



THE IMPLICATIONS OF BREXIT FOR THE MOVEMENT OF GOODS

Policy Statement by the Chartered Institute of Logistics and Transport in Ireland

KEY POINTS

The decision of the United Kingdom to leave the European Union has major consequences for the transport, logistics and supply chain sector. This statement draws attention to the principal issues relating to the movement of goods which have been identified to date by the Chartered Institute of Logistics and Transport in Ireland (“the Institute”) and which should be considered by public authorities and by the transport, logistics and supply chain sector.

Brexit will impact on three equally important aspects of Irish trade:

- Irish exports to the United Kingdom,
- Irish imports from the United Kingdom, and
- Irish import and export trade with the rest of the EU and third countries which transits through the United Kingdom.

The UK plans to leave the Single Market and the Customs Union and wishes to be free to conduct an independent trade policy. This means that there are only two realistic options for a future trading relationship between the EU and the UK:

- A bespoke free trade agreement, or
- Trading under World Trade Organisation (WTO) rules.

This suggests that a prudent starting point for planning both by public authorities and the transport, logistics and supply chain sector would be to assume that the UK leaves the EU without agreement on future trading arrangements - that is a “hard Brexit” followed by the introduction of a “hard border”. We are not suggesting that this is the most likely or an inevitable outcome but that it would be prudent to prepare for a worst case scenario.

What might a worst case scenario look like? The following provides some outline guidance:

- Post-March 2019, the trading relationship between the UK and the EU would be governed by WTO rules.
- Customs and other administrative controls would be re-introduced.
- Tariffs would be levied in accordance with WTO rules.

In the light of this analysis, the Institute makes a number of recommendations to Government which can be summarised as follows:

- Certainty is required as quickly as possible on the future trading arrangements between the EU and UK as is good quality, timely and easily accessible information to ensure successful implementation of the new trading regime.
- An adequate transition period is necessary to enable both public authorities and the transport, logistics and supply chain sector prepare effectively for the implementation of the new trading arrangements.
- The Brexit negotiations should seek to minimise the impact on trade, recognise the complexity of the issues involved, consider the impact on time to market, address the particular implications for SMEs and take account of the importance of the GB landbridge for Irish trade.
- Public authorities will have to plan, implement and resource new administrative systems to ensure a smooth transition to the new trading regime. That will include recruiting additional suitably trained and qualified staff and developing IT systems which are fit for purpose. The planning of these systems should be based on international best practice and avail of industry expertise.
- Training and advisory supports should be provided for business to address identified skills deficiencies. Targeted Governmental and EU financial supports should be considered for enterprises adversely impacted by Brexit.
- Consideration should be given to potential public infrastructural requirements arising from Brexit.

The transport, logistics and supply chain sector needs to start planning now. A good starting point would be to begin planning for the worst case scenario described earlier where a “hard Brexit” takes place and a “hard border” is re-introduced. Scenario planning does not need to involve substantial expenditure but will require some management time and perhaps some limited external training or consultancy support. The policy statement suggests a range of matters which might be considered as part of the planning process:

- Consider the likely risks and possible business opportunities.
- Consider the financial impact.
- Consider the impact in terms of time to market.
- Consider developing alternative markets.
- If you use the GB landbridge, will it continue to be a viable option post-Brexit?
- Is your company particularly dependent on the Northern Ireland and GB market?

- Consider the implications for eCommerce and your trading partners.
- Consider the likely administrative requirements, training needs and IT requirements.
- Are there “no regrets” investments that could be made now irrespective of the eventual Brexit outcome?
- Update your scenario planning as the Brexit negotiations continue.

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We are in a time of continuing great uncertainty and facing into an intensive period of Brexit negotiations. There is likely to be an ever-changing policy landscape as the negotiating positions crystallise and as firmer and more quantitative information on the practical implications comes into the public domain. Accordingly this statement should be considered as a work in progress. Revised and updated versions of the statement may be published to take account of developments in the Brexit negotiations.

1. Introduction

The decision of the United Kingdom to leave the European Union has major consequences for the transport, logistics and supply chain sector which should be fully considered in the negotiations between the United Kingdom and the European Union and fully taken into account by the Irish Government when making its input into the EU negotiating position. There are also a range of issues which the sector itself needs to consider as it prepares for the post-Brexit period. The purpose of this statement is to draw attention to the principal issues identified to date by the Chartered Institute of Logistics and Transport in Ireland (“the Institute”) which should be considered by public authorities and the transport, logistics and supply chain sector.

The Institute is also undertaking policy work on the implications of Brexit for the movement of people by air, sea and public transport and may make a policy statement on this dimension at a later stage.

2. Market Context

Brexit will impact on:

- Irish exports to the United Kingdom,
- Irish imports from the United Kingdom, and
- Irish import and export trade with the rest of the EU and third countries which transits through the United Kingdom.

