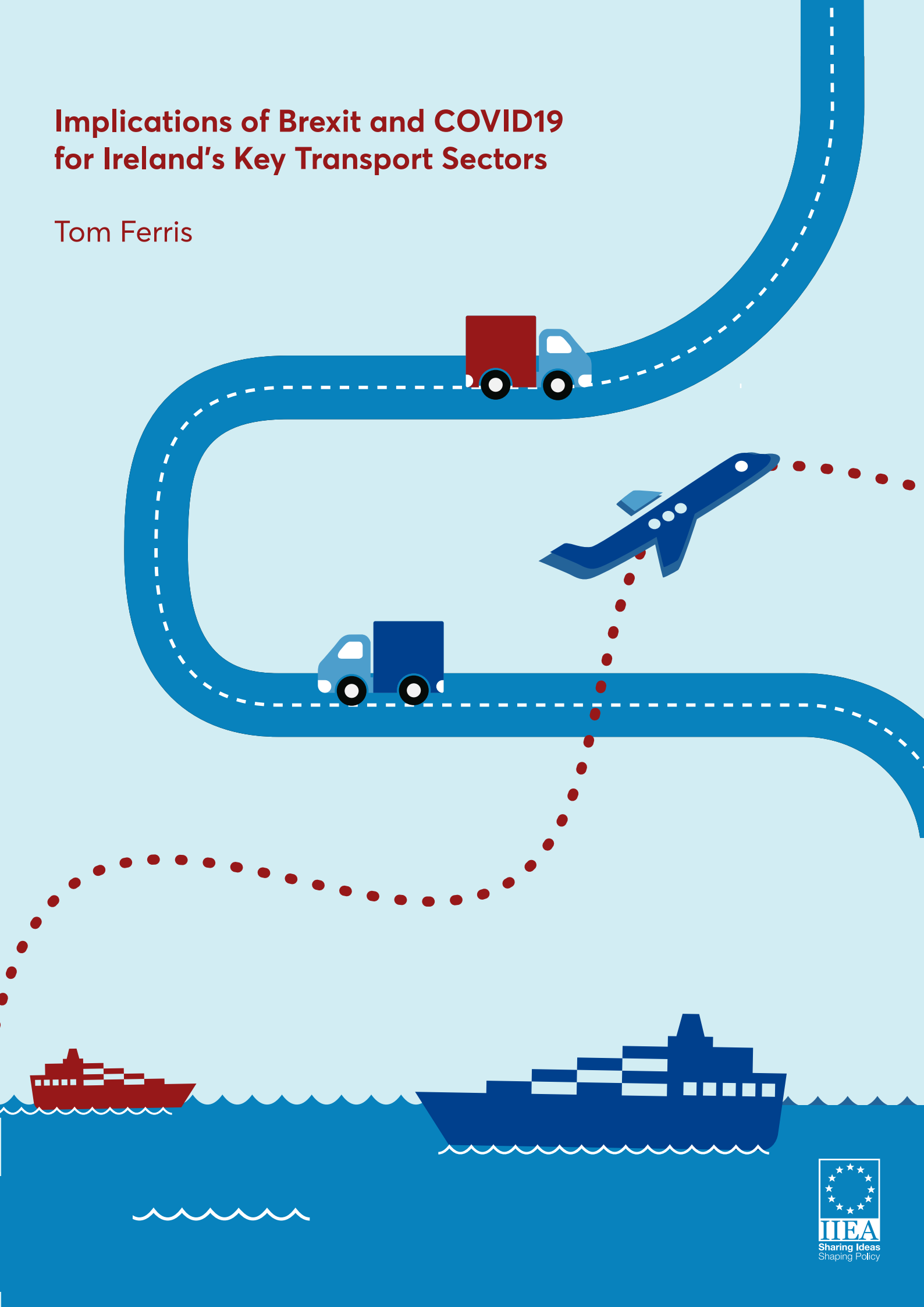


Implications of Brexit and COVID19 for Ireland's Key Transport Sectors

Tom Ferris



Tom Ferris is a Life Member of the International Institute of International and European Affairs. He was formerly the Department of Transport's Senior Economist.

