

# BREXIT

## FTAI Position Paper



*FTA Ireland is a not-for-profit membership trade association for the Irish freight, passenger and logistics industries. We are wholly owned and governed by our members, and will act solely in advancing their best interests. FTA Ireland covers all aspects of private and public freight transport, passenger transport and logistics supply chain, including road, rail, sea and air. FTAI represents some of the largest freight and passenger operators in Ireland, with more than 25,000 employees and 10,000 vehicles operating between them.*

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## The UK: a key commercial partner for Ireland

No other country in the EU is as reliant on the UK as Ireland – both as a trade partner, and for access to the wider EU market, through the UK land-bridge.

The UK is Ireland's second biggest market after the US:

- 12.8% or almost €15 Billion of Irish exports went to the UK in 2016<sup>1</sup>
- The UK purchases 50% of Ireland's beef exports, 42% of Ireland's food and drink exports and 55% of Ireland's timber and construction sectors' exports<sup>2</sup>.

Ireland is also heavily reliant on UK products: most goods imported by Ireland in 2016 came from the UK (€16,6 Billion)<sup>3</sup>.

## Transportation options to and from continental Europe

Transportation options to and from continental Europe are limited:

- **Air:** air freight is primarily used for high value goods and currently accounts for 5% of the total volume and 35% of the value of goods moved into and out of Ireland. Capacity is limited and the Dublin-Heathrow air link is the busiest in Europe.
- **Sea:** expansion opportunities to continental Europe are limited. Crossings by sea take time, making this option less competitive than the UK land-bridge, the frequency of services is limited and ports face space constraints.
- **Land-bridge through Great Britain:** this is currently the main point of access to the rest of the EU, as well as the most efficient route from a financial and time-competitiveness point of view. Typically, trucks will cross by ferry to Holyhead and go to Dover where they will take a ferry or use Eurotunnel facilities to cross to Calais.

<sup>1</sup> Source: Central Statistics Office, Trade statistics, December 2016 -

[http://www.cso.ie/en/media/csoie/releasespublications/documents/externaltrade/2016/trade\\_dec2016.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/externaltrade/2016/trade_dec2016.pdf)

<sup>2</sup> Statistics for 2013 – Source: Joint Economic Study – 'Evaluating the value of the economic relationship between the United Kingdom and Ireland' 2013, UK ONS, Tourism Ireland, IDA, Enterprise Ireland, Bord Bia, VisitBritain

<sup>3</sup> Source: Central Statistics Office, Trade statistics, December 2016 -

[http://www.cso.ie/en/media/csoie/releasespublications/documents/externaltrade/2016/trade\\_dec2016.pdf](http://www.cso.ie/en/media/csoie/releasespublications/documents/externaltrade/2016/trade_dec2016.pdf)

## Ten recommendations for a smooth Brexit

### Priority 1: No hard border with Northern Ireland & no barriers to trade with the UK

#### Recommendation 1: Avoid checks at the border

The unique level of interdependence between the Republic of Ireland and Northern Ireland is particularly acute in the field of manufacturing and logistics. Production processes and supply chains are highly integrated, with many businesses operating on an island of Ireland basis and many products being partly produced and processed on one side of the border before being sold on the other.

Customers and businesses have grown accustomed to the flexibility brought by the current arrangements. Bringing back the borders of the past would create unnecessary delays and disturb supply chains. A hard border would also create difficulties for Irish businesses located in Donegal and Sligo, considering that the best route to reach the port of Dublin for them is to go through UK territory.

***It is essential that both negotiating teams find solutions that will work for all parties and which will not cause undue delays and disturbance to trade and supply chains on the island of Ireland. An all-island of Ireland approach needs to be taken during the negotiations.***

#### Recommendation 2: Preserve the Common Travel Area

The Common Travel Area is an open borders area comprising Ireland, the United Kingdom, the Isle of Man and the Channel Islands. The internal borders of the Common Travel Area (CTA) are subject to minimal or non-existent border controls and can normally be crossed by British and Irish citizens with minimal identity documents, with certain exceptions. Irish nationals have a special status in UK law which is separate to and pre-dates the rights they have as EU citizens.