Much of the public discourse on Brexit has quite understandably concentrated on the impact on exports to the UK. However Brexit will also have major implications for our imports from the UK and for our trade with the rest of the world using the landbridge through the UK.

In 2016, Irish exports to the United Kingdom (UK) were valued at €15.0 billion – of which €13.4 billion was to Britain (GB) and €1.6 billion to Northern Ireland (NI). The UK accounted for about 13% of total Irish exports and is Ireland's largest export market. However, almost half of Irish agricultural exports and a third of food and drink exports went to the UK with much higher proportions in some food sub-sectors such as cheese (60%) and mushrooms (90%).

Imports from the UK in 2016 were valued at €16.6 billion – of which € 15.6 billion came from GB and €1.0 billion from NI. The Republic is the UK's fifth largest export market and accounts for a bigger market share than China, India and Brazil combined. About a quarter of agricultural imports and over a third of food and drink imports to Ireland come from the UK.

About 200,000 Irish jobs depend directly on exports to the UK. The equivalent figure for the UK is similar, meaning that about 400,000 jobs depend on trade between the two countries.

The UK is a critical transit country for Irish trade, particularly with the EU and the rest of Europe. While it is difficult to get hard data, some estimates suggest that as much as four fifths of Irish trade with continental Europe is transacted via the GB landbridge. An Irish Exporters Association survey of its members, reported in March 2017, found that two thirds make use of the landbridge to access continental European markets and that almost three fifths use it to position freight to continental European airports, railheads etc. for onward transport to intercontinental markets.

Most of the transit freight is transported by sea on both the IRL-GB and GB-EU legs. However there is a significant movement of Irish air freight which is carried overland to UK airports for onward transport to the rest of the world.

Some of Northern Ireland's trade is via Republic of Ireland ports and a considerable portion of Ireland's trade is via Northern Ireland ports. An analysis by Tom Ferris, published in the Institute's Autumn 2016 *Linkline* magazine, showed that, in 2015, approximately 40% of all RoRo trailer movements from the island of Ireland went through Northern Ireland ports. Given that Northern Ireland accounts for about 20% of total island of Ireland GDP, this indicates that around half the RoRo trailer movements through Northern Ireland ports has an origin or destination in the Republic.

Trade is not only in finished products. There is also trade in raw materials and intermediate products for use in the manufacturing cycle.

Because we are all currently members of the EU, integrated production and supply chains have developed since the advent of the Single Market. This is particularly so on the island of

Ireland. Raw materials sourced in one jurisdiction are processed in the other. According to *“Northern Ireland Trade Data and Statistics”*, published by the UK Government as an addendum to its August 2017 paper on Northern Ireland, a quarter of the milk produced in Northern Ireland (nearly 600 million litres) is processed in the Republic and around 5% of milk processed in Northern Ireland is imported from the Republic. Similarly over 40% of sheep and lamb production in NI is processed in the Republic. According to a House of Lords report, last year “350,000 lambs went from North to South, 500,000 pigs went from South to North, and millions of litres of milk travelled in both directions for processing”. Supply chains are highly integrated and operate on a whole island basis. Companies locate their distribution facilities to serve the island as whole, as a single market.

This high level of interdependence is also emphasised by travel data. The Revenue Commissioners estimate that 177,000 heavy goods vehicles and 208,000 light vans cross the border every month. The 2011 Censuses in both jurisdictions estimate that 14,800 people regularly commute across the border for work and study. In addition, “a large number of border crossings occur each day for more episodic or less regular business purposes” (UK Government, *“Common Travel Area Data and Statistics”*, August 2017).

The impact on trade will not be uniform across all sectors. For example, much trade in the food sector will be time sensitive – either because it is a perishable product or because it has to be delivered within relatively narrow time windows for onward distribution to retailers. The delivery of raw materials and intermediate products may also be time sensitive because modern production methods emphasise just-in-time delivery for manufacture and often involve minimal warehousing and inventory.

3. Policy Context

On the basis of current information it is clear that the UK:

- Plans to leave the Single Market;
- Intends to leave the Customs Union;
- Wishes to control its own immigration policy;
- Wants to be free to conduct an independent trade policy and negotiate free trade agreements with third countries, unhindered by EU trade policy; and
- Does not wish to be subject to the continuing jurisdiction of the European Court of Justice.

The practical effect of this policy position is that there are only two realistic options for a future trading relationship between the EU and the UK:

- A bespoke free trade agreement, or
- Trading under World Trade Organisation (WTO) rules.

