

**Joint Committee on Enterprise, Trade and Employment
Wednesday 2 December 2020**

**The readiness of business, employees and communities for the coming into effect of the UK's
departure from the EU**

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Thank you, Chair, and thank you to the members of the Committee for this opportunity to set out the views and concerns of business on the crucial issue of readiness for the coming into effect of the UK's full, economic and political, departure from the EU on 1 January.

As Ireland's largest business organisation, since the UK referendum on 23 June 2016 we have been working intensively to support member companies as they manage ongoing uncertainty and plan for known and potential disruption when the current transition period ends.

The central priority of our Brexit campaign has been and continues to be to provide members with clear and actionable guidance in preparation for 1 January 2021. We have delivered this through a comprehensive suite of planning documents, a broad range of technical and political seminars and events as well as insights and expertise from our specialist staff. In line with the expected impact of Brexit, it has focussed on four central themes of trade in goods, trade in services, the all-island economy, and the labour market.

Ibec has held an extensive series of virtual events and briefings to provide practical guidance to members on the range of critical issues for business. As part of our programme since September, Ibec has hosted dedicated sessions on customs, trade and VAT preparations, international data transfers, business readiness, the UK landbridge and direct routes to the European continent, and the all-island economy, among others. In support, the campaign has collaborated closely with key stakeholders and decision makers in Dublin, London and Brussels, including the Revenue Commissioners, the Department of Transport, the Department of Enterprise, Trade and Employment, the Data Protection Commission, the Department of Foreign Affairs and the UK Government and the European Commission. In total, close to 2,000 individual members have engaged with our sessions since September.

We must remind ourselves that earlier this year, on 31 January, only the political Brexit took place. The economic Brexit will take place on 1 January. The transition period will end in four weeks. The UK will depart the EU Single Market and Customs Union. As of today, business still does not have clear information on the trading conditions which will apply for goods between Ireland and Britain and for services between Ireland and the UK as of 1 January 2021.

We welcome that the EU and the UK continue to engage positively in difficult negotiations on their future relationship, including on a basic trade agreement. Our concern is that now there is insufficient time for businesses to adjust to the outcomes of a prospective agreement, if indeed it is reached. This 'transition period' was presented to business as a period for accustoming to the known changes of Brexit. May I remind you it was intended to commence on 29 March 2019, then 31 October 2019, before eventually beginning on 31 January 2020. While business prepares for the known effects of the UK departing the EU Customs Union, the 'transition period' has rather been a negotiation period. It has left businesses with no lead time to implement significant changes and continued uncertainty rather than the promised clarity.

Irish businesses, from MNCs to SMEs, have worked diligently to ensure they are as prepared as possible for the end of the Brexit transition period, both on the side of the EU and the UK. However, it must be acknowledged and understood that business has been preparing for the unknown in uniquely challenging circumstances. The dual threat of the continued, extraordinary uncertainty faced by Brexit combined with the evolving consequences of Covid-19. In addition, there remains significant gaps in clarity on the rules which will apply to businesses trading goods with Britain.

Despite its limitations, the "bare bones" future relationship agreement under negotiation would be vital for Irish business. First and foremost, it would crucially avoid the EU and UK for the first time trading on WTO terms and the subsequent introduction of tariffs and quotas. If such a deal is not agreed, it would be a further blow to fragile confidence, reduce GDP growth in the short-run materially and impair potential recovery in future years significantly. Until there is clarity on whether tariffs will be introduced, businesses cannot fully prepare for the future.

Through the UK Government's introduction of the Internal Market Bill, we have seen that the full implementation of the Withdrawal Agreement and Protocol on Ireland / Northern Ireland cannot yet be taken for granted. The members of the Committee will know of the vital importance of it in avoiding a hard border on the island of Ireland and protecting the Good Friday Agreement, while also safeguarding the integrity of the EU Single Market. The Protocol is critical for business by ensuring the continuation of the Common Travel Area and protecting North-South cooperation towards the advancement of initiatives of mutual interest on our shared island. As of today, people, communities, and businesses from both north and south of our island do not have the assurances they need that the Protocol will be fully implemented and operational by 1 January.

I recall that over recent months Ibec's work to support contingency planning has intensified. We have produced comprehensive guidance for business and have hosted numerous events, providing detailed expert insight into the complex issues that will need to be managed from 1 January.

While our members are very aware of the risks and are planning accordingly, it would be wrong to suggest that business, or the wider economy for that matter, could ever be fully ready for the profound, overnight changes that the end of the transition period will bring.

Despite the best efforts of business, successfully adjusting, in a short timeframe when so many specifics are still not known, to a radically new trading and economic relationship with one of our closest trading partners is neither possible nor realistic, particularly for companies in the most exposed sectors. What we do know is that the imposition of very high WTO tariffs on certain products, combined with additional customs and regulatory barriers, would cause major trade and economic disruption.

The political brinksmanship involved in setting non-credible deadlines, both in the past, and in the future relationship negotiations, has already cost the business community, and additional collateral damage must be avoided.

While most larger companies have comprehensive plans in place, many SMEs are still working to be prepared. Despite major information campaigns, many companies have yet to register for the EORI number and take the necessary further steps that will be necessary to continue to trade post-Brexit.

While Ibec's work to support contingency planning will continue, it must be stressed that very significant Government and EU intervention will be required to protect jobs and businesses should an agreement not be reached. Government needs to bear the ensuing uncertainty in mind and ensure that adequate and agile supports are available to business in early January and beyond as the practical consequences of Brexit become apparent. These supports must prioritise and be quickly available to the worst affected sectors to offset the economic consequences of Brexit. The economic hit will be immediate, so too must be the response.

Ireland and Irish business are the most exposed in the EU to Brexit. Whether a future relationship agreement is reached or not, the consequences of the new trading relationship with the UK will be severe.

Thank you for your time and attention. We look forward to answering your questions.