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**Good Morning my name is Aidan Flynn General Manager with the Freight Transport Association Ireland (FTA Ireland). We are delighted to be invited to present to the Seanad Brexit Select Committee regarding issues that are of major importance to our members. FTA Ireland is a not-for-profit membership trade association for the Irish freight, passenger and logistics industries and are wholly owned and governed by our members. To Date FTA Ireland has over 300 members representing some of the largest freight and passenger operators in Ireland, with more than 25,000 employees and 10,000 vehicles operating between them.**

‘Our mission is to help our members develop safer, more efficient and sustainable supply chains and transport operations. We will work hard to enhance the Irish freight and logistics industry's influence and image by promoting high standards of safety and compliance. We are committed to working with our industry and Government partners to help us achieve these objectives and develop a truly innovative, efficient, competitive and sustainable Irish freight and logistics industry to support the Irish economy’. We provide Representation, Information, and Training & Auditing Services to our members.

In 2010, our founding members determined that all Heavy Commercial Vehicle (HCV) fleet members must participate in an annual accreditation programme that is designed to recognise operators who demonstrate the highest standards of professionalism and compliance in the day-to-day management of their drivers and vehicles. The accreditation gives independent verification that operators are meeting minimum legal requirements in terms of driver training and management and vehicle roadworthiness. The audit has 3 levels; Gold, Silver and Bronze and ensures that there is a level playing pitch of compliance within our membership. To date Brakes Ireland, BOC Gases, Mcardle Skeath & NVD have achieved the ‘Gold ‘standard.

There are over 50,000 persons employed in the Freight Transport Distribution and Logistics sector in Ireland. These roles are spread across a range of sectors within the economy including transportation and storage, manufacturing and retail and wholesale trade. With forecasted growth it is estimated that another 15,000 job vacancies will arise in the sector between now and 2020<sup>1</sup>. There are just over 18,000 vehicles listed on the operator licence in Ireland. That is 3,834 operators listed for international and national licences (average fleet size is 4.7 vehicles per fleet). Of

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<sup>1</sup> Addressing the Demand for Skills in the Freight Transport, Distribution and Logistics Sector in Ireland 2015-2020 February 2015

that 12600 vehicles (2,351 operators) are registered as International haulage. Ireland's geography means that the freight and logistics sector is critical for the country's economic activity and its connectivity to the rest of the world. The majority of freight in Ireland is transported via road. Indeed two thirds of all freight in Europe is transported by road. In 2015 118.1 million tonnes of goods were transported by Irish goods vehicles. Most export freight is transited via Ireland's ports either as road freight (RoRo – roll on / roll off) or as container freight (LoLo – lift on / lift off). Dublin is Ireland's largest port handling 44% of the total tonnage of goods traded.

The uniqueness of the relationship between Northern Ireland and the Republic of Ireland cannot be understated during the negotiations. It is testimony to the Irish Government and the Taoiseach that this issue has drawn support from UK and the EU. Having this topic discussed in the early stages of the process will help put shape on what we as a country must do to prepare for Brexit. Aside from the fact that Cross border trade amounts to approx. €3 billion annually with approx. €1.5 billion <sup>2</sup>in the food and drink sector alone, the implications for jobs and the movement of people across the border is massive. 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. 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. 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>.

The UK is leaving the EU. There has been a lot of talk and conjecture on how this 'divorce' will transpire. The reality is we will not know until the talks start. There are a myriad of issues to be discussed, debated and agreed with one thing certain, it will take longer than two years to conclude! How 'hard' or 'soft' and the implications for trade to and from the Republic of Ireland following this divorce will very much depend on what is desirable for both the UK and the EU, and how influential the Irish Public and Private sector continues to be. All parties must be open to extending the negotiations beyond the initial period. Contingencies must be agreed and planned for to ensure that there is minimal impact on trade that gives rise to uncertainty on rules and regulations or access to markets. What is certain is that the harder the 'Brexit' the more issues that will arise for the transport and logistics sector as a whole.

Brexit brings with it many challenges, not least understanding how the 'Supply Chain' will be impacted and the knock on effect this will have on the efficient flow of goods into and out of the country and whether or not this will have negative financial consequences for the competitiveness of the country and the consumer.

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<sup>2</sup> <http://www.intertradeireland.com/researchandpublications/trade-statistics/>

<sup>3</sup> <http://www.intertradeireland.com/researchandpublications/trade-statistics/>

Members of FTA Ireland are very concerned with the consequences of Brexit in terms of the movement of goods, particularly accessing the UK and the European marketplace. The world is a different place compared to the 80s and early 90s where border checks and customs checks were par for the course. The present marketplace (the consumer) has grown up based on 'Just in Time Logistics' and ease of access to products and services, organised and relaxed borders. In the early 90's we were sending only 37,000 roll on / roll off units per annum via the Irish Sea to the UK. Today that figure is in excess of 400,000 units per annum, just from Dublin Port. Ireland as an island nation on the periphery of the EU is reliant on getting the majority of its imported and exported goods to and from the EU predominantly using the UK as a Land bridge. There is only limited scope to increase volumes by sea and air. Whilst it is true that Ireland does not rely on the UK market for exports or imports as much as in the past, the Agri-food sector still does (40% of exports in this sector go to the UK) however, restrictions to trade will not only have a devastating impact on this sector but on rural Ireland where these products are produced and where farmers and local businesses are linked. An obvious solution is that there is a trade deal with the UK that allows trade to move in a manner we are all used to at the moment and is something we can all pursue.