Both of these options suggest that the starting point for the future EU-UK trading relationship is a “hard Brexit” and a “hard border”. The August 2017 UK Partnership Paper “*Future Customs Arrangements*” suggests potential ways of ameliorating the impacts of this outcome. However there are important caveats:

- The EU has proposed, and the UK has accepted, that the priorities for the initial negotiations should be the respective rights of EU and UK citizens residing in the jurisdiction of the other, the financial settlement and the implications for Ireland/Northern Ireland. The EU has made it clear that it is only prepared to discuss future trade arrangements when there has been “sufficient progress” on these negotiating priorities.
- There is no guarantee that agreement will be reached on the negotiating priorities. Agreement on a financial settlement could be particularly politically difficult for the UK and has the potential to derail the rest of the negotiations.
- The recent UK customs proposals have no direct precedent and could therefore be unacceptable to the EU. The UK paper acknowledges that its proposal for a new customs partnership is “an innovative and untested approach that would take time to develop and implement”.
- There are many practical challenges to overcome even if political agreement is forthcoming and there is currently insufficient detail in the public domain to assess the technical and administrative feasibility of the proposals or the timelines for their implementation.

4. Prudent Starting Point for Planning

The foregoing Policy Context suggests that a prudent starting point for planning both by public authorities and the transport, logistics and supply chain sector would be to assume that the UK leaves the EU without agreement on future trading arrangements - that is a “hard Brexit” followed by the introduction of a “hard border”. We are not suggesting that this is the most likely or an inevitable outcome. However there is currently a high degree of uncertainty about the eventual outcome of the negotiations and significant downside risk that the negotiations will fail. There is also no certainty about the practicality of the proposals being put forward to ameliorate the negative impact of Brexit on the free movement of goods. These concerns suggest that it would therefore be prudent to prepare for a worst case scenario.

What might a worst case scenario look like? The following provides some outline guidance:

- Post-March 2019, the trading relationship between the UK and the EU would be governed by WTO rules.
- Customs and other administrative controls would be re-introduced.
- Tariffs would be levied in accordance with WTO rules.

As mentioned earlier, the August 2017 UK Partnership Paper “*Future Customs Arrangements*” suggests potential ways of ameliorating these impacts. It proposes a highly streamlined customs process which would aim to:

- Continue some of the existing arrangements between the UK and the EU,
- Put in place new negotiated and unilateral measures to reduce and remove barriers to trade, and
- Implement technology-based solutions to make it easier to comply with customs procedures.

These are laudable aims which the Institute can support in principle. However, the devil is in the detail and, for the reasons explained earlier, it cannot be assumed at this early stage in the negotiating process that agreement will be forthcoming.

The UK Government’s Position Paper “*Northern Ireland and Ireland*” puts forward a number of principles in relation to border controls between NI and the Republic. These include:

- There would be no return to a hard border.
- Physical border infrastructure would be avoided.
- The unique nature of the land border should be respected, particularly the cross-border movements of small traders, farmers and individuals.
- Regulatory and customs-related barriers should be addressed in a way which delivers as frictionless a border as possible, including waivers from security and safety declarations and no checks on product standards and intellectual property rights.
- Transit of goods through the UK should be addressed through UK membership of the Common Transit Convention.
- Exemptions from administrative processes should be considered for small traders who should be able to continue to operate as they do now – over 80% of North South trade is accounted for by micro, small and medium sized businesses.
- “Trusted trader” status should be considered for businesses which do not qualify for the small trader exemption and this would provide for simplified customs and other procedures.

The Institute can support the principles set out in the paper and welcomes the recognition by the UK Government of the importance of cross-border trade and transit through GB for Irish goods. However, once again, the devil is in the detail. The proposed outline principles and possible means of implementation described in the paper will have to be fleshed out in much greater detail before their political acceptability and their practicality can be assessed. A key area of concern is that the proposals made by the UK Government are critically dependent on acceptance of the wider trade proposals set out in their customs paper.

5. Possible “Worst Case Scenario” Requirements

The following is a brief outline of possible requirements that may arise in the event that the UK leaves the EU without agreement on future trading arrangements, resulting in a “hard Brexit” and the re-introduction of a “hard border”.

Tariffs would be levied in accordance with WTO rules. Tariffs vary by product group and classification. The rate applied may fluctuate from 0% for pharmaceutical products up to 350% for tobacco products. Tariffs applied on food and agricultural products vary from 30% on confectionary to 70% on beef. Table 1 below illustrates the range of tariffs that would apply if the UK adopted the current EU most favoured nation tariffs.

Table 1 EU Most Favoured Nation Tariffs		
Product description	Simple Average	Tariff Range
WTO agricultural products	14.8%	0-197%
Animal products	20.4%	0-192.1%
Dairy products	31.7%	1.5-164.8%
Fruit, vegetables and plants	13.3%	0-197%
Coffee, tea, and cocoa	11.6%	0-18.7%
Cereals and preparations	18.1%	0-94%
Sugars and confectionary	25.4%	0-135.3%
Beverages, spirits and tobacco	14.2%	0-196.3%
Pharmaceuticals	0%	0%
Vehicles	9.4%	N/A

Source: World Trade Organisation Tariff Quotas Report 2015

All trade between UK and EU would require full customs clearance. The minimum documents required to import goods into the European Union are listed in Table 2 below and the UK could be expected to impose similar minimum requirements.

