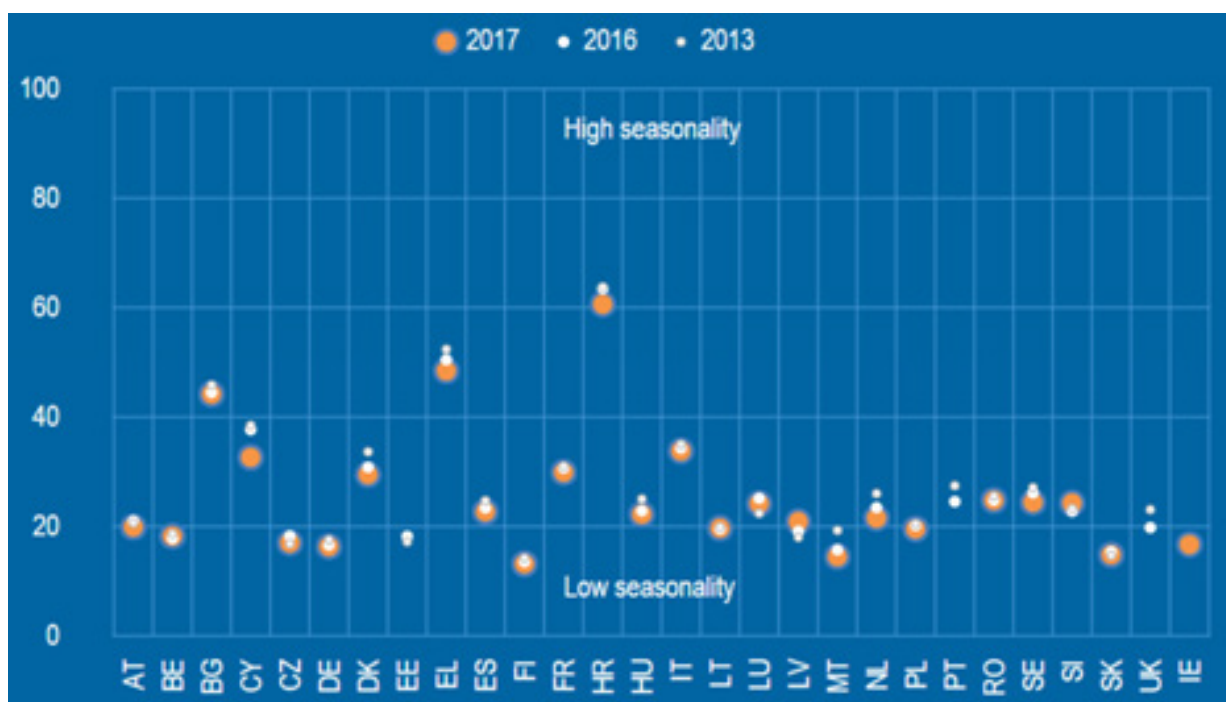
Figure 24: Share of nights spent at touristic accommodations by MS (2016)



Source: EUROSTAT (2018)

EU tourism is affected by seasonality, namely by the significant demand variation throughout the year. Seasonality differs among MS with countries like Croatia, Bulgaria and Greece presenting the highest degree of seasonality and countries such as Finland, Malta and Slovakia, which had the lowest level of seasonality in 2016. Seasonal fluctuations only partially affect variation in employment.

Figure 25: Tourism seasonality in EU-28 (Gini index⁶⁹)



Source: European Commission (2018)

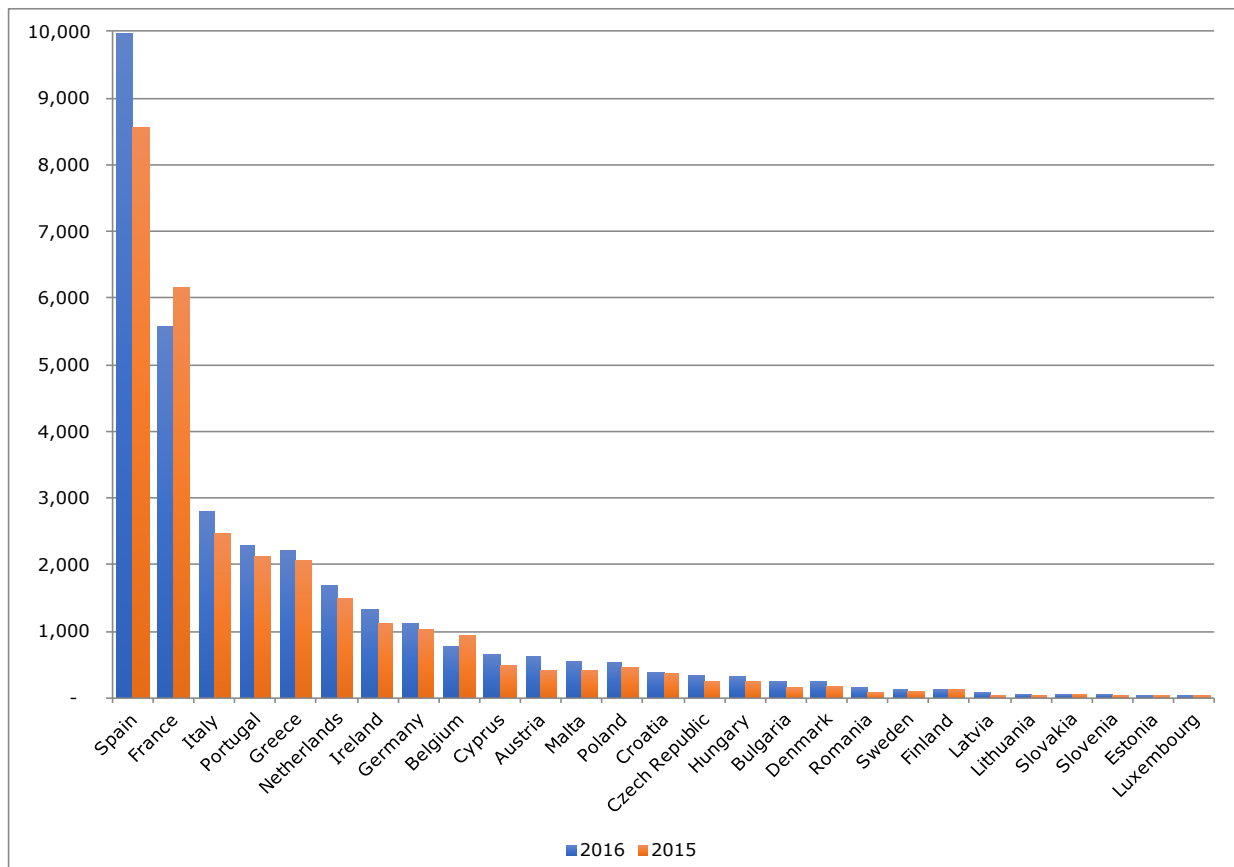
⁶⁹ Gini index - it indicates the extent to which the distribution of nights spent at tourist accommodations deviates from a perfect equally distribution over the months.

The UK and EU-27 tourism industries are as highly interdependent as the transport sector, as described in the previous Chapter. Table 4 and Table 5 of Section 1.1 have already described the visits between the UK and the EU-27, including the contribution of mutual tourism to the partner’s economy. This Section focuses on the most significant categories of travels, those linked to holidays.

Holiday visits by the UK residents to the EU-27 countries totalled 32 million in 2016, corresponding to an increase of 18% over 2015, with a related spending of EUR 21 billion (+16% compared to 2015). The most popular destination is Spain with 10 million visits in 2016 and an increase of 17% over 2015. It corresponds to a spending of EUR 6.7 billion and an increase of 12% compared to 2015. France follows with 5.5 million visits (-10% over 2015) and revenues of EUR 3.3 billion (-14% over 2015). These two countries account for 48% of all visits to the EU-27 countries and their spending. In Figure 26 and Figure 27 below, data on visits and spending by the UK citizens are reported for all the EU-27 countries.

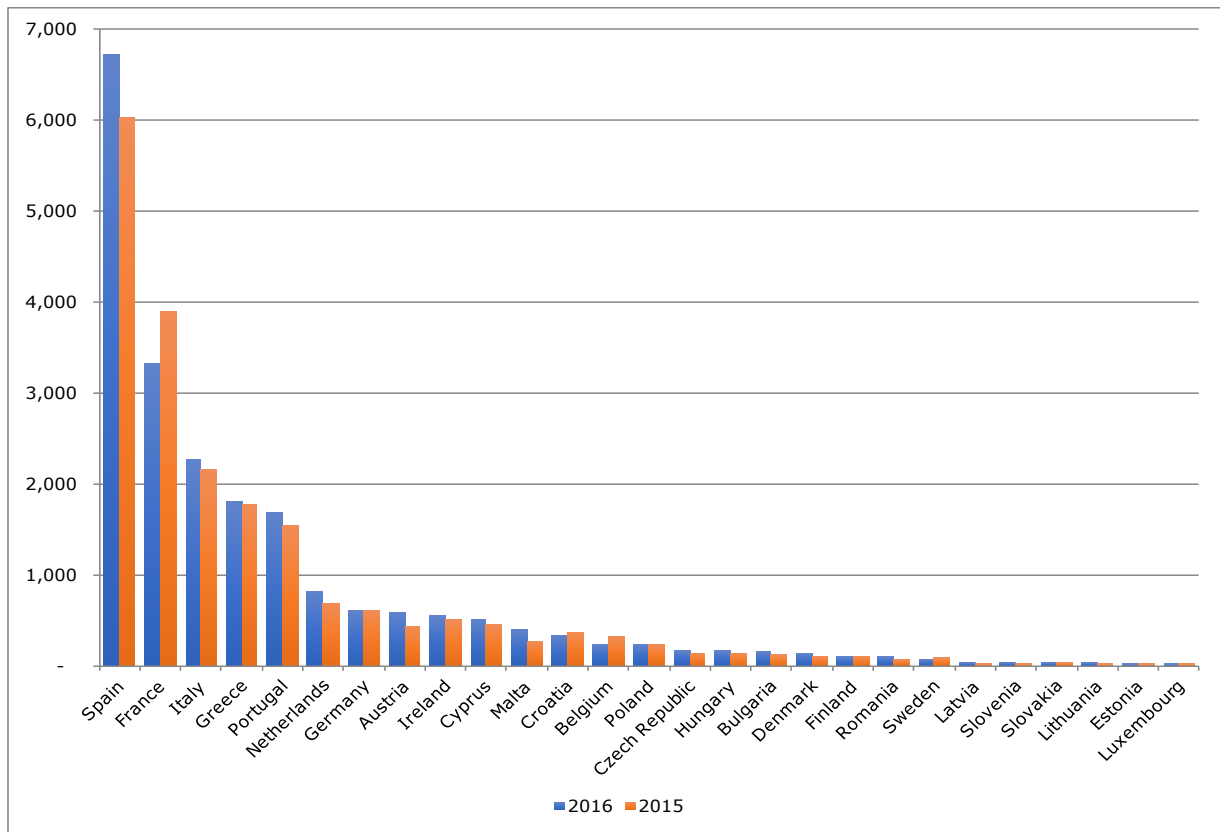
In 2016, visits to the UK by the EU-27 residents for holidays amounted to 8.8 million (-2% compared to 2015) with a global spending of EUR 4.6 billion (-12% over 2015). France and Germany are the first partners of the UK, with around 1.7 and 1.5 million travels respectively, although they decreased compared to 2015, especially for France (-11%). Other important partners like Italy, Spain, the Netherlands and Ireland show figures under 1 million travels per year, although increasing compared to the previous year (please see Figure 28). In relation to spending, the leader is Germany, with a disbursement of EUR 950 million in 2016, less than 7% compared to 2015 (please see Figure 29). France is next (EUR 696 million), followed by Italy (EUR 501 million) and Spain (EUR 500 million).

Figure 26: Holiday visits of UK residents to EU-27 (thousand)



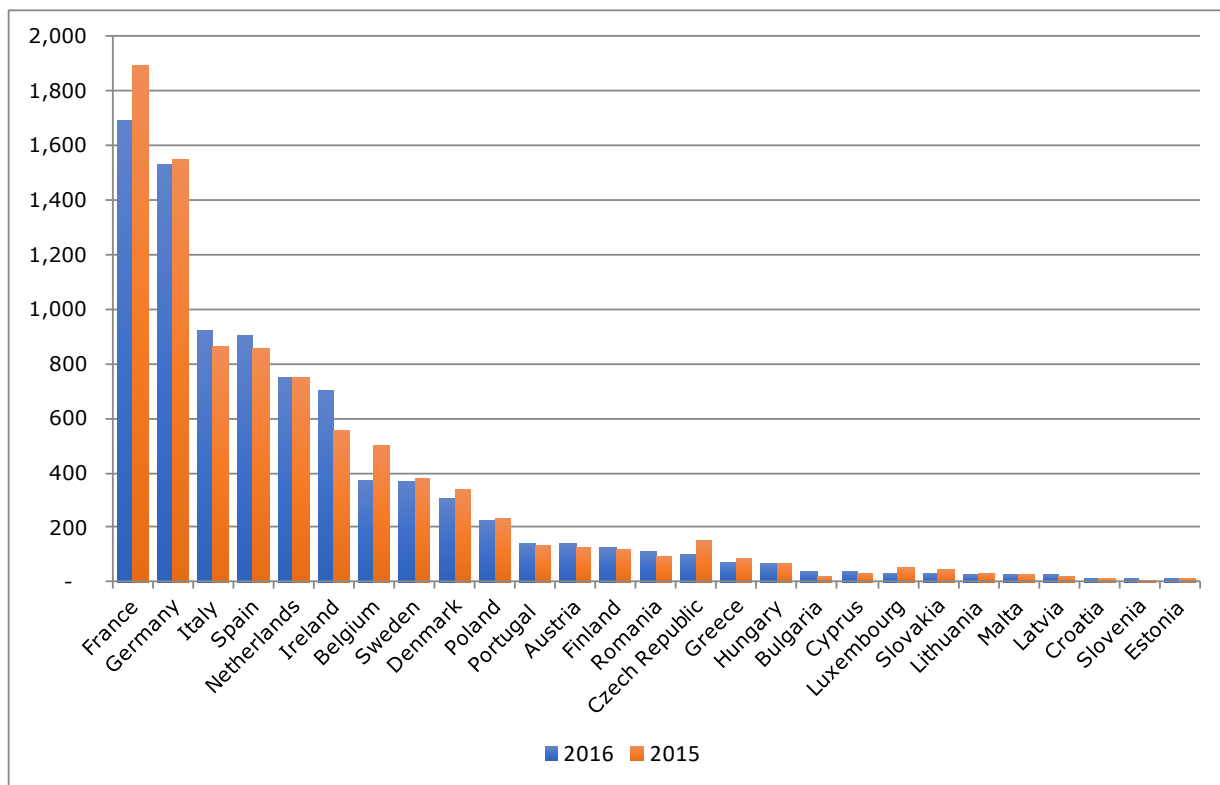
Source: Author’s own elaboration based on UK’s Office of National Statistics (ONS) data (2018)

Figure 27: Spending of UK residents in EU-27 for holidays (EUR million)

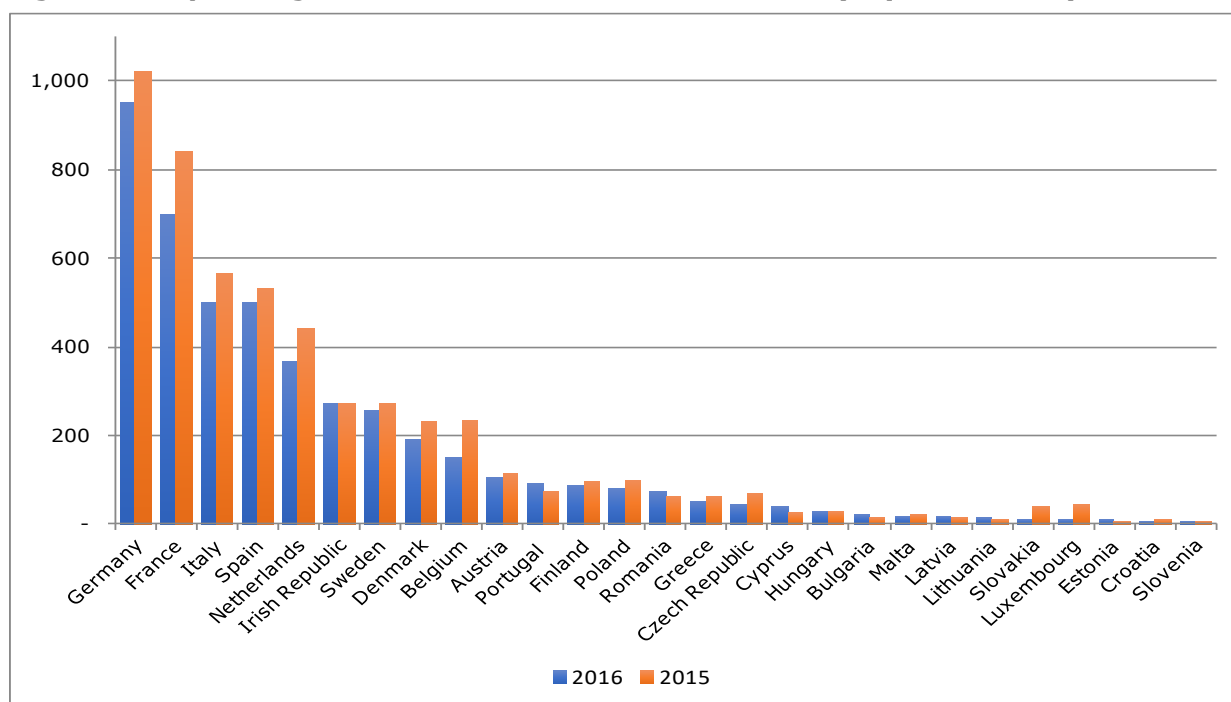


Source: Author's own elaboration based on UK's Office of National Statistics (ONS) data (2018)

Figure 28: Holiday visits of EU-27 residents to UK (thousand)



Source: Author's own elaboration based on UK's Office of National Statistics (ONS) data (2018)

Figure 29: Spending of EU-27 residents in UK for holidays (EUR million)

Source: Author's own elaboration based on UK's Office of National Statistics (ONS) data (2018)

1.2.2. Policies

The role of the EU in the tourism sector is to complement the actions put in place by the MS, by coordinating and supporting their policies and measures, with the general objective of strengthening the impact of the EU's tourism industry on employment and growth, as well as preserving its competitiveness in terms of attractiveness as a destination.

As highlighted by the EC in the Communication 'Europe, the world's No. 1 tourist destination – a new political framework for tourism in Europe', adopted in 2010⁷⁰, the following constitute the main challenges affecting the sector:

- Environmental, political, and social security;
- Safety of food and accommodation;
- Socio-cultural sustainability;
- Economic competitiveness, involving issues such as: regulatory and administrative burdens, seasonality, taxation, insufficient skills of the operators;
- Technological updating;
- Sector competitiveness.

In particular, the aforementioned Communication defines a specific strategy and action plan for the sector and identifies the following priorities:

- Increase of the European tourism competitiveness;
- Promotion of a high quality tourism, contemporarily being sustainable and responsible;
- Reinforcement of the EU as a sustainable and high-quality destination;
- Maximisation of the financial policies for the tourism development.

⁷⁰ [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe.](#)

The initiatives to implement the defined strategy are regularly updated through a dedicated consultation of public and private stakeholders, tourism associations and public authorities.

According to what is envisaged by the Communication, the EC has put in place actions that were able to increase a general tourism demand, strengthening the concept of Europe as a unique destination, and concurrently enrich tourism products and services supplied. At the same time, efforts have been made to enhance the sustainability, accessibility and quality of the services offered. This has implied a strengthening of the sectorial competences and a wider deployment of Information Communication Technology (ICT) tools, needed to increase the competitiveness of the sector.

In order to increase and diversify the touristic offer, several initiatives, hereinafter briefly mentioned, are being implemented by the EC.

- **Coastal and maritime tourism**

The objective is to increase growth and jobs in the tourism sector and in order to achieve it the following communication has been adopted: 'A European Strategy for more Growth and Jobs in Coastal and Maritime Tourism'.

- **Sustainable tourism**

Sustainability is pursued mainly through the EC co-financing of sustainable tourism products, the development of a European Tourism Indicator System (ETIS) - a specific tool to allow the touristic places to monitor their sustainability performance and the promotion of cycling routes and related tourism.

- **Cultural tourism**

The objective is to promote the European cultural heritage and values by promoting touristic transnational routes, the so-called 'cultural routes', through the cooperation with different international organisations. Moreover, the 'Crossroads of Europe conference' is organised on a yearly basis. Finally, the EU funds cultural tourism projects.

- **Accessible tourism**

The accessibility of touristic services for all the categories of citizens is not only pursued to reach social objectives, but also to strengthen the economic performance of the sector.

- **Low season tourism**

The mitigation of the seasonality in tourism is a way to increase growth and boost employment in the sector.

- **European destination of excellence**

The measure consists of a competition to promote emerging destinations and sustainable tourism.

- **Support to tourism business**

The objective is to strengthen a general competitiveness of EU tourism by improving the training skill of workers and the management competences of the entrepreneurs, together with promoting ICT tools in the market.

- **Promoting destination Europe**

Specific communication and promotion activities are undertaken to reinforce the attractiveness of Europe in the international tourism market.

- **International cooperation**

The increase of the attractiveness of EU in the global tourism industry is also supported by the cooperation with non-EU countries and international organisations.

1.2.3. Legislation

The Treaty on the Functioning of the EU (TFEU) refers to tourism in Articles 6 and 195, constituting the legal basis for the EU to legislate in this matter.

More precisely, Article 6 gives the Union competence to carry out actions to support, coordinate or supplement the actions of the MS in tourism.

Article 195 stipulates that the EU shall supplement the action of the MS in tourism, in particular by promoting the competitiveness of EU undertakings in this sector. To that end, EU action shall be aimed at, on the one hand, encouraging the creation of a favourable environment for the development of undertakings in this sector; and, on the other, promoting cooperation between MS, particularly by the exchange of best practices.

The EU has adopted three directives and one regulation with a great impact on tourism that are worth mentioning here.

1.2.3.1. Directive (EU) 2015/2302 of 25 November 2015 on package travel and linked travel arrangements (Package Travel Directive or PTD)⁷¹

MS had to transpose the PTD into national law by 1 January 2018 and it has started to apply as from 1 July 2018. The directive amended the Council Directive (EEC) 90/314 of 13 June 1990 on package travel, package holidays and package tours⁷² so as to address new issues such as the increasing use of the Internet, the rise of low cost carriers or the existence of shared economy operators like Airbnb. As a consequence, the concept of package travel and the liabilities of traders were extended.

This directive applies to three different sorts of travel combinations:

- Pre-arranged packages: ready-made holidays by a tour operator consisting of at least two elements such as transport, accommodation or other services (including car rental, tour activities, etc.);
- Customised packages: a selection of elements for the same holiday and bought from a single business (online or offline);
- Linked travel arrangements or 'LTA', where the person, after having booked one travel service on one website, is redirected to another page via a link.

In terms of consumer protection, the PTD intends to guarantee that:

- Consumers have the right to receive clear information so as to easily understand both their booking and their rights.
- The organiser of a package is liable for errors or mistakes and the consumer is able to claim to the booking point. Likewise, the organiser is required to support customers in certain difficulties related to the holiday travel and a simple redirection to travel insurance has become insufficient.
- Consumers have cancellation rights: the right to cancel any trip or to transfer it to an alternative traveller shall be respected irrespective of the cause by paying a reasonable cancellation fee.
- Free cancellation is ensured in force majeure cases like natural disasters, war etc.

⁷¹ Official Journal of the EU - [OJ L 326, 11.12.2015, pp. 1-33.](#)

⁷² Official Journal of the EU - [OJ L 158, 23.6.1990, pp. 59-64.](#)

- Possible price increases are capped at 8%. Increases above this percentage will allow the consumer to cancel the trip.
- In case of bankruptcy of the organiser, money back guarantee or repatriation must be ensured.

1.2.3.2. Regulation (EC) 261/2004 of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights (Air Passengers Regulation)⁷³

The scope of this Regulation covers; (i) flights within the EU operated either by an EU or a non-EU airline; (ii) flights arriving in the EU from outside the EU and operated by an EU airline and (iii) flights departing from the EU to a non-EU country operated by an EU or a non-EU airline.

It guarantees protection to air passengers in case of denied boarding, cancellation and long delays.

Denied boarding

As for denied boarding, if the passenger is present on time for the check-in with a valid flight reservation and travel documentation and is denied boarding due to overbooking or for operational reasons and does not voluntarily give up the seat, (s)he has a right to compensation on the following terms:

- EUR 250 for a flight up to 1,500 km or less;
- EUR 400 for a flight between 1,500 km and 3,500 km;
- EUR 600 for a flight of more than 3,500 km.

If the air carrier offers re-routing and the final destination is reached within two to four hours, the compensation may be reduced. In this case, the passenger can choose to get the reimbursement, reroute or rebook the travel. In any case the passenger is entitled to receive assistance (e.g. food, drinks, accommodation, and phone calls).

Cancellation

Cancelled flights also give right to the above compensation, reimbursement, re-routing or return, and assistance. Compensation is due if the passenger is informed less than 14 days prior to the scheduled departure date, unless the carrier can prove that it is caused by extraordinary circumstances which could not have been avoided even if all reasonable measures had been taken.

Long delay

If the delay exceeds three hours at final destination, passengers are equally entitled to the above compensation depending on the duration of the delay and the distance of the flight (please see above for denied boarding).

If the air carrier offers re-routing and the final destination is reached within 2, 3 or 4 hours, the compensation may be reduced. Assistance shall also be provided.

⁷³ Official Journal of the EU - [OJ L 46, 17.2.2004, pp. 1-8.](#)

1.2.3.3. Directive 2006/123 of 12 December 2006 on services in the internal market (Services Directive)⁷⁴

Tourism operators such as travel agents are covered by the Directive 2006/123, which determined that national rules restricting the freedom of establishment and the freedom to provide services falling under the directive must be non-discriminatory, proportionate and justified by public interest objectives. To ensure that all new regulatory measures imposed by MS fulfil these conditions and to prevent new barriers, the Directive 2006/123 introduced a procedure whereby MS shall notify the EC of any new or changed regulatory measures affecting services.

1.2.3.4. Directive 2008/122 of 14 January 2009 on the protection of consumers in respect of certain aspects of timeshare, long-term holiday product, resale and exchange contracts (Consumer Protection Directive)⁷⁵

Timeshare refers to any consumer product that enables the use of a place for overnight accommodation, such as an apartment in a holiday resort, for more than one occupational period under a contract that lasts for more than one year.

A 'long-term holiday product' gives the purchaser certain discounts or benefits in respect of accommodation under a contract that lasts for more than one year. A holiday club, for example, may give its members access to reduced price holidays at the resorts that participate in its scheme.

The directive aims at enhancing consumer rights by establishing rules on the information that companies have to provide to their clients. In this sense, a person considering a purchase of a timeshare must be given detailed information in his/her own language and in a standardised form. This includes information on the price, a description of the product, and the exact period and length of stay that the consumer is entitled to. Consumers, in this context, are also granted a right to cancel a contract during a 14-day cooling-off period.

1.3. Postal services

Economy

The Directive (EC) 96/67 of 15 October 1996 on access to the groundhandling market at Community airports⁷⁶ states that postal services are services involving the clearance, sorting, transport and distribution of postal items.

According to the Directive (EC) 97/67 of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service⁷⁷, a postal item is "an item addressed in the final form in which it is to be carried by a postal service provider. In addition to items of correspondence, such items also include books, catalogues, newspapers, periodicals and postal parcels containing merchandise with or without commercial value".

A list of postal products is provided hereinafter, although services included in the definitions of postal services and postal items are different in each country, as each MS can decide how to regulate the matter:

- Items of correspondence;

⁷⁴ Official Journal of the EU - [OJ L 376, 27.12.2006, pp. 36-68.](#)

⁷⁵ Official Journal of the EU - [OJ L 33, 3.2.2009, pp. 10-30.](#)

⁷⁶ Official Journal of the EU - [OJ L 272, 25.10.1996, pp. 36-45.](#)

⁷⁷ Official Journal of the EU - [OJ L 15, 21.1.1998, p. 14-25.](#)

- Printed objects;
- Postal parcel;
- Express services;
- Unaddressed mail.

The postal sector includes both the national operator in charge of the 'universal service' and other competitors. According to Directive (EC) 2008/6 of 20 February 2008 on full accomplishment of the internal market of Community postal services⁷⁸, universal postal services are subject to regulation and specific obligations in terms of prices and quality. In particular, the universal service involves "the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users".

Non-universal postal services, instead, are offered in a competitive market and are subject to less regulatory obligations.

The services included in the universal service differ amongst MS but in all of them, this category includes correspondence (domestic and international both inbound and outbound).

The following segments can be identified in the market:

- Consumer to Consumer (C2C);
- Consumer to Business (C2B);
- Business to Business (B2B);
- Business to Consumer (B2C).

In 2016, the EU postal and courier services contributed EUR 59 billion to the EU-28 Gross Value Added (GVA), a value representing 0.45% of the EU-28 GVA⁷⁹. As shown in Figure 30 below, while the sectorial GVA recovered significantly after a downturn between 2008 and 2011, its contribution to the EU-28 GVA has been decreasing over the subsequent years.

In 2015, the contribution of the UK postal and courier services to the EU-28 GVA was 0.11% (EUR 14.9 billion), with a slight increase over 2008 when the total was 0.10%.

Figure 31 demonstrates that the contribution of the postal activities under the universal service obligation to the EU-28 GVA has been decreasing, dropping from 66% in 2011 (EUR 38 billion) to 59% in 2015 (EUR 36 billion).