FTA Ireland has published a Brexit position paper that makes 3 priorities

1. **No hard Border with Northern Ireland and no barrier to trade with the UK.** It is vital for the stability of the North and the unique interdependence between Northern Ireland and the Republic that a hard border is avoided. 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. The Common Travel Area needs to be protected, as additional immigration checks would create unnecessary delays and disruption to the movement of vehicles and workers between Ireland and the UK. 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. 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.
2. **Priority 2: Seamless transport links between Ireland and the UK.** 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. Mutual recognition of transport documents, qualifications and licenses for road transport operators should continue post-Brexit to limit disruptions. 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.
3. **Priority 3: A seamless transition to the post-Brexit era.** Avoiding a cliff edge for businesses should be the priority of negotiators on both sides of the border. 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. 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.

The EU Single Market accounts for 500 million consumers and 21 million small and medium-sized enterprises (SMEs). Since the establishment of the ‘Single Market’ in 1993 (with borders abolished in 1997 under the Amsterdam Treaty), the world has changed, we are much more globally connected through the internet. Prior to 1993 business prepared for the consequence of completing TIR Carnets, had contingency plans in place for border and customs delays. Today, we are living in a ‘fast paced’ world where we demand efficiencies.

For ‘frictionless’ trade or ‘No Hard Border’ on the island, it is clear that new standards of compliance and operation are going to be required that are ambitious and technologically inclusive. It is vital for successful implementation that we plan, resource and support this in time (irrespective of the outcomes). FTA Ireland is calling for the appointment of a dedicated Brexit Minister or logistics Minister<sup>4</sup> to ensure government continues to put the needs of Irish industry at the heart of Brexit negotiations. Without a minister operating in this dedicated role, leaves Ireland at a disadvantage over the course of the negotiations and we must do everything possible to ensure the sustained success of the nation’s trading relationship both with the UK and the EU member states. Whilst we recognise the work been done by civil servants both here and in Brussels to date we would strongly recommend a more focused cross departmental approach that will facilitate the implementation of solutions. Shippers, freight forwarders, consignors and distribution companies concerns must be listened to in determining the best outcome for Ireland. This will be aided by clear leadership driven by the Government of the day but supported with a dedicated Minister with responsibility for Brexit and the supply chain.

There are concerns over skills shortages. To be Brexit ready industry must invest in developing skills, and technological competencies to ensure free flow of goods and services. Too often the Transport sector has been bypassed in support for training and education. Now is the time to invest in upskilling the workforce and preparing an industry to be world leaders. Bear in mind that the average size fleet of trucks operating internationally is 5 vehicles making this SME sector very exposed to sudden sharp change. Support must be forthcoming to provide training and supports in Customs processes and also to urgently introduce CPD for Transport Managers. Currently to have an Operator Licence you need a Transport Manager CPC qualification, but there is no follow up to keep a manager up-to-date with new legislation or systems. Third Level colleges should be encouraged to work closer with the industry on projects that will benefit both the college and the industry in aiding the upskilling requirements.

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<sup>4</sup> Forfas (1995) World Class to Serve the World Dublin: Forfas

Due to Brexit it is inevitable that there will be more requirement for customs services. Importers and exporters will have to invest in the services of customs clearance personnel in order for VAT and tariffs to be paid to the revenue in an organised and timely manner or face delays to the movement of goods. Those moving the goods must fully understand the documentation and processes involved in this new era of distribution. It is important that there is a collaborate approach taken in promoting solutions that will work well for all parties. This will ensure better compliance and engagement as well as developing trust which will be vitally important in reducing the likelihood of delays or product deterioration.

Over the year's specialism in the customs and excise sector has diminished considerably, primarily due to the standardisation of systems, the lack of business potential in the private sector and ultimately the lack of demand for these services. Indeed the public sector has also suffered (in the context that there will be a spike in demand for these skills as a result of Brexit). When it comes to planning for customs in order to ensure that full advantage is taken of the available special procedures and to legally minimise payments, there are very few specialists able to provide a fully professional service.

International companies should fully consider the ways in which they manage their customs affairs and should seek to identify procedural regimes available to them which would lead to greater efficiency, improved control and cost benefits.<sup>5</sup> While customs main purpose is to collect revenue and to ensure that prohibited articles are not brought in the country, they are also there to facilitate trade. Once negotiations are concluded the UK will be known as a 'third country' for the purpose of trading with the EU. Third Countries must comply with preferential rules of origin for the good they export to the EU markets where Imports to the EU are subject to EU Tariffs and Exports from the EU are subject to the third country tariffs.

