

Keeping Northern Ireland and Great Britain trading

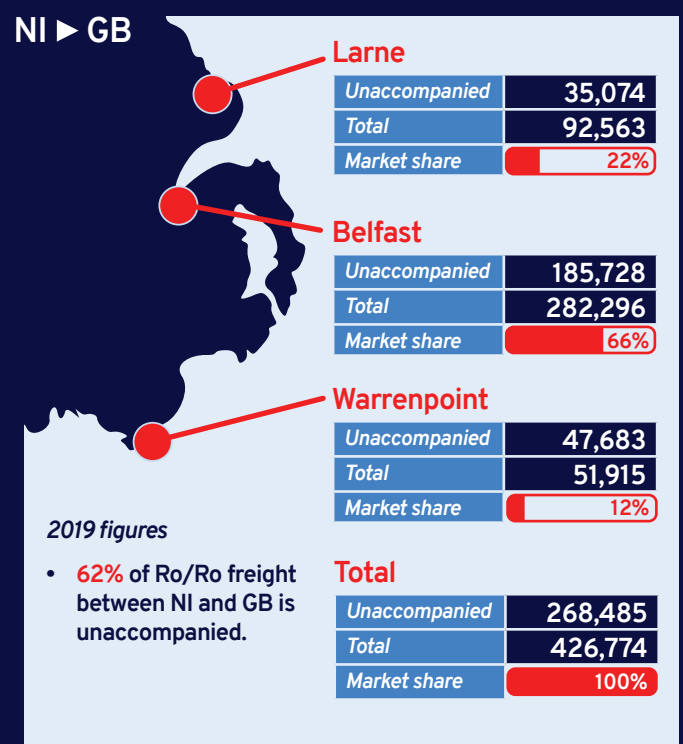
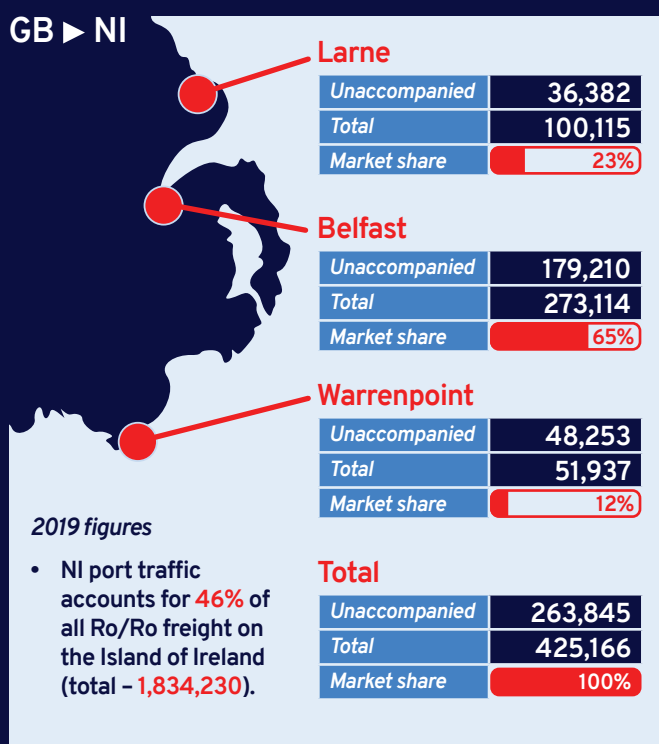
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Northern Ireland is an important trading partner of Great Britain and will continue to be due to the interconnectedness of supply chains, geographical proximity and the economic value of trade, which was worth £8.1bn in external sales of Northern Irish goods to Great Britain in 2017.

This document identifies the key priorities to keep Northern Ireland and Great Britain's supply chains and trade moving as efficiently as possible:

- Early engagement with logistics.
- Minimise frictions, red tape and costs for industry.
- Derogations for qualifying trade flows.
- Assistance with the cost of transition.
- Customs training and support to build customs capacity.
- Simplified transit for Northern Irish goods to Great Britain via the Republic of Ireland.
- Maintain road and Irish Sea connectivity.
- Preserve essential staff mobility.

Number of trailers and self-propelled vehicles shipped on Ro/Ro ferries in 2019



The Ireland/Northern Ireland Protocol

The Withdrawal Agreement reached by the UK government and the EU contains special arrangements for Northern Ireland. The Protocol sets out the provisions under which Northern Ireland will remain aligned with specific EU rules, including customs, goods and VAT. Part of the agreement is that institutions in Northern Ireland will be asked periodically if they still consent to the arrangement.

The Protocol provides that Northern Ireland is in the UK's customs territory. It makes clear that Northern Ireland may be included in the UK's future trade deals with third countries, and that Northern Ireland will be included in the UK's World Trade Organization (WTO) schedules.