Technological development is radically changing the postal industry and the mail market, of which development was strictly linked to the GDP trend in the past. The sector is progressively losing its weight, being substituted by means of electronic communication (e.g. email, electronic invoices, etc.).

Due to the drop of traditional letter volumes, the global postal volume across the European Regulators Group for Postal Services (ERGP)⁸⁰ countries has decreased between 2013 and 2015, with a yearly average of 4.3%. Parcel distribution, however, has been growing continuously in terms of volume over the same period, with an average yearly increase of

⁷⁸ Official Journal of the EU - [OJ L 52, 27.2.2008, pp. 3-20](#).

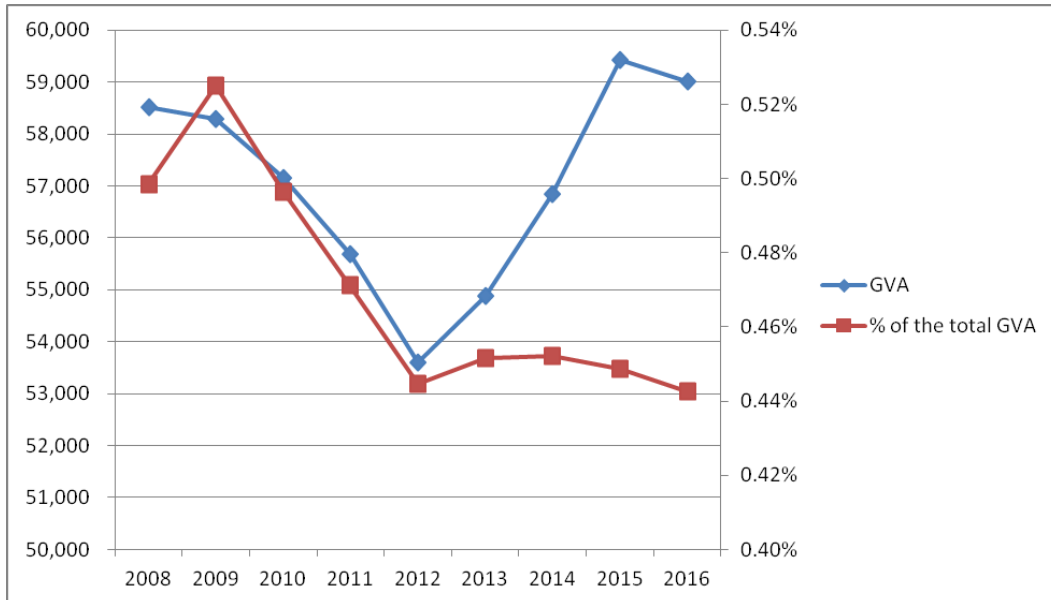
⁷⁹ At current prices.

⁸⁰ The European Regulators Group for Postal Services (ERGP), established on 10 August 2010, provides advice to the European Commission on postal services and promotes the discussion in this field. It also facilitates consultation, coordination and cooperation between EU countries and the Commission.

6.9%. This market segment is stimulated by the e-commerce development and the tendency of the retailers to maximise the 'just in time' delivery, which allows to save the expenses related to the freight storage. In fact, in most of the EU countries the majority of parcels are delivered through 'express' services.

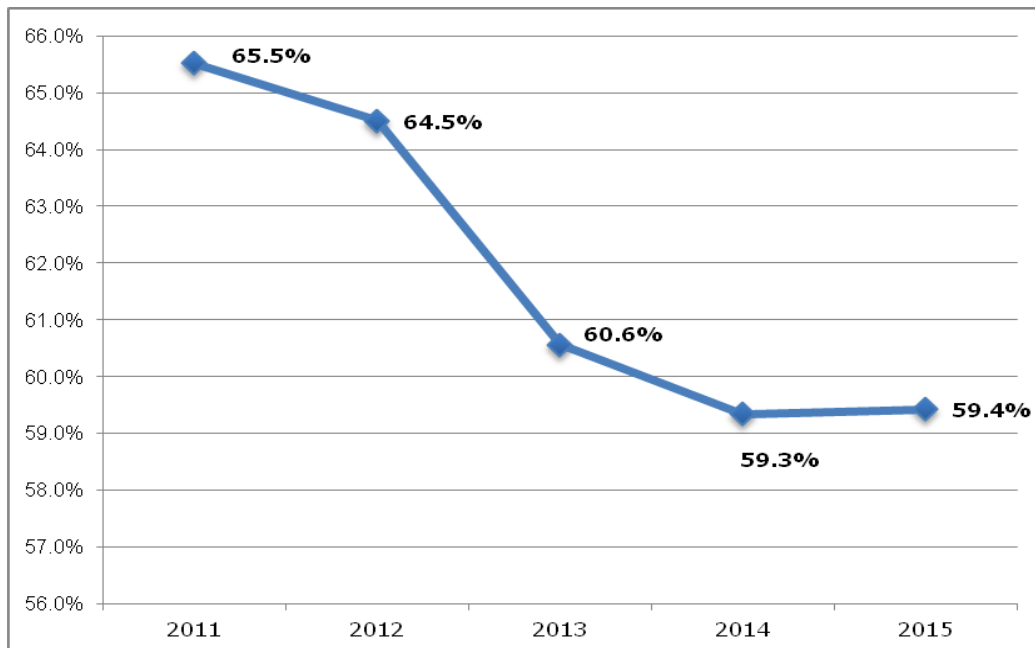
In 2015, the average proportion of parcels in total mail volume was 6.7%, while in 2013, it accounted for 5.2%. Its weight in terms of contribution to the total revenues was 34.8% in 2013 and 37.4% in 2015.

Figure 30: EU-28 postal sector GVA and its contribution to the total GVA (GVA at current prices)



Source: Authors' own elaboration based on EUROSTAT data (2018)

Figure 31: Contribution of the universal services to the value added of postal and courier services in the EU 28 (value added at factor cost)

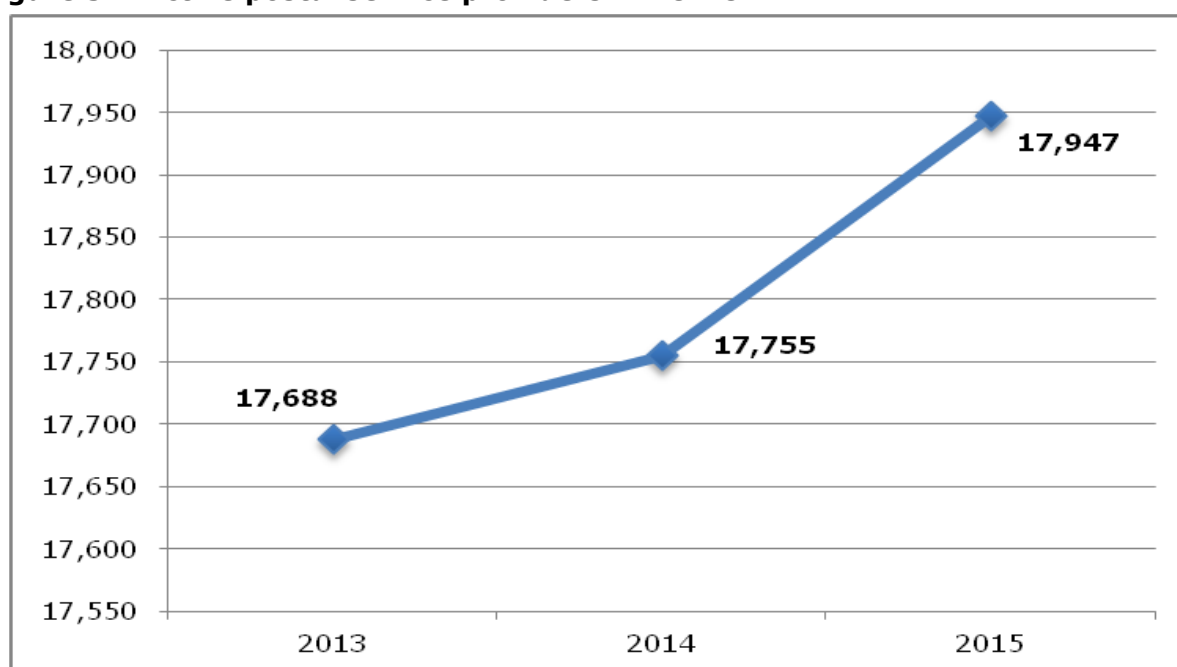


Source: Authors' own elaboration based on EUROSTAT data (2018)

As reported in Figure 32 below, the number of postal and courier services providers in the EU-28 increased by 1.5% between 2013 and 2015, resulting from the entrance of the market by 284 new service providers. Nevertheless, the situation is different from country to country, with some of them experiencing an increase and others a reduction in the number of postal and courier services providers. Over the same period, the UK registered an 18% decrease in the number of operators providing courier and postal services (the number went down from 28 to 23)⁸¹.

The competition in the postal market, although emerging, is still quite limited. In fact, the market shows a high degree of concentration even if that is more in terms of volumes than revenues.

Figure 32: Active postal service providers in EU-28



Source: Author's own elaboration based on European Regulators Group for Postal Services data (2016)

It needs to be stressed that the e-commerce sector in the EU is still quite underdeveloped in terms of cross-border deliveries. In fact, while about 72% and 53% of retail enterprises work in distance sales and e-commerce respectively, only 22% and 18% are also active cross-border. Consequently, the turnover that can be attributed to cross-border activities is just 1% (FTI Consulting, 2011). The overall volume of e-commerce goods presents the following breakdown: domestic shipments (85%), intra-EU cross-border shipments (12%) and extra-EU cross-border shipments (3%).

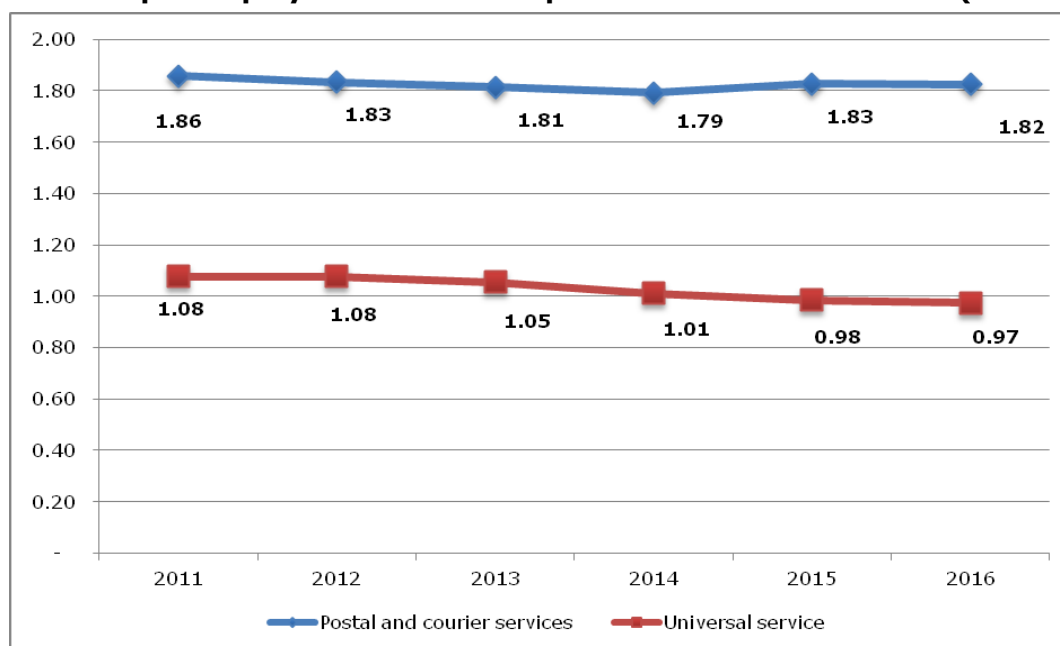
Consequently, national postal operators are mostly active in the domestic market (with deliveries made mainly by road) and their contribution to the cross-border parcel deliveries accounted for 10% of the global packages delivered in the EU in 2011 (Borbon et al., 2015).

It is estimated that the EU postal and courier services sector employed about 1.8 million people in 2016, which was 2% less compared to 2011. The UK share was 14%, with 260,000 employed in the sector. About 53% of those working in the EU postal and courier services sector in EU-28 are employed in postal activities under the universal service obligation (a 9% decrease compared to 2011, please see Figure 33).

⁸¹ European Regulators Group for Postal Services (ERGP), 2017.

This drop has been partially compensated by the trend in the employment of the other postal service providers that, in the ERGP countries, experienced an increase of 29.8% between 2008 and 2015 (ERGP, 2016). In the UK, people employed in universal services account for 62% of the total workforce in the postal sector. This percentage has not changed since 2012.

Figure 33: People employed in the EU-28 postal and courier services (million)



Source: Author's own elaboration based on EUROSTAT data (2018)

Policies

The EU policy in this area aims to complete the single market with a universal service for consumers and enterprises that are of high quality and financially affordable. The improvement of the quality of the sector is pursued by giving particular attention to delivery times and the convenience of the access.

In this respect, fundamental tools comprise the standardisation/harmonisation of technical procedures of the universal postal service and a higher degree of interoperability among the different sectorial operators.

The Technical Committees of the European Committee for Standardization (CEN)⁸², which cooperate with the Universal Postal Union (UPU)⁸³, are in charge of defining the postal services standards, based on the measures adopted at international level. According to the Directive (EC) 96/67 mentioned above, not all of these standards are compulsory and the MS can adopt some of them on a voluntary basis. So far, the CEN received four mandates by the EC, each characterised by specific standards to be defined.

The European Regulators Group for Postal Services (ERGP) is yet another body operating in the sector. It plays the role of advisor for the EC and facilitates the cooperation between the EC and the MS. In particular, the ERGP acts as a link between the EC and National Regulatory Authorities (NRA) for the postal services, whose designation is required by Directive (EC) 96/67.

⁸² The Technical Committees of the European Committee for Standardization (CEN) is an association that brings together the National Standardization Bodies of 34 European countries.

⁸³ The Universal Postal Union (UPU) is a forum for cooperation between postal sector players of 192 countries. It aims at ensuring a universal network of up-to-date products and services.

Legislation

The most relevant European legislation contributing to the functioning of the EU single market in the area of postal services is described below.

1.3.1.1. Directive (EC) 97/67 of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service (Postal Services Directive)⁸⁴

Postal services in the EU are governed by Directive (EC) 97/67, as amended by Directive (EC) 2002/39⁸⁵ and Directive (EC) 2008/6⁸⁶. In general terms, Directive (EC) 97/67 establishes rules on:

- The conditions for the provision of postal services;
- The provision of universal postal services within the EU, their financing, tariff principles, transparency of accounts and quality standards for such services;
- The harmonisation of technical standards; and
- The establishment of independent national regulatory authorities.

Universal postal services refer to the permanent provision of postal services of certain quality at all points of the territory of a Member State at affordable prices for all users. With regard to these services, Directive (EC) 97/67 sets a number of general obligations for MS:

- To ensure that users enjoy the right to a universal service, both at national and cross-border level (Article 3).
- To guarantee that postal parcels within the scope of universal services received from other MS and weighing up to 20kg are delivered within their territory and the minimum and maximum dimensions for postal items are those laid down in the relevant provisions adopted by the UPU (Article 3).
- To notify the EC of the identity of universal service provider/s they designate (Article 4).
- To ensure that universal services follow the requirements set in the Directive (Article 5).
- To ensure that users and postal services providers regularly receive detailed and up-to-date information from universal services providers with regard to their services. The EC shall be notified of how this information is published (Article 6).

Concerning the financing of universal services, the Directive prevents MS from granting or maintaining in force exclusive or special rights for the establishment and provision of postal services (Article 7).

Directive (EC) 97/67 also states that MS may introduce authorisation schemes for both universal postal services and services falling outside the scope of the latter to ensure compliance with essential requirements (Article 9).

Concerning universal postal services, Directive (EC) 97/67 also mandates that (i) MS ensure transparent and non-discriminatory access to elements of postal infrastructure or services provided within its territory (Article 11a); and, (ii) their tariff shall be affordable, cost-oriented, transparent and non-discriminatory (Article 12).

⁸⁴ Official Journal of the EU - [OJ L 15, 21.1.1998, p. 14.](#)

⁸⁵ Official Journal of the EU - [OJ L 176, 5.7.2002, pp. 21-25.](#)

⁸⁶ Official Journal of the EU - [OJ L 052 27.2.2008, p. 3.](#)

According to the Directive, agreements on terminal dues⁸⁷ for intra-EU cross-border mail shall respect that (i) these are fixed in relation to the costs of processing and delivering, (ii) remuneration is related to the quality of the service, and (iii) they are transparent and non-discriminatory (Article 13).

As for universal service providers of MS, they shall keep separate accounts in order to distinguish services and products that are part of universal services from those that are not. The national regulatory authorities shall have available information on the cost accounting systems of universal service provider/s and submit this to the EC upon request. In addition, upon request, accounting information related to these systems shall be provided to the national regulatory authority and the EC (Article 14).

Intra-EU cross-border postal services shall meet the quality standards set out in Annex II of Directive (EC) 97/67 (Article 16). Quality standards laid down by MS for national services shall be compatible with the standards for intra-EU cross-border services. National standards shall be notified to the EC, which will publish them as done for standards for intra-EU cross-border services (Article 17).

Directive (EC) 97/67 also requires the MS to ensure that transparent, simple and inexpensive procedures are put in place by postal service providers for dealing with postal users' complaints. When those complaints are not satisfactorily resolved, the MS shall ensure that consumers can bring the matter before the competent national authority (Article 19).

Postal service providers shall provide all the information to national authorities, including financial information and information concerning the provision of universal services. National authorities shall provide the relevant information, upon request, to the EC (Article 22a).

Directive (EC) 97/67 recognises the vital role standardisation plays in benefitting postal customers, by providing a standardised measurement of quality. It appoints the European Committee for Standardisation (also known as CEN Technical Committee (TC/331))⁸⁸ as competent for the development of the technical standards applicable in the postal sector. The work of the Committee shall take into account harmonisation measures adopted at the international level and in particular at the Universal Postal Union (UPU) (Article 20). Standards adopted by this Committee are published in the Official Journal of the EU. Except for the standards referred to by Directive (EC) 97/67, of which use is mandatory, the Committee also develops a large number of standards of voluntary use. To enhance co-operation between the CEN Technical Committee and the UPU, a Memorandum of Understanding was signed between the two bodies in 2001.

1.3.1.2. Regulation (EU) 2018/644 of 18 April 2018 on cross-border parcel delivery services (Cross-Border Parcel Delivery Regulation)⁸⁹.

Cross-border parcel delivery services in the EU are currently regulated by Regulation 2018/644 that, with the exception of the provision on penalties (Article 8), started to be applicable on 22 May 2018. In general terms, this regulation supplements Directive (EC) 97/67 by establishing rules on: (i) regulatory supervision of parcel delivery services; (ii) tariffs' transparency and assessment of tariffs for certain cross-border parcel delivery services for the purpose of identifying those that are unreasonably high; and (iii) information to consumers by traders with regard to cross-border parcel deliveries.

⁸⁷ Terminal dues refer to the remuneration of universal services providers for the distribution of the incoming cross-border mail comprising postal items from another MS or third countries.

⁸⁸ Technical Committee n. 331 on Postal services.

⁸⁹ Official Journal of the EU - [OJ L 112, 2.5.2018, p.19](#).

More precisely, the Regulation (EU) 2018/644 requires parcel delivery providers to submit to the regulatory authorities of the MS general information about the company (name, legal status, characteristics of their services, general terms and conditions of their services, etc.), as well as the information about the company's turnover for parcel delivery, number of persons working for the company, number of parcels delivered, identification of their subcontractors, and, where available, a publicly accessible price list for parcel delivery services (Article 4).

Moreover, under this regulation, parcel delivery providers are required to submit to the national regulatory authority of the MS, in which they are established, the public list of tariffs for delivery of single-piece postal items, falling within the categories identified in the annex of the regulation. This information is to be passed on to the EC, which will publish it on its website (Article 5).

Moreover, the Regulation (EU) 2018/644 obliges national regulatory authorities to identify the cross-border tariffs of the parcel delivery service provider that originates in that MS and that are subject to universal service obligation and to carry out an assessment so as to detect those tariffs that are unreasonably high (Article 6). This assessment shall be sent to the EC, which will publish a non-confidential version of it on its website.

Finally, MS are required to lay down rules on the penalties applicable to infringements of Regulation (EU) 2018/644 (Article 8).

1.3.1.3. Other relevant legislation

In addition, the EU Value Added Tax (VAT) and customs rules should also be considered in the context of postal services. Regarding VAT, this tax is governed at the EU level by Directive (EC) 2006/112 of 28 November 2006 on the common system of value added tax⁹⁰.

In the field of customs, the essential piece of legislation is Regulation (EU) 952/2013 of 9 October 2013 laying down the Union Customs Code⁹¹ ('the Union Customs Code' or 'the UCC') and Commission Delegated Regulation 2015/2446 of 28 July 2015 supplementing Regulation (EU) No 952/2013 as regards detailed rules concerning certain provisions of the Union Customs Code ('the UCC Delegated Act')⁹².

⁹⁰ Official Journal of the EU - [OJ L 347, 11.12.2006, pp. 1-118](#).

⁹¹ Official Journal of the EU - [OJ L 269, 10.10.2013, pp. 1-101](#).

⁹² Official Journal of the EU - [OJ L 343, 29.12.2015, pp. 1-557](#).

2. NO-DEAL SCENARIO – SOCIO-ECONOMIC IMPACT

KEY FINDINGS

- The **no-deal scenario would cause an economic cost for both the UK and the EU-27**, due to the high degree of integration of the economies and the relevance of trade.
- Nevertheless, the cost for the EU-27 as a whole would be lower and not proportionate to the cost borne by the UK, considering the dimension of its economy and the stronger market power of the EU enterprises.
- Some studies on the subject indicate that up to 2030, the **average cumulative losses could correspond to 0.44% of GDP for the EU-27 and 4.2% for the UK** in a pessimistic scenario.
- Due to the different degree of economic integration, the **global impact of a no-deal Brexit would be differentiated among the MS**.
- In the **freight transport** sector, a no-deal would generate tariff and non-tariff costs resulting in a general reduction of the volumes traded.
- **Passengers transport** and **tourism** would be negatively and substantially affected by the general reduction of the ease of travel.
- A significant socio-economic impact is expected in the aviation sector, due to its relevance to European transport and its regulatory complexity. Furthermore, unlike other sectors, the rules of the World Trade Organization (WTO) do not apply to the aviation sector.
- The impact on the **postal sector** is expected to be more limited compared to the other two sectors (mainly driven by the changes affecting the cross-border parcel delivery).

The following Sections synthesise the main expected impacts for the different economic sectors covered by the study from a socio-economic perspective. More detailed and practical information is provided in Chapters 4-10 related to 'Practical consequences'.

The impact estimation is limited by the uncertainty about the future orientation of the UK post-Brexit and its policies in the areas relevant for the scope of this study. In the absence of certain contrary evidence, it is assumed that what would occur in the EU-27 in relation to the UK (e.g. no recognition of licenses) would be simply reciprocated. Different assumptions would fall outside the no-deal scenario.

In general, several studies show that the no-deal Brexit scenario would cause an **economic cost for both sides** (please see Belke et al. (2017) for an extensive literature review) due to the integration of the economies and the relevance of trade, as described in Chapter 1, which will be no longer smooth but will bear several inefficiencies related to the disruptive change of the rules governing the single market.

The cost for the EU-27 as a whole would be lower and not proportionate to the cost borne by the UK anyway, considering the dimension of its economy and the stronger market power of the EU enterprises. In particular, according to Belke et al. (2017), for the EU-27 the average cumulative losses up to 2030 would correspond to 0.08% and 0.44% of GDP respectively for optimistic and pessimistic Brexit scenarios; i.e. an annual average decrease of GDP between

0.008% and 0.044%. According to OECD (2016): "the GDP of the reduced EU [...] would fall by close to 1% by 2020".

It can be assumed that the no-deal scenario is included among the most pessimistic, due to the huge economic inefficiencies generated,

On the other hand, the economic impact for the UK is expected to be in the range of 1.31% and 4.21% of GDP, or in annual terms, between 0.13 and 0.41% (Belke et al. (2017)).

Nevertheless, the literature indicates that a much more negative impact can be expected when taking into consideration the long-term benefits of the single market membership, due to the so-called dynamics effects, including, first of all, productivity growth and the **innovation pattern** (please see for example Dhingra et al. (2016), Rojas-Romagosa (2016), Feyrer (2009), Melis and Trefler (2012)). For the UK, the benefits of international agreements with third countries signed through the EU also need to be considered. In the absence of such agreements, the UK's GDP drop would be higher than 10% (OECD, 2016).

It can also be assumed that industries with the highest integration into the European value chain, will sustain the hardest impact. These industries include primarily chemicals, mechanical engineering and automotive sectors.

The analysis of the most recent Eurostat data (Romei, 2018), including forecasts based on the trend observed during the last few years, show the following potential impacts, related to Brexit in general and attributable to the no-deal scenario:

- The EU-27 would lose wealth and labour productivity compared to the EU-28, due to the weight of the UK GDP and its outperformance of productivity in comparison with the most of other MS;
- The EU-27 economy would become smaller than the economy of the USA without the significant contribution of the UK GDP;
- The EU labour market would be weaker (i.e. employ relatively less people) as the UK showed significantly better performances, especially in terms of unemployment;
- The rate of the EU-27 economic growth would be higher compared to the current composition, as the UK contribution during the last few year was diminishing and then negatively affecting the European average;
- The EU-27 rate of savings would be higher than the present one as UK citizens spend a larger proportion of their earnings compared to the European average;
- The EU-27 average budget balance, as percentage of the GDP, would improve as the UK public debt has been increasing since 2009.

In terms of rearrangement of the EU-27 budget, in the no-deal scenario, the net loss resulting from the lack of UK's contribution, which in 2016 amounted to EUR 9.6 billion (difference between contribution and expenses) would most likely have to be absorbed by the remaining MS⁹³. Nevertheless, this impact might be to some extent compensated by tariff revenues as well as by contributions to commitments assumed by the UK during its membership of the EU (among others, please see Ferrer, J., and Rinaldi, D. (2016) and Felbermayr G. et al (2017)).

⁹³ On the basis of the mechanism of contribution to the EU budget, requiring a contribution proportionate to GDP, countries like Germany and France might support most of the rearrangement.

The withdrawal of the UK is not expected to affect the European Fund for Strategic Investments (EFSI) which is 'market – based', so less influenced by the membership. Moreover, according to the Conference of Peripheral Maritime Regions of Europe (CPMR), a limited impact is expected in the geography of the convergence regions, with minor changes for Italy, France, Spain and Bulgaria, where some regions would pass from 'Transition' to 'More developed' or from 'Low developed' to 'Transition'.

The different degree of economic integration of MS will result in a differentiation of the no-deal Brexit impact on the EU-27. A detailed analysis is presented in Chapter 11.

A no-deal Brexit would further reduce the mobility of people, undermine the expectations of EU citizens' willingness to build their future in the UK and vice versa. This would prejudice not only economic but also social cross-fertilisation in terms of open-mindedness, the importance of which as an asset should never be underestimated.

2.1. Transport

Due to the vast and articulated common legislative framework with the UK, the consequences of 'no-deal' would affect every aspect of businesses and consumers in the EU-27 transport sector. The impacts would differentiate among the EU-27 MS, depending on the degree of economic integration, involving all the sectors covered by this study.

As observed in the previous Chapter, the socio-economic impacts are expected to be huge in the aviation, maritime and road sectors due to their importance for the economy. At the same time, those impacts would rather be limited in the railway sector (both for freight and passenger traffic).

The spectrum of the potential consequences is wide and embraces the different areas of:

- Freight transport;
- Passengers mobility;
- Safety and interoperability;
- Business strategy; and
- Innovation (trade-led).

The main consequences of a no-deal scenario in trade is that in the absence of any agreement, the rules of the World Trade Organization (WTO) would apply, with significant impact, due to the current relevance of the trade between the UK and the EU-27, as described in the previous Sections.

Under the WTO, according to the principle of non-discrimination, members are obliged not to treat any WTO member less advantageously than any other. Therefore, in the absence of trade agreements, the EU cannot apply on the UK tariffs higher than those applied to other WTO members and vice versa. In fact, the reciprocal tariffs applied between the EU and the UK would be identical to those applied to the 'most-favoured nation' that does not benefit from specific agreements.

2.1.1. Transport costs

In particular, a no-deal Brexit would generate **tariff and non-tariff costs** resulting in a raise of freight transport costs, both in monetary terms and in terms of time. This in turn would lead to a general reduction of the volumes traded between the two sides and consequently, to a decrease of the EU-27 GDP.

The tariff costs stem from the imposition of tariffs on imports and exports from/to the EU-27, while the non-tariff costs are generated by all the cumbersome administrative procedures required for goods and people crossing the borders (e.g. clearance documentation, customs checks, phytosanitary and sanitary controls), as well as by different procedures related to safety and interoperability (e.g. due to the expiry of certifications, licenses for vehicles and personnel, etc).

Concerning the tariff costs, as estimated by the Bank of Italy (Italian Parliament, 2017), assuming that the EU-27 and the UK will apply to each other the same tariff they impose to third countries (until the UK sets up its own system), tariffs for the EU-27 exports would increase yearly costs by about EUR 16 billion, while those for the import from the UK would grow by about EUR 6 billion. Due to the specific sectorial structure, the average incidence on the value would be greater for the EU-27 exports (5.2%) than for the UK (3.9%). This explains by the fact that the automotive industry, which is subject to the relatively high tariffs, constitutes the highest contributor to the EU-27.