Regardless of whether the UK succeeds in negotiating a free trade agreement or decides to trade based on WTO rules, because the UK would be outside both the Customs Union with its common external tariff and the Common Commercial Policy , it would involve customs controls and procedures for UK/EU trade. Outside the Customs Union, the UK can set its own tariff policy for trade provided it is consistent with WTO rules and can negotiate trade agreements directly with other countries. For this reason, UK goods exported to the EU, even with full free trade access to the Single Market, must comply with customs 'rules of origin' procedures. These are designed to ensure that the products involved have the specified minimum level of UK domestic content covered by the UK free trade agreement (or are covered by another EU,FTA) and are not sourced from third countries which are liable to pay customs duty on entry to the Single Market.

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<sup>5</sup> **FTA European Road Transport Guide** – 22<sup>nd</sup> Edition – [www.fta.co.uk](http://www.fta.co.uk) page 66

To aid solutions that are viable to all, including a borderless Northern Ireland and ease of movement of goods into and out of the country via the ports, there must be agreed systems, controls and standards of compliance requirements. The haulage sector in Ireland and beyond has often struggled with compliance and professional service delivery.

In this instance there will be a need to develop efficient interlinked supply chains supported by technology. To enable 'frictionless' trade movement it makes perfect sense that operators engaged in international transport participate in a 'trusted partnership' scheme whereby the operator registers their fleet and activities in addition to completing their normal customs clearance documentation. This would be a UK/EU recognised standard. Accreditation and declaration will help improve security, aid Customs and will ensure a linked up approach which will be vital for the future success of Irish logistics and transport.

There is a great opportunity for Irish International operators to be prepared to compete in a marketplace that demand compliance, professionalism and certification. Consideration will of course have to be given to the cost of adaption and the requirement for business to recruit additional staff and invest in technology. Cognisance must also be given to solutions that are viable and will not leave any member state in a worse position than it was in prior to Brexit.

Article 50 has been triggered since the 29th of March 2017. The countdown has begun but negotiations haven't. The problem for all will arise if an agreement cannot be made or there is no prospect of an agreement after the 2 year period. In this scenario there cannot be an extension to the 2 year period. Ireland must prepare for this possibility and it is vital that there is clear leadership that will protect the countries interests irrespective of the outcome and strive at every opportunity to get a deal that is best for Ireland. What is certain is that the UK will become a 'third country' and that all in the supply chain must plan for this.

It is recommended that hauliers and logistics companies apply for an EORI<sup>6</sup> (Economic Operators' Registration and Identification) number now which is needed for importing and exporting goods with countries outside the EU. This would be a prudent measure for business to take now to help avoid potential back-logs or system capacity issues further down the line.

We must look to Brexit as an opportunity to re-vitalise our supply chain and examine how we can get goods to and from Ireland to the other markets. For this to happen we suggest the following:

- EU & Local Government - co-ordinated approach to working with key stakeholders in determining the issues and preparing solutions

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<sup>6</sup> [https://ec.europa.eu/taxation\\_customs/business/customs-procedures/general-overview/economic-operators-registration-identification-number-eori\\_en](https://ec.europa.eu/taxation_customs/business/customs-procedures/general-overview/economic-operators-registration-identification-number-eori_en)

- Engage the education sector particularly Business and Supply Chain Colleges that can help view the situation from an academic perspective. A lot of research has been carried out on supply chain logistics, some of their ideas are our future solutions.
- Understand that some links in the supply chain may be more advanced than others. When technological solutions are introduced the problems will arise that some of the chain will not be able to adapt as quick as others, we must understand and plan for this eventuality.
- Transition – It is critical for businesses to have a smooth transition in place towards what is likely to be a very different regulatory and trade environment. Industry needs time and predictability to adapt.
- Sudden changes – there should be no sudden changes to rules and requirements, and industry needs to be properly consulted at every step of the way.
- Customs - In the future irrespective of the relationship between the EU and the UK, the threat of divergence of rules and standards will always expose Ireland to more trading difficulties than our European partners. For instance it was recently reported that over 200,000 ‘fidget spinners’ had been confiscated by the Competition and Consumer Protection Commission (CCPC) due to safety concerns that they did not have the European CE mark. This could become much more of a common occurrence given the UK will not be obliged to meet the same requirements.
- Shippers need to ascertain as best they can, that their contractors are carefully selected and that drivers are subsequently trained and monitored, as required by both the EU and National legislation as well as for their own peace of mind. It is very important that ‘shippers’ have an appreciation of the factors affecting the environment through which their goods will pass en-route to the final destination.<sup>7</sup>
- Increased funding to support more progressive and fair enforcement at national and EU level – Skillnets funding should be made available to aid the education and upskilling requirements.
- Accreditation programme initiated for all levels of the supply chain to aid a viable and efficient solution for Ireland accessibility to market issues. This can also lead to fast tracking customs at Irish and UK borders.
- Exploit the opportunity to improve the whole Supply Chain and improve professionalisms and compliance at all levels. There must be more linked up thinking.

***We remain positive but it is wise to plan for the worst and hope for the best outcome.***

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<sup>7</sup> FTA – A shippers’ guide to European Road Freight, Edition2 March 2017, Page 4