Table 2 Minimum Documents required for Customs Clearance

Commercial invoice

Customs value declaration

Freight documents depending on the means of transport (bill of lading, FIATA bill of lading, road/air/rail waybill, ATA carnet (temporary admission), TIR carnet (for international transit))

Freight insurance

Packing list

Single Administrative Document - presented together with

*Documentary proof of origin
Certificate confirming special nature of goods*

Import licences
Community surveillance document
CITES certificate
Documents to support a claim of a tariff quota
Documents required for excise purposes
Evidence to support a claim for VAT relief

Source: European Commission

A range of non-tariff barriers may be imposed on trade with the UK. These could include compliance with domestic legislation and health/technical/product/environmental/ labour standards. Based on current EU practice, there would be a requirement for additional administrative documents depending on the nature of goods. For example, importing medicinal products could require the importer to hold a manufacturing authorisation (MIA), together with GMP (Good Manufacturing Practices) and GDP (Good Distribution Practices) certification (based on the recognition of the competent authority of the exporting country) which guarantee that the importer has met relevant requirements of the importing country. In the case of food products, for example, there may be a requirement for veterinary certification that the importer has met requirements for items like residues of veterinary medicines, pesticides and contaminants.

A trading entity may need to obtain an Economic Operator Registration and Identification (EORI) number which would enable it to uniquely identify itself in whatever customs activity it undertakes or plans to be involved in. Businesses may also need to apply for Authorised Economic Operator status (AEOS) for trading security and safety.

There may also be a requirement to comply with a range of non-tariff barriers on imports including specific limitations on trade such as quotas, import licensing and minimum price requirements.

Physical inspection of goods at ports, airports, land borders or other locations may be required. It is unlikely that all trucks and containers will be inspected. Inspections may instead be limited to a random sample of total trade (say 10%) or individual shipments may be selected for inspection on the basis of a risk analysis by the relevant customs administration. This could involve a physical inspection of the goods and inspection of the required documentation. The time taken to complete the checks would be dependent on the number of checks undertaken, the level of resources employed by the inspecting authorities and the level of compliance with the relevant customs and other administrative requirements. A July 2017 Oxera report "*Brexit – the implications for ports*" stated that the average time taken for customs checks on goods entering Dover from outside the EU was 45 minutes, having been subject to the same checks on entering the EU. According to *The Economist* of 6 April 2017, for countries with close trading relationships with the EU, like Norway and Switzerland, the inspection can take between 20 minute and an hour. Irish exports via the landbridge could

potentially face inspection at one or more of the following control points – leaving Ireland, entering and leaving the UK and re-entering the EU – and vice versa for imports.

This list is illustrative of the potential requirements post-Brexit and is not necessarily exhaustive. The actual requirements may be less onerous depending on the outcome of the Brexit negotiations. However it would be prudent at this stage to assume for planning purposes that the EU would treat the UK as it currently treats third countries and that the UK would impose similar requirements. The recent UK position paper has made some suggestions to ameliorate the administrative burden but a lot more detail is to assess if they are practical or acceptable to the EU.

In the light of this analysis, we set out below a number of recommendations addressed to Government and to the transport, logistics and supply chain sector. The recommendations to Government are primarily addressed to the Irish authorities but also have relevance for the United Kingdom and European Union negotiators.

Recommendations Addressed to Government

Provide Certainty: It is important that certainty is provided as quickly as possible on the future arrangements for trade between the EU and the UK post-Brexit and more particularly on the future arrangements which will apply to cross-border and transit trade. The continuing uncertainty and the delay of over a year in commencing substantive negotiations is a matter of serious concern. The longer this uncertainty continues, the more it will be corrosive of business confidence. In the absence of certainty it is very difficult for the sector to make concrete plans to address the serious challenges posed by Brexit.

Agree Adequate Transition Arrangements: It is critical that there is an adequate transition period to enable both public authorities and the sector make the necessary preparations to deal effectively with whatever new trading arrangements arise from Brexit. Scenario planning and other preparatory work can be undertaken while the negotiations are ongoing. However the real transition period only commences once the new trading arrangements have been finalised and the industry can then begin to put in place the necessary implementing measures. It is unrealistic to expect the sector to incur significant expenditure before the new trading arrangements are clear. An adequate transition period is also essential to enable public authorities make the necessary preparations to implement the new trading arrangements.

