

Committee for the Executive Office

Brexit Stakeholder Event

Closing Date: 22 October 2020

Date Council to brief the Executive Committee: 11 November 2020

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Written Evidence

A. Background

1. Council is pleased to engage with the Executive Committee on EU Exit-related matters. With approximately two months remaining until the end of the transition period, gaining clarity on the practical implications of the end of the transition period is of the utmost importance for our local businesses and citizens.
2. As an award winning organisation, Mid and East Antrim Borough Council leads the way in the delivery and the transformation of ever-more efficient, improved public services for our 139,000 citizens.
3. Traditionally referred to as ‘the engine room’ of the Northern Ireland economy, the area is synonymous with manufacturing, industry, power generation, agri-food as well as the strategic port of Larne.
4. The Port of Larne continues to be a key gateway for Northern Ireland. As the shortest, fastest crossing between Northern Ireland and Scotland, it continues to be a critical arterial route between Northern Ireland, Scotland and England. With strong road and rail links, there are 2,400 sailings per year, carrying 200,000 freight units, half a million passengers and 100,000 tonnes of general cargo each year. Larne is also the only approved port in NI for the import of livestock.
5. As a Local Authority in Northern Ireland, we are responsible for local economic development. ‘*Sustainable Jobs and Tourism*’ is one of the key strategic priorities at the heart of the 15-year Community Plan for the Borough “Putting People First”. Council’s Corporate Plan for 2019-2023 is aligned with this. Whilst the Borough has traditionally been very strong in the areas of manufacturing, industry, power generation and agri-food, it has suffered a number of economic shocks including recent large-scale job losses within the manufacturing sector. In response, we have spearheaded an economic fight-back plan, refocusing economic activity on innovative and emerging job growth and the development of investment areas.
6. We are now faced, however, with the double challenge of managing the impact of the COVID-19 pandemic as well as the end of the implementation period and we have been monitoring developments on both very closely.

B. State of readiness

7. At the time of preparing the briefing note for the Executive Committee in Mid-October, EU leaders have said that progress on trade talks is not sufficient, although the UK Government has said that the door is still ajar to agree a deal.
8. Whatever the outcome of trade negotiations, businesses will have very little time to prepare for what will be new and more complex trading arrangements. Council is concerned that there is now very limited time to agree and ratify a deal and ensure preparedness on the ground. Council has written to the Chancellor of the Duchy of Lancaster, Michael Gove MP, to request that the UK Government consider a phased approach to the implementation of the Northern Ireland Protocol, to avoid an economically damaging outcome on the 1st January 2021.
9. Council have concerns with the state of readiness for 1 January 2021, and the potential for delays at the ferry ports.

C. Impact on the economy

Trade friction

10. The economy of Mid and East Antrim, and Northern Ireland, is reliant upon trade within the United Kingdom - Northern Ireland purchases and sells more to Great Britain than to any other destination including the Republic of Ireland. Council therefore believes that unfettered access to and from Great Britain is absolutely essential.
11. We are concerned that the Northern Ireland Protocol will have a significant impact on businesses, and in particular manufacturing and agri-food.
12. Much of our trade, production and commerce is based on 'Just-in-time' delivery. Any friction in trade flows will have a significant impact on businesses. We have a number of innovative and hard-working businesses in Mid and East Antrim and they operate a fine balancing act, and any trade friction will cause a significant impact.

Arrangements from 1 January 2020

13. The significance of trade within the United Kingdom is a cornerstone of our regional economy. Unfettered access to and from Great Britain is absolutely essential to the Northern Ireland economy and society.
14. The UK Government's 7th August Policy Paper made it clear that the Northern Ireland Protocol will bring about changes for goods travelling from the rest of the UK to Northern Ireland. This will entail new administrative processes for traders, notably new electronic import declaration requirements, and safety and security information.

15. In the Mid and East Antrim Borough, small and medium sized enterprises make up 91% of all businesses. Most of them have not traded beyond the UK before and have not therefore been required to complete customs declarations. The announcement of the £200m Trader Support Scheme was very welcome, as was the establishment of the Business Engagement Forum. However, our local businesses are struggling, first and foremost, to cope with the impact of the COVID-19 pandemic and Council remains concerned that some businesses may simply not be aware of the extent of the requirements of the Northern Ireland Protocol. If businesses are unprepared, they may face supply chain disruption and delays from 1st January 2021. Council is concerned that the additional costs associated with customs checks will put local businesses at a competitive disadvantage.

