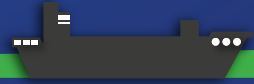




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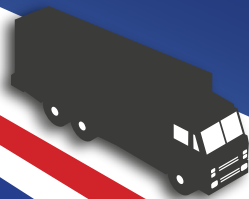


Implications of Brexit for Ireland's Transport Sectors



By Tom Ferris

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Introduction

Ireland's transport sector will be adversely affected by the decision of the United Kingdom to leave the EU. The position papers published by the UK Government in August 2017 provide little solace for those in Ireland making their preparations for the departure of the UK from the EU. This article looks at the critical issues now facing transport in two key areas, namely the **freight sector** and the **aviation sector**. While there are other areas of transport that will also be affected by Brexit, it will not be to the same extent as freight and aviation¹.

Freight Sector

Ireland is the only EU Member State with a land-border with the UK. Accordingly, the movement of goods to and from the UK, including goods transiting the UK, will be affected by changes in post-Brexit transit arrangements. The traffic volumes going to and from the UK are considerable. Statistics for 2016 show that over 40 percent of seaborne traffic is with UK Ports. **Table 1** sets out the data:-

| To/from | Million Tonnes | Share |
|-------------------|----------------|--------|
| UK Ports | 20.5 | 40.4% |
| Other World Ports | 30.2 | 59.6% |
| All-Ireland | 50.7 | 100.0% |

Source: CSO (Ireland)

As well as direct seaborne trade with Great Britain, some of Ireland's trade moves by air (see Table 3) and through ports in Northern Ireland. While detailed statistics are not available on cross-border trade, it is possible to provide evidence of such flows by combining official data for Northern Ireland with data for the Republic of Ireland. In 2015, over 36 percent of all container movements (2.5 million) went through Northern Ireland Ports, while Northern Ireland's share of All-Ireland GDP was estimated to be 19.9 percent. This is nearly twice the proportion that would be expected, using Gross Domestic Product (GDP) as a proxy measurement – see **Table 2** on following page:-

It is far from clear what changes will take place in transit arrangements following Brexit. However, any changes that take place in terms of physical, technical or regulatory regimes are likely to be considerable. The UK position paper on Future Customs Arrangements is not so pessimistic. While stating that the UK will leave the European Union and the EU Customs Union in March 2019, it suggests having: “a new customs arrangement that facilitates the freest and most frictionless trade possible in goods between the UK and the EU” [1]. Certainly this would be a very attractive scenario for Ireland. However, the reality is likely to be quite different. Indeed, the likelihood of designing a truly free and frictionless border between Ireland and the UK, if the UK leaves the EU Customs Union, is very slight if not impossible.

¹ Other sectors that will be affected include the maritime transport sector; the international passenger sector; international bus and coach sector and the international rail sector.

Table 2: All-Ireland Container movements

| | Units | Year 2015 | |
|------------------|-----------|--------------|--------------------|
| | | Actual share | Theoretical share* |
| Ireland | 1,593,999 | 64.0% | 80.1% |
| Northern Ireland | 894,698 | 36.0% | 19.9% |
| All-Ireland | 2,488,697 | 100.0% | 100.0% |

Source: CSO (Ireland)

The European Commission recently published a paper on guiding principles for Brexit negotiations entitled *Dialogue on Ireland/Northern Ireland*, which referred specifically to: “the aim of avoiding a hard border between Ireland and Northern Ireland” [2]. However, the paper did not forward solutions for the Irish border. Instead, the paper stated that the “onus to propose solutions which overcome the challenges created on the island of Ireland by the United Kingdom’s withdrawal from the European Union and its decision to leave the customs union and the internal market remains on the United Kingdom”.

The British Institute for Government in a recently published paper on *Implementing Brexit: Customs* strikes a cautionary note regarding future border arrangements. It argues that:

The introduction of border checks between the UK and the EU could happen overnight. As the Government has recognised, customs is a cliff-edge issue. On the day of exit from the EU, the UK authorities will need to perform new functions or face disruption at the border. There will be new document checks and fiscal requirements, which is the primary focus of the Government’s view of customs, but also a number of other key activities that regulate goods crossing borders [3].

The key concerns of the Irish freight sector are the avoidance of a “hard border” (with the re-introduction of customs and border controls) and minimum changes in existing technical standards and regulatory regimes. The introduction of tariffs or duties, following Brexit, could have the effect of diverting significant volumes of freight away from the UK and so depress the level of Ireland’s exports. There is also the prospect of non-tariff barriers, such as bureaucratic and legal requirements, that could hinder Irish road transport operators seeking to access the UK and Northern Ireland. Transport Minister Shane Ross, T.D., expressed concern about such barriers, in an address to an Oireachtas Committee last May, when he said: “Brexit could impact on the efficiency of the land-bridge routes, particularly where there are increased border and customs procedures and delays or where the UK may subsequently apply different standards, road charging or regulatory regimes” [4].

It has been suggested that Irish freight, that currently transits the UK, on its way to and from other countries, could travel directly by sea. This presupposes that there is sufficient capacity at Irish ports to handle the increased volume of traffic. It also ignores the role of logistics in supply chain management in today’s world. The UK’s Independent Transport Commission recently addressed this logistics issue and concluded that: “This process allows companies to work with very limited inventory, and ensures that they can operate efficiently and economically. Additional checks and delays on components crossing the UK border into and out of EU27 countries would require companies to carry additional inventory and have a negative impact on their capital” [5]. In the case of Ireland, being an island off an island, the longer sea routes mean much longer times for freight than transiting the UK. In a recent article, Politico.eu gave an illustration of how transporting a freight consignment by sea took between twice and four times the landbridge time, depending on the sea route chosen from Dublin Port [6].²

² The illustration showed how a consignment of Irish beef destined for the Italian market would take 10.5 hours on a landbridge journey from Dublin to a continental port via Liverpool, while the alternative direct route would take 20 hours to Cherbourg or 38 hours to Zeebrugge.