Recognise the Complexity of the Issues Involved: The negotiation of new trading arrangements between the EU and the UK will be very complex and without precedent in many respects. Even if agreement is reached on a new trading pact, there will remain a myriad of other technical issues which require resolution. The transportation of goods within the EU is governed by a wide range of rules including driving time, working time and tachograph,

vehicle type approval, vehicle weights, dimensions and emissions, driver licensing, Eurovignette and tolls. There needs to be clarity on what will happen post-Brexit. Will the UK continue to apply these rules or will it seek to change them over time? This is particularly important for Ireland which has a land border with the UK and which uses the GB landbridge to access EU markets. Unilateral changes in these rules by the UK could increase costs and put the Irish transport, logistics and supply chain industry at a competitive disadvantage. This aspect needs to be carefully considered during the trade negotiations.

It is unlikely that all these technical issues can be fully resolved in the period up to March 2019 and a transition period may be required where the UK continues to fully apply the existing detailed technical rules while alternative arrangements are being put in place. Any changes proposed by the UK will have to be carefully monitored to ensure that they do not put Irish and other EU operators at a competitive disadvantage.

Minimise the Impact on Trade: The new trading arrangements between the EU and the UK should seek to minimise the cost, time and administrative burdens on the sector. The greater these burdens are, the more likely they are to have a negative effect on the overall volume of trade. If the burdens are too great it is possible that some types of trade will no longer be commercially viable and alternative markets may have to be sought. Any additional costs arising from the new trading arrangements will ultimately be borne by the consumer. If the transport, logistics and supply chain sector is unable to pass on certain costs, there will be a negative impact on the profitability of a business which already trades on very tight margins. A so-called “frictionless border” can only come close to being achieved if the post-Brexit trading arrangements are as near as possible to those which exist at present, if they are underpinned by effective and easily understood administrative processes and are supported by excellent and user-friendly IT systems.

Consider the Impact on Time to Market: Much of Ireland’s trade is time sensitive and any increase in time to market could have significant implications for competitiveness. This time sensitivity has many dimensions and includes the movement of perishable products with a limited shelf life, narrow time windows in which to deliver goods and the servicing of just-in-time production. Brexit is likely to give rise to a number of issues which impact on time to market. Journey time may be impacted by delays at borders or in processing more complex customs, tariff and other administrative documentation. Alternative routes may have to be used to get some goods to market. There may be an impact in terms of compliance with EU driving time and working time legislation. How quickly will the relevant public authorities in all jurisdictions be able to clear goods through more complex administrative processes and give approvals for Trusted Trader Status and Authorised Economic Operator?

Take Particular Account of the Importance of the GB Landbridge for Irish Trade: Much of Ireland’s trade with Europe (and European trade with Ireland) is via the UK landbridge. Post-Brexit, goods consignments will leave the EU, enter and leave the UK and then re-enter the EU. It will be important to gain an accurate understanding of the scale and composition of this

trade, to consider the impact of new trading arrangements and to assess whether there are alternative direct routes to Europe which are viable for the various types of trade involved. A July 2017 article on politico.eu "*Brexit burns Ireland's British bridge to EU markets*" provided an illustration of the challenge. It quoted the example of a consignment of Irish beef destined for the Italian market. The landbridge journey from Dublin to a continental port via Liverpool would take 10.5 hours while the alternative direct route would take 20 hours to Cherbourg or 38 hours to Zeebrugge. That takes no account of the time that might be required to complete customs and other administrative procedures on the landbridge post-Brexit or the potential impact on compliance with driving time and working time rules. The landbridge study being undertaken by the Department of Transport, Tourism and Sport is most welcome and should provide a useful analysis on which to ground future policy. There is also a welcome recognition of the transit issue in the UK Government's position paper "*Northern Ireland and Ireland*" but it is not clear if a viable solution to the challenge has been identified.

If it appears that increased use of direct shipping routes to continental Europe is desirable post-Brexit, consideration will have to be given to the availability of sufficient suitable port and shipping capacity and to the commercial viability of these direct routes for shipping companies. One of the current attractions of the landbridge is the availability of a large volume of frequent services on both the IRL-GB and GB-EU legs, as well as the Channel Tunnel. By contrast, direct shipping routes from Ireland to continental Europe are fewer in number and less frequent. Consideration will also have to be given to the composition of container trade in such a scenario – is there likely to be a change in ratio of RoRo to LoLo traffic and has this implications for port capacity?

If the UK exits the EU without an agreement, it will become a third country for transit purposes. Will Irish and other EU commercial vehicles be allowed to transit GB to service Irish trade with the same freedom as they do at present or will alternative arrangements be required? The default position would appear to be the use of the ECMT multilateral quota system which was not designed, and is not suitable, to cope with such an eventuality.

Recognise and Address the Particular Impact on SMEs: Small firms are likely to have a greater dependence on the UK market than their larger counterparts. A 2013 InterTradeIreland report "*Analysis of the Key Features of an Exporting SME on the Island of Ireland*" stated that cross-border was the first export market for 73% of SMEs on the island of Ireland (63% for Irish SMEs and 90% for NI companies). GB was the first export market for 19% of SMEs on the island of Ireland (26% for Irish companies and 8% for NI ones). SMEs are also likely to have less resources and capacity to plan for revised trading arrangements post-Brexit than their larger counterparts.