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Introduction

Since March 2020, the COVID-19 pandemic has been severely impacting on social and economic activity in Ireland. Before the advent of the pandemic, the Irish economy was performing very well. The main external concern was that the negotiations between the EU and UK might not reach agreement by the end of the year. However, the potential impact of Brexit without a trade deal is now overshadowed by the COVID-19 Pandemic. A recent ESRI Paper warns that "...layering a hard Brexit on an economy weakened by dealing with COVID-19 could make the previously estimated effects of Brexit worse!".¹

Beyond Brexit, Irish transport faces a much changed operational environment, while having to live with the COVID-19 pandemic. The two transport sectors that will be most affected are the **freight sector** and the **aviation sector**. They are the main focus of this article which updates 'Implications of Brexit for Ireland's Key Transport Sectors' which was published by the Institute in October 2017.² There are other areas of transport that will also be affected, but not to the same extent.³

Freight Sector

Ireland is the only EU Member State with a land-border with the UK. Accordingly the movement of goods to and from the UK, including goods transiting the UK, will be impacted from 1 January 2021. The traffic volumes going to and from the UK are considerable. Statistics for 2019 show that 40% of seaborne traffic is with UK Ports. There has only been a marginal reduction on the 2016 share. As regards traffic with other EU ports, the share increased from 33% in 2016 to nearly 37% in 2019. **Table 1** sets out the data.

Table 1: Ireland's Seaborne Tonnage, 2016 and 2019

	Million Tonnes 2019	Percent Share 2019	Percent Share 2016
UK ports	21.3	40.0%	40.4%
Other EU ports	19.5	36.7%	33.0%
Other ¹	12.4	23.3%	26.0%
Total	53.2	100.0%	100.0%
	¹ Other Ports including Coastal Trade		
	Source: CSO Ireland		

Irish freight traffic moves to and from the Great Britain directly by sea and by air, and indirectly through ports in Northern Ireland. While detailed statistics are not available on cross-border trade, it is possible to provide evidence of the scale of such flows by combining official data for Northern Ireland with data for the Republic of Ireland. The data relates to RoRo and LoLo container movements⁴. Nearly 3 million containers moved in and out of the island of Ireland in 2019. Of that total, one million container movements went through Northern Ireland ports which represented nearly 35% of the total; with nearly two million containers (or 65% of the total) going through Republic of Ireland ports. Intuitively one might expect a much smaller proportion to go through Northern Ireland ports. It is possible to estimate what the proportion might be. The proxy used is Northern Ireland's share of All-Ireland GDP. Using this measure, Northern Ireland's share of All-Ireland GDP was 16.5% in 2019. This suggests that Northern Ireland's share of ports' traffic was over twice the proportion that might be expected, when Gross Domestic Product (GDP) is used as a proxy measurement. These estimates are brought together in **Table 2**.

1. Luke Daly and Martina Lawless, 'Examination of the sectoral overlap of COVID-19 and Brexit shocks', Economic and Social Research Institute, Working Paper No. 677 September 2020, https://www.esri.ie/system/files/publications/WP677_0.pdf

2. Tom Ferris, 'Implications of Brexit for Ireland's Transport Sectors', IIEA, 6 October 2017, <https://www.iiea.com/publication/implications-of-brexit-for-irelands-transport-sectors/>

3. Other sectors that will be affected include the maritime transport sector; the international passenger sector; international bus and coach sector and the international rail sector.

4. RoRo is short for 'Roll-on, Roll-off' which describes how freight containers are rolled on and off RoRo ferries; as opposed to being lifted on-board freight ships using cranes.

LoLo stands for 'Lift-on, Lift-off' containers which are lifted on and off freight vessels using cranes.

