

The BREXIT Issues

As President of the Irish Road Haulage Association Verona Murphy highlights some of the main areas of concern for this crucial sector in light of BREXIT.

Although it is still way too early to speculate with certainty about the nature of the UK exit from the EU, Irish and EU policy makers must plan on the basis of a 'hard-Brexit' and act accordingly.

In particular the following issues are the key challenges that are likely to impact on the Irish road haulage sector as a result of a 'hard-Brexit'.

Currency Fluctuations

Prior to the Brexit vote on June 23rd 2016, sterling had already been under pressure against the euro for the previous 6 months. Sterling weakness over the past year is now causing significant difficulties for Irish exporters to the UK. It is not certain where sterling will go from here, but it remains extremely vulnerable to Brexit-related uncertainty over the coming years. For Irish exports to the UK this is a serious risk, and is a particular risk for the road haulage sector. If sterling weakness continues to undermine Irish exports to the UK, then business for the sector will suffer. In addition, main Irish road haulage operators are paid in sterling, so will suffer financial losses if sterling remains as weak as it currently is, or if it weakens further.

Border Controls

Each week, €1.2 billion worth of trade in goods and services is carried out between Ireland and the UK. In addition, over 80% of road freight to and from Europe travels through the UK.

In the event of a 'hard Brexit', the likelihood is that there would be a border between the Continent and the UK, and between Northern Ireland and the Republic of Ireland. Customs procedures would become more onerous and add to the cost base for Irish road haulage operators. Such border restrictions would also lead to costly delays at ports and other border crossings. It is not certain that operators would be in a position to pass these extra costs onto their consumers, which would increase consumer

prices and undermine consumer welfare. Absorbing those extra costs would further squeeze already tight margins and force more operators out of business.

There are also a number of significant issues for trucks travelling to and from the North-West of Ireland to and from Dublin, who come through Northern Ireland. In the case of a haulier taking fish from Donegal to Spain, it is conceivable that post-Brexit, the trip could involve four onerous customs check points and immigration checks. In the event of any unforeseen delays, the driver would have a serious problem. Current regulations 561/2006 governing driver hours are no longer fit for purpose as they were drawn up for an environment with no borders and free movement.

Apart from trucks crossing into Northern Ireland to travel from Dublin to the North-West and vice-versa, a large number of trucks cross the border to and from Northern Ireland delivering various products. For example, a large quantity of milk is taken south of the Border for processing and some of the processed milk is taken back to Northern Ireland. Border controls and tariffs would seriously damage milk processing activity in counties such as Monaghan and Cavan and would do serious damage to regional economies that are already under significant economic pressure.

For the 80% of road freight to and from Europe that travels through the UK, the imposition of hard borders would also cause enormous difficulties for the Irish road haulage industry. If customs restrictions are put in place this will cause time delays and add to costs, which will inevitably have the effect of making such freight unviable to transport by road through the UK.

Cabotage

Outside of the EU, the UK would in theory be in a position to introduce its own regulations in some of these areas, while some are already enshrined in UK law.



Verona Murphy is President of the Irish Road Haulage Association and recently spoke at the CPA Annual Conference 2017.

Cabotage, which means the national carriage of goods for hire or reward carried out by non-resident hauliers on a temporary basis in a host Member State, is governed by Regulation (EC) 1072/2009 as of May 14th in 2010. The aim of the regulation is to improve the efficiency of road freight transport by reducing empty trips after the unloading of international transport operations. Article 8 of the Regulation provides that every haulier is entitled to perform up to three cabotage operations within a seven-day period starting the day after the unloading of the international transport. A haulier may decide to carry out one, two or all three cabotage operations in different Member States and not necessarily the Member State in which the international transport was delivered. In this case, only one cabotage operation is allowed in a given Member State to be carried out within three days of entering that Member State without cargo.

In 2013, the UK Government relaxed cabotage restrictions on car transporters from other EU member states operating in the UK during its two annual vehicle registration periods. It is possible that the UK might decide to alter Cabotage Law 1072/2009 as it currently operates once it leaves the EU. This would undermine the current operations of Irish hauliers in the UK, and particularly those car transporter firms.

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Employment and Workers Rights

The average age of the HGV driver in Ireland is now 48 years. The reasons for the ageing workforce are many and varied, but basically revolve around anti-social legislation, that pertains to drivers' hours and work practices. Irish hauliers currently employ a large number of UK drivers. Once the UK leaves the EU, these workers will presumably be required to have a non-EU work permit. At the moment, HGV drivers are not regarded as an eligible category for a non-EU work permit. This could cause significant difficulties for Irish hauliers who are already facing immense challenges in recruiting HGV drivers. Non-EU work permits cost €1,000 and have a two-year time limit.