Provide Clarity: The new trading arrangements post-Brexit must be both clear and fully explained. The provision by Government of good quality, timely and easily accessible information is essential to the successful implementation of the new regime.

Insist on Transparency: Information on the negotiating process and the emerging solutions should be put into the public domain in a timely manner to keep the sector up to date on developments and to permit informed scenario planning. The Institute welcomes the approach taken to date by both the EU Commission and the UK Government; the publication of position papers is helpful to an understanding of the issues involved and to the identification of possible solutions.

Avail of Industry Expertise to Inform Your Negotiating Position: The transport, logistics and supply chain sector should be given an opportunity to make an appropriate and timely input to inform the negotiating process. There is an expertise in the sector which should be availed of in the assessment and design of possible solutions to the challenges which emerge during the negotiations.

Build on International Best Practice: Ireland has an opportunity to learn from the experiences of other jurisdictions worldwide when implementing the revised control and administrative processes that will be required post-Brexit. As an example, it would be useful to look at the way in which Norway and Sweden manage their border and customs controls. The approach may not be directly applicable in all respects because Norway is a member of the European Economic Area but it provides some useful pointers. These arrangements were first put in place in the 1950s and were subsequently endorsed by the European Commission when Sweden acceded to the EU. Goods traffic is checked at designated crossing points. There are two customs stations at each crossing point (one for Norway and the other for Sweden) but goods vehicles are only checked at one, depending on the direction of travel. Customs officers process documentation for both jurisdictions and have access to the relevant IT systems of both countries. There are mobile border patrols to check for unauthorised border crossings or smuggling and customs officers from one jurisdiction have the necessary powers to carry out their duties up to 15 kilometres into the other jurisdiction.

Plan, Implement and Resource New Administrative Systems: One of the likely consequences of Brexit will be an increase in the scale and complexity of the administrative procedures related to trade with the UK, covering tariffs, customs and other administrative processes. Various governmental agencies, and particularly the Revenue Commissioners, will need to undertake the necessary planning and implementation work to ensure a smooth transition to the new trading regime. It will be particularly important to ensure that sufficient suitably qualified and trained personnel are put in place at an early date. Since the advent of the EU Single Market the resources devoted to customs administration have been significantly reduced and there has been a consequential decline in the level of expertise available. Much of our merchandise trade takes place within the EU and there is therefore only limited current experience of administering complex tariff regimes. There is likely to be increased recourse to Trusted Trader and Authorised Economic Operator status and it will be necessary to put in place easily understood, transparent and speedy approval processes for business.

Develop and Implement Fit-for-Purpose IT Systems: The objective should be to use information technology to the maximum extent possible to ameliorate the adverse impact of Brexit. All of the administrative and documentary requirements of the new tariff, customs and other administrative processes should be handled online. Verification systems should use information technology applications as far as feasible, supplemented by physical inspections. A recent paper by the Legatum Institute *Mutual Interest – How the UK and EU can resolve the Irish border issue after Brexit* contains an interesting Appendix on potential surveillance techniques for use at the Border.

A key concern is that the UK is introducing a new electronic Customs Declaration Service (CDS) in parallel with its exit from the EU. This system will replace the current CHIEF system and, according to the UK Government, is on track for delivery by January 2019. A report in *The Economist* of 6 April 2017 suggested that the post-Brexit system would need to deal with 300 million customs declarations per annum compared with 60 million at present and raised concerns about the delivery of the project. A July 2017 UK National Audit Office report stated that the customs declaration management component of the new system had been tested to cope with 180 million transactions a year compared with 288 million which may be needed. It also noted that HMRC would only have two months between January 2019 when the transition to the new system would be complete and March 2019 when the UK plans to leave the EU. The Irish authorities should monitor developments on this project as it could have significant implications for the successful implementation of the post-Brexit trading arrangements.

Provide Training and Advisory Support for Business: Industry generally and particularly SMEs and logistics and transport providers need to be well prepared to meet the serious challenges presented by Brexit. Many businesses have little or no experience of the complexities of trading outside the EU and do not have ready access, via their own staff or via third parties, to specialist expertise in the administration of customs, tariffs and other controls involving a country which is outside the EU. Government has an important role to play in helping them undertake this preparation by providing good quality advice and technical support, by identifying necessary skills requirements and skills gaps, by providing training supports through apprenticeship programmes, Skillnets and other training initiatives and by providing targeted financial support. This will be particularly important for SMEs whose principal export market is the UK and who have little or no experience of the complexity of trading with third countries outside the EU. Many businesses will require the assistance of specialists such as freight forwarders or customs clearance agents. However even these specialist services will require augmentation as they have been less important since the advent of the EU Single Market. To illustrate this point, *The Economist* article referred to earlier reported that the port of Dover had 125 customs agents in 1992 but has only 24 today.