Under the Ireland/Northern Ireland Protocol, the customs arrangements will work as follows.

- Tariffs are not payable on movements of goods between different parts of the same customs territory. Therefore, there will be no tariffs on goods moving from Great Britain to Northern Ireland, unless those goods are "at risk of" moving on into the EU (in which case they will pay the EU tariff). There is the potential for tariffs to be paid by default and reimbursed later, provided it has been proven the goods did not end up in the EU.
- The tariff on goods coming into Northern Ireland from another country outside the EU should be the UK's tariff, again unless the goods are at risk of moving into the EU.
- The conditions in which goods are not considered "at risk of moving into the EU" are set out, although final decisions are delegated to the UK/EU Joint Committee.
- The UK has the power to reimburse or waive tariffs on goods brought into Northern Ireland, subject to state aid rules which must take into account the circumstances in Northern Ireland. State aid rules continue to apply for any measures affecting trade between Northern Ireland and the EU.

- Customs duties collected in Northern Ireland on EU tariffs are retained by the UK, not paid to the EU.
- EU administrative customs procedures apply in Northern Ireland in order to make sure that goods destined for the EU comply with the correct process.

These arrangements have been designed to operate without a Free Trade Agreement between the UK and the EU. If an ambitious agreement with low or zero tariffs and quotas is concluded before the Protocol comes into force, then a significant proportion of goods would qualify for zero tariffs. This would only be valid for goods already released for free circulation in the UK or that would qualify as UK goods.

There will be a single regulatory zone on the island of Ireland, so that an open border is maintained on the island of Ireland. This involves Northern Ireland aligning with particular EU regulations covering trade in goods.

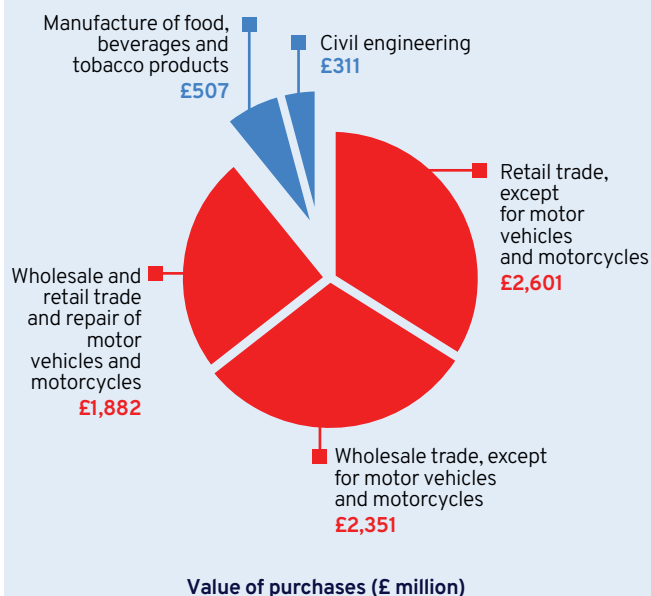
There are a range of detailed technical requirements connected to the regulatory zone. They also specifically enable the UK to ensure that Northern Irish businesses will continue to have unfettered access to the rest of the UK market.

Any processes normally required for goods entering the EU will be implemented at the Northern Ireland-Rest of World border or on trade moving East-West between Great Britain and Northern Ireland. For as long as Northern Ireland participates in the customs arrangements and regulatory zone, there will therefore be processes to ensure that goods entering Northern Ireland destined for the EU pay the right duty and that all goods comply with the appropriate rules.

The implementation and application of these arrangements will be managed by UK authorities in accordance with the arrangements set out in the Protocol. However, EU representatives can also request to be present at customs or regulatory inspections.

Purchases of goods from GB by NI businesses (by value (£) 2017)

In 2017 **local wholesale and retail businesses** (as shown in red in the chart below) purchased **£6.8bn** or **65%** out of all goods purchased from GB businesses. Total goods purchased – **£10.5bn**.