	Units (million)	Actual Share	Hypo- thetical Share*
Ireland	1.92	65.4%	83.5%
Northern Ireland	1.02	34.6%	16.5%
All-Ireland	2.94	100.0%	100.0%
* based on the relative share of All-Ireland Gross Domestic Product (GDP)			

The question then arises as to whether the market share achieved by Northern Ireland has changed since June 2016, when the UK Referendum's result signalled the prospect of the introduction of border procedures? The evidence shows, somewhat surprisingly, that there has been only a marginal change in Northern Ireland's market share. An IIEA paper from 2017 had shown that 36% of all container movements went through Northern Ireland ports in 2015.⁵ By 2019, the percentage had fallen to 34.6%; a reduction of only 1.4 percentage points in the four years between 2015 and 2019. **Table 3** shows the data for 2015 and 2019.

	Year 2015	Year 2019	%point change
Ireland	64.0%	65.4%	1.4
Northern Ireland	36.0%	34.6%	- 1.4
Data sources: 2015 - Tom Ferris, 'Implications of Brexit for Ireland's Transport Sectors', IIEA, 6 October 2017 2019 - Table 2 (foregoing)			

The outbreak of the COVID-19 pandemic has affected the volume of freight moving into and out of Ireland. The CSO provides a measure of the diminution in freight movements for the first quarter of this year.⁶ Specifically, the CSO recorded a decrease of 5.2% in Quarter 1 of 2020, compared with Quarter Q1 of 2019, in the traffic transiting the main ports⁷. The volume of RoRo fell by 6.6% and the volume of Lo/Lo by 2.4% in Quarter 1 2020. There are insufficient published statistics available for Northern Ireland and Ireland to estimate what the market shares for containerised traffic are for Quarter 1 of 2020.

It is not yet clear what changes to expect in the freight market at the start of next year. Regardless of the outcome of the current negotiations after 31 December 2020, the UK will no longer apply the rules of the EU's Single Market and Customs Union. This means any businesses which move goods to, from, or through the UK (excluding Northern Ireland) will be subject to a range of new customs formalities and other regulatory requirements. In this regard the European Commission pointed out the following last August: "As of 1 January 2021, customs rules required under EU law will apply to all goods entering the customs territory of the EU from the United Kingdom, or leaving that customs territory to the United Kingdom. Even if an ambitious free trade area is established with between the EU and the UK, providing for zero tariffs and zero quotas on goods, and with customs and regulatory cooperation, all products traded between the EU and the United Kingdom will be subject to any applicable regulatory compliance checks and controls on imports for safety, health and other public policy purposes".⁸

In October 2020, the Tánaiste and Minister for Enterprise, Trade and Employment, Leo Varadkar T.D. launched a new online Brexit Readiness

5. Tom Ferris, 'Implications of Brexit for Ireland's Transport Sectors', IIEA, 6 October 2017, <https://www.iiea.com/publication/implications-of-brexit-for-irelands-transport-sectors/>

6. Central Statistics Office, 'Statistics of Port Traffic, Quarter 1 2020', 23 July 2020, <https://www.cso.ie/en/releasesandpublications/er/spt/statisticsofporttrafficquarter12020/>

7. The statistics relate to six of the seven main Irish ports; data for Rosslare for Q1 2020 were not included due to technical issues.

8. European Commission, 'Brexit Readiness Checklist for Companies doing Business with the UK', August 2020, https://ec.europa.eu/info/sites/info/files/brexit_files/info_site/na0220590enn_002.pdf

na0220590enn_002.pdf

Checker to help businesses get ready for change.⁹ It provides businesses with an accessible way to check their readiness and gives guidance on what steps they need to take now, based on their own unique circumstances. As regards customs preparations, the Checklist advises companies to register with the Revenue Commissioners for their own Economic Operators' Registration and Identification (EORI) Number in order to be able to trade with the UK after 1st January 2021. It also encourages companies to find out what is needed to complete customs formalities and decide if they will be completed in-house or through the use of a customs agent/broker.