It is estimated, for example, that number of customs declarations at the port of Dover would increase from 55 million to over 255 million per year (House of Lords, 2017). At the same time, as reported by the UK port chiefs, a two-minute delay in Dover would lead to a 27-km queue of lorries on the M20 motorway in the UK (O'Carroll, 2018b). The main problem would be constituted by the clearance documentation required for the consignees from third countries, which will be required to fill 34 more data fields than it is necessary in the current system (84 in total). The services in the port of Dover might even collapse immediately after Brexit comes into force (Stewart, 2018). Analogously, a disruptive impact is expected in the Eurotunnel with the risk of its closure for several years (Pinnington, 2017). A relevant consequence of such a situation might be the reduction of the frequency in the transport services offered by the companies.

Tariff costs could be transposed into the cost of the services provided by the transport operators, the scale of which will depend on the degree of competition in individual case.

The same is expected for passenger transport, where cross-border trips would be affected by less smooth administrative procedures (passenger controls, vehicle authorisation). This would imply both non-monetary costs (time loss, stress, less comfort) and monetary costs with the latter borne more by the service provider or the final consumer, depending on market power.

A temporary increase of transport costs within the EU-27 due to a reduced degree of competition or to the reduced competitiveness of the UK companies (assuming no public subsidies) cannot be excluded either.

2.1.2. The case of the aviation sector

A specific disruptive socio-economic impact of a no-deal scenario is expected in the aviation sector, due to its significance for European transport and its complexity implying several regulations 'land-side' and 'air-side'. Furthermore, unlike other sectors, the WTO rules that the UK would revert to do not apply to the aviation sector. Consequently, there might be a legal vacuum that may cause the suspension of all activities between the EU-27 and the UK.

The air sector is well developed in the UK, with London Heathrow being the busiest airport on the European continent for traffic flow (75 million passengers carried in 2015), and the EU-27 countries (as an origin or destination) account for 68% of passenger movement in the UK airport system. Furthermore, two airline groups with headquarters in the UK (namely

International Airlines Group (IAG) and easyJet) are in the top 10 companies for passengers carried on the European continent.

Therefore, the no-deal scenario would have a substantial socio-economic impact on the EU-27, in consideration of the wide ancillary businesses linked to the air transport. In fact, the loss of relevant market share for air carriers would imply a reduction of revenues for the airports and related commercial operators, as well as for transport operators (e.g. local public transportation, taxi etc.), with the risk of negative effects on employment on both sides of the Channel.

Moreover, while a business restructuring is expected for all the transport modes, it would be fundamental for the airline industry, which seems to suffer much more compared to other industry sectors; in fact, just after the announcement of Brexit, an immediate financial repercussion occurred in the form of an average 25% reduction on share prices of EU airlines (for UK airlines, there was an average reduction of 33%).

In this context, a strategic decision to be made by 'Airbus' is particularly significant. The Airbus company, in fact, is considering the possibility to move its aircraft parts-producing factories located in the UK in order to avoid the disruption of its supply chain and remain competitive, as the manufacturing takes place in different plants in the EU. Meanwhile, the future of the rail sector will rely on the decisions related to the Eurostar services and Eurotunnel.

2.1.3. Passenger's rights

Moreover, the issue of the passenger's rights is relevant in the context of no-deal Brexit, including those of the categories of more vulnerable users (e.g. disabled and impaired people), in the use of transport services and infrastructure. While in the EU-27 territory, there will not be any prejudice caused by a no-deal scenario, for travels between the EU-27 and the UK passenger's rights will be ensured whenever an EU carrier will be used. Moreover, on the basis of several Government statements, the future UK legislation should aim at preserving the current level of passenger protection.

2.1.4. Interoperability and safety

In the mid-long term, the existence of incompatible standards in the transport industry in the EU-27 and the UK (currently ensured by the common legislative framework and the membership in the regulatory agencies) might induce negative consequences in terms of interoperability (technical compatibility, especially in relation to the trans-European transport network - TEN-T). A future divergence of the interoperability standards in the EU-27 and the UK would imply a less smooth and more expensive deployment of transport services. The issue of interoperability is particularly significant in the railway sector, where several standards are defined for infrastructure, rolling stock, signalling, and other rail sub-systems (e.g. standards for gauge widths, electrification system, etc). The interoperability standards are defined in the Technical Specifications for Interoperability (TSI), released by the European Railway Agency (ERA), adopted by Regulation (EU) 1300/2014.

Nevertheless, as declared by the Rail Delivery Group (2017b): "The rail industry in Britain is committed to working closely with our Government to develop plans for the UK leaving the EU. We want these plans to support the implementation of the Fourth Railway Package and our continued commitment to a Single European Rail Area, promoting benefits for passengers and freight customers across the EU.

Transport safety is considered by both parties as one of the less negotiable issues in the Brexit process, so a negative impact in this field seems to be unlikely.

In aviation, common safety standards are developed by the European Aviation Safety Agency (EASA). As declared by the UK Civil Aviation Authority (CAA), the UK is interested in maintaining its EASA membership (Pickard, 2017). Moreover, after Brexit, the UK will still be a member of the international Civil Aviation Organization (ICAO), which cooperates with EASA on a wide range of activities, including safety. In the rail sector, as previously reported, the industry aims at supporting the implementation of the Fourth Railway Package, which also covers safety aspects. In the maritime sector, the EU action in maritime safety is overseen by the International Maritime Organization (IMO), of which the UK is a member. Therefore, UK shipping post-Brexit will still apply a harmonised IMO/EU regulatory framework. In the road sector, the scope of regulated operations is vast, including passenger and freight transport, international and national, long and short distance; at the moment, there are no signals for a radical change of such regulations by the UK after Brexit.

2.1.5. Labour market

Significant repercussions are expected for the personnel of the transport sector, as professional qualifications, certificates and licences, as well as rights of residence, will no longer be mutually recognised by the EU-27 and the UK. This might imply significant changes in the labour market, due to the changed competitiveness of the workers on both sides.

2.1.6. Policy goals

It is not expected that a no-deal Brexit scenario will affect the policy goals pursued by the EU-27, as the no-deal scenario would simply imply a redefinition of the policy perimeter. Nevertheless, this would also imply that the reduced EU budget caused by the UK's withdrawal is compensated by additional financial efforts by MS and/or cost streamlining.

2.1.7. Competition and innovation

In terms of competition, it might be the case that the EU-27 market will have to interact with the UK market with less stringent constraints for monopolistic or oligopolistic practices. This might happen especially in the railway sector, where the European policy pursues the separation of rail infrastructure and rail operations, in order to foster a non-discriminatory access to the network (Directive (EU) 2012/34 of 21 November 2012 establishing a single European railway area)⁹⁴.

Therefore, should the UK decide to abandon this principle and foster an integrated system where the same company owns the railway infrastructure and manages the railway service, there might be an asymmetric condition where the EU-27 operators would not be able to access the UK market while the UK operator, duly registered, would have such an opportunity in the EU-27. Nevertheless, a decrease of competition is expected to be unlikely considering the historical competitive nature of the UK market.

2.1.8. Business geography

As reported at the beginning of this Chapter, the no-deal Brexit scenario means an undesired outcome where both parties will be worse off and no benefits are expected in the international transport arena.

Within such a framework, some market restructuring will certainly occur and some benefits might stem in the short period from the new order for some operators. In particular, operators mainly active in the EU-27, and in competition with UK companies, might benefit in the short-term from a reduced degree of competition. Nevertheless, it cannot be ignored that some UK companies may decide to establish branches or offices in the EU-27 territory

⁹⁴ [Official Journal of the EU - OJ L 343, 14.12.2012, pp. 32-77.](#)

to continue their presence in the EU, thus representing a competitor, within a redesigned business geography. In this case, there would be direct and indirect benefits for those countries where the UK companies decide to relocate. In the EU-27, the countries that will prove to be the most attractive will have the opportunity to compensate the disadvantages of a no-deal scenario and eventually increase their economic growth. Nevertheless, it cannot be excluded that relocation decisions will focus on the countries outside the EU-27, whenever they could offer specific advantages (e.g. lower wages).

In the case the European principles are reciprocated, decisions to re-locate to the UK by European companies cannot be excluded, especially in the medium-long term.

2.1.9. Transition period

A transition period, would leave the status quo unchanged for a certain period and would give the stakeholders more time to adapt their business to the new post - Brexit situation and eventually foster the signature of future agreements, with the final result of mitigating the traits of a no-deal scenario reducing its uncertainties and related costs. Such consideration is common to all sectors. Nevertheless, the no-deal scenario it is not compatible with a transition period. In fact, as indicated in the EC Communication of 30 March 2019: "In the absence of an agreement on a withdrawal agreement, or if the Withdrawal Agreement is not ratified in time by both parties, there will be no transition period" (European Commission 2018).

Chapters 4-8 discuss the main consequences for each transport mode, focusing on the impacts the most likely to be generated according to the current legislation and without specific information about any future regulation/countermeasures by the UK.

2.2. Tourism

Due to the strong link with the transport sector, tourism would analogously suffer from a no-deal Brexit scenario, as the positive conditions for travelling or **freedom of movement** would cease to exist between the EU-27 and the UK. The lack of common framework of regulations, rules and directives is expected to generate effects which will significantly hurt the dynamic of the tourism sector, including:

- A reduction of the offer in the transport services;
- An increase of the cost of the transport services;
- An introduction of a stricter 'border approach' with new controls and procedures (visa, identity controls);
- A provision of less advantageous ancillary conditions.

All these conditions will affect the travel experience and then the choice of a destination. Concerning the stricter border approach, it is worth to note, for example, that the UK Tourism Alliance⁹⁵ considers the improvement of the visa offering a fundamental element to regain the volumes of outbound travels from BRIC countries that have halved over the last 10 years. Among the main ancillary conditions one should name primarily:

- The European Health Insurance Card – it allows all the EU residents to access local health services on the same terms as those available to local residents;
- The roaming fees – no additional phone roaming fees are applied to travellers from MS on the territory of the EU;

⁹⁵ Written evidence submitted by the Tourism Alliance (IOB0037) to the UK Parliament.

- The consumer protection – protection in case of insolvency or failure to deliver contracted services when booking travel arrangements within the EU;
- Passenger rights – they apply to all modes of transport (e.g. compensation in cases of denied boarding or significant delays in air travels).

The expected changes in the tourism sector caused by the no-deal Brexit scenario would certainly negatively impact the relative reciprocal appeal of the UK and the EU-27. Moreover, UK residents' travel might also be affected to different extents by the weaker pound compared to the euro, which seems to be the most likely scenario so far.

In general, due to the significance of the UK tourism expenditures in the EU-27 countries, a negative impact on the GDPs of those MS with more intense tourism relations is expected and, consequently, a potential increase of the sectorial unemployment.

In this context, there would be a specific social impact to take into consideration regarding the composition of the labour market. In fact, as observed in Section 1.2.1, people employed in the EU tourism sector are mostly women, young people and migrants. This means that higher unemployment in the sector would hurt these categories of citizens that are considered, for various reasons, more vulnerable than the others, and it would have a negative impact on the economic equality of society in the EU. Moreover, the unemployment would also hurt the EU-27 skilled workers who currently constitute the backbone of the UK's tourism industry, contributing to the capacity of the sector to provide world-class service.

2.3. Postal services

The impact in the postal sector will be mainly driven by the changes affecting cross-border parcel delivery, therefore firstly the e-commerce, which experiences a general growing trend, as described in Chapter 1. Moreover, e-commerce is fairly well developed in the UK (it can be noted that nine of the top 15 UK companies sell on-line).

Nevertheless, cross-border deliveries still play a minor role in the relationship between the UK and the EU-27 and consequently the socio-economic impact is expected to be more limited compared to the other sectors, both in terms of the EU-27 GDP and its employment.

In the no-deal Brexit scenario, large customs clearance charges are likely to be applied and this might imply a cost increase for the customers both in the UK and the EU-27, in the absence of any strategy by the e-retailers to avoid the higher cost of delivery. In particular, the cost increase could be tackled through the use of delivery companies able to offer a flexible shipment consolidation. Notably, such companies could bring together shipments otherwise too small (and too expensive) to constitute a single load to be delivered. Moreover, although this is less likely to happen, the post-Brexit UK would no longer have to guarantee the delivery of postal parcels from the EU-27 with a weight up to 20 kg within its territory.

In practice, the future cross-border postal service quality standards between the EU-27 and the UK will be determined by the regulations that the UK Government will adopt. While the UK's final decisions in this field cannot be predicted at the moment, it appears quite unlikely that the current standards applicable in the UK will worsen.

The harmonisation of cross-border deliveries within the EU territory is the main goal of the EU policy in the postal sector and it is not expected to be negatively affected by the no-deal Brexit scenario.

3. LEGAL AND TRADE REGULATION ISSUES

KEY FINDINGS

- In the **transport** sector, the existing EU legislation would not require major amendments to adapt to a new post-Brexit reality as, in general, the EU transport legislation does not make specific reference to the UK.
- From the moment of its withdrawal, the UK would no longer be bound by existing agreements entered in (solely) by the EU (and not by its MS) with third countries; **from the EU perspective, a no-deal scenario would a priori not entail any direct implications**. A more complex situation arises with regard to the so-called **mixed agreements** which are international agreements concluded by the EU, its MS, and third countries.
- In general terms, the withdrawal of the UK from the EU will not affect the validity of any directive or regulation vis-à-vis the EU-27 in the **tourism** sector.
- In the **postal sector**, in principle, no existing EU legislation seems to require immediate action to ensure certainty in the EU-27.

This Chapter analyses the implication of the no-deal scenario on the EU legislation and international agreements to which the EU and/or its MS are a party.

3.1. Transport

The impact of a no-deal Brexit scenario might be different for directives and regulations. Since directives need transposition into the national law of MS, the UK legislation put in place to transpose a directive would not be automatically revoked. It would be for the UK to decide either to leave its own legal instruments having transposed EU legislation in place or to change them.

EU regulations, on their part, are directly applicable in MS, but, as of Brexit, this will no longer be the case for the UK, unless the UK decides to convert some of the rules enshrined in EU regulations into national laws, in order to ensure that the current status quo remains.

A priori, without prejudice to reaching a potential agreement with the UK, from the EU side, **the existing EU legislation on the sector would not require major amendments to adapt to a** new post-Brexit reality.

Subject to any transitional arrangement that may be contained in a possible agreement, as of the withdrawal date, **the EU rules applicable to MS in the field of transport will no longer apply to the UK**. In general, the EU transport legislation does not make specific reference to the UK, so no concrete modifications in this sense seem to be needed. In some cases, EU legislation provides for certain rules on the relations between MS and third countries. In a no-deal Brexit, rules foreseen under EU legislation regarding third countries or third country operators will start to be applicable to the UK.

From the moment of its withdrawal, the UK would no longer be bound by existing agreements entered into (solely) by the EU (and not by its MS) with third countries (European Commission, 2018c), such as the Air Transport Agreement with Switzerland⁹⁶, or with

⁹⁶ Official Journal of the EU - [OJ L 114, 30.4.2002, pp. 73](#).

international organisations⁹⁷. In such cases, from the EU perspective, a no-deal scenario would *a priori* not entail any direct implications save perhaps the need to notify the third parties concerned of the change in the territorial scope of the EU (Ramses, 2017).

Although, if no action is taken, the EU-27 would in principle continue to have the rights and obligations contained in this type of agreement, it should not be excluded that third countries with which agreements have been concluded may want to re-negotiate them. For example, third countries may want to compensate the fact that the agreement no longer gives them access to the UK market (the size of which is significant) by gaining better access to the remaining EU-27 single market.

A more complex situation arises with regard to the so-called mixed agreements (please see European Parliament, 2018) i.e. agreements signed by (i) a third country or international organisation, (ii) all the MS and (iii) the EU. The EC in its 'Notice to Stakeholders' on the withdrawal of the United Kingdom and EU rules in the field of air transport (European Commission 2018c) has stated that the agreements signed by the EU and its MS jointly will also cease to apply to the UK after Brexit and cites as example the case of the Air Transport Agreement with the USA⁹⁸.

This conclusion may be explained by different reasons. First, the agreement in question is structured as a bilateral (and not multilateral) agreement between the USA on the one hand, and the EU and all the MS (parties to the TEU) on the other⁹⁹. Second, the definition of territory for the EU and its MS refers to "the land areas (mainland and islands), internal waters and territorial sea in which the Treaty establishing the European Community is applied"¹⁰⁰. Since the UK would no longer be a Member State or a party to the EU treaties after Brexit, there may be strong arguments against application of the agreement to the UK after its withdrawal from the EU.

However, for the sake of ensuring legal certainty, the UK may find it necessary to repeal the UK Act whereby such an agreement was ratified or to terminate it by following the clauses foreseen for that purpose in the agreement itself.

Overall, given the fact that there are different types of mixed agreements, a case-by-case analysis of each of them would be necessary in case the UK or the third party concerned intended to argue for continuity of the application of the agreement to the UK after Brexit.

3.2. Tourism

As referred to in Section 3.1, the impact of a no-deal Brexit scenario might be different for directives and regulations. Whereas EU regulations would cease being applicable to the UK after a hard Brexit, it would be up to the UK to decide whether national rules adopted to transpose EU directives are kept as they stand now or, by contrast, if they are subject to amendments.

On 27 February 2018, the EC released a 'Notice to Stakeholders' on the withdrawal of the UK and the EU rules on consumer protection and passenger rights (European Commission 2018h) where the impact of Brexit on these areas of interest is addressed:

⁹⁷ By way of illustration, other cases in which the EU signed an agreement in the field of transport on behalf of its MS (and not jointly with them) are the Interbus Agreement or the Agreement between the European Community and the Swiss Confederation on the Carriage of Goods and Passengers by Rail and Road.

⁹⁸ Official Journal of the EU - [OJ L 134, 25.5.2007, p. 4.](#)

⁹⁹ Please see Preamble of Air Transport Agreement with the USA.

¹⁰⁰ Article 1(9) Air Transport Agreement with the USA.

- **Directive (EU) 2015/2302 (Package Travel Directive)**

As indicated in Section 1.2.3.1, this Directive requires package travel organisers to provide securities for refund and for repatriation of the traveller in case of insolvency of the organiser (Article 17). However, as the Notice highlights, where a third country organiser does not offer travel packages to EU consumers and does not direct its selling activities to the EU (passive sales), the obligation regarding mandatory insolvency protection does not apply to them.

Therefore, as of the withdrawal date, EU insolvency protection will no longer apply to insolvencies of UK travel organisers.

- **Regulation 261/2004 (Air Passengers Regulation)**

The Notice explains that, as of the withdrawal date, Regulation 261/2004 will no longer apply to passengers departing from a UK airport to an EU airport, unless the air carrier operating the flight at issue is an EU carrier.

In other words, the EU air passenger rights will continue to apply to passengers leaving the UK for an airport situated in the territory of the EU-27 with an EU carrier. For instance, a flight operated by Air France, from London to Paris. However, these rights will not apply to flights departing from the UK to the EU-27 with non-Union carriers; e.g. a flight operated by easyJet from Manchester to Hamburg.

The impact of a no-deal Brexit on Regulation 261/2004 will be limited but the UK Government will have to decide on whether they legislate to cover the loophole for passengers departing from the UK to the EU-27 and flying with non-EU airlines.

- **Modifications to legislation**

From the EU perspective, the withdrawal of the UK will not affect the validity of any directive or regulation vis-à-vis the EU-27.

From the UK perspective, the provisions of these the directives mentioned in Section 1.2.3 (i.e. the Package Travel Directive, the Service Directive and the Consumer Protection Directive) will still be part of UK internal law after Brexit, as they will not be revoked automatically.

- **International agreements**

Regarding tourism, no major international agreements have been identified in the specific field.

Overall, it is recommended that the EU (or, as the case may be, its MS collectively or individually) strive to achieve a series of agreements with the UK so as to ensure the continuity of the seamless flow of tourism between the EU-27 and the UK and, especially, to limit the impact of a hard Brexit on EU citizens travelling to the UK. By way of illustration, crucial areas in this regard are: visa systems, immigration controls or health insurance coverage (as the European Health Insurance Card or EHIC would be no longer acceptable in the UK). The first two matters can cause considerable disturbance to tourist flows due to restrictions introduced on the free movement of people and, consequently, travel time delays. As for the third area, lack of a coordinated system between the EU and the UK to manage the health insurance coverage of medical services of outgoing and incoming travellers could result in a rise in travelling costs and to certain conflicts; for instance, absence of cooperation or exchange of data between the competent MS and UK authorities could result in cases of illegitimate double Social Security coverage and/or undue payments could occur.

3.3. Postal services

In general terms, from the EU perspective, a no-deal Brexit would not have direct implications on Directive (EC) 97/67 (Postal Services Directive) or on Regulation 2018/644 on cross-border parcel delivery.

A priori, neither Directive (EC) 97/67 nor Regulation 2018/644 would require amendments so as to adapt to a no-deal Brexit. If the UK becomes a third country, the rules contained in this legislation that concern MS would no longer be directly applicable to the UK. Since these pieces of legislation do not provide for specific provisions for or with regard to the UK, no concrete amendments to these texts seem to be needed.

In a no-deal Brexit, the UK would be free to amend the national legislation whereby Directive (EC) 97/67 was transposed into its national legal order. As for the Regulation 2018/644, while it will no longer be directly applicable in the UK, the UK Government could decide to copy the rules provided for in this Regulation so as to ensure continuity of the current UK legal order (at least for a limited period of time).

Neither the acts adopted by the Universal Postal Union (UPU) nor those adopted by the Committee of European Postal Regulators (CERP) will *a priori* be particularly affected by a no-deal Brexit because the EU is not a member of these organisations. The MS are the ones holding membership in these organisations.

A number of Free Trade Agreements (FTAs) between the EU and third countries include specific provisions on postal services. Since the UK would no longer be an MS, the benefits and obligations stemming from these agreements (when they are 'EU only' agreements) would no longer extend to the UK, unless these are renegotiated or somehow amended in a tri-lateral process between the EU, UK and the third country involved - that might be a very complicated process¹⁰¹. Nevertheless, as mentioned in Section 3.1, third countries may want to compensate the fact that the agreement no longer gives them access to the UK market (the size of which is significant) by renegotiating and gaining better access to the remaining EU-27 single market.

In this sense, it should be noted that EU FTAs' provisions with regard to postal and courier services are normally not exhaustive. They mainly establish regulatory principles such as the prevention of anti-competitive practices in the sector (e.g. Singapore, Japan), independence of the regulatory bodies (e.g. Singapore, Japan) and transparency for licences procedures (e.g. Japan). Therefore, considering the limited content of these commitments, even in case of renegotiation of these agreements, no major changes may be expected for EU traders in the postal and courier sectors.

Overall, no existing EU legislation in this sector seems to require immediate action to ensure certainty within the EU.

However, in order to ensure the continuity and the smooth functioning of postal services and parcel deliveries between the UK and the EU, a series of agreements with the UK could be signed by the EU. In this sense, those agreements would need to ensure that Regulation 2018/644 remains applied between the EU and UK and that the rules and requirements established on Directive (EC) 97/67 also continue to apply.

¹⁰¹ As explained in Section 3.1, for mixed agreements, a case-by-case analysis would be necessary.

4. PRACTICAL CONSEQUENCES OF NO-DEAL BREXIT HORIZONTAL ISSUES IN TRANSPORT

KEY FINDINGS

- **Cabotage rules** will be no longer valid in both the EU and the UK and the connectivity is expected to worsen, both between the UK and the EU-27 and within the EU-27.
- The worsening of **connectivity** is likely to be accompanied by a decline of **interoperability** of the transport sector, as well as by reduction of **competition**, with a lower number of active operators.
- **Safety and security** standards are not expected to be significantly affected, especially taking into account a specific willingness of the UK to keep them at the high level.
- Analogously, the UK Government declared its intention to continue protecting European **workers' rights**.
- In the no-deal scenario, **whenever EU passengers use transport carriers registered in the EU, the EU passengers' rights will be ensured**. The same will not happen for EU passengers using UK carriers.
- European **environmental goals** are not expected to be affected by the UK's withdrawal.
- In the **TEN-T network**, some bottlenecks could be generated which might affect the transport system at the EU level. Nevertheless, for the **Eurotunnel** and the **Dublin-Belfast** rail link more serious issues might arise.
- The **European Fund for Strategic Investment (EFSI)** and the **Connecting Europe Facility (CEF)** instrument are expected to continue to provide in the future suitable financing for the TEN-T projects.
- As for the other programmes, the UK is expected to continue to contribute to the financing of **European Structural and Investment (ESI)** funds in the current budget framework (2014-2020).
- As **EU citizenship** constitutes a fundamental requirement follow an EU career in the European institutions, the replacement of the current **coordinator of the Motorways of the Sea** (the UK citizen) seems to be necessary.
- The UK could seek to continue to participate in the work of those **EU agencies** where third party participation is allowed.

This Chapter describes the practical consequences of the no-deal scenario for horizontal issues in the transport sector, based on the analysis and considerations made in the previous Chapters, the literature review and stakeholders interviews.

The stakeholders survey has been designed and conducted in the form of three online questionnaires (for transport, tourism and postal sectors) submitted through the free online survey tool 'SurveyMonkey'. The results of the surveys have been used in this Chapter as well as in Chapters 5-10 to better identify the alternatives to safeguard the EU interests in the no-deal scenario and formulate recommendations.

In total, 153 stakeholders have been contacted among organisations, networks, companies and operators (Annex I provides the stakeholders' list).

The answers were collected anonymously but some respondent preferred to declare their identity in order to better represent the interests of their sector/category. The results are reported in Annex II. The number of valid questionnaires collected is the following: 24 for Transport¹⁰², 4 for Postal Services¹⁰³, 19 for Tourism. Although the rate of response is not high, it should be duly taken into consideration that the answers from organisation synthesise the position of a large number of stakeholders.

4.1. Connectivity

In general terms, a no-deal would mean that the UK would exit the internal market for aviation, road, rail and maritime transport. This entails that customs and border controls would be reintroduced and they would impact transport operations between the UK and the EU-27.

The main impacts on connectivity of the EU-27 are summarised in Table 11 below.

Table 11: Main impacts on connectivity

IMPACT	AVIATION	ROAD	RAIL	MARITIME
Access to the market	End of access to UK market (no traffic rights)	End of access to UK market based on the Community licence (no basis for international carriage of goods or passengers between the EU and the UK and end of cabotage rights)	End of access to the UK market for rail services and products	End of cabotage rights for the EU-27 in the UK. UK has an 'Open Coast', which allows unilateral cabotage
Certificates and licenses	End of mutual recognition of certificates and approvals	End of mutual recognition of: <ul style="list-style-type: none"> - Driving licences, - Vehicle registration documents, and - Certificates of professional competence for drivers 	End of mutual recognition for: <ul style="list-style-type: none"> - Operating licence, - Safety certificates, - Vehicle authorisations - Train driver licences, - Conformity assessment certifications, and - Maintenance activities 	End of mutual recognition of seafarers' certificates and marine equipment approvals
European Agencies	End of UK's participation in the EASA		End of UK's participation in the ERA	End of UK's participation in the EMSA

¹⁰² The questionnaire allowed skipping the sections 'mode-specific' for those not able to answer. Consequently in such sections the final number of respondents varies. Annex II provides the details.

¹⁰³ One of these questionnaires has been filled in paper form.

IMPACT	AVIATION	ROAD	RAIL	MARITIME
Other	Ownership and control rules: application of third country restrictions	End of cross-border enforcement of traffic offences.		End of non-discriminatory access to provision of public maritime services and port services End of validity of UK sponsorship of recognised organisations

Source: Author's own elaboration on the basis of data of the European Commission (2018f)

The absence of valid legislation regulating the relations between the EU-27 and the UK in the transport sector post-Brexit will lead to decrease of **connectivity between the EU-27 and the UK**, due to the additional costs generated by the new border controls, as well as due to termination of the validity of the mutually recognised certification for the deployment of transport services.

This is particularly true for the **air sector**, as the UK is a major transport link to many EU-27 States. The extent of this impact would indeed vary from MS to MS depending on the market in question. There could potentially be larger impacts for some MS in the southern part of the EU that rely more heavily on tourism and need the connectivity created by tourism to support their local economies.

In relation to the **intra-EU-27 connectivity**, the main criticalities could be related to the link between the Republic of Ireland and the rest of the EU-27. Nevertheless, the negative consequences of no-deal Brexit could spread across the EU-27 taking into account the impact on the UK registered operators, drivers, vehicles and other services.

About 56% of the stakeholders interviewed declared that they expected a reduction in the EU-27 connectivity, while 25% of them believed this was unlikely and 19% did not have a clear idea.

4.2. Cabotage rules

In the **road sector**, the international carriage of goods in the EU is subject to possession of a Community licence, in accordance with Regulation (EC) 1072/2009 of 21 October 2009 on common rules for access to the international road haulage market¹⁰⁴. The Community licence can only be issued by a competent authority of the MS in which the haulier is established and where such haulier is entitled to carry out the international carriage of goods by road. As of the withdrawal date, a Community licence issued by the competent authorities of the UK could no longer be recognised in the EU-27. For their part, hauliers established in the UK would no longer have access to the internal EU road haulage market. It must be noted that the situation would be reciprocal for EU hauliers as, *a priori*, licenses issued by the authorities of the EU-27 would not be recognised by the UK and their holders would not have access to the UK market.

¹⁰⁴ Official Journal of the EU - [OJ L 300, 14.11.2009, pp. 72–87](#).

However, the multilateral quota system managed by the European Conference of Ministers of Transport (now International Transport Forum) would apply in this situation. Hence, cross-border trade operations (i.e. the carriage of goods from country A to country B by a haulier established in country C) by UK hauliers in the EU and by EU hauliers from or to the UK could be carried out under that system and within the limits thereof. That system does not permit cabotage operations, i.e. those carried out by foreign carriers within a single country.