Tariffs

16. The impact of the Northern Ireland Protocol will depend on whether a Free Trade Agreement (FTA) is signed between the UK and the EU before the end of the current transition period.
17. A change in the terms of trade with the EU and other trading partners could result in higher tariffs, especially if we revert to WTO trade terms with the EU and the rest of the world (one Northern Ireland firm recently estimated an increase of £250k in costs for its business through tariffs alone in this scenario). With a FTA there should be no or few tariffs and quotas on UK goods entering the EU and thus no need to charge tariffs on those goods entering Northern Ireland from Great Britain which risk passing on into the EU across the Irish land border.
18. The Northern Ireland Protocol applies the Union Customs Code to all goods passing from Great Britain directly to Northern Ireland. In the absence of an FTA, all goods deemed at risk of passing through Northern Ireland into the EU will have to pay tariffs and customs checks. The Trader Support Scheme will mean that an HMRC agent will act as a customs broker free of charge to the traders. One option is to charge tariffs on all goods entering Northern Ireland from Great Britain and then put in place a reclaim process once the firms prove that the goods did not move into the EU. Council is concerned that this could create a huge administrative and costly burden for businesses.
19. In addition, without a FTA there could be an increase in Great Britain firms relocating to Northern Ireland to take advantage of the ability to sell goods to the EU across the Irish land border free of tariffs and quotas. Whilst this may be viewed as a positive, there may be implications for indigenous businesses.

D. The UK Internal Market Bill

20. The UK Internal Market Bill has now progressed to the Lords. The Bill makes provision for the UK Government to make payment to any person in the UK for the purposes of economic development, infrastructure, cultural and sporting activities, and international and domestic educational and training activities. Concerns have been expressed about the impact of the Bill upon the powers of the devolved administrations as it will allow the UK Government to make funding decisions in devolved areas. The Bill also gives the government the power to unilaterally change aspects of the EU withdrawal agreement and opponents have argued that it will break international law.

E. East-West linkages

21. Mid and East Antrim Borough Council have recently established the North Channel Partnership, a new relationship with Dumfries and Galloway Council, which focuses on embracing and developing the linkages between our two areas.
22. Links between Mid and East Antrim and Scotland date back centuries, with a strong family, heritage and cultural linkage throughout the generations.
23. Maintaining unfettered access for Northern Ireland is key for the entire region. Efforts should focus on building a ‘virtual bridge’ between the two regions; an economic, social, cultural and digital bridge.
24. It is critical that unfettered access and the free-flow of people, goods and services is maintained to and from the port of Larne.

F. Movement of medicines

25. Council has particular concerns regarding the free flow of medicines to Northern Ireland. The pharmaceutical supply chain in Northern Ireland is heavily reliant on ‘just-in-time’ delivery. Any delay, for example as a result of newly introduced administrative procedures, would have a serious and detrimental impact on the supply of vital medicines to patients. In the context of the covid-19 pandemic, our concerns regarding this are heightened.

G. Port infrastructure

26. The UK government’s Command Paper, setting out the UK’s Approach to the Northern Ireland Protocol, stated that implementation would not involve new customs infrastructure. Facilities are, however, being expanded, including at the Port of Larne. Following FSA instruction, Council has completed the recruitment of 12 new Environmental Health Officers to carry out food-related inspections at the Larne Port Border Control Post.

27. Council is aware that the new facilities will not be in place by 1st January 2021 (likely June 2021) and that contingency plans have yet to be approved by the EU.
28. COVID-19 has highlighted the importance of the port and the reliance of the supply routes in Northern Ireland for food, medicines, and essential supplies. During the pandemic, Council welcomed the £17m of funding announced in April to support the ferry routes. Any delays to the movement of goods vehicles caused by unfinished port infrastructure and IT systems are therefore of grave concern.

H. Freeports

29. The Government has announced plans to create up to 10 freeports across the UK. Sea, air and rail ports in Great Britain have been invited to bid for Freeport status before the end of the year, with the government aiming for the first of the new sites to be open for business in 2021.
30. Council is concerned that Northern Ireland is the area of the UK most likely to be impacted by trade issues post December 2020. There is much potential for Northern Ireland to benefit from a Freeport, and Mid and East Antrim see the potential of the Freeport model as a catalyst for enterprise and economic growth. Much of the work completed on a logistics hub model by Mid and East Antrim, based at the former Michelin site in Ballymena, could be transferable for the potential of a Freeport model. It is important that Northern Ireland benefits from the Freeports model, and the proposals are moved forward in parallel with the developments in the rest of the UK.

I. Connectivity and Shared Prosperity Fund

31. Mid and East Antrim Borough Council have welcomed the Prime Minister's recent announcement of a review to boost connectivity across the UK. This review, led by Sir Peter Hendy, will focus on making sure the right connections are in place to support, sustain and strengthen our communities, to level-up across the UK.
32. The UK government has announced that it will replace EU Structural Funds with a successor arrangement called the UK Shared Prosperity Fund. Few details have been made available of how the UK Shared Prosperity Fund will operate.
33. Local Councils have played an important part in the delivery of Structural Funds and Council believes that, there is now an urgent need to set out the detail of the design of the UK Shared Prosperity Fund and use this to improve and support connectivity across the United Kingdom.