Aviation Sector

The aviation sector plays an important role in modern economies, in servicing business, trade and tourism. In the case of Ireland, the aviation sector provides an even more important role in having to service an island trading nation. The significance of the aviation sector was well described by Kevin Toland, CEO, Dublin Airport Authority in a statement to a Seanad Committee: “As an island nation, Ireland’s connectivity and accessibility is a key enabler for economic growth – without it, tourism cannot thrive, Ireland would be an unattractive location for business and the economy would not prosper” [7].

Table 3 captures the numbers of air passengers and the volumes of air freight moving in and out of Ireland in 2015. As regards air passengers, the table shows that there were nearly 30 million air passengers (with 40 percent going to and from the UK). As regards air freight, nearly 140,000 tonnes were transported (with nearly 30 percent going to and from the UK).

Table 3: International Passengers and Air Freight, 2015*

| | Passengers | | Air freight | |
|-------------------|------------|--------|-------------|--------|
| | number | share | tonnes | share |
| United Kingdom | 11,573,100 | 39.1% | 39,868 | 28.5% |
| Rest of World | 17,995,736 | 60.9% | 99,804 | 71.5% |
| All International | 29,568,836 | 100.0% | 139,672 | 100.0% |

* Main airports consist of Cork, Dublin, Kerry, Knock and Shannon

Source: CSO (Ireland)

Air transport had been traditionally a highly regulated industry, dominated by national flag carriers and state-owned airports. However, the EU internal market removed all commercial restrictions for airlines flying within the EU, such as restrictions on the routes, the number of flights or the setting of fares. All EU airlines may operate air services on any route within the EU. Ireland has benefited greatly from these arrangements. In celebrating ‘25 Years of EU Aviation’ earlier this year the European Commission pointed out that:

Today, air travel is cheaper, safer and open to more people than ever before. What’s more, because of a comprehensive set of EU passenger rights, travellers can have full confidence they will be looked after on their journey. This is all thanks in no small part to an EU initiative to replace a series of national rules by a single set of EU rules, known as the EU Internal Market for Aviation[8].

The advent of Brexit will require agreement on a new aviation agreement between the 27 EU Member States and the UK. An alternative policy needs to be put in place by March 2019, when the UK exits the EU, otherwise the aviation market could be quite seriously disrupted, from the perspective of both regulation and operations. Michael O’Leary of Ryanair went so far as to suggest to the Transport Committee of the European Parliament that: “no deal could mean no flights between UK and EU-27 immediately after Brexit” [9].

As far as Ireland is concerned, continuing participation by the UK in a liberalised aviation market would be the preferable. The UK would also seem to have a similar preference. In a speech last January, the Rt. Hon. Chris Grayling, UK Secretary of State for Transport, stated that the UK wants “the best possible access to European aviation markets. We believe it is in the EU’s interests to seek a liberal arrangement for aviation, so that airlines can offer connectivity and passengers have choice” [10]. But this will not be a decision solely for the UK. There has to be an agreement

reached with the 27 EU Member States. There is no guarantee that agreement will be reached. Accordingly, a return to a bilateral approach cannot be ruled out. In a report published in March 2017 on Brexit, the Irish Tourist Industry Confederation concluded that:

“In the event of failure to reach agreement on continued membership of the common aviation market, UK airlines would be dependent on their Government negotiating new bi-lateral agreements with each of the 27 member states before they could continue to operate services. An unlikely scenario and one that would be impossible to achieve within 24 months” [11].

Obviously, the Irish aviation sector would prefer if only minimum changes are made to the current regime. But the answer does not lie in the hands of one party. Without agreement, the existing rights of Irish licensed airlines to fly between the UK and the EU, within the UK, and between the UK and a range of other countries run the risk of being restricted or curtailed.

There is very little time available for agreement for a comprehensive EU-UK agreement to be reached. This is a matter of real concern. The Transport Minister Shane Ross, T.D., has highlighted other concerns in an address to an Oireachtas Committee last May. He pointed out that: “Specific political consent will be required for existing traffic rights to remain available and the desired end Uncertainty regarding traffic rights is exacerbated by ownership rules affecting Irish airlines. To retain an EU airline licence and access to the EU single aviation market, an airline must be majority owned and effectively controlled by EU nationals” [4]. If an agreement cannot be reached before the UK's exit from the EU, it is imperative that an interim arrangement should be negotiated that would provide some certainty for the aviation sector, as well as ensuring continuity of air services.

Concluding comments

This is a very uncertain period for Ireland as the negotiations between the UK and the 27 Member States of the EU proceed. There is an onus on the Irish authorities to continue to participate to the fullest extent in the negotiations that are taking place between the 27 EU Member States and the UK. There is also an onus on individual government departments to continue to engage widely and fully with their sectoral stakeholders. In the case of the Department of Transport, that has been happening - as can be seen from reports from workshops that have been held with stakeholders [12]. The overall objective must be to ensure the least amount of change in the trading environment in which Ireland operates and flourishes.

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