As for the **maritime sector**, according to Article 1(1) of Regulation (EEC) 3577/92 of 7 December 1992 applying the principle of freedom to provide services to maritime transport within MS¹⁰⁵, the provision of maritime transport services within MS (maritime cabotage) is restricted to Community ship-owners (as defined in Article 2(2) of that Regulation). From the withdrawal date, it will no longer be possible to provide maritime transport services in accordance with this Regulation if the conditions for constituting a Community ship-owner are no longer fulfilled, unless national legislation allows access to cabotage to vessels bearing the flag of a third country. As such, whilst British shipping companies could of course still trade within the EU, taxes and duties payable on goods moving between the EU and the UK will most likely apply, as UK companies will not have maritime cabotage rights within the EU.

In **inland waterways sector**, according to Article 1 of Council Regulation (EEC) 3921/91 of 16 December 1991 on the conditions under which non-resident carriers may transport goods or passengers by inland waterway within a MS¹⁰⁶, only carriers (freight and passenger transport) established in an EU Member State are entitled to carry out cabotage activities in another MS. In the accomplishment of such activities, the owners of vessels must be nationals of EU MS and domiciled in a MS; if the owners are legal persons their business must be registered in a MS and the majority of the ownership must be held by MS nationals. The no-deal scenario will imply that UK based carriers and UK vessels' owners being UK nationals or legal persons registered in the UK will no longer be allowed to carry out cabotage activities within the Union.

In the **air sector**, the cease of reciprocal cabotage rules would have a fundamental impact for consumers in both markets and on connectivity across the region. In such a scenario, the reduction of competition in the EU market will likely allow remaining air service providers to raise fares and reduce service levels.

About 44% of the stakeholders interviewed in the course of this research did not have a clear idea about the possibility of a mutual recognition of the cabotage rules, while 37% of them considered this unlikely and 19% likely.

4.3. Safety and security standards

In **aviation**, the European Aviation Safety Agency (EASA) develops common safety and environmental rules at EU level. It monitors the implementation of standards through inspections in the MS and provides the necessary technical expertise, training and research¹⁰⁷.

At a global level, the International Civil Aviation Organization (ICAO), a United Nations specialised agency, manages the administration and governance of the Convention on International Civil Aviation (Chicago Convention). The ICAO works with the Convention's 192 member countries and industry groups to reach consensus on international civil aviation

¹⁰⁵ Official Journal of the EU - [OJ L 364, 12.12.1992](#).

¹⁰⁶ Official Journal of the EU - [OJ L 373, 31.12.1991, pp. 1-3](#).

¹⁰⁷ EASA, About [EASA](#).

Standards and Recommended Practices (SARPs) and policies which are used by ICAO members countries to ensure that their local civil aviation operations and regulations conform with global norms¹⁰⁸.

EASA maintains close working relations with ICAO on a wide range of activities. Among others, EASA works with the EC and EASA member countries to coordinate common positions on matters addressed at global level, it supports its members in implementing the ICAO standards (i.e. the compliance checklists). Members of ICAO are required to complete and keep up-to-date the so-called 'compliance checklists' (ICAO 2011). The CCs show the status of implementation of ICAO's SARPs in an individual country.

Within the UK, the Civil Aviation Authority (CAA) is responsible for aviation safety, regulatory matters and compliance monitoring.

As such, the UK is bound by both the EASA and the ICAO to comply with harmonised safety and security standards, and it has implemented those standards within its national legislation. They should, therefore, be respected post-Brexit as the UK will still be a member of the Chicago Convention.

As for the likely approach of the UK Government and the industry, following the EC's publication 'Withdrawal of the UK and EU aviation safety rules' (European Commission, 2018i), the CAA has stated that "the Government, the UK Civil Aviation Authority and the entire aviation industry have been clear that our collective preference is **to remain a member of the European Aviation Safety Agency (EASA)** once the UK withdraws from the European Union (EU)". The EU paper describes what the situation will be if this is not achieved and no other agreements are in place, including an implementation period. While this is a matter for the British Government to decide, the scenario seems highly unlikely.

The UK Government has explicitly indicated its willingness to negotiate some sort of ongoing membership to EASA after Brexit (Pickard, 2017). Specifically, the UK Prime Minister said in her speech on 2 March 2018: "We want to explore with the EU, the terms on which the UK could remain part of EU agencies such as [...] the European Aviation Safety Agency. We would, of course, accept that this would mean abiding by the rules of those agencies and making an appropriate financial contribution" (UK Government, 2018a).

As to the likelihood of such an arrangement being agreed, the March 2018 European Council negotiating guidelines state "the aim should be to ensure continued connectivity between the UK and the EU after the UK withdrawal. This could be achieved, inter alia, through an air transport agreement, combined with aviation safety and security agreements" (European Council, 2018).

Regarding **road** transport, relevant EU legislation includes:

- Regulation (EC) 661/2009 of 13 July 2009 concerning type-approval requirements for the general safety of motor vehicles¹⁰⁹ on vehicle standards, which sets out specifications to ensure the general safety of vehicles;
- Regulation (EC) 78/2009 of 14 January 2009 on the type-approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users¹¹⁰, which provides crash protection for pedestrians and other vulnerable road users; and,

¹⁰⁸ ICAO, About [ICAO](#).

¹⁰⁹ Official Journal of the EU - [OJ L 200, 31.7.2009, pp. 1-24](#).

¹¹⁰ Official Journal of the EU - [OJ L 35, 4.2.2009, pp. 1-31](#).

- Regulation (EC) 561/2006 of 15 March 2006 on the harmonisation of certain social legislation relating to road transport¹¹¹ and Directive (EC) 2002/15 of 11 March 2002 on the organisation of the working time of persons performing mobile road transport activities¹¹², which put forward a common set of rules for maximum daily and fortnightly driving times, as well as daily and weekly minimum rest periods for all drivers of road haulage and passenger transport vehicles.

The scope of operations regulated is tremendously diverse, including passenger transport and road haulage operations, both international and national, long and short distance. Therefore, it is unlikely that the UK regulatory framework on road safety shows major differences post-Brexit.

Additionally, the Interbus agreement on the international occasional carriage of passengers by coach and bus, which governs traffic not only between the EU and third countries concerned but also between third countries themselves, incorporates most of the liberalisation measures of the Agreement on the International Carriage of Passengers by Road by means of Occasional Coach and Bus Services (ASOR Agreement).

In the **rail** sector, the main legislation is contained in four 'rail packages'¹¹³. One of the individual pieces of legislation which make up these packages concerns the European Railway Agency (ERA) – with extensive powers – and the detailed Technical Standards of Interoperability (TSI) which set out the technical requirements for the whole EU railway. As for the UK, it currently has a process for managing national standards alongside the EU standards (Independent Transport Commission, 2017) meaning that UK safety and security standards are harmonised with those of the EU at present, and therefore, they should be respected post-Brexit.

As of the withdrawal date, the UK could request to participate in the ERA, which is in line with the EU Regulation 2016/796 of 11 May 2016 on the European Union Agency for Railways¹¹⁴. This would mean that the UK could be applying the same safety and security standards as before.

In any case, the UK's Rail Safety and Standards Board (RSSB) indicated that the harmonisation of standards "is both necessary for the functioning of the market and desirable in its own right" and that in the field of standards and harmonisation it believes that the "organisational framework, interface standards and the requirements for safety are best set at the EU level" (HM Government, 2014).

In the same line, at a Brexit and rail conference in February 2018, Darren Caplan, Chief Executive of the Rail Industry Association (RIA), said that "there is no huge desire in the UK rail sector to deviate on standards" (Fox et al., 2018).

In the **maritime** sector, UK shipping companies are active in a global marketplace and have for long been seeking consistency in the application of rules to ships from all Flag States in order to allow companies to compete on a level playing field. This consistency has been achieved over decades through the participation of Flag and Port States in international forums such as the International Maritime Organization (IMO).

¹¹¹ Official Journal of the EU - [OJ L 102, 11.4.2006, pp. 1-14.](#)

¹¹² Official Journal of the EU - [OJ L 80, 23.3.2002, pp. 35-39.](#)

¹¹³ The main legislation is summarised on the [Office of Rail and Road's website.](#)

¹¹⁴ Official Journal of the EU - [OJ L 138, 26.5.2016, p. 1-43.](#)

EU action in the field of maritime safety and protection of the environment generates significant added value to the international legal framework, which is overseen by the IMO. Furthermore, the transposition of IMO rules into the EU legal system ensures their "harmonised application" across the entire EU. In addition, EU plays an important role in improving international standards by initiating and contributing directly to their development and adoption at international level.

As such, UK shipping post-Brexit is not likely to be concerned with safety, as vessels and companies operating in EU waters would mostly still have to comply with EU regulations (through IMO). First of all, because IMO and EU law share a harmonised regulatory framework in this area, and second, due to the fact that the EU would continue to apply their rules to vessels irrespective of their flag or ownership (Butcher, 2018). Nevertheless, in the hypothetical case that the UK decided to establish higher safety standards, the EU vessels willing to operate on UK waters would need to meet these new standards, thereby resulting in significant costs for EU vessels, unless an agreement is found between the EU and UK on this specific matter.

Moreover, the British Secretary of State for Transport, Chris Grayling, stated: "Brexit Britain will be the best country in the world to do maritime business" (Dft 2017); no concerns exist about safety.

According to 56% of stakeholders participating in the interview conducted for this study, the adoption of the EU-27 safety standards (for all modes of transport) by the UK is likely or very likely, while 13% believed it was unlikely and 31% of them did not have a clear idea. Those who believed that there would be different standards declared that these would ensure the same or an even higher level of safety and security. For some of them, the EU security system itself needs relevant improvement.

4.4. Passenger's rights

As of the withdrawal date, the general EU rules in the field of the EU passenger rights legislation will no longer apply to the UK. This includes, in particular, the rules set out in Regulation (EC) 261/2004 on air passenger rights¹¹⁵.

Regulation (EU) 1177/2010 on ship passenger rights¹¹⁶ will continue to apply post-Brexit if the port of embarkation is in the EU-27 or in the UK, provided that the port of disembarkation is in the EU-27 and the service is operated by a carrier established within the territory of a Member State or offering passenger transport services to or from a Member State (Union carrier). Thus, the EU will not be required to take action in order to secure EU passengers' rights in trips between the EU-27 and the UK.

Regulation (EU) 181/2011 on rights of passengers in bus and coach transport¹¹⁷ continues to apply on and after the withdrawal date to passengers travelling with regular services to or from the UK, where the boarding or the alighting point of the passenger is situated in the EU-27, and the scheduled distance of the service is 250 km or more. Thus, the EU will not be required to take action in order to secure EU passengers' rights in trips between the EU-27 and the UK.

¹¹⁵ Official Journal of the EU - [OJ L 46, 17.2.2004, pp. 1-8.](#)

¹¹⁶ Official Journal of the EU - [OJ L 334, 17.12.2010, pp. 1-16.](#)

¹¹⁷ Official Journal of the EU - [OJ L 55, 28.2.2011, pp. 1-12.](#)

Regulation (EC) 1371/2007 on rail passengers' rights¹¹⁸ continues to apply on and after the withdrawal date to rail passenger services in the territory of the Union, provided that the railway undertaking is licensed in accordance with Article 17 of Directive (EU) 2012/34 of the European Parliament and of the Council of 21 November 2012 establishing a single European railway area¹¹⁹.

As for EU citizens travelling by train to the UK after a no deal Brexit, the Interpretative Guidelines on Regulation (EC) No 1371/2007 of the European Parliament and of the Council on rail passengers' rights and obligations¹²⁰ clarify that Regulation 1371/2007 is not applicable to journeys and services provided in the territory of third countries. In addition, the Guidelines emphasise that third country rail carriers with no base in a MS are not entitled to operate rail passenger services on the territory of the EU. In case of cross-border services departing from or arriving in a third country, the Guidelines establish that traction on the EU territory must be carried out by an undertaking licensed in a MS. The latter are bound by Regulation 1371/2007, even if the carriage belongs to a third country undertaking.

4.5. Worker's rights and employment

As for the UK's role in ensuring EU-27 workers' rights under companies operating in the transport (and transport-related) sector within the UK, in the White Paper on Brexit published on 2 February 2017, the British Government put forward that the implementation of EU law into their domestic legislation will ensure the continued protection of workers' rights and even stated that it was "committed not only to safeguard the rights of workers set out in European legislation, but to enhance them".

In fact, Prime Minister Theresa May declared the following regarding workers' rights: "A fairer Britain is a country that protects and enhances the rights that people have at work. That is why, as we translate the body of European law into our domestic regulations, we will ensure that workers' rights are fully protected and maintained. Indeed, under my leadership, not only will the Government protect the rights of workers set out in European legislation, we will build on them."

Assignment contracts (which follow the assignment guidelines of the respective MS) for EU-27 workers could constitute an alternative to preserve their rights in the UK post-Brexit.

4.6. Environmental goals

Under the Paris Climate Agreement, the EU committed to reduce its greenhouse gas (GHG) emissions by 40% from 1990 levels by 2030. The UK Climate Change Act sets UK's climate targets at 57% from 1990 levels by 2030, however this should be seen in the context of the fact that the UK is the second largest GHG emitter of the EU. As such, following the commitments that MS have agreed to sustain the rate at which the EU is decreasing pollution, noise, emissions and GHGs, it is going to be slightly easier for the EU, once the UK is out, to meet the targets it committed to in the Paris Climate Agreement (Frankhauser et al., 2017).

Aviation

As international aviation and shipping emissions are not included in the above EU/UK GHG targets, but will be handled separately from 2020 onwards via ICAO and IMO frameworks, the EU environmental goals should as such not be affected. Nevertheless, in a no-deal

¹¹⁸ Official Journal of the EU - [OJ L 315, 3.12.2007, pp. 14-41.](#)

¹¹⁹ Official Journal of the EU - [OJ L 343, 14.12.2012, pp. 32-77.](#)

¹²⁰ Official Journal of the EU - [OJ C 220, 4.7.2015, pp. 1-10.](#)

scenario, UK airlines might get an unfair benefit as then, the UK would no longer participate in the EU Emissions Trading Scheme (ETS) joining the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) ¹²¹ with a regulation of the emissions set at global level.

Maritime

The primary regulations governing safety at sea in relation to environmental issues are contained in international conventions such as MARPOL ¹²². UK shipping companies would still need to observe and operate within this international regulatory framework regardless of Brexit. While UK companies would not be obliged, as a general matter, to follow EU law for the monitoring, reporting and verification of CO₂ emissions from maritime transport as put forward in Regulation (EU) 2015/757 of 29 April 2015 on the monitoring, reporting and verification of CO₂ emissions from maritime transport ¹²³, it will likely be subject to such measures, whether adopted at an international level or not, when UK shipping companies make use of EU ports (Norton Rose Fulbright, 2016).

EU carriers willing to operate on UK waters would be already obliged to meet the obligations established in Regulation (EC) 2015/757. The requirements set in the Regulation go further and develop the environmental provisions contained in international conventions, therefore, *a priori*, EU carriers would not be affected by the UK leaving the 'acquis communautaire' and adopting MARPOL standards. However, in the hypothetical case that the UK decided to establish higher standards or conditions regarding environmental safety, the EU ships willing to operate on UK waters would need to meet these new requirements, thereby resulting in significant costs for EU ships, unless a specific agreement is achieved between the EU and the UK on this matter.

Rail

Railway rolling stock and in particular passenger cars and freight wagons, owned by UK transport operators that carry out international rail traffic to the continent would be subject to the rule of noise and other emissions as soon as they enter the EU rail network. At the future border crossing point, the technical inspection carried out by the EU infrastructure manager or the EU railway undertaking will be obliged to check the type of vehicle and their ecological characteristics. Based on reciprocity, EU transport operators willing to operate in the UK would be, in this case, subject to the UK rules on noise and emissions and they will presumably also have to go through similar technical inspections by the UK infrastructure managers. The fact that, to date, EU rules apply in the UK, makes this specific issue less or not problematic in the short term. Problems may arise if, in the near future, UK rules on noise and emissions are amended, and no similar standards are applied at the EU level.

According to 31% of stakeholders interviewed for the purpose of this study, the EU-27 environmental goals are likely or very likely to be negatively affected by the no-deal Brexit, while for 31% of them this is unlikely. No clear idea was declared by 38% of stakeholders. Those who did not perceive any prejudice for the environment, recognised the UK as a country committed to the issue and even ahead of the EU-27.

¹²¹ CORSA covers more routes, and therefore has more potential for an increased amount of emission to be offset compared to the amount of emission to be mitigated under the EU ETS scenarios. However, the EU ETS has a stricter cap. In the initial years of CORSA, the demand for offsets is lower compared to the demand for allowances from outside the aviation sector in any of the EU ETS scenarios. From 2022 onwards, the demand for offsets in CORSA is larger than the demand for allowances from outside the aviation sector in the EEA. Further information can be found [here](#).

¹²² [International Convention for the Prevention of Pollution from Ships](#), 1973 (as amended by the Protocol of 1978).

¹²³ Official Journal of the EU - [OJ L 123, 19.5.2015, pp. 55-76](#).

4.7. TENT-T and financing

In the TEN-T network, negative effects are expected for the Eurotunnel, as well as the Dublin-Belfast rail connection, both being located in the North Sea - Mediterranean core network corridor. In this case, the no-deal Brexit would have knock-on effects in terms of safety and interoperability, and subsequently it would imply negative local effects (bottlenecks) as the terminal near the UK borders would likely not have a sufficient capacity or be able to absorb the cargo that would pile up (due to border controls introduced after Brexit).

The operation of the TEN-T network was likely or very likely to be affected by the no-deal Brexit for 31% of stakeholders participating in the survey conducted within the framework of this research, while 25% believed it was unlikely. The rest of stakeholders were uncertain.

Hereinafter, some considerations are reported in relation to the TEN-T financing.

In the **rail** sector, within the UK, the Connecting Europe Facility instrument (CEF) secured EUR 39.2 million for ground investigation works to be delivered between 2015 and 2019 for Phase 1 of the HS2 project, a proposed infrastructure project to build a high-speed rail line from London to Manchester and Leeds, via Birmingham, to begin operation in 2026 and be completed in 2032. The no-deal Brexit may have an impact over this project as the UK Government was hoping to receive some EU funding in the future, but this will be unlikely once the UK leaves the EU.

In the **maritime** sector, the Port Services Regulation will cease to be applicable in the UK. Moreover, the financing from the CEF instrument is available primarily to the TEN-T located in the EU. Therefore, the UK may not be able to benefit from this source of financing post-Brexit, as the eligibility for receiving financial support from the CEF is limited to those projects with neighbouring states that are of common interest, in order to connect the trans-European transport network with infrastructure networks of neighbouring countries

The European Fund for Strategic Investment (EFSI), which is an initiative jointly launched by the European Investment Bank (EIB) Group and the EC, aims to mobilise private investment in projects that are strategically important for the EU. It is worth mentioning that it does not work by allocating funds based on geographic quotas. It relies on projects being put forward for financing – both by private and public actors – and building up cooperation with intermediaries in MS. EFSI's capacity is based on a guarantee from the EU budget (EUR 16 billion) and a EUR 5 billion allocation of the EIB own capital. The EIB also provides additional financing for EFSI projects.

The joint report of the UK and EU's negotiators issued in December 2017 (Institute for Government) made clear that "after withdrawal, UK projects will not be eligible for EIB operations reserved for MS". However, it also noted the UK's desire for a continued arrangement with the EIB, since it stated that the UK wants to explore a "continuing arrangement between the UK and the EIB" (Independent, 2017).

As of the withdrawal date, the UK transport network will no longer be part of the TEN-T and thus will not be eligible for financing from the CEF sources. Although it is likely that the EFSI may suffer from the loss of UK's share in the EIB's capital, the CEF would focus on financing projects in the remaining MS.

As pointed out by the stakeholders interviewed, in relation to transport projects in the EU-27, the Britain's exit will leave a gap in the EU budget to which the UK is a significant contributor. This might have a negative effect on predictability and reliability of transport funding in the EU. For the Multiannual Financial Framework 2021-2027, the EC has proposed to renew the CEF, with a global increase of 47% compared to the previous budget 2014-2020 (addressing the issues of decarbonisation of transport, modernisation of its infrastructure and increasing transport sustainability, inclusiveness, safety and security). However, the funding allocated to the only transport sector registers an increase of 4% in current prices (general envelope +4%; Cohesion Fund envelope -0%), while in constant prices the picture is even worse (general envelope -8%; Cohesion Fund envelope -13%).

According to 50% of survey respondents, it is likely or very likely that the financing of TEN-T through the CEF and EFSI will be negatively affected by the no-deal Brexit. Only 6% of them were convinced that this would be unlikely, while the remaining part of the group consulted through a questionnaire was undecided.

4.8. European Coordinator for Motorways of the Sea (MoS)

Through the concept of 'Motorways of the Sea' (MoS), the EC aims at constituting a maritime intermodal logistics chain that, compared to the 'road-only' solution, should provide a more sustainable and efficient transport. The concept has been introduced by the 2001 Transport White Paper¹²⁴, with the indication of its inclusion in the TEN-T network.

As described by the Innovation and Networks Executive Agency (INEA), MoS constitute "a horizontal priority of the Connecting Europe Facility (CEF), aiming to promote green, viable, attractive and efficient sea-based transport links integrated in the entire transport chain. Their implementation should help to rebalance the EU transport system. MoS are considered the maritime pillar of the Trans-European Transport Network. They consist of short-sea routes, ports, associated maritime infrastructure and equipment, facilities as well as simplified administrative formalities enabling short sea shipping or sea-river services between at least two maritime ports, including hinterland connections. They contribute towards the achievement of a European Maritime Transport Space without barriers, connect Core Network Corridors by integrating the maritime leg and also facilitate maritime freight transport with neighbouring countries".

The coordinator for development of the Motorways of the Sea is in charge of facilitating the dialogue between the MS, monitoring the progress of the development of the Motorways of the Sea as part of the TEN-T and formulating recommendations to foster their implementation and development. The current coordinator is Mr Brian Simpson, a UK citizen.

European Coordinators are chosen based on their knowledge of issues related to transport and its financing, as well as on their experience with the European institutions. In general, EU citizenship is the first requirement if someone wants to follow an EU career in the European institutions (Regulation (EEC) No 31 (EEC), 11 (EAEC) laying down the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Economic Community and the European Atomic Energy Community)¹²⁵, thus, unless the UK and the EU decide to let UK citizens keep EU rights after Brexit, for now, those who work within EU institutions and only hold UK nationality will no longer be able to keep their job or to apply for one (Bulman, 2017). Therefore, Mr Brian Simpson, UK citizen, would have to be replaced.

¹²⁴ European Commission - White Paper - European transport policy for 2010: time to decide, [COM \(2001\) 370 final](#).

¹²⁵ Official Journal of the EU - [OJ P 045 14.6.1962, p. 1385](#).

About 69% of stakeholders participating in the survey conducted as part of this research did not have a specific position on the eventual replacement of the current coordinator for MoS. 25% of them declared to be in favour of a replacement, while 7% were against.

4.9. European Structural and Investment Funds

The European Structural Investment (ESI) Funds are the EU's instrument aimed at reducing disparities in the level of development of its various regions and at helping less developed regions to catch up. The UK receives these funds through:

- the European Regional Development Fund (ERDF), which has allocated EUR 5.8 billion of EU funds for the UK; and
- the European Social Fund (ESF) that has allocated EUR 4.9 billion for the country (Ayres et al., 2018).

The agreement reached by the EU and the UK negotiators on 8 December 2017 stated that the UK would continue to participate in the EU financing programmes within the 2014-20 budget framework (including ESI funds) "until their closure". The statement included the following specific reference recognising that "the eligibility to apply to participate in Union programmes and Union funding for UK participants and projects will be unaffected by the UK's withdrawal from the Union for the entire lifetime of such projects" (European Commission, 2017c).

According to 56% of survey respondents interviewed in the course of this research, the financing of the transport system and transport infrastructures from the ESI Funds is likely or very likely to decrease in the future as a result of no-deal Brexit. Only 6% believed such a decline was unlikely while 38% did not have an opinion on that. Those expecting a decrease argued that the UK was a net donor nation and that their withdrawal for the EU would create a financial gap in the EU budget. Unless it is covered by increased contribution from the remaining 27 MS, the cut in expenses might be inevitable.

4.10. Interoperability

In the no-deal scenario, the UK would cease to be a member of the EU regulatory agencies disciplining and regulating the EU transport industry in the fields of safety and interoperability.

The relationship between the EU and the UK would fall back to the level of multilateral international agreements and new procedures in terms of certification, licensing, and other attestations for enterprises, personnel and transport vehicles would be required.

Focusing on the **rail** sector, it must be noted that Article 21 of Directive (EC) 2008/57 of 17 June 2008 on the interoperability of the rail system within the EU¹²⁶ establishes that before being used on a network, a railway vehicle has to be authorised to be placed in service by the national safety authority that is competent for this network in accordance with the Directive. As reported by the EC, "authorisations for placing in service of vehicles, pursuant to Articles 15 to 21 of Directive (EC) 2008/57, shall be based on certificates issued by conformity assessment bodies notified or designated by a Member State of the EU-27" (European Commission, 2018d).

¹²⁶ Official Journal of the EU - [OJ L 191, 18.7.2008, pp. 1-45](#).

In this context, Brexit will have no repercussions for certificates or authorisations issued before the withdrawal date. On the one hand, interoperability components placed on the market before the withdrawal date that have certificates delivered by a Notified Body or Designated Body established in the UK can be used until the validity of these certificates expires. The same will occur to authorisations for placing in service of subsystems that have been authorised before the withdrawal date.

On the other hand, authorisations for placing in service of vehicles delivered in the EU-27 before the withdrawal date will retain their validity after the withdrawal date even if they have been authorised based on certificates of conformity issued in the UK. As reported by McLellan (2018), rolling stock provisions refer to Directive (EU) 2016/798 of 11 May 2016 on railway safety¹²⁷ in relation to safety, and other directives such as Directive (EU) 2016/797 of 11 May 2016 on the interoperability of the rail system within the European Union¹²⁸ for interoperability. Such directives will be imported into UK law after Brexit, but they will not be amended accordingly to future changes to EU law without a separate UK discipline. Therefore, a divergence of UK and EU law in rolling stock contract negotiations should be considered. Although it can be expected that in the Withdrawal Bill, the current procurement rules for the rolling stock acquisition will be retained, at the moment this remains uncertain.

As regards the **maritime** transport, the no-deal scenario will not impede the right of UK shipping companies to carry goods to or from EU ports, however, it is expected that this is carried out at a higher expense due to the additional procedures implied by the withdrawal from the single market.

EU ships would also have the right to access UK ports but will have to face the same additional procedures as UK ships. Reciprocal demands should be expected. It must be noted that these new procedural requests may result in delays when accessing UK ports, as the additional customs checks imposed will add time and form longer queues at peak times considering every additional minute's worth of checks that are not being faced at the present time. Furthermore, as a result of this congestions just-in-time supply chains will cease to exist.

For **inland waterways**, as the Commission highlighted in its 'Notice to Stakeholders' on the withdrawal of the United Kingdom and EU rules in the field of inland waterways (European Commission, 2018b), Regulation (EC) 1356/96 requires operators willing to carry out international transport of goods or passengers by inland waterways in the EU to be established in a MS. In case of no deal, post-Brexit, operators established and vessels registered in the UK would no longer have automatic access to EU MS' inland waterways. In addition, Directive 96/50 establishes that boat masters' certificates issued by MS in accordance to the Directive are valid for all relevant waterways of the EU. Post-Brexit, UK boat masters' certificates would no longer be accepted for EU waterways, as the UK would no longer be a MS.

Although the latter would in principle be the automatic consequence of a no-deal scenario, it should be noted that, in the absence of a mutual recognition agreement between the EU and the UK, Article 16 of Directive (EU) 2016/1629 allows MS to recognise "the navigation certificates of craft from third countries for navigation within the territory of that Member State". Therefore, after Brexit, there may be some room for bilateral arrangements between individual MS and the UK to allow access to navigation of their respective inland waterways.

¹²⁷ Official Journal of the EU - [OJ L 138, 26.5.2016, p. 102-149](#).

¹²⁸ Official Journal of the EU - [OJ L 138, 26.5.2016, p. 44-101](#).

Regarding **road** and **air** transport no relevant interoperability issues have been identified.

Interoperability was considered likely or very likely to decrease by 56% of stakeholders participating in the survey conducted as part of this research, while 13% of them were convinced it was unlikely and 31% declared that they did not know.

4.11. Competition and procurement

The reduction of the connectivity is likely to be accompanied by a reduction in competition, with a lower number of active operators and consequent increase of price and lower service levels.

Public subsidies constitute one of the main factors that may have an influence on the competition. In the no-deal scenario, the UK could provide subsidies at its own discretion (within the limits of the WTO rules), in line with national competition and procurement regimes. However, the European Council has reiterated, in particular, that any agreement with the UK will have to be based on a balance of rights and obligations, and ensure a level playing field (European Council, 2018).

For example, the UK may subsidise international rail transport analogously to the subsidy policy of China for Eurasian container transport between China and the EU. A potential positive consequence of such subsidy is that rail freight transport in general could become more attractive within the EU. The infrastructure managers would also benefit from higher usage and higher revenues due to track access charges. For passengers, the same could apply if the UK declares rail passenger traffic as Public Service Obligation (PSO), although such PSO criteria would not be applicable in the EU; in this case more international passenger trains, higher competition and attractive connections are expected.

For 69% of participants of the interview undertaken within the framework of this study, competition in the European transport sector would be negatively affected if the no-deal Brexit occurs. This was considered unlikely by 13%, while the remaining part of the interviewees did not know. Among those expecting a decrease in competition, negative effects are linked to the limitations on air carriers or airports to ensure connectivity on an even playing field.

Following Brexit, in a no-deal scenario the UK companies will be treated as those from third countries with which the EU does not have any agreement (European Commission, 2018j).