***The Common Travel Area needs to be protected during and after the Brexit negotiations, as additional immigration checks would create unnecessary delays and disruption to the movement of vehicles and workers between Ireland and the UK.***

#### Recommendation 3: Ensure that no tariffs or quotas are introduced for trade with the UK

The UK and Ireland are important trade partners: the UK is Ireland's second market after the US, and Ireland imports more products from the UK than any other market. Falling back on WTO rules for trade with the UK – which is the default option if no trade deal can be negotiated and no suitable transition period is in place – would see the introduction of duties on Irish products sold on the UK market, and vice versa. For instance, the bound average tariffs registered by the EU for goods from most favoured nations are of 35.5% for dairy products and 19% for beverages.

The UK Government has signalled that its aim is to establish the UK schedules in a way that replicates as far as possible its current position as an EU Member State. Considering how price sensitive manufacturing and food products can be, the imposition of tariffs would negatively impact trade between Ireland and the UK, and in turn, the Irish economy. Placing quotas on UK products in Ireland and vice versa would also have a detrimental impact on Ireland.

***No tariffs or quotas should be introduced for trade with the UK, and a solution must be found to avoid falling back on MFNs tariffs.***

#### Recommendation 4: Minimise the level of non-tariff barriers & avoid checks at ports and airports

Non-tariff barriers, such as sanitary and phytosanitary measures, conformity assessments, pre-shipment inspections or formalities related to rules of origin, to name but a few, could have a detrimental impact on trade with the UK post-Brexit. All these obligations will come at a cost to industry, increase red tape and might force businesses who are currently not equipped to deal with such complex procedures to

increase their resources or source external help to be able to cope with these new obligations. Likewise, Irish manufacturers and producers need to be confident that EU approvals for products and packaging will be recognised in the UK – and vice versa.

Physical port infrastructure is constrained by lack of space in Ireland. However, if no preferential customs deal is agreed with the UK, most goods coming to and departing from the Port of Dublin, for instance, will require some forms of checks. The Port of Dublin estimates that it will require at least 3 hectares of land to deal with customs checks for traffic into and out of the UK post-Brexit if the UK opts out of the customs union and the single market, as indicated by the UK Government. There are 1 million roll-on roll-off movements per annum between Dublin and Holyhead, with 690,000 containers shipped each year: each ship landing will result in 4 km of tailbacks if stopped at customs checks. Similar issues will be faced in Dover, a port heavily used by Irish operators and exporters to reach continental Europe.

***Non-tariff barriers should be reduced as much as possible through an ambitious free trade agreement with the UK. Formalities should be kept to a minimum, and controls should take place away from the ports and airports, whenever possible. The impact and extent of controls should be minimised through greater prioritisation of controls and the use of smart technologies. Mutual product recognition between the EU and the UK should also be guaranteed post-Brexit.***

## **Priority 2: Seamless transport links between Ireland and the UK**

### **Recommendation 5: Protect access to the UK road transport market for Irish operators**

Transport & logistics companies often operate on an island of Ireland basis, and many Irish road transport companies have operations in Northern Ireland<sup>4</sup>. Going through Northern Ireland is often unavoidable due to the high level of interconnection of supply chains across the border, and is sometimes the most efficient route to link North-Western regions of Ireland with Dublin. Many Irish companies will perform cabotage operations on the way, to improve the usage of their fleet and avoid empty runs. This level of flexibility needs to be retained post-Brexit.

Most trade movements between the EU and Ireland also transit through the UK to reach the continent. This is by far the most efficient route to continental Europe today. This land-bridge needs to be protected, and Irish hauliers going through UK territory to access the EU should benefit from fast-track access to avoid unnecessary delays at the borders. Access to the UK road transport market should not be contingent on a limited number of permits.