Source: Broad Economy Sales and Exports Statistics 2017, NISRA

What logistics needs to make the Protocol work

Early engagement with logistics

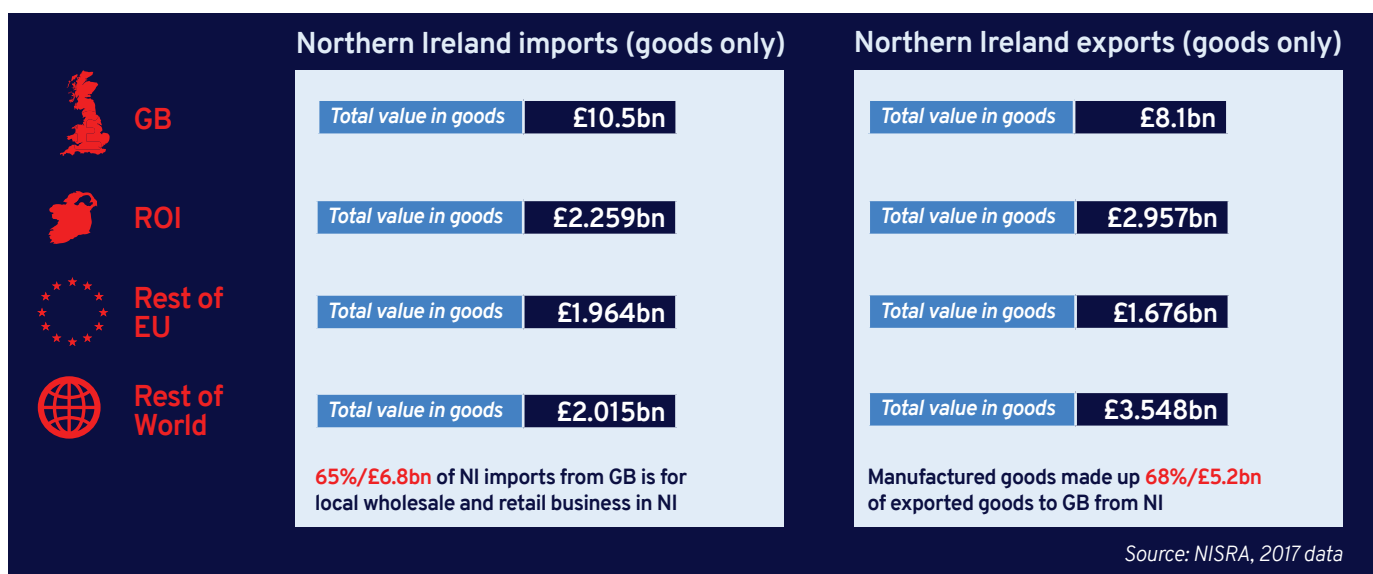
The Joint Committee that will oversee the implementation of the Ireland/Northern Ireland Protocol must liaise and consult with key business stakeholders for any new processes to be successfully planned for and delivered. As the movement of goods is a primary focus of the Protocol, it is therefore vital that logistics is front and centre in the design and testing of all arrangements.

Logistics is an adaptable industry that can quickly react to changing circumstances, new risks and opportunities, but to do so, it needs advanced notice of the changes that are to come. On both sides of the Irish Sea, businesses and logistics providers need to have timely clarity on operational requirements and new processes so they have enough time to implement them.

Minimise frictions, red tape and costs for industry

Trade facilitation measures can help reduce additional requirements and red tape for traders and their logistics providers, while the UK is outside the EU's single market and customs union. Our industry needs:

- A safety and security agreement removing the need for entry and exit summary declarations between Great Britain and Northern Ireland. For this to work, it would also be likely



that the same process would likely be required on shipping between Great Britain and Ireland.

- A mutual recognition agreement for Authorised Economic Operator (AEO) status which would provide AEO accredited businesses with access to AEO benefits on both sides of the Irish Sea, including additional facilitations at UK and EU borders.
- A Sanitary and Phytosanitary (SPS) agreement removing the need for physical checks on agri-food products and other plant products and products of animal origin, or at least reducing their prevalence drastically, as in the EU-New Zealand SPS agreement.
- Industry needs to identify ways and means to demonstrate what goods moved from Great Britain to Northern Ireland would be classified as 'not at risk' and to then make use of a facilitation to avoid unnecessary formalities and checks.
- Before the end of the transition period, the Joint Committee will establish the criteria for considering which goods brought into Northern Ireland from outside the EU are not at risk of subsequently being moved into the EU. Consideration should be given to the unique geographical situation regarding trade entering the island of Ireland and where goods entering from Great Britain can be identified as not being at risk to the single market, derogations should be applied to such trade to ensure continued frictionless transit and minimal formalities.
- Zero tariffs and quotas for UK products in the EU and EU products in the UK.
 - Preferential rules of origin (which goods must comply with in order to be eligible for zero tariffs and quota provisions in an EU-UK trade agreement) must be transparent and not overly complex.
 - They must at least allow for 'bi-lateral cumulation', so that products partly produced in the EU and partly produced in the UK can benefit from zero tariff and quota access to both the EU and UK markets.
 - Whenever possible, 'diagonal cumulation', which would allow products partly produced in the EU and in the UK to benefit from preferential access granted by both EU and UK trade agreements with third countries, should be negotiated with key trading partners.