The main international agreement related to public procurement is the WTO Agreement on Public Procurement (GPA). Like in the EU, this international procurement instrument favours the principles of openness of public procurement markets. The treatment of **EU companies** in the UK will probably be the same as the treatment of the UK operators in the EU, considering that international trade rules are usually applied on a reciprocal basis (Norton Rose Fulbright, 2018).

However, when bidding for defence and security contracts, economic operators from the UK may be excluded from the procedure, as contracting authorities of MS have the discretion to decide whether or not to contract with third countries (Directive (EC) 2009/81 of 13 July 2009 on the coordination of procedures for the award of certain contracts in the fields of defence and security)¹²⁹. In addition, the UK will not benefit from mutual recognition over

¹²⁹ Official Journal of the EU - [OJ L 216, 20.8.2009, p. 76](#).

security clearances (Directive (EC) 2009/81). This may lead to the exclusion of operators relying on a UK security clearance in the EU defence and security public procurement procedures.

25% of stakeholders expected negative impact for the EU-27 companies in the case that EU procurement rules to award services or contracts cease to be applied. 25% of respondents were perfectly divided between those expecting positive impacts and those expecting no impacts. 50% of stakeholders declared to be uncertain. Those who did not expect a negative impact highlight that the UK has a more open market than most of the EU-27 countries.

In relation to the consequences for the UK transport companies, 56% of stakeholders participating in the survey conducted as part of this research believed they would be negative, 13% were perfectly divided between those expecting positive impact and those expecting no impact, with the remaining part of the group having no idea.

4.12. EU agencies

Many EU agencies allow non-EU countries to participate in their activities, although the founding acts of some of these institutions do not permit third country participation.

After Brexit, the UK could seek to continue to participate in the work of those EU agencies where third party participation is allowed. In this case, although an analysis of the concrete rules of the agency in question would be necessary, the UK would probably be asked to contribute to the agency budget and to accept the jurisdiction of the European Court of Justice (ECJ) on the areas of work of the agency.

In addition, the specific requirements for potential participation will depend on the degree of participation intended by the UK, as rules may most likely be different for full/partial participation, on the one hand, and observer status, on the other.

It should be noted that, if required to participate in EU agencies, the acceptance of the ECJ's jurisdiction by the UK (even if partial) may prove challenging, especially in view of the British Prime Minister's, Theresa May, statement back in October 2016: "We are not leaving only to return to the jurisdiction of the European Court of Justice (ECJ)"¹³⁰.

In any event, in case participation was somehow agreed, this might be based on an administrative arrangement or a memorandum of cooperation between the EU or the EU agency (there are legal questions about the power of the agencies to conclude agreements of this kind themselves) and the UK. Such arrangements could be discussed at the withdrawal negotiations and/or be included in an agreement on the UK's future relations with the EU.

Particularly in **aviation**, Brexit could potentially affect the EASA's structure, as the UK would no longer be voting as a member of its Management Board. Moreover, the EASA's revenue might be impacted as the British aviation industry will no longer have to apply for the safety certificates from the agency or for the Airline Transport Pilot's Licence (i.e. British-made aircraft or their components will be first certified by the CAA UK and the licenses will also be granted by the Authority). However, as the EASA has already largely replaced the tasks of national authorities, it is unlikely that the UK will no longer use its services and replace the EASA certification system with its own because in order to fly in the EU all aircraft products

¹³⁰ Theresa May's speech at the Conservative Party conference in October 2016.

would have to go through the validation process again so as to conform with EU standards. Possibly, the best scenario would be to remain a member of the EASA under similar conditions as Switzerland, Liechtenstein, Iceland and Norway are.

Among the stakeholders interviewed in the course of this research, 56% believed that negative impacts on the functioning of the EU agencies were likely or very likely if a no-deal Brexit occurs. At the same time 13% thought this was unlikely and 31% did not know. Among those expecting negative impacts, someone referred to a loss of UK expertise and experience for the agencies, while among those expecting positive impact a reference to smoother decisional procedures was made.

In relation to the protection of EU-27 interests in international organisation, 38% of stakeholders believed likely or very likely it will be negatively affected. 31% believed this is unlikely and the remaining 28% did not know. A potential situation of conflicting interests with the UK in the long-term was seen as a negative impact on the EU-27 interests.

5. PRACTICAL CONSEQUENCES OF NO-DEAL BREXIT - AVIATION

KEY FINDINGS

- An eventual exit of the UK from the Single European Sky and the Functional Airspace Blocks would contribute to the **fragmentation of the European airspace**.
- **The chances for EU-27 airports to increase their importance are estimated, on average, to be limited** as any restrictions put on the aviation market would limit potential growth opportunities and, therefore, would rather be avoided.
- The **Airbus** company is seriously considering changing its strategic planning and decisions to tackle a no-deal scenario.
- **For EU airlines, the no-deal scenario could constitute an issue in terms of ownership structure**, due to the impact on the related regulations.

5.1. Single European Sky and Functional Airspace Blocks

A no-deal Brexit will constitute a challenge for the functioning of the Single European Sky (SES) project and the related Functional Airspace Blocks (FABs) for the air traffic management. FABs are organised according to traffic flows, regardless of State boundaries and are fundamental for the reduction of airspace fragmentation, minimisation of delays, increase of safety, and accommodation of traffic growth. FABs are established through agreements between the countries concerned (which cover also the aspects of responsibility and liability), basing on the compliance with several requirements. At the moment, the following nine FABs are identified:

- UK-Ireland FAB;
- Danish-Swedish FAB;
- Baltic FAB (Lithuania, Poland);
- BLUE MED FAB (Cyprus, Greece, Italy and Malta);
- Danube FAB (Bulgaria, Romania);
- FAB CE (Austria, Bosnia & Herzegovina, Croatia, the Czech Republic, Hungary, Slovakia and Slovenia);
- FABEC (Belgium, France, Germany, Luxembourg, the Netherlands and Switzerland);
- North European FAB (Estonia, Finland, Latvia, and Norway);
- South West FAB (Portugal, Spain).

The full implementation of the FABs has not yet been completed due to the British-Spanish territorial dispute over Gibraltar (the UK overseas territory, located in the Iberian Peninsula). In fact, the UK is against the inclusion of Gibraltar in the FAB managed by Spain.

The UK may want to exit the SES, a move which would lead to a less efficient air traffic management in the EU-27 and a more fragmented airspace, and therefore bring opposite results to those foreseen as objectives of the SES.

In particular, the current functioning of the UK-Ireland FAB could be compromised. According to the Irish Ministry of Transport (McMahon, 2017): "Ireland has worked very closely with

the UK in relation to air traffic management for many years, it is hoped that this close cooperation can continue in the post-Brexit aviation market". In the absence of such cooperation, although the current FAB cannot be simply replaced by another one (as FABs are built according to the traffic flows), Ireland could explore the opportunity to cooperate with other MS with significant traffic.

Nevertheless, in consideration of what was previously reported, Brexit would put an end to the dispute between the UK and Spain over Gibraltar, and it would unblock the full implementation of the SES initiative.

About 73% of stakeholders interviewed in the course of this research believed that the functioning of the SES and FABs was likely or very likely to be affected. Only 9% of them believed that an impact was unlikely, while 18% did not know.

5.2. Airports

After Brexit, the chances of EU-27 airports increasing their importance are estimated, on average, to be limited. The restrictions in the aviation market will end up limiting growth opportunities both for passenger and freight transport. Opportunities linked to intercontinental traffic for the EU-27 airports are unpredictable, as they will depend on the specific outputs of the future bilateral agreements between the UK and third countries.

The President of the European branch of Airports Council International (ACI Europe), Dr Michael Kerkloh, declared at a reception taking place in Brussels on 24 January 2018 that "anything more restrictive than the current Single Aviation Market regime will come at a cost" and estimated that "European aviation could end up facing a reduction in passenger traffic of up to 30 million by 2026 and consumers losing up to EUR 4.7 billion in welfare. This would in turn mean the loss of up to EUR 8 billion in [the EU] GDP." The no-deal scenario would imply a less liberal aviation regime between the EU-27 and the UK, due to the market access restrictions, including the possibility to operate cabotage.

The figures provided above constitute an estimation but, according to ACI Europe, the general impact of restrictions imposed by a no-deal scenario on air traffic in the EU will have a negative effect on airports and result in a less competitive European aviation sector overall (as a result of reduced operating flexibility and additional costs on air traffic).

For 45% of stakeholders participating in the survey conducted as part of this research it is likely or very likely that the EU-27 airports will increase their importance while the opposite view was expressed by 27% of the survey respondents. The remainder did not know. Although the majority of responses reflect an uncertain or a negative opinion about a potential greater importance of the EU-27 airports, a large share of stakeholders present a positive approach. This latter orientation is probably generated by the perception of future opportunities in the intercontinental markets (which, at the moment, are uncertain anyway).

5.3. Airbus company

As further described in Section 11.2 which analyses the possible impact of the no-deal Brexit on France, Airbus is considering changing its strategic planning and decisions, should the uncertainty of a no-deal scenario persist or even increase.

Airbus commercial aircraft wings are currently assembled in Broughton, the UK, while the site of Filton is responsible for activities related to engineering and research & technology.

According to media reports (The New Indian Express, 2018), the company's CEO, Tom Enders, stated: "(...), a 'no deal' scenario directly threatens Airbus' future in the UK". In order to maintain its competitiveness and to be able to compete with Boeing and future Chinese, Russian and Brazilian aircraft manufacturers, Airbus might overhaul its supply chain system.

Since the UK Government does not hold any shares in Airbus, as opposed to France, Germany and Spain, which jointly own 26.32% of the company's shares (Airbus, 2017), no major changes would occur in the ownership structure of Airbus.

5.4. Airline companies

For the EU airline companies, the no-deal scenario could pose specific concerns in relation to ownership structures. According to Article 4 of Regulation 1008/2008 of 24 September 2008 on common rules for the operation of air services in the Community¹³¹, the aviation authority of MS can grant an operating license to a company if this company is effectively controlled by a MS or a national of a MS (i.e. a MS or a national of a MS has more than 50% of the company shares) "except as provided for in an agreement with a third country to which the Community is party".

Consequently, in order to retain the operating licenses, the EU airlines with large shares held by UK citizens may be forced to make changes in their ownership structures, in favour of shareholders with nationality or nationalities of the remaining MS.

From the UK side, EU citizens may be not allowed to control or own UK airlines as this could preclude the access to the UK's bilateral air services agreements, which are fundamental in securing access to international route rights outside of the EU (Norton Rose Fulbright, 2018).

Most stakeholders who participated in the survey conducted as part of this research did not have a specific idea about the future trend in the mergers between UK airlines and those from other MS. Instead, about 27% believed it unlikely that mergers such as the one between British Airways and Iberia in 2010¹³² will happen again in the future, while for another 18% this was likely or very likely.

Nevertheless, it was pointed out that mergers cannot happen without ownership and control measures that enable UK shareholders to be treated on equal footing with the EU shareholders.

¹³¹ Official Journal of the EU - [OJ L 293, 31.10.2008, pp. 3-20](#).

¹³² The merger was completed in 2011 with the creation of the company 'International Airlines Group (IAG)'.

6. PRACTICAL CONSEQUENCES OF NO-DEAL BREXIT – MARITIME TRANSPORT AND INLAND WATERWAY NAVIGATION

KEY FINDINGS

- The no-deal is **not expected to increase the competitiveness of the UK ports** to the detriment of the EU ports.
- Application of the **OECD rules** could preclude any change in relation to the access of the EU-27 shipping companies to UK ports.
- In a no-deal scenario, UK **operators** and UK registered **vessels** will no longer be entitled to operate in the EU **inland waterways** (Regulation (EC) 1356/96). Furthermore, **boat masters' certificates** issued by the UK according to Directive 96/50 will no longer be valid.
- The functioning of the **European Maritime Safety Agency** (EMSA) is not expected to be substantially affected by a no-deal scenario.
- The Committee for drawing up common standards in inland navigation (**CESNI**) could allow the UK to participate as 'Observer State'.
- The capacity of the EU to **solve disputes should be unaffected**.

6.1. Ports

The Regulation (EU) 2017/352, known as EU Port Services Regulation (PSR)¹³³, establishes a framework for the provision of port services and common rules on financial transparency, port services and port infrastructure charges. It requires all MS to implement the Regulation by 24 March 2019 and mainly, it obliges ports to maintain separate accounts for any public funds they receive and report them to the public authorities in a bid to create a level playing field.

UK ports, unlike those on the European mainland, are almost all predominantly private and competitively managed. For this reason, Mr Richard Ballantyne, the British Ports Association (BPA) Chief Executive, identified the new rules as "unnecessary and unwelcome" (World Maritime News, 2017).

Having in mind what was stated in Section 4.11 on the anticipated consequences of a no-deal scenario on the competition in the European transport sector, any agreement with the EU post-Brexit would require the UK to continue to apply state aid rules in common with the EU.

For sure, the no-deal scenario will reintroduce customs and other technical barriers. This will not only affect trade between the EU-27 and the UK, but it can be expected that shipments with final destinations to the EU-27 from third countries will no longer use UK ports in order to avoid additional tariff and non-tariff costs.

Concerning the potential increase in competitiveness of the UK in the case of non-application of the EU Port Services Regulation, 20% of the stakeholders interviewed during the survey conducted as part of this research believed this was unlikely, while 20% believed it was likely. The remainder did not know.

¹³³ Official Journal of the EU - [OJ L 57, 3.3.2017, pp. 1-18](#).

6.2. EU-27 shipping companies

In relation to the access of EU-27 shipping companies to UK ports, it should be highlighted that the UK abolished all flag restrictions in 1849 and, as an OECD member, is obliged to have its international trades open to free competition. Therefore, the UK's domestic market is open to ships under any flag. However, particular vigilance seems to be required for the offshore supply sector and regular domestic trades as EU companies are very active on the UK's continental shelf and carry out intra-UK port calls.

UK-flag ships could, however, lose their right to operate in the domestic trades of those MS who maintain flag-based cabotage restrictions (Booth et al., 2017).

Also, for now, a ship can be registered on the British register if it is owned by a qualified owner, which includes corporate bodies incorporated in a country belonging to the European Economic Area (EEA). Therefore, although in accordance with the current UK rules, post-Brexit, EEA-owned ships could continue to be accepted for registration on the British register, it would be up to the UK to decide whether to leave this provision in place after Brexit or not.

If the UK decided to amend the eligibility criteria so as to exclude EEA-owned ships as qualified owners, the existing EEA ships' registrations could be affected. Indeed, at the present time when eligibility is lost, registrations may be terminated in accordance with regulation 56(1) (b) of the UK's Merchant Shipping Regulations¹³⁴ (Syreoglou et al., 2018).

As highlighted in the 'Notice to Stakeholders' on the withdrawal of the United Kingdom and EU rules in the field of inland waterways, (European Commission, 2018b), in relation to **inland waterway** navigation, freight and passenger transport must be carried by operators established in a MS and the vessels used must be registered in a MS (Article 2 of the Regulation (EC) 1356/96). In a no-deal scenario, UK operators and UK registered vessels would no longer be automatically entitled to operate in the EU inland waterways. Furthermore, Directive 96/50 establishes that boat masters' certificates issued by MS in accordance to the Directive are valid for all relevant waterways of the EU. Post-Brexit, UK boat masters' certificates would no longer be accepted for EU waterways, as the UK would no longer be a MS.

Although this would in principle be the automatic consequence of a no-deal scenario, it should be noted that, in the absence of a mutual recognition agreement between the EU and the UK, Article 16 of Directive (EU) 2016/1629 allows MS to recognise "the navigation certificates of craft from third countries for navigation within the territory of that Member State". Therefore, after Brexit, there may be some room for bilateral arrangements between individual MS and the UK to allow access to navigation of their respective inland waterways.

According to 60% of stakeholders participating in the survey carried within the framework of this research, the access of EU-27 shipping companies to the UK ports is likely to be negatively affected. The remainder did not know.

¹³⁴ SI 1993/3138, which expanded the definition of qualifying person to EU/EEA nationals and EEA bodies corporate.

6.3. European Maritime Safety Agency (EMSA)

The EMSA is established by Regulation (EU) 1406/2002 of 27 June 2002¹³⁵. Under its Article 13(5), the Administrative Board “may invite any person, whose opinion can be of interest, to attend its meetings or part of its meetings as an observer”.

Also, the Rules of Procedure state that representatives of third countries having entered into agreements with the European Community in accordance with Article 17 of the Regulation shall be entitled to attend the Board’s meetings under the terms and conditions specified in such agreements. Whenever this is not possible, they may still be invited to attend the Board’s meetings as observers in case an agenda item is of particular interest to these countries (Miller, 2017).

Therefore, the UK could seek to continue to participate in the work of the EMSA after Brexit, by signing specific agreements with the EU in the field of maritime safety and the prevention of pollution by ships.

According to the UK Chamber of Shipping (2017), a “continued engagement with the EMSA after UK withdrawal will assist the UK in preserving the improvements achieved [...] and develop better, more effective standards for UK maritime interests”.

The functioning of the EMSA is likely to be affected by a no-deal Brexit according to 80% of stakeholders who participated in the survey conducted for this study, while 20% of them did not know.

6.4. Committee for drawing up common standards in inland navigation (CESNI)

CESNI was established through Resolution by the Central Commission for the Navigation of the Rhine (CCNR), an international organisation regulating technical, legal, economic, social and environmental areas for large part of EU waterways. The CCNR cooperates with the EU with the objective of fostering an optimal functioning of the market for inland navigation and removing obstacles preventing a broader use of this mode. Members of the CCNR are: Belgium, France, Germany, the Netherlands and Switzerland.

The CESNI mission is to¹³⁶:

- Adopt technical standards in various fields, in particular as regard vessels, information technology and crew to which the respective regulations at the European and international level will refer with a view to their application;
- Reflect on the uniform interpretation and application of such standards, on the method for applying and implementing the corresponding procedures, on procedures for exchanging information, and on the supervisory mechanisms among the MS;
- Deliberate on derogations and equivalences of technical requirements for a specific craft;
- Consider on priority topics regarding safety of navigation, protection of the environment, and other areas of inland waterway navigation.

¹³⁵ Official Journal of the EU - [OJ L 208, 5.8.2002, pp. 1-9](#).

¹³⁶ [CESNI](#).

The CESNI is composed of experts of the MS of the CCNR and of the EU. The MS of the CCNR and of the EU participate with voting rights on the basis of one vote per State.

Article 1 of the CESNI Internal Regulations on the Status of Observer States¹³⁷ declares that: "States which are not members of the European Union or of the CCNR and have an interest in inland navigation may be invited to take part in the work of the Committee as observers". According to Article 2 of the Regulations, such a State can: "a) take part in meetings of the Committee and the working groups, without voting rights; b) be invited to take part in temporary working groups set up by the Committee, subject to conditions defined down by the Committee". In the absence of any specific agreement following the no-deal scenario, the UK could decide to maintain its participation in the CESNI as Observer State.

6.5. Maritime disputes

In relation to the UK's position towards the EU, the British Prime Minister, Theresa May, has been very clear that Brexit would significantly alter the legal landscape: "We are not leaving only to return to the jurisdiction of the European Court of Justice (ECJ)"¹³⁸.

As such, it is unlikely that the UK will decide to abide to any kind of ECJ jurisdiction. To this date, there are no public documents declaring the UK official position in this area. Taking into account the fact that London is, today, a major centre for ship broking, finance, insurance and dispute resolution, in case of a no-deal, alternative dispute resolution bodies should be considered. This could be decided on a case-by-case basis by parties entering into a commercial contract, which will have to include an arbitration clause or a jurisdiction clause designating the courts of an alternative EU country competent to rule over their disputes. The question remains, however, as to whether UK courts and tribunals will consider ECJ case law as relevant or binding after Brexit, when applying UK internal law arising from EU directives.

In this sense, Brexit should not have any effect on the pre-eminence of London and its arbitral institutions in the resolution of international arbitrations. So far, London has been at the centre of global maritime dispute resolution. After Brexit, London arbitration awards will still be internationally enforceable in the same way they are now, under the New York Convention of 1958. Interestingly, companies arbitrating in London could theoretically also gain the right to use anti-suit injunctions¹³⁹ to prevent attempts to start litigation in other EU countries for a breach of London arbitration clauses.

Alternatively, the WTO dispute settlement system will still be applicable in a no-deal scenario.

With the UK becoming a third country, the solving of disputes was perceived likely to be more complicated for 60% of stakeholders interviewed in the survey conducted as part of this research and very likely for the remainder of them.

¹³⁷ [CENSI Internal Regulations](#).

¹³⁸ Theresa May's speech at the Conservative Party conference in October 2016.

¹³⁹ Anti-suit injunctions are orders that may be issued by courts or arbitral tribunals to prohibit an opposing party to file an action in another jurisdiction.

7. PRACTICAL CONSEQUENCES OF NO-DEAL BREXIT - RAIL

KEY FINDINGS

- In the no-deal Brexit scenario, it seems unlikely that the UK will decide to remove the current **separation between infrastructure management and train operations**.
- The no-deal scenario would negatively impact the railway supply chain through the **new procedures and controls related to the border crossing**.
- Regarding the functioning of the Railway Freight Corridors (RFC), Regulation (EU) 913/2010 establishing the main **legal framework for the RFC overlapping the North Sea-Mediterranean core network corridor will no longer be applicable to the part of the corridor crossing the UK territory**.
- The regulatory divergence in the no-deal scenario would **affect negatively the competitiveness of the Eurostar** company and its capacity to operate from an economic and practical point of view.
- **The Eurotunnel operation would be negatively affected** by new cumbersome custom controls and eventual misalignment between the EU-27 and the UK in the Technical Specifications for Interoperability (TSI).

7.1. Unbundling

In the UK, the introduction of competitive franchise bidding has helped to stimulate railway market growth and encouraged service innovations as well as the streamlining of the costs for the provision of the services.

Some EU legislation currently in force might be amended or changed by the UK after 29 March 2019 (the date when Brexit will officially take place) to better reflect the needs of the UK railway market and of the railway companies. One example may be the recast of the First Railway Package¹⁴⁰ and the new Fourth Railway Package¹⁴¹. The separation of the railway infrastructure managers from the railway operators is one of the obligations imposed by the legislation contained in this Package that the MS must observe.

Theoretically, a no-deal scenario provides an opportunity for the UK to remove the requirement for separation to allow the railway companies implement greater vertical integration. Vertical integration is recognised as an obstacle to market competition, as a vertically integrated operator could restrict competitor's access to the infrastructure. However, this solution seems quite unrealistic for now, in view of the traditional UK openness to market competition and related policies; as declared by the UK Rail Delivery Group (Rail Delivery Group 2017a), "the UK policy has always gone beyond any of the Railway Packages".

The reform of the Fourth Railway Package, adopted by the EU in 2016, should be transposed in the UK national law by June 2019. According to the UK's Withdrawal Bill, "in the case of

¹⁴⁰ The First Railway Package is a set of three directives that enabled rail operators to have access to the trans-European network on a non-discriminatory basis ([OJ L 75, 15.3.2001, p.25](#); [OJ L 75, 15.3.2001, p.28](#); [OJ L 75, 15.3.2001, p. 29](#)). The package entered into force on the 15th March 2001.

¹⁴¹ The Fourth Railway Package is a set of six legislative documents adopted to complete the single market for rail services. The package comprises two 'pillars': the 'technical pillar' adopted in April 2016 and the 'market pillar' adopted in December 2016. (Official Journal of the EU - [OJ L 138, 26.5.2016, p. 43](#); [OJ L 138, 26.5.2016, p. 101](#); [OJ L 138, 26.5.2016, p. 149](#); [OJ L 354, 23.12.2016, p. 31](#); [OJ L 352, 23.12.2016, p. 17](#); [OJ L 354, 23.12.2016, p. 21](#)).

anything which comes into force at a particular time and is stated to apply from a later time the law is transposed into UK law as it is in force and applies immediately before exit day". As pointed out by Rail Delivery Group (Fox et al., 2018): "The Fourth Railway Package technical pillar straddles 'Brexit Day' so it's not entirely clear how that will be dealt with". Nevertheless, about the post-Brexit period, the Rail Delivery Group declared: "We want [...] to support the implementation of the Fourth Railway Package and our continued commitment to a Single European Rail Area, promoting benefits for passengers and freight customers across the EU" (Rail Delivery Group 2017b).

According to 67% of stakeholders participating in the survey conducted within the framework of this research it was unlikely that the UK would decide to allow the integration of the railway infrastructure managers and service operators in one company. This solution was considered likely by 17% of the interviewees, while the remainder did not have an opinion.

7.2. Rail companies

Any restriction to the current functioning of the single market, as in the case of Brexit, decreases the efficiency of the European economy. Although it is not precisely predictable to what extent the rail companies will be affected by a no-deal Brexit, it is certain that a mutual loss of competitiveness would occur.

The no-deal scenario would impact the railway supply chain due to the introduction of the border crossing checks, which might entail cumbersome procedures. For example, the end of a simplified transport of goods between the UK and the EU, ensured by the membership to the EU Custom Union could lead to reduction of the volumes transported, poor loading and hence diminished revenue for rail freight operators.

For this reason, the Community of European Railway and Infrastructure Companies (CER) has warned that Brexit must not allow to undermine the development of the Single European Railway Market and called on the UK and the EU to ensure continued legal certainty for rail businesses.

With the aim to achieve a Single European Rail Market, the EU has recently enacted the Fourth Railway Package. According to CER's statement on Brexit, any restriction on the free movement of people could result in serious challenges for rail. Within these challenges, the CER has focused on the enforcement of the Fourth Railway Package through the EU Agency for Railways (ERA). In this context, the CER has insisted on the need to find an appropriate counterpart organisation in the UK that would guarantee the applicability of the measures contained in the Fourth Railway Package in the UK (Barrow, 2017).

Concerning the future ability of EU rail companies (passenger and freight) to penetrate the UK market, 60% of the respondents to the survey carried in the framework of this study believed it was likely to deteriorate post-Brexit, while 40% thought it is very likely.

In relation to the rail supply chain, 60% of the participants of the survey stated it was likely of very likely it would be negatively affected, while 20% of them considered this is scenario unlikely. The rest did not know.

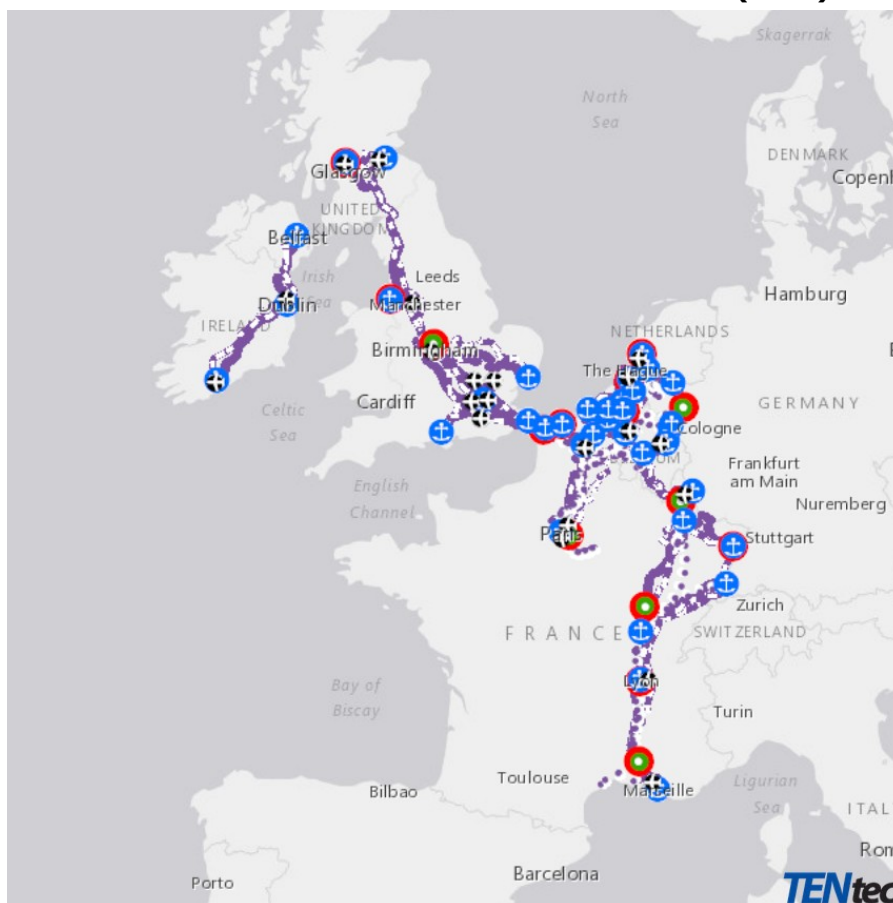
7.3. Railway Freight Corridors

As required by the Regulation (EU) 913/2010 of 22 September 2010 concerning a European rail network for competitive freight¹⁴², MS should implement market-oriented Rail Freight Corridors (RFCs) with the specific objective of:

- ensuring the right balance between freight and passenger traffic along the infrastructure,
- promoting intermodality, and
- strengthening the cooperation between infrastructure managers.

In the no-deal Brexit scenario, the functioning of the RFC overlapping the North Sea-Mediterranean Core Network Corridor (NSM Corridor; please see Figure 34) could be impacted and a number of challenges for the transport flow might arise. These challenges include, inter alia, the diminished transport connectivity with Ireland and the need to meet the growing trade requirements via Ireland's international ports¹⁴³) In order to overcome the above challenges, the EC is considering the revision of the NSM Corridor to avoid that it is cut into two distinct parts and that Ireland is no longer linked by land with the continental EU. In particular, in the EC proposal to amend Regulation (EU) 1316/2013 of 11 December 2013 establishing the Connecting Europe Facility¹⁴⁴¹⁴⁵, it is proposed to include maritime links between the Irish core ports and core ports of Belgium and the Netherlands.