Freight using Landbridge

Businesses using the 'landbridge' will be significantly affected by change; landbridge refers to the routes that Irish companies use to move their freight to and from mainland Europe via UK roads and ports. At present, Irish importers and exporters use the landbridge to transport high value or time sensitive goods, because it offers significantly faster transit times than alternative routes. The Irish Maritime Development Office (IMDO) calculated, in a study published in 2018, that: "The landbridge route through Dublin and Calais takes approximately 20 hours, when time in port is included. Comparable direct RoRo services can take up to 40 hours and direct LoLo services can take up to 60 hours".¹⁰ That study found that around 150,000 heavy goods vehicles were using the landbridge. The IMDO has recently published a re-assessment of Ireland's maritime connectivity in the context of Brexit and COVID-19 challenges.¹¹ It found that landbridge volumes have not grown significantly since 2018, while Ro/Ro freight volumes on direct routes to the Continent grew by

9% in 2019. However, the IMDO does point out that "[...] in more extreme circumstances, where the effectiveness of the Landbridge breaks down, greater numbers of Landbridge users can be expected to move to alternative routes".

There is one decision taken by the UK Government that should be of assistance to Irish landbridge freight movements; namely the decision to remain in the Common Transit Convention (CTC) at the end of the transition period. The CTC allows EU goods to move under transit through the UK without undergoing full customs import and export formalities on entry and exit. To avail of the CTC, Irish hauliers must provide a financial guarantee to cover any potential VAT and customs duties and new paperwork will also be required. However, the Central Bank points out, in its most recent Quarterly Bulletin, that: "From January 2021, British freight will be third country freight – subject to customs and regulatory controls at European ports. Unless the infrastructure at EU and British ports (for example, Dover) is capable of differentiating British and Irish freight, then Irish goods transiting through the UK en route to other EU countries could be affected by bottlenecks at UK ports as new customs and border controls are carried out on UK goods".¹²

Freight using Direct Sea Services

Irish businesses do have the alternative option of using direct sea services to move their freight to and from Continental Europe. It is important to note that the process of moving goods by direct sea routes between Ireland and other EU Member States will not be subject to any new regulations or procedures. Moreover, according to the IMDO there will be sufficient capacity to cater for any

9. Department of Business, Enterprise and Innovation, 'Brexit Readiness Checklist', 25 October 2020, <https://dbei.gov.ie/en/Publications/Publication-files/Brexit-Readiness-Checklist.pdf>

10. Irish Maritime Development Office (IMDO), 'The implications of Brexit on the use of the Landbridge', 12 November 2018, <https://www.imdo.ie/Home/sites/default/files/IMDO-Files/972918%20IMDO%20The%20Implications%20of%20Brexit%20on%20the%20Use%20of%20the%20Landbridge%20Report%20-%20Digital%20Final.pdf>

11. Irish Maritime Development Office, 'Report to the Department of Transport: a Re-assessment of Ireland's Maritime Connectivity in the context of Brexit and COVID-19 challenges', 6 November 2020, <https://www.imdo.ie/Home/site-area/news-events/report-department-transport-re-assessment-ireland%E2%80%99s-maritime-connectivity>

12. Stephen Byrne, Thomas Conefrey, Niall McInerney, and Graeme Walsh, 'Risks Facing the Irish Economy at the End of the Brexit Transition Period', Central Bank, Quarterly Bulletin, October 2020, <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/boxes/qb4-2020/box-a-risks-facing-the-irish-economy-at-the-end-of-the-brexit-transition-period.pdf>

switch in traffics away from the landbridge routes. Ironically, the negative impact of the COVID-19 pandemic has increased the available capacity. Specifically, the IMDO points out that “...surplus capacity exists on all three corridors. Demand in Q1 2021 will fall significantly from current levels, driven by economic and seasonal factors. In the event of a shift in demand away from Landbridge routes to direct services to the Continent, the industry is well positioned to respond and where required, increase capacity on Continental services”.¹³

Recently an official communications campaign was launched to encourage landbridge users, working with shipping companies, to assess and trial alternative routings and to be prepared to switch to alternative modes¹⁴. The campaign was designed to encourage the logistics and maritime transport sector to switch to direct routes to the Continent. The Minister for Transport, Eamon Ryan T.D., pointed out the following at the launch of the campaign on 19 October: “While it is likely that Brexit will result in delays and disruption to the operation of the UK landbridge, there is sufficient maritime capacity available to transport displaced traffic on direct routes to the continent”.¹⁵

The communication campaign is called ACT (Assess, Communicate, Trial). This acronym signals:

- **A: Access** the routes that are alternatives to the landbridge,
- **C: Communicate** with shipping companies regarding the new routes and the new services, and
- **T: Trial** with logistics providers and shipping companies to test the routes and the services.