There is also considerable uncertainty in relation to the taxation, social security and pension status of UK workers working for an Irish haulier once the UK exits the EU.

Mobile Phone Charges

The EU intends to abolish roaming phone charges in June 2017. The risk exists that once the UK exits the EU, high roaming charges will apply in the UK, thereby adding further costs to the already onerous cost burden facing Irish hauliers.

Existing Challenges for the Irish Road Haulage Industry

Even without the issues and uncertainties posed by Brexit, the Irish road haulage sector was already facing significant challenges. These include:

Insurance costs for hauliers have increased dramatically over the past couple of years. These insurance costs include motor, fleet, employer and public liability insurance. Hauliers in Ireland report that insurance costs across the board have increased by between 50% and 100% over the past year. According to data presented by the IRHA, a truck on a motor policy in Ireland costs an average of €5,000 per truck; in most other EU member states the equivalent insurance is €2500¹. This places Irish hauliers at a significant cost disadvantage, and is contributing with other factors to Irish hauliers taking the business abroad.

1 'Rising Cost of Motor Insurance', Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach, September 13th 2016.

The IRHA has asked the Irish government to address a number of issues driving insurance costs, but particularly it wants the Government to make provision for road haulage operators to source their own insurance in another member state.

Legislative changes in July 2016 resulted in a two tonne reduction in carrying capacity adding to further difficulties and should be restored immediately as the UK has intimated an increase to their gross vehicle weight limits.

Irish based operators face a £10 per day levy for trucks travelling in the UK. This is called the Lorry Road User Levy (LRUL). This charge does not apply to UK trucks in Ireland. This extra charge is a contributing factor that has forced many Irish operators to re-flag to the UK in order to avoid the levy and ensure business survival.

In general, the operating environment for Irish road hauliers has become very volatile and very difficult. Margins are being squeezed; currency developments are creating serious difficulties; costs are rising across the board; and many are being pushed out of the industry. Every HGV truck operating on an Irish haulage licence contributes €250,000 to this economy.

What the Irish Government must Recognise in Brexit Negotiations

In the Brexit negotiations, the Irish Government will need to take account of the many possible implications of the UK leaving the EU and ensure that it communicates its concerns to the EU and pushes for policies and agreements that will help alleviate the negative consequences for the Irish Road Haulage Industry.

The Government will need to ensure that any barriers to the free flow of goods between Ireland and the EU are minimised and that the common travel area is preserved. The creation of a 'free trade corridor' across the UK mainland would be optimal.

In the event of a 'hard border', every effort must be made to ensure as little disruption as possible to freight and passenger transport services. The use of IT systems to minimise delays at border crossings is essential.

In any agreement is reached between

Ireland and the UK, it should be a pre-requisite that the LRUL imposed on Irish registered hauliers in the UK be removed as no such charge currently exists for UK hauliers currently travelling through the 26 counties of Ireland. However, failing this, an alleviation of the LRUL on the Ireland-UK land border area is essential.

The Irish Road Haulage Industry believes that the Irish authorities in the past have not adequately policed the cabotage legislation, with the result that very lucrative haulage contracts have been illegally awarded to foreign haulage firms who pay no tax in Ireland. Cabotage legislation will need to be implemented fully in Ireland in order to create and maintain a level playing field for Irish hauliers.

Irish hauliers must be able to obtain non-EU work permits for HGV drivers from the UK. HGV drivers must be placed on the eligibility list for non-EU work permits.

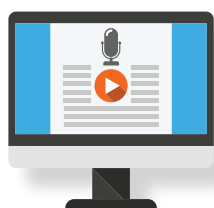
The Republic of Ireland is serviced by ferries that leave the UK for Ireland and leave Ireland for the UK every 12 hours. This interval could be changed to every four hours without adding additional capacity, but would require agreement from current ferry operators. Rosslare and Dublin Ports have serious space issues in the event of any delays to services. Such delays would be inevitable post-Brexit, so an agreement to alleviate these problems would be helpful.

In order to avoid some Irish trucks having to go through the UK, consideration should be given to creating new ferry routes from Ireland to Holland or Belgium. Such additions to ferry services cannot happen overnight as there is a shortage of this type of ferry. Hence, a longer-lead in time and adequate planning is required at this stage.

The IRHA estimates that the costs associated with a 'hard Brexit', based on the number of shipments, distances, fuel delays and paperwork, would be €180 million in a full year. Such a cost imposition would do serious damage to a pressurised but very vital component of the Irish economy. A 33-cent rebate on truck fuel purchased in Ireland would cover this cost and is something that should be considered as part of Irish budgetary policy down the road.

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