Figure 34: North Sea-Mediterranean Core Network Corridor (NSM)



Source: European Commission (2018)

¹⁴² Official Journal of the EU - [OJ L 276, 20.10.2010, pp. 22–32](#).

¹⁴³ Roadmap: [Ares \(2018\)3440106](#).

¹⁴⁴ [COM/2018/568 final](#).

¹⁴⁵ [OJ L 348, 20.12.2013, p. 129–171](#).

Once the UK is no longer a Member State, the Regulation (EU) 913/2010 establishing the main legal framework for the RFC overlapping the North Sea- Mediterranean core network Corridor will not be applicable any longer to the UK. According to the Rail Delivery Group (UK Rail Delivery Group 2017a) “the European Rail Freight Corridor Regulation (913/2010) is a good example of the complexities that may arise from legal inoperabilities ” as they estimate that it is highly likely that the industry will want to retain many aspects of this Regulation but it is unclear how future membership of a European Economic Interest Group (EEIG) will work to allow membership of the governance board”. In conclusion they highlighted that “the inoperabilities in the Regulation cannot be fixed with a simple word replace exercise”. An agreement between the EU and the UK would be decisive if the RFC of the North Sea - Mediterranean wants to keep on operating in the same manner.

Regulation 913/2010 foresees the possibility for third European countries to participate in the RFC. In its recital No. 8, the Regulation states that the establishment of a freight corridor should take into account, where appropriate, the need for better interconnections with the rail infrastructure of European third countries. Moreover, Article 2 of Regulation 913/2010 includes under the definition of “freight corridors”, the railways and ferry lines of European third countries. Therefore, even if the UK becomes a non EU Member State, it could continue to be part of the RFC which overlaps the NSM Corridor and fall within the scope of Regulation 913/2010 if the no-deal scenario is substituted by agreements between the EU and the UK envisaging such a possibility. In particular, bilateral agreements between the EU-27 and the UK should focus on functioning and management of the RFC, interoperability and establishing a close cooperation in path allocation procedures (timetabling).

In this context, it is worth highlighting that similar cooperation within the RFCs framework already exists in the rail freight corridors involving non-EU countries of Eastern and South-Eastern Europe

As regards the Rail Freight Corridor Regulation, 60% of stakeholders interviewed for this research considered it likely to be changed post-Brexit, while the rest did not have an opinion on this issue. In particular, it was noted that the RFCs are aligned to the CNCs that are defined geographically in the current CEF Regulation. It may be necessary to alter one, or both of these to account for the UK's absence.

7.4. International business models

The European single market allows the deployment of international services, by common or joint enterprises, based on a common set of regulations on companies. With a no-deal scenario, such regulations could differ between the UK and the EU-27 and the business model of the international services will have to reflect the new discipline.

Eurostar International Limited (EIL), which runs international train services through the Channel Tunnel, has set out its concerns about Brexit in written evidence to a House of Lords Select Committee. It raised four particular concerns including: (i) rights to work and rights to remain (40% of EIL's workforce in the UK are non-UK citizens); (ii) ease of doing business and clarity of future intentions; and (iii) ease of movement (e.g. joint and rapid processing of the UK and the EU citizens at the border) (Eurostar International, 2016).

Its fourth concern was about regulatory divergence in the field on interoperability. If divergence between the UK and the EU rules were to happen, EIL argued that this would lead to “significant cost and complexity for our business. This in turn would affect our competitiveness and, depending on the nature of any differences between systems, it may

not be possible to operate either from an economic or practical standpoint". Moreover it argued: "There are no benefits or growth opportunity that we could identify from leaving the EU. As a cross-border operator, our fixed costs are already very high, and in many instances the business case is marginal. Any additional cost, small as it might seem, would only add to these costs and risks either raising prices for passengers or, if the market cannot bear such increases, making the operation unsustainable in its present form". (Eurostar International, 2016).

According to 60% of stakeholders interviewed during the survey conducted within the framework of this research it was unlikely that the international business models for high-speed train operator would change post-Brexit, while 20% believed it was likely. The rest did not know.

7.5. Eurotunnel (Getlink company)

As far as regulating safety, security and economic aspects is concerned, the Channel Tunnel is governed by an Intergovernmental Commission that was established under the Treaty of Canterbury. Getlink company (formerly Eurotunnel Group) is responsible for the operation of the Tunnel until 2086, under a concession agreement, which falls into the international law and would be unaffected by a no-deal Brexit scenario.

The border crossing procedures in the realm of customs, immigration, phytosanitary and sanitary rules, even controls concerning radioactivity would be carried out as at present in the case between a MS and non-EU country, for example between Turkey and Bulgaria, Hungary and Serbia, just to mention two border crossings in the major European rail and road corridors.

For commercial and technical reasons, it is unlikely that the Tunnel and the Channel Tunnel High Speed Rail Link would want to see any change in the application of EU law and the TSIs that set out the technical requirements for the whole railway network in the EU.

Concerning the business model, it is possible that Getlink and all the railway undertakings willing to operate in the UK market will have to establish the respective subsidiaries in the UK, should the future UK legislation on rail infrastructure define such a requirement.

40% of stakeholders interviewed during the survey conducted within the framework of this research it was unlikely that the functioning of the Eurotunnel would be negatively affected, while 40% believed it was likely or very likely. The remainder did not know.

7.6. Interoperability

The individual pieces of the EU legislation in the field of transport are often far-reaching and, for example, legislated for the European Railway Agency (ERA) – with extensive powers – and the detailed Technical Specifications for Interoperability (TSIs) which set out the technical requirements for the whole railway network in the EU. They also prescribe how railway companies can be structured, financed and run. The UK has expressed different opinions over this matter.

Currently, the UK has a process for managing national standards alongside EU standards so this could continue post-Brexit. In fact, Mr Darren Caplan, Chief Executive of the Rail Industry Association (RIA), said at a rail conference in February 2018 that "there is no huge desire in the UK rail sector to deviate on standards" (Euractiv, 2018).

However, the Review of the Balance of Competences between the UK and the European Union¹⁴⁶ revealed some dissatisfaction with interoperability. For example, one respondent argued that due to the UK's restricted loading gauge, most trains that run in the UK will be built solely for use in this country and the UK national technical standards for railway infrastructure are therefore 'an unnecessary burden'.

Taking into account this discomfort, the UK's Rail Delivery Group (RDG), which brings together passenger and freight operators, represents the industry and develops policy on its behalf¹⁴⁷, is aiming to keep complying with the EU TSIs but only for the limited number of lines used for international traffic to avoid problems (UK Rail Delivery Group, 2017c).

Finally, the UK Government is "carefully considering the implications" of the terms of Swiss participation within ERA, in light of a future EU-UK relationship (European Scrutiny Committee, 2018) which is allowed in Regulation (EU) 2016/796 on the European Union Agency for Railways and repealing Regulation (EC) 881/2004¹⁴⁸.

About 60% of stakeholders interviewed for the survey undertaken in the framework of this study believed that the UK would likely or very likely continue to comply with the TSIs, while 20% considered it was unlikely and the rest did not know.

¹⁴⁶ [Review of the Balance of Competences between the UK and the European Union - Transport](#) is a report that examines the balance of competences between the EU and the UK in the area of transport, carried out by the Department for Transport of the UK. It is a reflection and analysis of the evidence submitted by experts, non-governmental organisations, businesses, Members of the British Parliament and other interested parties, either in writing or orally, as well as a literature review of relevant material.

¹⁴⁷ RDG, [About us](#).

¹⁴⁸ Official Journal of the EU - [OJ L 138, 26.5.2016, p. 43](#).

8. PRACTICAL CONSEQUENCES OF NO-DEAL BREXIT - ROAD

KEY FINDINGS

- The **harmonisation of the rules on access to the market** and **access to the profession** of a road transport operator is fundamental for ensuring an uninterrupted provision of services and could be conducted in line with the European Council (EU) guidelines.
- In relation to the **vehicle standard emissions**, it is unlikely for the UK to return to UK-only type approval.
- There is no clear future orientation of the UK, which could indicate the country's intention to apply domestic rules on **driving and rest times rules**.
- UK's domestic rules on **combined transport operations** may be modified post-Brexit, especially in the view of opinions expressed by some representatives of UK industry, who would prefer the current EU rules on the subject to be modified.
- EU stakeholders stress the importance of continued application of EU rules on maximum **weights and dimensions in road transport** in UK national legislation post-Brexit.

8.1. Access to the market and to the profession

In the road sector, EU Community licences, as per Regulation (EC) 1072/2009 of 21 October 2009 on common rules for access to the international road haulage market¹⁴⁹, are a necessary requirement to conduct international carriage of goods in the EU. These licenses can only be issued by the competent authorities of the EU Member State in which the haulier is established. In a no deal scenario, the most presumable consequence is that licenses issued by UK authorities will no longer be valid in the EU-27 and, as such, the EU-27 road market would be closed to holders of licences issued by the UK.

In order to avoid this, the harmonisation of the rules of the EU-27 and the UK rules on access to the market and access to the profession of a road transport operator, it could be done by following the (EU) Guidelines of 15/12/2017. This is by the UK deciding to apply all EU 'acquis' and having an integrated transport area such as the European Economic Area (EEA)¹⁵⁰.

Otherwise, the European Conference of Ministers of Transport (ECMT) licences system will have to be applied in relation to the international road transport operations between the EU-27 and the UK. ECMT licences are needed to operate lorries above 3.5 tonnes in international transport where other arrangements do not exist. The ECMT licences are only valid for one calendar year and allow an unlimited number of journeys within that period. These permits may be transferred between vehicles but are valid for only one vehicle at a time. The concern is that there are limited numbers of ECMT licences that are allowed to be issued as they are granted on the basis of a quota system. In the case of the UK, it is estimated that less than 5% the number of Community licences used by UK international operators now would be met through the ECMT licence system (Freight Transport Association,

¹⁴⁹ Official Journal of the EU - [OJ L 300, 14.11.2009, pp. 72-87](#).

¹⁵⁰ [Preparatory discussions on the framework for the future relationship: "Transport"](#), TF50 (2018) 34, Commission to EU-27, 21 February 2018.

2017). Logically, EU lorries will also be required to obtain ECMT licences to enter or transit through the UK, something that would also be limited by ECMT quota system.

It must be noted that the UK Government has already presented a road haulage bill to the UK Parliament in order to ensure that UK haulages can continue to operate in the EU-27 in a 'no-deal' Brexit scenario¹⁵¹. According to the briefing paper prepared by the House of Lords Library on the bill¹⁵², part one of the Bill will enable the Secretary of State to make secondary legislation and introduce a new international haulage permit scheme, ensuring that UK hauliers can obtain the necessary paperwork to provide services to and from EU countries. Part two of the bill, enables the Secretary of State to make secondary legislation introducing a trailer registration scheme that is in line with the 1968 Vienna Convention which will ensure that UK operators driving on the continent can comply with the requirements of those EU countries which require the registration of all trailers travelling on their roads.

Indeed, through a separate parliamentary process of the bill, the UK will ratify the 1968 Vienna Convention on Road Traffic that supports continued mutual recognition of licences (UK Government, 2018b). It must be noted that under the Convention's terms, access to foreign roads is only guaranteed for registered motor vehicles and trailers. This is a contingency plan adopted by the UK in case no agreement with the EU is achieved in the area of mutual access to the road transport market.

According to stakeholders participating in the survey conducted for this study, close collaboration and negotiations should take place between the EU and the UK, with the current rules retained as long as needed to give the two sides time for the respective amendments.

8.2. Emissions standards

While there has been some criticism of the EU-wide type approval process for vehicles in the wake of the VW emissions scandal, a return to UK-only type approval, with some sort of mutual recognition scheme for all other countries, seems unlikely and has not been suggested in the related debate by the UK (House of Commons, 2016).

In a debate on Brexit and transport in November 2016, the- former UK Minister of State at the Department for Exiting the European Union, David Jones, indicated that there would be little change in the UK as far as the implementation of international vehicle standards was concerned.

He said: "Many vehicle standards are actually shaped in United Nations bodies, and the EU absorbs them into EU law. That process would therefore be absorbed into our domestic law as part of the great repeal Bill process" (UK Parliament, 2016).

About 80% of stakeholders interviewed during the survey conducted within the framework of this research believed that the road vehicles operating in international transport would likely or very likely still be subject to EU emission standards. The remaining 20% believed it was unlikely.

¹⁵¹ The Haulage Permits and Trailer Registration Act 2018. Available [here](#).

¹⁵² House of Lords Library, Haulage Permits and Trailer Registration Bill: Briefing for Lords Stages, LLN 2018-0025, 20 February 2018; a Commons Library briefing paper on this Bill will be produced in time for Second Reading in the Commons. Available [here](#).

8.3. Driving and rest time rules

Driving and rest time rules constitute a major issue in the post-Brexit EU-27 - UK relations due to the large number of EU workers employed by UK road transport operators.

In this respect, it should be noted that, unlike aviation and shipping, a lorry or a bus registered in the EU cannot be considered as an EU legal territory. In aviation and in shipping, the personnel of a EU carrier or ship will have to follow the EU legislation even if it is in territorial waters or on the territory of the UK.

Directive (EC) 2002/15 of 11 March 2002¹⁵³ sets out minimum rules for the organisation of working time for drivers supplementing the provisions of Regulation (EC) 561/2006¹⁵⁴ which lays down common rules on drivers' driving times and rest periods.

All the stakeholders interviewed believed that the UK would apply domestic rules.

The consequences of the application of UK domestic rules for the EU hauliers at the moment are difficult to predict, as it is unknown how much it could differ from the current EU legislation.

As for the consequences of a no-deal Brexit on combined transport, it should be noted that the area in the EU is governed by Council Directive 92/106/EEC of 7 December 1992 on the establishment of common rules for certain types of combined transport of goods between Member States¹⁵⁵.

8.4. Combined transport operations

The Directive applies to "combined transport" operations. Combined transport is defined under the Directive as transport of goods between MS where a freight road transport is used for the initial or final leg of the journey, while rail or inland waterway or maritime services are used for the other leg, with the non-road transport being longer than 100 km. In addition, the initial or final road transport leg of the service must be between the point where the goods are loaded or unloaded and the closest suitable rail loading station for the initial or final leg, or within a radius equal or shorter than 150 km from the inland waterway port or seaport of loading or unloading.

In view of the current definition¹⁵⁶, as the Directive does not cover combined transport operations with third countries (but only intra-EU operations), in case of a hard Brexit, it may be concluded that the Directive would not cover combined transport operations between a MS and the UK.

Whether the UK would continue to apply domestic rules in line with the Directive is to be seen, especially as some stakeholders in the UK have shown their willingness to amend the rules on combined transport after Brexit. By way of illustration, the Road Haulage Association (RHA) has expressed to the UK House of Lord EU Internal Market Sub-Committee that some of its members would like to see this Directive scrapped after Brexit (Road Haulage Association, 2016a).

¹⁵³ Official Journal of the EU - [OJ L 80, 23.3.2002, pp. 35-39.](#)

¹⁵⁴ Official Journal of the EU - [OJ L 102, 11.4.2006, pp. 1-14.](#)

¹⁵⁵ Official Journal of the EU - [OJ L 368, 17.12.1992, pp. 38-42.](#)

¹⁵⁶ A proposal to amend Directive 92/106/EEC is currently being discussed. If finally adopted, the definition of "combined transport" may be broadened so as to also cover operations with third countries.

8.5. Weights and dimensions in international road transport

Regarding weights and dimensions, the EU rules on the field are contained in Council Directive 96/53/EC of 25 July 1996 laying down for certain road vehicles circulating within the Community the maximum authorised dimensions in national and international traffic and the maximum authorised weights in international traffic¹⁵⁷. In particular, this Directive establishes maximum limits for heavy goods vehicles, buses and coaches carrying out international transport within the EU and requires national transport companies to meet the standards set for international transport.

In the EU, stakeholders have expressed the importance of this Directive and stated that it would cease to apply to EU-UK transport journeys post-Brexit. In this sense, they advocated for it to become part of a comprehensive EU-UK land transport agreement after the UK's withdrawal of the EU (IRU, 2018).

Stakeholders in the UK, which manifested their views on Brexit, did not show dissatisfaction with regard to the current EU rules on weights and dimension (Road Haulage Association, 2016b).

¹⁵⁷ Official Journal of the EU - [OJ L 235, 17.9.1996, p. 59-75](#).

9. PRACTICAL CONSEQUENCES OF NO-DEAL BREXIT - TOURISM

KEY FINDINGS

- The impact of the no-deal Brexit scenario on the freedom of movement and ease of travelling will have **negative consequences both for the EU and the UK travellers** affecting the cost and the quality of the services, as well as the consumer protection.
- Border controls and procedures constitute a strategic aspect affecting the travel decision.
- Huge uncertainty exists among the stakeholders about the reciprocity of rights to stay for the UK and EU-27 citizens.

9.1. Ease of travelling and cost

On 24 January 2018, the UK Parliament published a report titled “The potential impact of Brexit on the creative industries, tourism and the digital single market” in which it is stated the following:

“The development of a new system of entry to the UK for EEA visitors will be a key aspect of the UK’s relationship with the EU after Brexit. In its consideration of the implications of altering the principle of free movement, the Government must be aware of the detrimental impact this could have for the UK as a tourist destination”.

As already mentioned in Section 2.2, the no-deal scenario will have negative consequences both for EU and UK travellers in terms of: freedom of movement, security, availability of skilled staff and service quality. Moreover, other areas of concern include, for example: consumer protection, health insurance and roaming fees¹⁵⁸.

The stakeholders have been questioned about the post-Brexit perspective for tourism both in the UK and EU-27. The results of the survey are presented below.

Tourism in EU-27

Tourism in the EU-27 will increase according to 37% of stakeholders participating in the survey conducted for this study, while for 21% it will decrease. No impact was expected by 16% of them, while the remaining did not know. Among those expecting a decrease it was pointed out that while, the impact could be limited for the majority of the MS, it would be rather huge in Ireland. Moreover, it was reported that the UK could be cheaper than EU-27 for international tourists, for example for those coming from China and the Americas.

Border controls are still recognised to be the most strategic aspect affecting the travel decision, followed by the general cost of travel. About 47% of stakeholders thought the impact would last beyond 5 years, while 53% did not know.

¹⁵⁸ Travel associations [ABTA](#) and [Tourism Alliance](#) both conducted pre-referendum and post-referendum research to identify the biggest areas of impact, as well as the feelings and opinions of industry members and experts.

Tourism in the UK

According to 53% of stakeholders, tourism in the UK will decrease while for 21% it will increase. No impact is expected by 5% of them, while the remaining do not know. Among those reporting negative perceptions, it was pointed out that a 40% decline of UK tourist coaches to Ireland has been already registered, due to the uncertainty of Brexit. Moreover, the following specific elements negatively affecting the tourism were mentioned:

- Problems at borders;
- Negative image of the UK after Brexit;
- Willingness to 'punish' the UK by EU-27 citizens;
- Extra costs (medical treatments, mobile phone fares, lack of workers speaking the same national language at touristic facilities).

The border controls are recognised by the stakeholders interviewed for this study to be the most strategic aspect affecting the travel decision, followed by the general cost of travel. Moreover, they assessed that the impact of the no-deal Brexit on tourism was expected to last beyond 5 years (opinion expressed by 47% of the stakeholders), while only 10% of them believed it would last maximum 5 years. The remainder did not know.

Moreover the stakeholders pointed out that:

- London would lose importance as hub for arrivals in Europe;
- There would be a decrease in the quality standards of the accommodations both in the UK and in the EU;
- The decline would also include travels for learning English.

9.2. Rights to stay for EU-27 and UK citizens

The European Parliament (EP) has already declared that UK citizens in the EU-27 should at the point of Brexit be considered as 'former EU citizens' and maintain most of the rights provided for by the Directive (EC) 2004/38¹⁵⁹ (the Citizenship Directive), which should be applied by analogy (European Parliament, 2017).

As a result, UK citizens residing in the EU-27 at the point of Brexit would continue to enjoy equal protection across the territory of the EU. They would maintain a right to reside, as long as they exercise an economic activity within the EU or are economically independent. It means, according to Article 6 of the Directive (EC) 2004/38, that the right to reside for more than three months in another MS is conditional upon either economic activity as an employed or self-employed person, or having comprehensive health insurance and sufficient resources. If those conditions are fulfilled, UK citizens would have the right to a residence card and the right to move visa free across the territory of the EU.

Pensioners would however be at risk of not being able to continue to exercise the said rights, unless social security co-ordination is maintained. Students would be at risk of not being recognised as beneficiaries of the 'former citizen' status, unless they have comprehensive health insurance.

¹⁵⁹ Official Journal of the EU - [OJ L 158, 30.4.2004, pp. 77-123](#).

On the other hand, the EU citizens in the UK might face relevant challenges. Workers might be subjected to visa rules, including visa restrictions for unskilled jobs. Part-timers, those in atypical employment contracts, work seekers, and those with a non-continuous employment history will be particularly at risk. Self-employed might be subjected to the minimum investment/threshold requirements. Fees for visa and evidence required might also pose significant challenges. Economically independent EU citizens might also face minimum income and health insurance requirements.

Among the stakeholders interviewed in the course of this research, there was a huge uncertainty about the reciprocal rights of stay, including someone believing that the rights will not be touched and others believing they will be affected in terms of more complicated procedures to face. Nevertheless, most of stakeholders reported a growing bad reciprocal feeling between the UK and EU-27 citizens.

10. PRACTICAL CONSEQUENCES OF A NO-DEAL SCENARIO - POSTAL SERVICES

KEY FINDINGS

- Post-Brexit **postal services between the EU and the UK would be governed by the rules adopted by the UPU and the CERP**, although some obligations adopted by the UK to transpose the Postal Services Directive could be waived.
- The UK could decide to grant **exclusive or special rights for the establishment and provision of postal services**.
- Although the **Cross-border Parcel Delivery Regulation** would no longer bind the UK, this EU Regulation is expected to be transposed into national law.
- It is expected that the UK and the EU **postal technical standards will be aligned** to a large extent after Brexit.
- Custom controls and procedure to collect **VAT in cross-border operations** could be put in place.

10.1. UK rights and obligations in postal services

As in the case of any other third country with which no specific agreement has been concluded, post-Brexit postal services between the EU and the UK would be governed by the rules adopted by the UPU and the CERP. The UPU brings together 192 countries from all around the world and the CERP is a forum for the postal regulators of 48 European countries. The UK and the other 27 remaining MS are members of both organisations.

Nevertheless, some obligations that the UK would be free to remove from the national laws adopted to transpose Directive (EC) 96/97 (the Postal Service Directive) should be considered. The UK could decide not to:

- Guarantee that postal parcels received from the MS and weighing up to 20kg are delivered within the UK's territory;
- Notify the EC of the identity of universal service provider/s;
- Ensure that universal service providers keep separate accounts, and
- Collect this information and provide it to the EC upon request.

In addition, the UK could decide to grant exclusive or special rights for the establishment and provision of postal services. Quality standards set in the Directive would no longer need to be respected in UK-EU cross-border postal services. UK national quality standards would not need to be compatible with the quality standards applicable to intra-EU postal services and would not need to be notified to the EC.

UK authorities would no longer need to provide financial information and other relevant information on universal services to the EC.

As far as the laid down UK's right and obligation in Directive (EC) 97/67 is concerned, 66% of stakeholders interviewed for the purposes of this study expected an impact (substantial or slight), while the remaining did not know.

10.2. Cross-border parcel delivery

In a no-deal Brexit scenario, the UK would no longer be bound by Regulation 2018/644. This could mean¹⁶⁰, among other things, that:

- Ofcom (the UK regulatory authority) would no longer need to send to the EC public prices provided by the Royal Mail (the UK universal services provider) or the details of any affordability assessment it conducts with regard to the latter's tariffs;
- The national authorities of the remaining MS would no longer be required to collect data regarding deliveries from their territory to the UK and this information would no longer be published by the EC on its website; and finally
- The national authorities of the remaining MS would no longer be required to carry out affordability assessments on parcel deliveries to the UK.

Despite this, in reply to a question from the UK European Scrutiny Committee, the former UK Minister [for Small Business, Consumers and Corporate Responsibility](#) (Andrew Griffiths) stated that the EU Withdrawal Bill would convert the Regulation 2018/644 at the exit of the EU so that it becomes part of retained EU law¹⁶¹.

About 67% of stakeholders participating in the survey conducted for this study believed that the cross-border parcel delivery between the EU-27 and the UK will be negatively affected, while the remaining did not know.

10.3. Technical standards

Directive (EC) 97/67 establishes that (i) the European Committee for Standardisation shall take into account the harmonisation measures adopted at the international level and especially the one decided within the UPU and (ii) MS' minimum and maximum dimensions for postal items shall be the ones adopted by the UPU.

Consequently, and given that the UK is part of the UPU, if after Brexit the UK continues to follow the international practice as the EU does, it is not unlikely that UK and EU postal technical standards could be aligned to a large extent.

About 67% of stakeholders believed very likely that the UK will continue to apply EU technical standards, while the remaining did not know.

10.4. Customs controls and VAT

No customs and VAT controls are currently in place on good crossing the EU-UK borders. In a no-deal Brexit scenario, packages coming from or going to the UK would need to clear customs' check. This will not only entail an increase of prices for postal services and parcel deliveries between the EU and the UK, but also an extension of the processing time, since customs forms will need to be filled out and safety checks may be needed.

In addition, unless an agreement is concluded, every product, exceeding certain value that comes into the UK from the EU or vice versa would be subject to VAT. It should be noted that VAT rates differ from one to another MS when trading with countries outside of the EU. In addition, VAT will be due prior to the release of goods and will only be claimable by senders who are VAT-registered.

¹⁶⁰ Please see documents considered by the UK European Scrutiny Committee on 21 March 2018, available at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmeuleq/301-xx/30113.htm>.

¹⁶¹ Ibidem.

11. IMPACT FOR MS – CASE STUDIES

KEY FINDINGS

- **Germany** is the **main trade partner of the UK** and maintains a large **trade surplus**, with the **automotive sector** playing a leading role.
- The **reduction of German trade** with the UK would impact the transport along the **maritime routes**, while the **reduction of travel** would affect a **relevant air market** between the two countries.
- For **France**, the **UK is the fourth destination of export**. The decrease in trade exchanges would **impact on the maritime operators and the lorries**.
- Significant repercussions of the no-deal Brexit are expected on the operation of the **Eurotunnel and Airbus** if no **strategic decisions** are taken to relocate the production lines from the UK.
- For **Italy**, **exports to UK amounted to 1.3% of the country's GDP** in 2016. However, a **rather limited impact of the no-deal scenario on Italian GDP** is expected.
- For **Spain**, the **UK was the third most important trade partner** in 2017. The **decrease in exports** to the UK generated by a no-deal scenario is expected to be driven by the **automotive sector**.
- **Spain's, France's and Italian tourism and travel markets**, which are the EU top destinations for the UK citizens are also expected to be hit by the no deal Brexit.
- **The Netherlands** is the **second European partner of the UK for trade volume** in 2016. The no-deal scenario negative impact on **maritime routes** would be huge.
- For **Belgium**, **exports to the UK corresponded to 7.6% of GDP** in 2016. The no-deal scenario would significantly hurt **maritime transport**.
- **Ireland** is a **net importer from the UK**, which is also its first trade partner. A no-deal scenario is expected to generate a **20% decrease in trade flows** through the negative impact on **maritime and road transport**.
- In relation to **passenger transport**, a no-deal Brexit would impact an intense air traffic between the Ireland and the UK. With regard to the impact on **transport infrastructures**, specific issues are constituted by the interoperability of the rail corridor between Dublin and Belfast and the existence of the Ireland-UK FAB.
- For **Sweden**, **exports to the UK** amounted to **1.6% of GDP** in 2016. The no-deal scenario would negatively affect the **efficiency of trade** through the impact on **customs and logistics** and the **availability of workforce**.
- **Greece** was a **net importer from the UK** in 2016. A **no-deal scenario impact** is expected in the **range of 0.4%-0.8% of GDP**. In 2016, the **expenditure of UK citizens for holidays** was EUR 2 billion; post-Brexit a reduction of 2-6% is anticipated.
- For **Poland**, **trade with the UK** amounted to **2.8% of GDP** in 2016. **Trade barriers** would undermine the exploitation of **competitive advantages** (lower labour and production costs). The no-deal negative impact on the mobility of people would be particularly significant as **Polish citizens are the largest European community residing in the UK**.

This Chapter summarises case studies from EU-27 MS that are expected to be significantly affected by a no-deal Brexit scenario. An analysis of the main socio-economic impacts is presented for the following nine MS: Germany, Ireland, Italy, Belgium, France, Greece, Spain, Sweden and Poland. The countries have been selected on the basis of the sectorial analysis previously conducted and with the objective to ensure a representative overview across the EU-27.

The countries selected are also identified in an analysis conducted by Standard & Poor's (2016) that computes export, financial investment and migration factors, providing a specific ranking of exposition to Brexit.

It is worth specifying that data for a no-deal scenario impact are not homogeneous among the countries. Consequently, the entity of the insights provided is not homogeneous either.

11.1. Germany

In 2016, exports constituted 39% of German GDP, with exports to the UK contributing 2.7% to the country's GDP (EUR 88.4 billion) and 7% to the country's global export. Imports from the UK (EUR 37.0 billion) accounted for 3.7% of the country's total import.

Germany is the main trade partner of the UK and maintains a huge trade surplus equal to about EUR 121 billion in 2017.

The two economies have a high level of integration, as shown by the following figures (Deutscher Industrie und Handelskammertag, 2017):

- Trade volume between the two countries in 2016: EUR 122 billion;
- Export to UK: EUR 86 billion;
- Jobs generated by trade with the UK: 750,000;
- Value of German production sites and business in the UK: EUR 121 billion;
- German branch offices in the UK: 2,500;
- Workers in the German branches: 400,000;
- UK branch offices in Germany: 1,200;
- Workers in the UK branches: 220,000.