The campaign reinforces the message that there is maritime capacity available to transport goods directly to Continental Europe, these options are many and varied across different modalities (ro-ro, con-ro, lo-lo) providing both accompanied and unaccompanied options to exporters.¹⁶

Aviation Sector

The aviation sector plays an important role in modern economies, in servicing business, trade and tourism. In the case of Ireland, the aviation sector provides an even more important role in having to service an island trading nation. **Table 4** captures the numbers of air passengers and the volumes of air freight moving in and out of Ireland in 2019. As regards air passengers, the table shows that there were nearly 38 million air passengers (with 35% going to and from the UK). As regards air freight, nearly 140,000 tonnes were transported (with 30% going to and from the UK).

Table 4: International Passengers and Air Freight handled by main Irish airports¹, 2019

	Passengers		Air Freight	
	number	share	tonnes	share
United Kingdom	13, 235,062	34.9%	41,422	30.0%
Rest of World ²	24,656,125	65.1%	96,749	79.0%
All International	37, 891, 187	100.0%	138,171	100.0%

¹Main airports consist of Cork, Dublin, Kerry, Knock and Shannon

²Domestic flights excluded

Source: CSO (Ireland)

An IIEA paper from 2017 had shown that over 39% of all air passenger movements and nearly 29% of

13. Irish Maritime Development Office, ‘Report to the Department of Transport: a Re-assessment of Ireland’s Maritime Connectivity in the context of Brexit and COVID-19 challenges’, 6 November 2020, <https://www.imdo.ie/Home/site-area/news-events/report-department-transport-re-assessment-ireland%E2%80%99s-maritime-connectivity>

14. The communications campaign is being led by the Department of Transport, the Department of Foreign Affairs and the IMDO, in conjunction with other relevant Departments.

15. Eamon Ryan T.D., Minister for Transport, ‘Maritime Connectivity in the context of Brexit’, 19 October 2020, <https://www.gov.ie/en/press-release/a188a-maritime-connectivity-in-the-context-of-brexit/>

16. RoRo is short for ‘Roll-on, Roll-off’, which describes how freight containers are rolled on and off RoRo ferries; as opposed to being lifted on-board freight ships using cranes.

LoLo stands for ‘Lift-on, Lift-off’ containers which are lifted on and off freight vessels using cranes. A ConRo is a hybrid of a RoRo ferry and a container vessel; this type of vessel has a below-deck area used for vehicle storage, while staking containerised freight on top decks.

all air freight movements went to and from the UK in 2015.¹⁷ The percentage for passengers have fallen in 2019 to under 35%; whereas air freight had risen by 1.5 percentage points. **Table 5** shows the data for 2015 and 2019.

	Passengers			Freight		
	Year - 2015	Year - 2019	%Point change	Year - 2015	Year - 2019	%Point change
United Kingdom	39.1%	34.9%	-4.2%	28.5%	30%	1.5%
Rest of World	60.9%	65.1%	4.2%	71.5%	70%	-1.5%
All International	100%	100%	138,171	100%	100%	

Data sources For 2015: Tom Ferris, 'Implications of Brexit for Ireland's Transport Sectors', IIEA, 6 October 2017
For 2019: Table 4 (foregoing)

Since the advent of the COVID-19 pandemic and the imposition of travel restrictions, there has been a substantial fall in overseas travel to and from Ireland. For the first half of 2020, the CSO calculated that 6.0 million passengers travelled through the main Irish airports, a fall of two thirds (-66.1%) compared with the same period in 2019. The amount of air freight handled by the main airports decreased by 3.8% to 32,593 tonnes in the second quarter of 2020 when compared with the same period in 2019. However, freight in the first half of 2020 was up by 5.0% to 69,726 tonnes compared with the first half of 2019.¹⁸

Air transport had traditionally been a highly regulated industry, dominated by national flag carriers and state-owned airports. However, the EU internal market removed all commercial restrictions for airlines flying within the EU, such as restric-

tions on the routes, the number of flights and the setting of fares. All EU airlines have had the freedom to operate air services on any route within the EU. Up to now, Ireland has benefited greatly from these arrangements.