***Ireland needs efficient and flexible road transport links to Northern Ireland and Great Britain, as well as an efficient land-bridge to continental Europe. Solutions should be found to preserve the seamless & flexible aspects of these transportation links, without the constraints of permits or cabotage restrictions, and to ensure that delays and red tape are kept to a minimum.***

### **Recommendation 6: Ensure mutual recognition of documents, qualifications & licenses**

Transport documents, drivers' licenses and qualifications, as well as operator licenses are recognised on both sides of the border and most road transport rules are aligned north and south of the border. The Irish Road Transport Act 2016 has also introduced mutual recognition of driving disqualifications between Ireland and the UK. This has allowed many companies to organise their operations on an island of Ireland basis and needs to continue post-Brexit.

***Mutual recognition of transport documents, qualifications and licenses for road transport operators should continue post-Brexit to limit disruptions to road transport and logistics operations.***

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<sup>4</sup> This is the case for 46% of FTAI members according to a recent FTAI survey

**Recommendation 7: Guarantee fair treatment to Irish transport companies in the UK post-Brexit**

There needs to be mechanisms in place as part of the new arrangements to ensure that all companies can operate on the UK market on an equal footing regardless of their country of origin, and that any disputes can be arbitrated in an efficient way. A close dialogue will need to take place with UK authorities to ensure that Irish & other European operators get treated in a fair way and that future accreditation schemes remain accessible to all companies that fulfil requested criteria.

***Post-Brexit, it is important to ensure that all companies get treated in a fair way by authorities, regardless of their country of origin. The future agreement with the UK needs to contain provisions on arbitration in case of disputes.***

**Priority 3: A seamless transition to the post-Brexit era****Recommendation 8 – Avoid creating a cliff edge & provide as much clarity as possible to businesses**

Political uncertainty has a negative impact on business operations – not least because of currency fluctuations. A sustained period of uncertainty must therefore be avoided to allow businesses to plan ahead and investments to be made. Negotiators should address the issue of the future relationship with the UK as early as possible in the negotiations, with a specific focus on Ireland.

No deal at the point of exit, with the obligation to fall back on WTO rules, would be the worst-case scenario for businesses, especially if changes take place with very limited or no advanced notice. If a new trade deal cannot be concluded on the day of Brexit, which is likely, negotiating teams should agree a sufficient transition period between the point of exit and the entry into force of the new agreement to limit disruptions to trade as much as possible.

***Avoiding a cliff edge for businesses should be the priority of negotiators on both sides of the border. The future relationship with the UK should be discussed as early as possible in the negotiation, with a transition phase to bridge the gap between Brexit and the entry into force of the new agreement.***

**Recommendation 9 – Allow enough time for a smooth adaption to new rules & processes**

Once a new free trade agreement has been adopted, businesses will need a period of phased implementation to adapt to new rules. Public authorities will also need time to adapt to new arrangements for a seamless transition. Practical solutions should be devised in close cooperation with industry to ensure that the flow of goods is not hindered. This will be particularly important for Ireland, considering the high volume of trade with the UK. Ports should also have enough time and resources to find solutions to overcome their inherent lack of space and adapt their infrastructure.

***Negotiators need to agree a phased implementation of new rules to allow businesses, authorities and entities responsible for critical infrastructure, such as ports, to adapt to new arrangements post-Brexit.***

**Recommendation 10 – Provide training & support to industry**

Trading and operating across borders as part of the single market is almost as easy as trading and operating domestically. Many businesses have built their supply chains and operations around this and will need support to adapt to a more complex environment. This is particularly true for small and medium size businesses, many of which have no experience of trading with or operating in third countries. Many of these smaller businesses will be part of bigger supply chains, either as part of the production process, or as part of the logistics chain.

***Industry will need clear and simple processes, but also time and support to train its workforce. Dedicated help should be provided to businesses that have less experience of international trade and operations – especially SMEs.***