Derogations for qualifying trade flows

Freight into Northern Ireland is dominated by retail and accounts for approximately 65% by value of all freight via Roll-on/Roll-off into Northern Ireland from Great Britain while 19% of goods from GB is for local manufacturing. This freight is ultimately arriving at 'dead end hosts' as it is solely destined for sale at retail stores within Northern Ireland.

Derogations should be given to this trade flow to Northern Ireland retail, perhaps involving an accredited audit, so that it can avoid checks in transit and onerous administrative formalities. This would mean the majority of trade from Great Britain to Northern Ireland can continue to move efficiently in a 'just-in-time' market.

Assistance with the cost of transition

In the event of the government or a public body creating or facilitating border arrangements or regulatory barriers between Great Britain and Northern Ireland, the cost of implementing or enforcing these should not fall onto business or logistics providers. To facilitate a level playing field for trade within the UK internal market, local Northern Irish businesses or logistics providers should not be burdened with new costs in order to continue facilitating current or new trade between Great Britain and Northern Ireland.

Customs training and support to build customs capacity

Industry on both sides of the Irish Sea face significant challenges as many may need to complete customs documentation and other formalities for the first time at the end of the transition period. There is a substantial customs agent shortage in the UK with Northern Ireland businesses facing added pressure due to the potential formalities associated with the protocol that will not be faced by other UK businesses in Great Britain.

The UK government along with government departments and agencies in Northern Ireland need to urgently address this shortage of customs agents. Co-funded training or making it available under apprenticeships should be provided for those new to completing customs and other declarations.

Small and medium sized enterprises will rely on logistics providers and customs agents to manage any new formalities. In

2017, Large businesses with more than 250 staff accounted for 41% of the total value of goods (£4.3bn) purchased by Northern Irish businesses from GB with the remaining 59% (£6.3bn) being purchased by micro, small and medium businesses. It is therefore critical that logistics service providers to such businesses in Northern Ireland are supported to ensure they have appropriately trained staff and capacity to service the local economy.

Simplified controls for Northern Irish goods to Great Britain via Republic of Ireland

Goods manufactured in Northern Ireland but stored in Ireland or shipped via Dublin before delivery to Great Britain must avoid the costly and burdensome task of transit formalities in order to remain competitive within the UK internal market.

A simplified approach recognising the nature of all-island supply chains and the use of Dublin Port for 'Just in time' freight to Great Britain should be adopted and recognised by the UK and EU to ensure continued unfettered access of Northern Irish goods to the GB market.

This could include for example be achieved using: a new trusted trader scheme to allow intra-company movements to have priority if selected for borders control at ports; Incentivised uptake of Customs Transit facilitations to enable businesses to clear goods at their distribution centres; and a new Environmental Health trusted trader facilitations to let agri-food goods be vet-certified at manufacturing facilities.

Maintain road and Irish Sea connectivity

Consideration should be given to movements on the island of Ireland, as the Protocol in the withdrawal agreement does not address road freight connectivity.

The UK and the EU must negotiate an agreement allowing for the free passage of commercial vehicles on similar terms as at present for the Island of Ireland that will help protect current long-standing cross border supply chains with 70% cross border freight consisting of ingredients and components.

Clear and enforceable rules, providing for non-discrimination of all operators, should be in place. Transport Manager and Driver Certificates of Professional Competence (CPC), as well as driver licences, should be mutually recognised without the need to retake tests or exchange qualifications. Cabotage rights should be preserved.

Preserve essential staff mobility

Companies on both sides of the border should retain the flexibility to allow their employees to move between business units that are established in Northern Ireland and Ireland.

The Common Travel Area protects the employment status of UK and Irish nationals working across the border, but we need

further assurance that Northern Irish businesses can still employ current or new EU national workers who reside across the border in the Republic of Ireland.

In order to compete over an open land border with the EU, a Shortage Occupation List for Northern Ireland that would address skills shortages in the logistics industry would help businesses remain competitive in the labour market and enable the industry to continue to deliver services.

Northern Ireland hire and reward operator licences



Source: NI Transport Regulation Unit

Cross border HGV traffic



ON ONE DAY (05.06.19)

13,483 Goods vehicles crossed the border on just **6** roads.

A1/M1 (Belfast-Dublin)

8,390 Goods vehicles crossed

Source: Transport Infrastructure Ireland

Number of NI purchasers/importers of goods and services from GB by business size (2017)

No of employees	Total NI businesses	GB purchases
Micro 0-9	44,071	10,538
Small 10-49	8,558	3,649
Medium 50-249	1,299	729
Large 250+	319	218

Source: NISRA