Details are not available as to the current status of EU-UK negotiations on aviation and aviation safety. Last February, the UK had been quite ambitious in its aspiration for a deal on aviation, in its policy statement, 'The Future Relationship with the EU; The UK's Approach to Negotiations'. It stated: "The UK and EU should agree a Comprehensive Air Transport Agreement (CATA) to ensure continued connectivity for passengers, and operational and commercial flexibility for industry. The UK and the EU should also agree a Bilateral Aviation Safety Agreement (BASA) to minimise regulatory barriers for the aviation and aerospace industry and maintain high safety outcomes".¹⁹

In a 'Brexit Readiness Checklist', the European Commission has pointed out that as of 1 January 2021 "[...] air carriers holding operating licences granted by the UK licensing authority for the commercial carrying by air of passengers, mail and/or cargo, will no longer be able to provide air transport services within the European Union. EU air carriers and holders of aviation safety certificates will need to ensure and uphold compliance with EU requirements, including airlines' requirements on principal place of business and EU majority ownership and control, as well as the EU aviation safety *acquis communautaire*".²⁰

The Department of Transport continues to work closely with stakeholders in the aviation sector to prepare for the changes to come at the end of Brexit transition period. In a reply to a recent Parliamentary Question, Minister for Transport, Eamon Ryan T.D., said: "The Government's Brex-

17. Tom Ferris, 'Implications of Brexit for Ireland's Transport Sectors', IIEA, 6 October 2017, <https://www.iiea.com/publication/implications-of-brexit-for-irelands-transport-sectors>

18. CSO, Press Statement Aviation Statistics Quarter 2 2020', 19 August 2020 <https://www.cso.ie/en/csolatestnews/pressreleases/2020pressreleases/pressstatementaviationstatisticsquarter22020/>

19. UK Government, 'The Future Relationship with the EU; The UK's Approach to Negotiations', February 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868874/The_Future_Relationship_with_the_EU.pdf

20. European Commission, 'Brexit Readiness Checklist for Companies doing Business with the UK', August 2020, https://ec.europa.eu/info/sites/info/files/brexit_files/info_site/na0220590enn_002.pdf

it Readiness Plan has a section on air travel with advice on what steps to take in order to be Brexit ready. This would apply to those involved in air freight, as well as passenger transport...It is not anticipated that the changed regulatory regime for aviation between the EU and the UK will have any direct impact on the movement of freight by air".²¹

However, should the negotiations between the EU and the UK fail to conclude successfully, or should the EU's ambitions in the area of aviation fail to be realised, there are limited internationally agreed options in the area of aviation connectivity. In that scenario, Ireland will need to engage with the European Commission on the possibility of an EU Contingency Regulation to facilitate an appropriate level of aviation connectivity with the UK from the end of the transition period. Obviously the Irish aviation sector would prefer if only minimum changes are made to the current aviation regime. But the answer does not lie in the hands of any one EU Member State.

Some concluding comments

This is a very uncertain period for Ireland as the deadline for a deal rapidly approaches. No matter what the final shape of the EU/UK deal, the decision of the UK to leave the EU will result in some changes, both for Ireland and for the other EU Member States. There is an onus on the Irish authorities to continue to participate to the fullest extent in the negotiations that are taking place between the 27 EU Member States and the UK. There is also an onus on individual Government Departments to continue to engage widely and fully with their sectoral stakeholders. And there is an onus on businesses served by the transport sector to accelerate their preparations for the changes that 1 January 2021 will bring, deal or no-deal.

21. Eamon Ryan T.D., Minister for Transport, Reply to Parliamentary Question, 6 October 2020, <https://www.oireachtas.ie/en/debates/question/2020-10-06/227/?highlight%5B0%5D=brexit>

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The Institute of International and European Affairs,

8 North Great Georges Street, Dublin 1, Ireland

T: +353-1-8746756 F: +353-1-8786880

E: reception@iiea.com W: www.iiea.com