The automotive sector plays a leading role, with the UK being the fourth largest market for the car manufacturer BMW, with 24,000 people employed and 50,000 jobs generated by the sector's indirect activities. The following figures, related to the BMW factory in the UK manufacturing the 'Mini' model, show this relationship (Riedel et al., 2018):

- 250,000 cars produced in 2017;
- 50% of cars exported to EU-27 countries;
- 9 out of 10 car parts are produced outside the UK.

The reduction of trade due to tariff and non-tariff costs generated by the no-deal Brexit scenario would impact in particular SMEs. Notably, there would be a decrease in the volume of goods transported along the maritime routes, which are among the most important in Europe, with 12,000 million tonnes transported in 2015. The reduction of trade with the UK solely due to the new tariffs imposition is estimated at about 34%, equal to 2.5% of the world trade (Lawless et al., 2017).

Regarding imports, the German Ministry of Finance estimates at least 2.5 million of new custom declarations, while 15 million are overall estimated for import and export by the Association of German Chambers of Industry Commerce. The relative cost is estimated to be only 0.4% of the overall trade value between Germany and the UK (Handelsblatt Global 2018).

On the basis of the results of a survey conducted in 2017 by the Deutscher Industrie und Handelskammertag (DIHK), German companies believe that the changes in the supply chain, the increase of the administrative burdens at the borders and the setting-up of new taxes and tariffs would cause a decrease in trade. In general, about 10% of companies plan to disinvest in the UK to remain in the EU internal market, with about 50% of them indicating their national territory as the most preferred choice.

The reduced degree of freedom of the movement of people, coupled with the travel slowdown due to the business downturn, would affect a relevant air market between Germany and the UK, which accounted for 3.2% of the total passengers carried in the EU-28 in 2016.

The general negative consequences on the visits to Germany would impact a market characterised by an overall expenditure by UK residents equal to 0.03% of the German GDP in 2016, with the expenses for holidays accounting for 0.01% of GDP.

According to Ferrer et al. (2016), the country's additional contribution post-Brexit to the EU budget might be in the region of EUR 2.5 billion.

11.2. France

In 2016, the French export of goods accounted for 20% of the country's GDP at current prices, with export to the UK (EUR 32.3 billion) equal to 1.4%. The UK is the fourth destination of French exports which corresponds to 7% of the country's total exports (World Bank, 2018). Imports from the UK amounts to EUR 20.2 billion, equal to 1.9% of the French global import.

The French leading export products sent to the UK¹⁶² include: (MEDEF, 2018):

- Agricultural products;
- Transport vehicles (cars, trucks);
- Textile, clothing and footwear;
- Chemicals, perfume and cosmetics;
- Mechanical equipment, electric, electronic and IT materials.

The decrease in trade exchanges would substantially impact transport and logistics operators on both sides of the Channel; in fact, maritime routes between France and the UK are second in Europe in terms of tonnes transported, while France is the UK's first partner for goods transported by lorries. According to the 'Observatoire Français des Conjonctures Economiques' the trade reduction might imply a reduction of the UK investment in France of about EUR 3-5 billion (Olnafret, 2018).

Although relevant for the whole of Europe, local impacts would be generated by the effect of a no-deal scenario on the operation of the **Eurotunnel/Getlink** (headquartered in France).

¹⁶² Calculated as a ratio between French exports to the UK and the total sectorial exports.

Besides the economic impacts on the activities, it should also be highlighted that a slowdown of the operations might induce severe congestion phenomena on the transport network.

At the **regional level**, the areas that are expected to suffer the most from a no-deal Brexit are the regions of the Channel coast, namely Hauts de France, Normandy and Bretagne which have intense trade relations with the UK and which have already started activities to mitigate the Brexit consequences through discussions with the UK (e.g. Normandy is a big player in the UK dairy products market, with some factories like 'Danone' exporting almost their entire production there) (Zapalski, 2018).

Nevertheless, the north France region also constitutes an important European logistics and transport hub and this might be appealing for the UK enterprises planning to relocate to the continental Europe to maintain their access to the single market.

In order to preserve the access to the single market **Airbus** (headquartered in Toulouse), decided to move from the UK to France or Germany a potential EUR 200 million contract with the European Space Agency, related to the ground control for the EU satellite navigation system 'Galileo' (O'Carroll, 2018a).

France might also benefit from other strategic decisions related to Airbus that is evaluating the possibility to disinvestment in the UK, where parts of aircrafts are built (mainly wings). The company analyses the feasibility to move its production elsewhere, either within or outside Europe (Elliot, 2018). This is due to the eventual border delays that would make the UK production uncompetitive, considering the need to send the produced parts to other EU countries. According to the vice-president of Airbus in the UK, Katherine Bennett, hours of delays for a lorry at the port of Dover "would be a critically bad issue for Airbus" (Topham, 2018d).

The no-deal scenario would affect France's tourism, which is the second **tourism and travel** market after Spain, characterised by a global expense by the UK residents of about 0.15% of the country's GDP in 2016 (the expenses for holidays account for 0.11% of GDP). Regions like Bretagne and Normandy already experienced a decrease of touristic flows in the 2017, which was mainly attributed to a pound sterling depreciation.

As result of the no-deal Brexit, the France's additional contribution to the **EU budget** is expected to increase and can be estimated at EUR 1.5 billion (Ferrer et al., 2016).

11.3. Italy

In relation to **trade**, Italian exports amounted to 25% of GDP in 2016, with export to the UK (EUR 23.4 billion) totalling 5.4% of the country's global export and 1.3% of its GDP. Imports from the UK amounted to EUR 11.5 billion and to 3% of the country's global imports (The World Bank, 2018).

As reported by the Bank of Italy, the impact of no-deal Brexit on the country is expected to be quite limited. In fact, if the same tariffs currently applied by the EU-27 to third countries are applied to the UK post-Brexit, the largest export sector, constituted by mechanicals (20% of the share), would suffer in a limited way with tariffs around 2% of its value. The following export sectors would in fact suffer more:

- Automotive (12% of the market share);
- Agri-food (10% of the market share);
- Clothing and footwear (8.2% of the market share).

Estimates of the Bank of Italy show that in the worst case scenario, characterised by a huge UK economic downturn leading to a decrease of Italian exports to the UK by 10%, Italian GDP would decrease less or equal to 0.25%.

In relation to the **movement of people**, the Italian National Institute of Statistics (ISTAT) registered a decrease of immigration to the UK in a general framework of growth of international immigration to Italy in 2017 (Corriere della Sera, 2018). This, as it is explained, could be generated by the loss of appeal for the UK caused by more stringent rules for citizenship and could imply benefits for the Italian labour market through the arrival of talented and skilled workers.

In 2016, in terms of visits and spending for **tourism** and travel by UK citizens, Italy ranked third after Spain and France. In particular, global spending amounted to 0.13% of the Italian GDP with spending for holidays amounting to 0.10%. In terms of nights spent at tourism destinations, Italy ranked second after Spain, with 15% of market share in the EU-27.

Air passenger transport between the UK and moved 3.2% of all the passengers carried within the EU-28 in 2016.

Finally, it should be highlighted that the Italian 'Atlantia' infrastructure group is the largest shareholder of **Eurotunnel** operator Getlink with a 15% share, therefore it is hugely involved in any potential restructuring operation resulting from the no-deal scenario.

After the UK withdrawal, the Italian contribution to the **EU budget** is expected to increase to about EUR 792 million (Ferrer et al., 2016).

11.4. The Netherlands

In 2016, the Dutch **trade** was characterised by exports amounting to 57.2% of GDP. Registered exports to the UK were EUR 37.6 billion, corresponding to 9% of the country's global export and 5.1% of its GDP. Imports from the UK equalled EUR 20 billion, with a share of 6.3 of total imports (The World Bank, 2018).

The Netherlands was the second-ranked European partner of the UK after Germany for trade volume in 2016. Maritime routes between the two countries are the busiest in Europe; in 2015, goods shipped (between a UK loading port and a Dutch unloading port) amounted to about 35.2 million tonnes. In this context the transport by lorries on RO-RO ships plays a significant role.

The negative impact of a no-deal scenario on Dutch **maritime transport** would be huge due to the complications induced by the new cumbersome custom procedures.

In particular, as reported for the **port of Rotterdam**, which constitutes a fundamental hub in the trade relationship between the two countries, there is an expectation of a 20% increase in administrative work that would require between 500 and 1,000 extra officers (DutchNews, 2018). Such figures are also relevant in consideration of the required training and education activities to have a duly skilled workforce.

If the issue of general delays at customs checks would damage the capacity of providing just in time deliveries by the operators, for the Netherlands a specific impact could be related to the transport of **perishable products such as cut flowers**. The Netherlands is the main hub for the distribution of this product throughout Europe (Johnson, 2018).

As reported in Rojas-Romagos (2016), the total cost of a no-deal Brexit for the Netherlands can be expected to reach 1.2% of the country's GDP by 2030 (about EUR 10 billion). Such

estimation could even be 65% higher if the dynamic effect of the trade-led innovation, as previously described in Chapter 2 is taken into consideration.

The contribution of the Netherlands to the **EU budget post-Brexit** is expected to decrease by about EUR 72 million (Ferrer et al., 2016).

11.5. Belgium

Trade plays a prominent role in the Belgian economy, with exports amounting to 85.1% of the country's GDP. Exports to the UK added up to EUR 33.3 billion, corresponding to 8.9% of Belgian global exports and 7.6% of its GDP value. In the same year, imports from the UK registered a value of EUR 16.7 billion, with a share of 4.8% of total imports and amounting to 3.8% of Belgian GDP.

The no-deal scenario would hurt the country mainly through **maritime transport**, as the area between the UK and the Belgium is hugely integrated and the ports on both sides can be considered as natural partners; the Belgian ports, in particular, are a key player in the context of logistics, distribution, automotive, gas and tourism.

As for the ports of other MS, the negative impacts of a no-deal scenario for Belgium would be generated by tariff and non-tariff costs induced by the new post-Brexit status quo, while the depreciation of the British pound is able to sensibly reduce UK consumers' demand.

Key players in the Belgian port system are the port of Antwerp and the port of Zeebrugge. Most notably, the **port of Zeebrugge** is a central location for the automotive sector and logistics services. For example, in 2016, more than 2.7 million vehicles (and many more automotive components) were handled by the port of Zeebrugge, making it the major destination and source of these products. Zeebrugge conducts 45% of its total trade with the UK, making it a fundamental partner for the port.

A no-deal scenario would impact the overall economic strength of the Zeebrugge port, impacting the businesses that directly or indirectly work in the sector. In fact, it is estimated that the trade with the UK generates employment for 5000 people and a yearly value of EUR 500 million (VrtNieuws, 2017).

Vehicle shipping is also important to the **port of Antwerp**. Furthermore, with an annual freight volume of nearly 14 million tonnes in 2017, it represents a strategic commercial link between the two countries. The uncertainty surrounding the outcome of the Brexit negotiations have already caused a drastic decrease of 8% in volume handled by the port (Antwerp Port Authority, 2018). This situation only demonstrates that the actual consequences of a no-deal Brexit on the port of Antwerp can be further magnified.

In addition, the port authorities estimate that an increase in security and goods inspections will strongly impact the transfer process and they warn that an extra two minutes on lorry inspections could lead to queues of 27 kilometres at Dover (Rankin, 2017).

Furthermore, in terms of **tourism** which accounts for 7.7% of Belgian services exported to the UK (Dor, 2016) the aforementioned increased controls will impact upon the thousands of passengers travelling between the two countries by ferry, and will have economic impact on the ferry operator. In fact, it is estimated that several ferries leave Zeebrugge port to a number of UK destinations (e.g. Tilbury, Tyne, Sheerness, Southampton and others) and over 800,000 passengers disembark at the Belgian port each year (Duperron, 2017).

In freight transport, it should be noted that pharmaceuticals are mainly carried by **air transport**. Moreover it should also be mentioned the role of Liege airport as hub for **e-commerce** (Deloitte, 2018). The huge uncertainty related to the aviation sector will undoubtedly negatively affect such businesses.

After Brexit, Belgium might be required to increase its contribution to the **EU budget** by EUR 192 million (Ferrer et al., 2016).

11.6. Ireland

The UK is the first **trade** partner for Ireland, the destination of 12.8% of the Irish global exports valued at EUR 1.5 billion in 2016. This trade contributed 5.0% to the Irish GDP, while the entire export value of the country corresponded to 42% of its GDP. In the same year, the country's imports from the UK totalled EUR 17.2 billion, equal to 23.8% of its global imports (The World Bank, 2018). Such a situation defines Ireland as the first European net importer from the UK and the related maritime routes are among the busiest in Europe, with 8,320 tonnes transported in 2015.

In general, as reported in Barret et al. (2015), the following impacts can be expected from Brexit:

- at least a 20% decrease in trade flows,;
- a Significant impact on merchandise trade, particularly concentrated on a few product types;
- a relevant impact for sectors such as agriculture, food & beverages and basic metals, which have a relatively higher dependence on exports to the UK;
- the negative impacts in terms of trade with Northern Ireland would be limited, as Northern Ireland is not a strategic partner for Irish exports and the bilateral trade flows show a continuous negative trend.

The Irish trade would be affected by the no-deal negative consequences on **maritime transport**. In fact, the freight volume going to/from the UK is considerable and in 2016 over 40% of seaborne traffic, equal to 20.5 million tonnes, was with UK ports (Ferris, 2017). The no-deal would affect not only trade with origin/destination the UK but also trade with other EU partners; in this respect, it should be considered that a significant number of freight containers handled in the UK ports (e.g. Dover, Hull) are only in transit, with a final destination of somewhere other than the UK.

A very relevant share of international trade is performed using the UK as a 'land bridge' (Lawless et al, 2017). Therefore, trade would also be significantly affected by the negative consequences of the no-deal scenario on **road transport**.

In relation to **passenger transport**, air traffic is intense between the two countries and in 2015, the Dublin-London Heathrow route was top of the league table of European passenger volume, with about 1.7 million people carried. If one also considers passengers moved between Dublin and London Gatwick, the overall volume is about 2.8 million passengers. Consequently, severe impacts from a no-deal scenario are expected.

Regarding **travel and tourism**, some stakeholders interviewed highlighted that Brexit has already generated an estimated 40% reduction in the number of passengers travelling by tourist coach to Ireland.

Among the main impacts on **transport infrastructures**, as also pointed out by some stakeholders interviewed in the questionnaire, interoperability of the rail corridor between

Dublin and Belfast deserves to be mentioned. Furthermore, in air transport, negative consequences might arise for the Ireland/UK Functional Air Block, the mechanics of which might be compromised.

One of the most relevant impacts from a wider perspective would be generated by the building of a **border** with Northern Ireland. The discussion about the nature of such a border, if visible or not visible is relevant (Temple Lang, 2017), although at the moment, a general agreement to avoid a 'hard border' seems to exist.

For Ireland, Ferrer et al. (2017) estimate an additional contribution of about EUR 104 million to the **EU post-Brexit budget**.

11.7. Spain

In 2017, the UK was the third most important **trade** partner of Spain. In that year, Spain exported goods and services to the UK with a value of EUR 37,889 million, an increase of 3.7% compared to 2016. Exports of goods accounted for EUR 18,950 million (7.2% of the total Spain exports), while imports of goods accounted for EUR 11,443 million (3.7% of the total Spanish imports) (Icex, 2018).

Among exports to the UK, the automotive, aeronautical and food sectors stand out. In terms of imports, the automotive, pharmaceutical and mechanical equipment sectors are the most important ones.

Since the referendum on Brexit, there has been a clear slowdown in the evolution of Spanish exports of goods to the UK. This situation started in the second half of 2016 and has sharpened in 2017 in contrast to the increase in Spanish exports to the rest of the EU.

The decrease in exports to the UK has been mainly driven by the **automotive sector**, which is a strategic sector for the Spanish economy and the most important one for the trade balance between the UK and Spain.

In this sector, there are 17 vehicle construction plants belonging to 10 different important companies distributed throughout the country (Spain is the second largest car manufacturer in the EU and the 8th worldwide). The sector is in a state of constant growth, contributing 8.7% to Spanish GDP in 2017, and generating more than 250,000 direct jobs and 2,000,000 indirect jobs (ANFAC, 2018). 83% of the vehicles manufactured in Spain are exported to more than 100 countries, with the UK being one of the main importing partner.

The causes of the decrease in vehicles exports can be identified in the depreciation of the British pound and in the fall of the demand of the British market.

The no-deal scenario would significantly affect the automotive sector through:

- The increase in the administrative burdens at the borders and the setting-up of new taxes and tariffs (this would make the Spanish products more expensive for the English buyer);
- The depreciation of the pound.

Tourism sector could also be strongly affected by the no-deal scenario, mainly through the pound's depreciation and the hindering of the free mobility of people. In 2017, 15.5 million British tourists visited Spain (INE, 2018) and their spending accounted for 20.9% of the total tourist income received by Spain.

Focusing on the **air sector**, the no-deal scenario could directly affect two important Spanish companies:

- **Iberia** - The IAG holding company is made up of the Spanish Iberia, the Vueling, British Airways and the Irish Aer Lingus. The activity of the holding could be strongly affected depending on the deal or no-deal scenario because a significant part of its shareholders are British and a huge part of its flights have destination or origin in the UK.
- **Ferrovial** - It is the first shareholder of Heathrow Airport owning 25% of its equity. Heathrow is Europe's Airport with the highest traffic of passengers (about 75 million in 2015), and a very important Hub in the continent. The company also have shares of the Aberdeen, Glasgow and Southampton airports. In order to reduce the consequences of Brexit and keep within EU laws, Ferrovial has decided to move its headquarters from Oxford to Amsterdam.

Regarding potential opportunities for Spain, in relation to intercontinental traffic, it can be cited that part of air services and some flights could be transferred to **Madrid Adolfo Suarez Airport**, which may become even stronger as a connection between the EU and the Americas, being a good candidate to inherit the intercontinental Heathrow flights. Nevertheless, such opportunity depends on the capacity of the UK to defend its interests in the future bilateral negotiations with third countries.

11.8. Sweden

In 2016, the country's **trade** presented an export value equal to 27.1% of GDP, with exports to the UK equal to EUR 7.7 billion, corresponding to 5.9% of the Swedish total export value and 1.6% of its GDP. Imports from the UK amounted to EUR 6.9 billion, equal to 5.2% of the country's global imports value (The World Bank, 2018).

The UK constitutes the sixth largest market for Swedish exports and the key sectors are comprise (Skattedagen, 2017):

- Manufacturing, including machinery;
- Automotive;
- Minerals, including oil;
- Pharmaceuticals.

The integration between the two economies can be encapsulated by the following characteristics:

- About 1,000 Swedish subsidiaries are established in the UK;
- In the recent years, the UK demand for Swedish goods showed a constant and solid increase (Business Sweden, 2018).

As for the other MS, the no-deal scenario, would negatively affect the efficiency of bilateral trade between Sweden and the UK through the impact on customs and logistics (increase in duties and administration, lead times) and the availability of workforce and the reduction of mobility (Skattedagen, 2017).

In particular, for the **transport sector** the following key issues are identified:

- The gridlocks at ferry ports;
- The Overstretched infrastructure;
- The supply chain disruption.

The expected additional contribution of Sweden to the **EU budget** post-Brexit, would be about EUR 421 million (Ferrer et al. 2017).

11.9. Greece

For Greece, **trade** with the UK represented an export value of EUR 1.1 billion in 2016, constituting a share of 4.2% of the its global export. In the same year, exports to the UK amounted to 0.6% of GDP value, while Greece's national global exports amounted to 14.4%. Imports are registered at a value of EUR 1.2 billion, equal to 2.7% of the total import value (The World Bank, 2018).

According to the Deputy Minister of Foreign Affairs, George Katrougalos, data from the Bank of Greece indicate a negative effect of Brexit on the Greek economy in the range of 0.4%-0.8% GDP and the impact on exports would depend on the exchange rate between the euro and the pound.

Significant losses are expected for the **tourism sector** with a potential reduction of British expenditure in the range of 2-6% (Michalopoulos, 2017). In 2016, Greece constituted the fifth destination for UK citizens in terms of visits for holidays (about 2.5 million), after Spain, France, Italy and Portugal, while it held the third place in terms of UK citizens' expenditure (around EUR 2 billion). Negative effects on the Greek tourism sector, besides the depreciation of the UK pound are likely to be generated by a lower degree of connectivity in air transport. The air transport demand could also be negatively affected by a lower number of Greek citizens deciding to work or study in the UK, as a result of the changes in the related rights.

In relation to the change of the Greece's current contribution to the **EU budget**, this should decrease by about EUR 60 million (Ferrer et al. 2017).

11.10. Poland

In 2016, the Polish **trade** registered exports amounting to 42% of its GDP. Exports to the UK presented a value of EUR 12.2 billion, equal to 6.6% of the country's total exports and amounted to 2.8% of GDP value. The Polish trade balance is in surplus as imports from the UK registered a value of EUR 4.5 billion, equal to 2.6% of the global imports value. The UK is the second most important export partner for Poland after Germany.

In particular, exports are led by the following three sectors which would undoubtedly be affected by the no-deal scenario and its consequences for transport (Dembinski, 2017): food, automotive and building materials.

After the accession to the European Union, Polish exports to the UK have tripled, while imports doubled between 2005 and 2015. In its relationship with the UK, Poland shares the same competitive advantages of the other so-called 'Visegrad' Countries (Slovakia, Hungary and the Czech Republic). In particular, that advantage is based on labour and production costs and **trade barriers** would undermine its best exploitation (Chromiec, 2017).

As the UK withdrawal would significantly impact the Polish economy, in December 2017 the Prime Minister M. Morawiecki reaffirmed the need of new trade relationships between the countries stressing that "trade and economic cooperation should be maintained at the best possible platform" (Benes et al. 2018).

In relation to the negative impact expected from a no-deal scenario on the **mobility of people**, it is necessary to note that the Polish citizens are the largest European community in the UK. Based on data from the OECD, around 1 million Polish citizens lived in the UK in 2015 (2.5% of Poland's population).

The expected contribution of Poland to the **EU budget** post-Brexit, is expected to increase by about EUR 207 million (Ferrer et al. 2017).

12. ALTERNATIVES TO SAFEGUARD EU INTERESTS

KEY FINDINGS

- Five main scenarios can be considered in relation to the issue of safeguarding the **transport and tourism uninterrupted services** and maintaining a good level of connectivity.
- **Scenario 1** - It is characterised by the **transposition of the EU legislation** into the UK law and the signature of specific bilateral agreements between the EU-27 and the UK. For road and rail transport using the Eurotunnel a joint border station on the EU territory is set up, while for aviation, maritime, inland shipping, the border controls are carried out by the ports/airports authorities within the existing border/customs infrastructures.
- **Scenario 1a** – Compared to the previous one, two **separate Eurotunnel border stations** on both sides of the Channel exist.
- **Scenario 2** – It is the same as scenario 1, with **joint Eurotunnel border stations** but **no custom union**.
- **Scenario 2a** – It is the same as scenario 2 but with two **separate Eurotunnel border stations** on both sides of the Channel.
- **Scenario 3** - The **UK does not transpose EU legislation** or transposes it only partially and the country does not sign at all or signs partially agreements on reciprocal acceptance of the legislation.
- The **interests of the EU-27 business and consumers** in the transport and tourism sectors would receive a decreasing level of protection moving from the first to the third scenario.
- In relation to the interests of EU-27 business and consumers, the mutual **recognition of licenses and certificates** is a fundamental need for all modes of transport. Additionally, the mutual **recognition of capital** is particularly relevant for the aviation sector.
- In order to ensure uninterrupted **postal services**, attention should be devoted to the issues of **customs checks** which are expected to cause delays at the busiest border crossing points between the UK and the EU-27.
- The potential solutions to protect the **interests of business and consumers** will need to take into account the **specific nature of postal services** considered.

In this Chapter, potential alternatives to safeguard the EU interest in the transport, tourism and postal sectors in a no-deal scenario are discussed. In particular, the issues of uninterrupted services/connectivity and protection of EU businesses and customers interests are addressed.

12.1. Transport and Tourism

12.1.1. Transport and tourism services and connectivity

In relation to the provision of uninterrupted services in all transport modes and the preservation of a good level of connectivity within the EU-27 and between the EU-27 and the UK post-Brexit, the following potential scenarios are described for possible consideration by the policymakers. The scenarios are presented in the order from the most to the least desirable. Tourism shares with transport the same challenges due to the close integration of the two sectors.

On the basis of the reached agreements between the UK and EU negotiators, all the scenarios assume the non-existence of a 'hard' border between Ireland and the Northern Ireland and 'light' custom procedures.

Scenario 1 – The UK transposes the EU transport legislation into its national law. Bilateral agreements between the UK and MS are signed to mutually accept the licenses, certificates, and other legal documents thus enabling a smooth exchange of goods and passengers. A customs union minimising bureaucratic and administrative burdens exist; the Swiss model constitutes a good practice.

For road and rail transport using the Eurotunnel, there is a joint border station on the EU territory (the entry of Eurotunnel, since EU border authorities are not allowed to act on non-EU territory).

For aviation, maritime and inland shipping, the border controls are carried out by the respective ports/airports authorities within the existing border/customs infrastructures.

Scenario 1a – This differs from Scenario 1 in this that it contains two separate border stations on both sides of the tunnel, instead of one. In this case, the rail and road sector face longer custom control delays than on a joint border station on the French territory.

Scenario 2 - Like Scenario 1 with joint border stations in the Eurotunnel but no custom union. Despatching times at the border stations are even longer than for Scenario 1a. Longer despatching times can be expected for air freight and freight carried by maritime/inland waterways transport. For passenger traffic, the police and custom controls will be put in place.

Scenario 2a - Like Scenario 2 but with two separate border stations on both sides of the Channel. The rail and road sectors face longer custom control delays.

Scenario 3 - The UK does not transpose EU legislation or transposes it only partially and the country does not sign at all or signs partially agreements on reciprocal acceptance of the legislation.

The UK becomes a third country, with some exceptions in its relationship with the EU, and transport services are underpinned by the existing international treaties, agreements and conventions.

12.1.2. Interests of EU-27 businesses and consumers

The interests of the EU-27 business and consumers in the transport and tourism sectors would receive a decreasing level of protection moving from the first to the third scenario described above.

For example, in the no-deal scenario, the current passengers' rights can be safely assumed to remain unchanged only for travellers carried by EU-27 transport operators. Such an option should be considered less than the optimal one, constituted by the current system, which ensures a wider protection including travellers carried also by UK operators.

In general, the soonest signature of comprehensive bilateral agreements between the UK and the EU, as well as between the UK and the individual MS, the better protection of the rights of the EU operators and consumers.

In particular, there is a need to secure the free movement of people for travel purposes, to ensure that passengers can continue to be processed in an efficient manner whilst travelling. Additional restrictions on travel like visas and Government information requirements will only serve as an added deterrent to travel.

The preservation of the ease of travel entails the consumer protection including: health insurance, compensation for delayed and cancelled flights and Directive (EU) 2015/2302 of 25 November 2015 on package travel¹⁶³. In this context, it must be noted that the above Directive includes a series of measures aiming to cover the changes in the way consumers book holidays in the present by considering, for instance, the increasing amount of travellers that book their trips via online travel websites. The Directive extends legal protection beyond traditional tour operators by broadening the concept of 'package', including customised combinations of travel arrangements. As a result, travel businesses that create packages for customers involving two or more travel arrangements (i.e. the flight and the hotel) are responsible for all elements within the package. Strong cancellation rights for packages are also granted by the Directive and there is an increased harmonisation and modernisation of information requirements. All of these measures confer consumers and adequate protection and should be assured for EU citizens when travelling to the UK.

Furthermore, staff mobility and the ability for seasonal staff to acquire the appropriate documentation to work in relevant jurisdictions constitute also an issue that could be addressed by reciprocal recognition.

Besides the need for a mutual recognition of licenses and certificates in all modes of transport, the mutual recognition of capital is yet another area that needs to be taken into consideration in the case of the air and the tourism sectors, which would be particularly hit by a no-deal scenario.

- Mutual recognition of capital: Article 4 of the EU Regulation 1008/2008 of 24 September 2008 on common rules for the operation of air services¹⁶⁴ already provides for the possibility to recognise capital from foreign countries in the airline which is applying for an operating licence in the EU as long as this is less than 50%. The bilateral agreement on the mutual recognition of capital between the EU and the UK would allow an air carrier owned or effectively controlled by a UK company or a British national, to be granted an operating license in the EU-27. Analogously, the mutual recognition of capital would entitle an EU-27 company to get an operating license for the UK territory, in the case of similar capital requirements being applied after Brexit.

¹⁶³ Official Journal of the EU - [OJ L 326, 11.12.2015, p. 33.](#)

¹⁶⁴ Official Journal of the EU - [OJ L 293, 31.10.2008, pp. 3-20.](#)

12.2. Postal services

This Section has been built mainly through the contribution of the Post Europ (The Association of European Public Postal Operators).

12.2.1. Postal services

In order to ensure uninterrupted services, the following logistic issue deserves a special attention: the potential for customs checks to cause delays at the busiest border crossing points between the UK and the EU-27.

Such an issue could be addressed by moving clearance away from the border. This means trucks carrying postal items would need to be customs cleared and sealed on arrival at the international mail centre in the receiving country.

National postal operators are one of the subjects involved in the collection of taxes and custom duties on behalf of national tax authorities. In a no-deal scenario, the EU-27's postal operators may have to collect taxes and duties on import items from the UK and vice versa. Solutions will need to be found to achieve an increase in volumes going through customs, particularly when seen in parallel with the EU's VAT proposals on the cross-border e-commerce, adopted in December 2017.