Consider Targeted Supports to Assist Enterprises Adversely Affected by Brexit

The impact of Brexit on business and enterprise is likely to be widespread and in some cases severe. SMEs are expected to face some of the greatest challenges. The impact is likely to be differentiated across sectors, depending on the level of exposure to the UK market and the type of trading arrangements put in place post-Brexit. The Government should assess the impact of Brexit across the enterprise sector and consider the introduction of targeted supports to assist businesses adjust to a likely more difficult trading environment post-Brexit. Assistance which could be considered includes training supports to enable business cope with more complicated and extensive customs and other administrative procedures and support for enhanced IT systems to smooth the flow of trade and minimise the administrative impacts. Particular attention should be given to measures to ameliorate the effects in the border area. The impact on Ireland is likely to be more severe than on other Member States and it would therefore be appropriate for the Government to consider how EU Funds might be used to provide appropriate supports. This could potentially include assistance from the Agriculture/Rural, Regional and Social Funds and possibly a continuation in some form of INTERREG and the special EU programme for Ireland and Northern Ireland's border areas. Consideration might also be given to the potential to access TENS-T funding for innovative projects in the transport and logistics sector to smooth transport flows post-Brexit.

Consider Potential Infrastructural Requirements Arising from Brexit: There have been repeated governmental statements stressing the desire for seamless borders and to avoid the re-introduction of physical border posts. The negotiations and technical assessments are not sufficiently advanced at this stage to assess the realism of these proposals. It would therefore be prudent for Government to consider now what, if any, infrastructural investments might be required to facilitate the new customs and other administrative procedures which will be introduced post-Brexit.

Will there be a requirement for additional holding/inspection areas at ports and airports? Will there be a need for facilities at ports to segregate freight which has cleared customs from freight that is awaiting clearance? (We note that the terminals in Dublin Port are already segregated into UK and non-UK shipping routes and that the port is also setting up an inland port for parking up and non-core business. The other major ports are also planning for the future post-Brexit in consultation with the customs authorities and their users.) Will there be a need for holding/inspection sites on approach roads to the land border? Will border crossings be limited to specified corridors and, if so, will additional investment be required to enable those corridors cope with the increased traffic? Will improvements be required to cross-country roads in the border area to enable easier access to the designated crossing corridors? Are there likely to be changes in the patterns of seaborne trade (for example a move from the GB landbridge to direct sea routes to access European markets) that necessitate investment at ports? Will additional air freight facilities be required if shipping via UK airports is no longer viable?

Most ports have spare capacity but is it of the right kind and in the right place to address the post-Brexit challenge? This issue will most likely be addressed in the new port capacity study which, we understand, the Department will undertake in 2018.

Recommendations Addressed to the Transport, Logistics and Supply Chain Sector

Start Planning Now: Because of the high level of uncertainty, there is a natural inclination to delay detailed planning work until the shape of the new trading arrangements post-Brexit is much clearer. This would be most unwise. Brexit will present a major challenge for business, whatever the eventual outcome. It would therefore be prudent to commit modest resources now to assessing the potential impact.

It would be useful to undertake a SWOT analysis and some scenario planning to assess the possible implications for your business of the UK's exit from the EU. A good starting point would be the impact of the worst case scenario described earlier where a "hard Brexit" takes place and a "hard border" is re-introduced. If you plan for this outcome, it will help you prepare for the worst. The likely impact of any agreed new trading arrangements between the UK and the EU would probably be significantly less than the worst case scenario. Scenario planning does not need to involve substantial expenditure but will require some management time and perhaps some limited external training or consultancy support.

The paragraphs that follow suggest some possible questions that might be considered as part of the planning process.

Consider the Likely Risks: What are the principal risks which Brexit will present for your business? What can be done to manage and mitigate the risks? What should be the priorities for action and how can your limited resources be best used to minimise the impact?

Consider Possible Opportunities: Does Brexit present any opportunities for your business? Can you offer an alternative in any domestic markets currently serviced by UK suppliers? Is there scope to diversify export or import markets? Is there scope to develop new services which will help business deal effectively with a more complex trading environment post-Brexit?

Consider the Financial impact: What is the likely financial impact of the various scenarios? Are there likely to be increased trade-related costs in relation to more complex customs and other administrative processes, longer journey times and so on? Will there be tariff costs? Will there be currency-related impacts? Will there be financial impacts from any loss of existing markets and from any market diversification? Will there be increased costs because of a need to hold a larger inventory to take account of increased uncertainty in the supply chain? Will there be cashflow impacts relating to the arrangements for the payment of VAT, tariffs and customs duties? How will profitability be impacted?

