

Written submission from Seamus Leheny, Northern Ireland Policy Manager,
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Re: Evidence to the Committee on 2nd December 2021 regarding the relationship
between the Protocol on Ireland and Northern Ireland and the operation of the UK
internal market.

It was envisaged by many business organisations from when the withdrawal agreement between the EU and UK was agreed on October 19th 2019 that there was going to be complications and unresolved issues for Northern Ireland, especially in how it maintained its unique and complex supply chains with Great Britain and the EU, primarily with Ireland.

Northern Ireland relies on the vast majority of retail produce from Great Britain.

- Approximately 75% of freight arriving into NI from GB is destined for the high street and retail, much of it food which is the most problematic commodity to import into the EU Single Market.
- This is in contrast with NI supply chains with Ireland and that 70% of the goods transported from Ireland to Northern Ireland are classed as intermediate goods, i.e. ingredients and components used to make the final product manufactured in NI.

Trade barriers to either GB-NI or ROI-NI will have a detrimental effect on the NI economy. Restrictions on goods from GB will negatively impact NI consumer as it will impact availability and cost. If there are restrictions on goods from Ireland, NI manufactures, and exporters will be negatively impacted.

Impacts of the NI Protocol on trade:

In the first six months of 2021, according to the Central Statistics Office in Ireland, NI exports to Ireland increased by 77% - worth €1.77 billion. This represented an increase of nearly €800 million worth of additional Northern Irish products being sold in Ireland.

Imports from Ireland to Northern Ireland for the first six months of 2021 were up by 43% valued at €1.57 billion. This increase can be attributed to two reasons. The NI Protocol has introduced new controls, checks and administration on food derived from plant and animal products, commonly known as Sanitary and Phytosanitary controls arriving into Northern Ireland from Great Britain. This is down to the fact that in essence, Northern Ireland is within the EU Single Market for goods therefore goods, especially food must comply with EU controls and unfortunately the deal agreed between the UK and EU, UK food produce is now treated as 3rd country status when entering the Single Market which has created a huge burden on GB exporters.

What these changes do demonstrate is that market access is critical in protecting and growing trade. Trade and supply chains acts like water and always follows the

path of least resistance so any new rules and administration on trade either NI-GB or GB-EU simply results in the flow changing its path. This has huge consequences for the logistics sector that must then realign and reconfigure carefully managed supply chains.

A good illustration of these changes is the impact on shipping to and from Ireland:

- Ro/Ro traffic between Dublin and GB Ports is down 21% for the first 9 months of 2021 whereas direct shipping routes between Ireland and Continental Europe are up 36% for the same period.
- There are now 44 direct routes between Ireland and Europe whereas before Brexit there were 12, a clear indication of how trade has been impacted and critically, how it has reacted accordingly.

It must also be noted that there are also many of our members who have been impacted with new administration burdens involved in transporting goods from GB to NI.

These new procedures such as customs and SPS controls have increased staff and operational costs, predominantly those operators who transport 'just in time food' products as these require the most paperwork and checks while under extreme delivery KPI's. Some of these trade flows have ceased since January 1st or slowed down and now subsequently incur higher transport costs. Another impact has been product substitution with many products produced in NI or ROI now stocked in NI shops in place of GB products.

Shipping capacity and availability:

The impacts of Brexit on Irish ports have varied. For the first 6 months of 2021 the percentage changes in Ro/Ro traffic for GB – NI ports are outlined as per below.

Cairnryan +16.9%
Heysham +16.12%
Liverpool +4%
Warrenpoint +23.5%
Larne +18.5%
Belfast +14.7%

Shipping volumes between GB and NI ports have grown significantly compared to routes that solely operate between GB and Dublin that have seen decline this year:

Holyhead -33.3%
Dublin -19.2%)

It is evident that trade levels are returning to normal levels. The growth in GB-NI can also be attributed to NI logistics operators avoiding Dublin Port which is now implementing full third country import controls on GB arrivals which is in line with and a consequence of the Trade and Co-operation Agreement between the UK and EU.