12.2.2. Interests of EU-27 businesses and consumers

The potential solutions to protect the interests of business and consumers will need to take into account the specific nature of postal services:

- Designated postal operators do not own the whole distribution channel: in principle, they process and deliver postal items that are transferred to them by the postal operator of the country of the sender. Designated postal operators have an obligation to process and deliver these postal items under the terms of provided by the UPU, in contrast to other service providers that do not have such an obligation.
- Designated postal operators do not have a contract with the sender: as a consequence the destination designated postal operators have no or very limited information on the identity and status of the sender and the recipient (i.e. whether the shipments are B2B, B2C or C2C), nor on the nature, content or value of the postal item. It is the sender's responsibility to complete a postal customs declaration. Though postal operators are working on improving this procedure, it is paper based, often with limited or poor quality data.
- Changes to customs processes for UK imports to the EU and EU imports to the UK will be a major change for postal operators and their customers: at the moment postal operators do not collect taxes and duties on UK imports to the EU and EU imports to the UK. If the sender were required to use the UPU and WCO approved documents, it would be a major change for customers which would make the process more expensive, difficult to access and would require a new approach that will require considerable support to enable customers to adjust to the change. It could also lead to service or operational delays in the processing of postal items due to the additional VAT and duties collection rules.

13. RECOMMENDED MEASURES AT EU LEVEL AND ACTIONS FOR EP'S TRAN COMMITTEE

KEY FINDINGS

- For **traffic rights** between the UK and the EU in **aviation**, the opportunity for a regime mirroring the current arrangements should be explored, as well as the opportunity for the UK-based airlines to keep the current access to **third countries**.
- The UK's membership in the **EASA** should be taken into consideration.
- With regard to the **ownership and control rules**, the mutual recognition of capital could secure investments across the EU-27 and UK markets. The extension of the validity of the **existing mixed EU/UK airline structure** should be explored.
- Air **service agreement negotiations** should be prioritised independently from the status of trade negotiations in the Brexit process.
- For **maritime and inland waterway navigation**, agreements between the EU and the UK complying with the EU **competition rules** should be pursued.
- The possibility to include the UK in the **EMSA** should be contemplated.
- For the **rail sector**, the possibility of agreements with the UK to allow the UK and EU-27 **companies** to operate regularly in both markets should be explored.
- In the **road sector**, in order to ensure a harmonised **access to the market and profession**, the application of the 2017 **EUCO Guidelines** should be considered.
- In the case of **new controls and procedures at borders**, a 'light touch' minimising the impact of the cross-border checks should be preferred.
- Negotiations approaching the **reciprocal acceptance of licensing, safety certification and passenger rights** should follow the no-deal Brexit.
- The **tourism sector** would benefit from agreements on **visa system, immigration controls, health insurance**, limits on **roaming fees and passengers' rights**.
- Agreements should also be pursued to ensure the **mobility of the workers**.
- The possibility for the UK to be still represented on **boards and committees presiding over travel and tourism** should also be considered.
- In the **postal services**, agreements on the application of the **Regulation (EU) 2018/644** of 18 April 2018 on cross-border parcel delivery services should be explored to ensure an uninterrupted application of **Directive (EC) 97/67** of 15 December 1997 on postal services.
- Possible agreements on **custom controls, custom forms** and on the **VAT-charged services/goods** should also be considered.
- The **EP's TRAN Committee** should contribute to build a **constructive climate in the Brexit process**, reinforcing the vision of a no-deal scenario as a condition in which both of the parties involved will incur losses.
- The EP's TRAN Committee should support the feasibility assessment of **comprehensive bilateral agreements** between the UK and the EU, aiming at mirroring the current level of **business easiness** and **consumers protection**.

In the first three Sections of this Chapter, some synthetic recommendations to safeguard the uninterrupted provision of services and their quality are presented, taking into account the analysis provided in the previous Sections of the study and the results of the consultation of the stakeholders. Furthermore, the Chapter presents some potential actions that the EP's TRAN Committee could take in order to ensure the best possible conditions for the movement of people and goods post-Brexit.

13.1. Transport

13.1.1. Aviation

- In relation to the traffic rights between the UK and the EU, the opportunity for a liberal regime mirroring the current arrangements should be explored, ensuring a good level of connectivity, for the mutual benefits of customers and businesses;
- In relation to traffic rights between the UK and third countries, currently covered by the agreements signed by the EU, the opportunity to keep the current level of market access for UK based airlines should be explored;
- In order to preserve the current safety levels in the sector, the UK's membership in the EASA should be taken into consideration (similarities could be sought in the Swiss model of the membership to the EASA);
- The reciprocal protection of employment rights for EU and UK workers should be pursued;
- The ownership and control rules should be addressed in order to secure continued investments across the EU-27 and UK markets; the mutual recognition of capital could be a solution; the EU already recognises capital from non-EU countries, as specified in the individual agreements between the EU with Switzerland and the EU and Norway).
- In order to allow companies to properly restructure, the opportunity of extending the validity of the existing mixed EU/UK structure of the airlines for a limited period should be explored;
- Due to the importance of air transport for the economy, the possibility to prioritise air service agreement negotiations between the EU and the UK, independently from the state of trade negotiations should be explored.

13.1.2. Maritime and inland waterway navigation

- In order to ensure that the competition rules are the same for all the undertakings in the EU market it should be pursued that all the agreements between the EU and the UK in this sector follow the competition rules established in the Regulation (EU) 2017/352 of 15 February 2017 on port services;
- In order to preserve the current safety levels and keep the goals in terms of pollution by ships in the EU unaffected, the possibility to sign agreements enabling the UK to participate in the EMSA within the framework established in Articles 13 (5) and 17 of the Regulation (EU) 1406/2002 of 27 June 2002 establishing a European Maritime Safety Agency should be contemplated.

13.1.3. Rail

- As declared by CER, the EU should aim at signing agreements with the UK to establish an appropriate legal framework to enable EU-27 and UK businesses to continue operating in both markets regularly and passengers to avoid inconveniences while travelling should be explored;
- Such agreements should regulate, among others, the border controls and customs checks for passengers and freight crossing the borders;
- Additionally, the possibility to reach a specific agreement between the company and the UK to regulate the Eurostar services should be taken into account, in order to avoid amongst others, regulatory divergences that could raise costs and challenge the manner businesses operate.

13.1.4. Road

- The feasibility of retaining current arrangement until the two sides will be ready to deal with the new order should be assessed;
- A harmonisation of the EU-27 and the UK rules on access to the market and access to the profession of a road transport operator should consider the possibility of applying the 2017 EUCO Guidelines (UK applying all EU 'acquis' and having an integrated transport area such as the EEA);
- In the case of new controls and procedures at borders, a 'light touch' minimising the impact of the cross-border checks should be preferred (e.g. number plate recognition technology, spot checks of vehicles, monitoring of the movement of goods by CCTV cameras, etc.);
- The no-deal scenario should be followed by phases in which the feasibility of negotiations approaching the reciprocal acceptance of licensing, safety certification, passenger rights is explored.

13.2. Tourism

- The suitability of specific agreements enabling the continuity of the constant flow of tourism between the EU-27 and the UK should be assessed. In particular, agreements would be needed in key areas such as the visa system and immigration controls;
- The same should be undertaken in relation to the issue of health insurance to preserve the level of protection guaranteed to the travellers;
- Analogously, the issues of the consumer protection, for example in terms of passengers rights in cases of delays or cancellation of flights as well as in terms of booking, should be addressed by signing specific agreements between the EU-27 and the UK;
- The limits on travellers roaming fees also deserve attention;
- Possible agreements should also be pursued in order to ensure the mobility of the workers (focusing for example on visa rules, tax and social security unification health insurance) with particular attention to seasonal workers;
- The possibility of reaching a short-term agreement on the mobility of the workers should also be taken into consideration in the case of unfeasibility of permanent agreements;
- The possibility for the UK to be still represented on boards and committees presiding over travel and tourism should also be considered in order to achieve a less than traumatic new deal, preserving as much as possible the efficient functioning of the sectors reached so far through the common market membership.

13.3. Postal services

- In order to preserve the efficiency of cross-border parcel delivery, the possibility to reach agreements on the application of the Regulation of 18 April 2018 on cross-border parcel delivery services should be taken into account;
- In order to ensure smooth postal services between the EU and the UK it should be considered the feasibility of fostering an uninterrupted application of Directive (EC) 97/67 of 15 December 1997 on postal services (already transposed to the UK national legislation);
- Possible agreements on custom controls, custom forms and on the VAT-charged services or goods should also be considered, in order to avoid price increase in postal services and parcel deliveries;
- In the case of border controls, the possibility to move clearance away from the border should be explored, in order to guarantee the efficiency of the services;
- Specific solutions should be identified to address the potential increase in volumes going through customs, in the presence of tax and custom duties collection by the operators.

13.4. Actions for EP's TRAN Committee

The EP's TRAN Committee could take the following actions to ensure possible conditions for the movement of people and goods post-Brexit:

- To contribute to building a constructive climate in the Brexit process, reinforcing the vision of a no-deal scenario as a condition in which both of the parties involved will incur losses, with decrease of welfare and opportunities both for customers and operators; Brexit, in fact, is an irreversible process and, as irreversible processes in physics generate an increase of the 'system disorder', it is destined to increase the 'disorder' in the economic and social system. In this sense, the no-deal scenario should be presented as the worst scenario possible bearing in mind that the further the shift of the UK from the single market, the more inefficient are the sectorial outputs;
- In this framework, the TRAN Committee should support the feasibility assessment of comprehensive bilateral agreements between the UK and the EU, aiming at mirroring as much as possible the current level of business ease and consumer protection, ensured by the mutual acceptance of requirements such as licensing, safety certifications, interoperability (TSI) and passenger rights, smooth cross-border operations and controls.

The actions described above need to be undertaken as soon as possible, in order to have reasonable time to mitigate the impacts of Brexit. Nevertheless, due to the relevance of the relations between the UK and the EU-27, and the specific complexity, priority could be afforded to the air sector and operations through the Eurotunnel.

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ANNEX I – LIST OF STAKEHOLDERS CONTACTED

TRANSPORT		
NAME	SECTOR	TYPE
Air Europa	Air	Company
Air France	Air	Company
Airlines For Europe (A4E)	Air	Organisation
Airlines International Representation in Europe (AIRE)	Air	Organisation
Airport Council International Europe (ACI Europe)	Air	Organisation
Airport Operators Association (AOA)	Air	Organisation
Alitalia	Air	Company
Association for European Transport (AET)	Transport	Organisation
Association of Czech Railway Industry (ACRI)	Railways	Organisation
Association of European Airlines (AEA)	Air	Organisation
Assologistica	Logistics	Organisation
Assoporti	Sea	Organisation
Austrian Airlines	Air	Company
Brussels Airlines	Air	Company
Czech airline	Air	Company
Coach Tourism and Transport Council of Ireland (CTTC)	Road	Organisation
Community of European Railway and Infrastructure Companies (CER)	Railways	Organisation
Confederazione Italiana Armatori (Confitarma)	Sea	Organisation
Conference Europeenne des directeurs des routes (CEDR)	Road	Organisation
Cruise Line International Association (CLIA)	Sea	Organisation
Europe - European Transport Workers' Federation (ETF)	Transport	Organisation
European association of abnormal road transport and mobile cranes (ESTA)	Road	Organisation
European Association of Operators of Toll Road Infrastructures (ASECAP)	Road	Organisation
European Boatmen's Association (EBA)	Sea	Organisation

TRANSPORT		
NAME	SECTOR	TYPE
European Community Shipowners' Associations (ECSA)	Sea	Organisation
European Conference of Transport Research Institutes (ECTRI)	Transport	Research Institute
European Federation of Inland Ports (EFIP)	Sea	Organisation
European Passenger Transport Operator (EPTO)	Transport	Organisation
European Passengers' Federation (EPF)	Transport	Organisation
European Rail Freight Association (ERFA)	Railways	Organisation
European Rail Infrastructure Managers (EIM)	Railways	Organisation
European Regions Airline Association (ERA)	Air	Organisation
European Sea Ports Organisation (ESPO)	Sea	Organisation
Federation of National Associations of Ship Brokers and Agents (FONASBA)	Sea	Organisation
Ferrovie dello Stato Italiane (FS)	Railways	Company
Finnair	Air	Company
Finnish Transport and Logistics (SKAL)	Transport & Logistics	Organisation
Freight Transport Association (FTA)	Logistics	Organisation
Freight Transport Association Ireland (FTAI)	Logistics	Organisation
Independent Regulators' Group - Rai (RG-Rail)	Railways	Organisation
Inland Navigation Europe (INE)	Inland waterways	Organisation
Inland Waterways Association (IWA)	Inland waterways	Organisation
International Road Transport Union (IRU)	Road	Organisation
International Union for Road-Rail Combined Transport (UIRR)	Railways	Organisation
Irish Ferries	Sea	Company
Irish Sea Maritime Forum (ISMF)	Sea	Organisation
Italian Board Airline Representatives (IBAR)	Air	Organisation
Italian Civil Aviation Authority (ENAC)	Air	Organisation
KLM Royal Dutch Airlines	Air	Company

TRANSPORT		
NAME	SECTOR	TYPE
Manchester Airports Group (MAG)	Air	Organisation
Nordic Logistics Association (NLA)	Logistics	Organisation
P&O Ferries	Sea	Company
Port de Bruxelles	Inland waterways	Company
Railway Industry Association (RIA)	Railways	Organisation
Road&Passenger Transport Association (RPTA)	Road	Organisation
Smart Transportation Alliance (STA)	Transport	Organisation
Société nationale des chemins de fer Belges (SNCB)	Railways	Company
Swedish Association of Road Transport Companies (SÅ)	Road	Organisation
The Airport Operators Association (AOA)	Air	Organisation
The Association of the European Rail Industry (UNIFE)	Railways	Organisation
The European Association of Logistics Platforms (EUROPLATFORMS E.E.I.G)	Logistics	Organisation
The Federation of European Private Port Operators and Terminals (FEPORT)	Sea	Organisation
Transport et Infrastructures Gaz France (TEREGA)	Transport	Organisation
Transport et Logistique de France (TLF)	Transport & Logistics	Organisation
Transport Logistics and Customs Services (CLECAT)	Logistics	Organisation
Union des Aéroports Français (UAF)	Air	Organisation
Union of European Chambers of Commerce for Transport (UECC)	Transport	Organisation
Union Port de France (UPF)	Sea & Inland waterways	Organisation

TOURISM		
NAME	SECTOR	TYPE
AMADEUS IT GROUP S.A.	Tourism	Company
Association of Independent Tour Operators (AITP)	Tourism	Organisation
Association of Passenger Rights Advocates (APRA)	Tourism	Organisation
Confederation of Passenger Transport UK (CPT)	Tourism	Organisation
Confidustria Viaggi (ASTOI)	Tourism	Organisation
Euclaim	Tourism	Organisation
European Alliance for Coach Tourism (EACT)	Tourism	Organisation
European Cultural Tourism Network (ECTN)	Tourism	Organisation
European Federation of Tourist Guides Associations (FEG)	Tourism	Organisation
European Federation of Trade Unions in the Food, Agriculture and Tourism (EFFAT)	Tourism	Organisation
European Hotel Managers Association (EHMA)	Tourism	Organisation
European Network for Accessible Tourism asbl (ENAT)	Tourism	Organisation
European Passenger Transport Operators (EPTO)	Tourism	Organisation
European Passengers' Federation (EPF)	Tourism	Organisation
European Technology & Travel Services Association (ETTSA)	Tourism	Organisation
European Tourism Association (ETOA)	Tourism	Organisation
European Travel Commission (ETC)	Tourism	Organisation
Group of National Travel Agents' and Tour Operators' Associations within the EU (ECTAA)	Tourism	Organisation
Hospitality Europe (HOTREC)	Tourism	Organisation
NATS Ltd	Tourism	Company
Network of European Regions for Competitive and Sustainable Tourism (NECSTouR)	Tourism	Organisation
The Association of Danish Travel Agents and Tour Operators (DRC)	Tourism	Organisation
The Coach Tourism & Transport Council of Ireland (CTTC)	Tourism	Organisation

TOURISM		
NAME	SECTOR	TYPE
The Travel Association (ABTA)	Tourism	Organisation
The World Travel & Tourism Council (WTTC)	Tourism	Organisation
Thomas Cook Group	Tourism	Company
Tourism Association of Saxony e. V.	Tourism	Organisation
Travelport	Tourism	Company
TUI Group	Tourism	Company
Visit Europe/European Travel Commission	Tourism	Organisation

POSTAL SERVICES		
NAME	SECTOR	TYPE
European Free Trade Association (EFTA)	Postal Services	Organisation
European Express Association	Postal Services	Organisation
PostEurop	Postal Services	Organisation
International Post Corporation (IPC)	Postal Services	Organisation
Post NL	Postal Services	Company
La Poste	Postal Services	Company
S.E Correos y Telégrafos S.A., S.M.E.	Postal Services	Company
Kahala Posts Group	Postal Services	Organisation
Royalmail	Postal Services	Company

ANNEX II – STAKEHOLDERS SURVEY AND RESULTS

Transport

Q1 - Would the connectivity of the EU-27 decrease? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	25.00%	4
Likely	31.25%	5
Very likely	25.00%	4
I don't know	18.75%	3
Any other comment		6

Q2 – Would cabotage rules continue to be applied in the UK for EU-27 transport operators and vice-versa? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	37.50%	6
Likely	18.75%	3
Very likely	0.00%	0
I don't know	43.75%	7
Any other comment		2

Q3 - Would the EU safety and security standards be respected in the UK, post-Brexit? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	12.50%	2
Likely	31.25%	5
Very likely	25.00%	4
I don't know	31.25%	5
Any other comment		5

Q4 - In which way could the EU-27 secure EU passengers' rights in the trips between the EU-27 and the UK, as well as in the connections operated by UK operators? (open-ended question) (Answered 12; Skipped 7)

Q5 - In which way could EU-27 workers' rights be ensured, and in addition reduce the negative impacts on the employment of EU-27 companies operating in the transport and transport-related sectors? (open-ended question) (Answered 11; Skipped 8)

Q6 - Would EU-27 obligations to reach specific environmental goals be negatively affected? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	31.25%	5
Likely	18.75%	3
Very likely	12.50%	2
I don't know	37.50%	6
Any other comment		6

Q7 - Would the operation of the Trans-European Transport Network (TEN-T) be negatively affected? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	25.00%	4
Likely	25.00%	4
Very likely	6.25%	1
I don't know	43.75%	7
Any other comment		6

Q8 - Would the TEN-T financing through the Connecting Europe Facility (CEF) and the European Fund for Strategic Investment (EFSI) be negatively affected? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	6.25%	1
Likely	43.75%	7
Very likely	6.25%	1
I don't know	43.75%	7
Any other comment		4

Q9 - Would the financing of the transport system and transport infrastructures from the European Structural and Investment Funds decrease? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	6.25%	1
Likely	50.00%	8
Very likely	6.25%	1
I don't know	37.50%	6
Any other comment		3

Q10 - Would the interoperability of the European transport system decrease? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	12.50%	2
Likely	37.50%	6
Very likely	18.75%	3
I don't know	31.25%	5
Any other comment		4

Q11 - Would the competition in the European transport sector be negatively affected? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	12.50%	2
Likely	43.75%	7
Very likely	25.00%	4
I don't know	18.75%	3
Any other comment		5

Q12 - What would be the consequences of a no-deal Brexit scenario on EU-27 companies if the UK stops applying EU procurement rules to award services or contracts? (Answered 16; Skipped 3)

Answer Choices	Responses	
Negative	25.00%	4
No impact	12.50%	2
Positive	12.50%	2
I don't know	50.00%	8
Any other comment		3

Q13 - What would be the consequences for UK transport companies? (Answered 16; Skipped 3)

Answer Choices	Responses	
Negative	56.25%	9
No impact	6.25%	1
Positive	6.25%	1
I don't know	31.25%	5
Any other comment		5

Q14 - Would the functioning of EU Agencies dealing with transport be negatively affected? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	12.50%	2
Likely	37.50%	6
Very likely	18.75%	3
I don't know	31.25%	5
Any other comment		4

Q15 - Would EU-27 interests in international organisations be negatively affected? (Answered 16; Skipped 3)

Answer Choices	Responses	
Unlikely	31.25%	5
Likely	31.25%	5
Very likely	6.25%	1
I don't know	31.25%	5
Any other comment		3

Q16 - Would the Motorways of the Sea Coordinator, Mr Brian Simpson, have to be replaced, as there is no other TEN-T Coordinator from third countries? (Answered 16; Skipped 3)

Answer Choices	Responses	
No	6.25%	1
Yes	25.00%	4
I don't know	68.75%	11
Any other comment		2

Q17 - Would the functioning of the Single European Sky and the Functional Airspace Blocks (FABs) be affected? (Answered 11; Skipped 8)

Answer Choices	Responses	
Unlikely	9.09%	1
Likely	54.55%	6
Very likely	18.18%	2
I don't know	18.18%	2
Any other comment		2

Q18 - Would EU-27 airports increase their importance? (Answered 11; Skipped 8)

Answer Choices	Responses	
Unlikely	27.27%	3
Likely	36.36%	4
Very likely	9.09%	1
I don't know	27.27%	3
Any other comment		1

Q19 - Would mergers between UK airlines and airlines from other EU Member States (e.g. between British Airways and Iberia) happen again in the future? (Answered 11; Skipped 8)

Answer Choices	Responses	
Unlikely	27.27%	3
Likely	9.09%	1
Very likely	9.09%	1
I don't know	54.55%	6
Any other comment		2

Q20 - How would Brexit affect the Airbus company and its aircraft production? (open-ended question) (Answered 9; Skipped 10)

Q21 - Would the non-application of the EU Port Services Regulation (PSR) in UK ports increase their competitiveness to the detriment of EU ports? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	20.00%	1
Likely	20.00%	1
Very likely	0.00%	0
I don't know	60.00%	3
Any other comment		1

Q22 - Would the access of EU-27 shipping companies be negatively affected? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	60.00%	3
Very likely	0.00%	0
I don't know	40.00%	2
Any other comment		1

Q23 - Would the functioning of the European Maritime Safety Agency (EMSA) be affected by Brexit? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	80.00%	4
Very likely	0.00%	0
I don't know	20.00%	1
Any other comment		1

Q24 - Would the solving of disputes in the maritime sector become more complicated, once the UK becomes a third country? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	60.00%	3
Very likely	40.00%	2
I don't know	0.00%	0
Any other comment		1

Q25 - Would the solving of disputes in the maritime sector become more complicated, once the UK becomes a third country? (Answered 6; Skipped 13)

Answer Choices	Responses	
Unlikely	66.67%	4
Likely	16.67%	1
Very likely	0.00%	0
I don't know	16.67%	1
Any other comment		1

Q26 - Would UK firms' ability to penetrate the European market decrease? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	60.00%	3
Very likely	40.00%	2
I don't know	0.00%	0
Any other comment		1

Q27 - Would the rail supply chains be negatively affected? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	20.00%	1
Likely	40.00%	2
Very likely	20.00%	1
I don't know	20.00%	1
Any other comment		0

Q28 - Would the Rail Freight Corridors (RFC) Regulation be changed? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	60.00%	3
Very likely	0.00%	0
I don't know	40.00%	2
Any other comment		1

Q29 - Would the international business models for high-speed trains (e.g Eurostar) change? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	60.00%	3
Likely	20.00%	1
Very likely	0.00%	0
I don't know	20.00%	1
Any other comment		0

Q30 - Would the UK continue to comply with the Technical Specifications for Interoperability? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	20.00%	1
Likely	40.00%	2
Very likely	20.00%	1
I don't know	20.00%	1
Any other comment		1

Q31 - Would the functioning of Eurotunnel be negatively affected? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	40.00%	2
Likely	20.00%	1
Very likely	20.00%	1
I don't know	20.00%	1
Any other comment		0

Q32 - How should harmonisation of EU-27 and the UK rules on access to the market and access to the profession of road transport operator be conducted? (open-ended question) (Answered 4; Skipped 15)

Q33 - Would UK road vehicles operating in international transport still be subject to EU emissions standards? (Answered 5; Skipped 14)

Answer Choices	Responses	
Unlikely	20.00%	1
Likely	40.00%	2
Very likely	40.00%	2
I don't know	0.00%	0
Any other comment		2

Q34 - Considering that UK road transport operators employ a significant number of EU nationals, which rule concerning driving and rest times would the UK choose to apply? (open-ended question) (Answered 4; Skipped 15)

Q35 - What could be the EU measures to ensure uninterrupted transport services and avoid negative effects on the connectivity within the EU-27 and between the EU27 and the UK? (open-ended question) (Answered 8; Skipped 11)

Q36 - What could be the options to secure the interests of EU-27 businesses and consumers (for instance, in terms of passenger rights) in the best way possible? (open-ended question) (Answered 9; Skipped 10)

Q37 - What measures should be undertaken at EU level to safeguard the uninterrupted provision of transport services? (open-ended question) (Answered 7; Skipped 12)

Tourism

Q1 - What would be the impact on tourism in the UK? (Answered 19; Skipped 2)

Answer Choices	Responses	
It will decrease	52.63%	10
No impact	5.26%	1
It will increase	21.05%	4
I don't know	21.05%	4
Any other comment		6

Q2 - Would such an impact driven by: (ranking, with 1 the aspect that would have the highest impact)

	1 responses		2 responses		3 responses		4 responses		Score
Transport fares	5.26%	1	42.11%	8	36.84%	7	15.79%	3	2.37
Border controls	57.89%	11	15.79%	3	10.53%	2	15.79%	3	3.16
Cost of travel	10.53%	2	36.84%	7	36.84%	7	15.79%	3	2.42
Exchange rate €/£	26.32%	5	5.26%	1	15.79%	3	52.63%	10	2.05

(Answered 19; Skipped 2)

Q3 - In relation to Q1 and Q2, are there other aspects that could impact tourism in the UK? (If your answer is YES, please indicate below. If your answer is NO, please leave this question blank and skip to the next one). (Answered 13; Skipped 8)

Q4 - Would such an impact:

Answer Choices	Responses	
Last maximum 5 years	10.53%	2
Last beyond 5 years	47.37%	9
I don't know	42.11%	8
Any other comment		4

(Answered 19; Skipped 2)

Q5 - What would be the impact on tourism in the EU-27? (Answered 19; Skipped 2)

Answer Choices	Responses	
It will decrease	21.05%	4
No impact	15.79%	3
It will increase	36.84%	7
I don't know	26.32%	5
Any other comment		6

Q6 - Would such an impact driven by: (ranking, with 1 the aspect that would have the highest impact)

	1 responses		2 responses		3 responses		4 responses		Score
Transport fares	15.79%	3	15.79%	3	52.63%	10	15.79%	3	2.32
Border controls	52.63%	10	15.79%	3	21.05%	4	10.53%	2	3.11
Cost of travel	5.26%	1	57.89%	11	21.05%	4	15.79%	3	2.53
Exchange rate €/£	26.32%	5	10.53%	2	5.26%	1	57.89%	11	2.05

(Answered 19; Skipped 2)

Q7 - In relation to Q5 and Q6, are there other aspects that could impact tourism in the UK? (If your answer is YES, please indicate below. If your answer is NO, please leave this question blank and skip to the next one). (Answered 10; Skipped 11)

Q8 - Would such an impact: (Answered 10; Skipped 11)

Answer Choices	Responses	
Last maximum 5 years	0.00%	0
Last beyond 5 years	47.37%	9
I don't know	52.63%	10
Any other comment		3

Q9 - If any, which new procedures will be added to existing passport control practices? (open-ended question) (Answered 13; Skipped 8)

Q10 - How would Brexit most likely impact the rights of EU citizens to stay in the UK and vice-versa? (open-ended question) (Answered 14; Skipped 7)

Q11 - What could be the EU measures to ensure uninterrupted tourism services and avoid negative effects on the connectivity within the EU-27 and between the EU-27 and the UK? (open-ended question) (Answered 12; Skipped 9)

Q12 - What could be the options to secure the interests of EU-27 businesses and consumers (for instance, in terms of passenger rights) as well as possible? (open-ended question) (Answered 10; Skipped 11)

Q13 - What measures should be undertaken at EU level to safeguard the uninterrupted provision of tourism services? (open-ended question) (Answered 11; Skipped 10)

Postal services

Q1 - Would the UK's rights and obligations laid down in the postal services directive be affected? (Answered 3; Skipped 0)

Answer Choices	Responses	
Substantially	0.00%	0
Slightly	33.33%	1
No impact	0.00%	0
I don't know	66.67%	2
Any other comment		2

Q2 - Would cross-border parcel delivery between the EU-27 and the UK be negatively affected? (Answered 3; Skipped 0)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	33.33%	1
Very likely	33.33%	1
I don't know	33.33%	1
Any other comment		2

Q3 - How likely it is that the UK continues to apply EU technical standards in postal services? (Answered 3; Skipped 0)

Answer Choices	Responses	
Unlikely	0.00%	0
Likely	0.00%	0
Very likely	33.33%	1
I don't know	66.67%	2
Any other comment		2

Q4 - What are the potential scenarios to be considered by the EU to ensure uninterrupted postal services and to avoid negative effects on the connectivity within the EU-27 and between the EU-27 and the UK? (Answered 2; Skipped 1)

Q5 - What would be the options to secure the interests of EU-27 businesses and consumers as well as possible? (Answered 2; Skipped 1)

Q6 - Which measures should be undertaken at EU level to safeguard the uninterrupted provision of postal services? (Answered 2; Skipped 1)

The study investigates the potential impacts on the EU-27 of a no-deal scenario in the Brexit process, focusing on the transport, postal and tourism sectors. The study analyses both the economic policy and legislative dimension, detailing the practical consequences of such a new status quo. Alternatives to safeguard the EU interests are also discussed in the document and a set of practical recommendations is formulated. A no-deal scenario would seriously hurt both the UK and the EU-27 at least in a short-term perspective, although with different intensity among the Member States.

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