Consider the Impact in terms of Time to Market: Time to market is a very important consideration in maintaining competitiveness. What are the likely impacts on your business in terms of time to market? Do you trade in perishable or other time sensitive goods? Are raw materials or intermediate products supplied on a just-in-time basis so as to minimise stock holding and warehousing costs? Will there be a need to hold a larger inventory of finished products, intermediate products, raw materials or spare parts to take account of delays and uncertainty in the supply chain? Will there be increased time-related costs which impact on sales or which affect the availability and flow of raw materials? Will there be any impact in relation to compliance with EU driving time and working time legislation?

Consider the Likely Revised Administrative Requirements: The administrative requirements are likely to be significant, particularly for smaller firms and for those who currently trade only within Ireland and with the UK. Will your company be able to cope adequately with any new tariff, customs and other administrative procedures that may arise post-Brexit? Have you the people with the necessary technical expertise or can you readily source that expertise from a customs clearance agent, freight forwarder or other specialist company?

Consider Training Needs: Have your staff the necessary skills to cope with changed administrative processes post-Brexit or do they need training or external support? Do your logistics staff require specific training in tariff and customs administration and in dealing with non-tariff requirements? Would it be useful to provide drivers with appropriate training to enable them understand and effectively handle any changed procedures at ports and land borders? Is training appropriate to your needs available? Do you need to develop a bespoke training programme tailored to your specific requirements or is it sufficient to encourage specialist training providers to develop the necessary training programmes?

Consider the IT Requirements: It is the aspiration of governments to use IT solutions to minimise the adverse impact of Brexit on trade. Are your IT systems capable of handling changes to tariff, customs and other administrative procedures post-Brexit and will they enable you to process all of these requirements online? Would your company be able to accommodate electronic tracking of vehicles and goods as part of a new verification process used by customs and other public authorities post-Brexit? Can specialist companies such as freight forwarders be relied upon to provide systems for electronic tracking of your goods?

Consider the Impact on eCommerce: What proportion of your trade is sourced via eCommerce? Will changes in trading arrangements arising from Brexit impact on your ability to service your existing eCommerce market and grow new markets? Does Brexit open up new eCommerce opportunities?

Consider the Landbridge: If you currently move goods via the landbridge, will it continue to be a viable option after Brexit? Is there an alternative direct sea route that you could use if the landbridge was no longer viable – issues to consider include cost and time and the time-sensitivity of the goods shipped?

Consider Developing Alternative Markets: Is your company particularly dependent on the Northern Ireland or GB market? Will the viability of exporting to/ importing from that market be adversely affected by Brexit? It may be prudent to consider identifying and developing alternative markets in advance of Brexit – both as a precaution against the potential negative effects of Brexit and as a way of diversifying your overall market.

Consider the Island of Ireland Impact: Do you source raw materials in one jurisdiction for processing in the other? Are intermediate products transported from one jurisdiction to another for further processing? Does your business involve a lot of cross-border movement of goods? What would be the impact on your business if cross-border movement of goods was confined to certain approved corridors? Do warehousing or distribution facilities in one jurisdiction service the all-Island market? Do you need to consider relocating some production, warehousing or distribution facilities post-Brexit?

Consider Responsibility for Compliance: A third party, such as a freight forwarder or a customs clearance agent, may be able to undertake much of the increased administrative work on your behalf. However you will ultimately be held responsible for the accuracy of the information provided and failure to provide accurate information could lead to administrative penalties or criminal proceedings. For example, the importer/exporter, or a freight forwarder or a customs clearance agent acting on their behalf, can submit a customs declaration and the party making the declaration will be held responsible for its accuracy. However the importer/exporter cannot totally avoid responsibility for the accuracy of the information provided by simply delegating the administrative work to a third party. In many cases the third party will have to rely on the expertise of the importer/exporter – for example in determining the precise tariff classification of the goods. It is important therefore that the importer/exporter have sufficient expertise in-house to ensure that accurate product-related information is submitted to the relevant public authorities.

Consider the Implications for Trading Partners: Most of the issues raised above will also be relevant to companies on the other end of the supply chain and to companies providing logistics, freight forwarding and customs clearance services. UK companies with which trade with you as an exporter or importer or which supply you with specialist logistics services will face similar issues. Continental European companies which trade with Ireland via the landbridge may also be impacted. Your scenario planning should consider the capacity of these trading partners to deal with these issues and how this may affect your business.

Consider Making “No Regrets” Investments

There may be some investments which can be made in advance of Brexit which would provide a good return whatever form the new trading arrangements between the EU and the UK take. Possible examples might include investment to secure new markets, spending on improved

ecommerce or other IT systems to support your business and investment in people, particularly training and development.

Update as Required: As the Brexit negotiations continue, more information will become available and the likely shape of future trading arrangements will eventually become clearer. It is therefore important to regularly update any scenario planning work to reflect this changing situation and any additional market intelligence or other information which you obtain.

**Chartered Institute of Logistics and Transport in Ireland
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