



Comments on the Alternative Arrangements Commission Interim Report

July 2019

Introduction

The Mineral Products Association Northern Ireland (MPANI) welcomes the opportunity to comment on the Alternative Arrangements Commission Report.

Founded in Northern Ireland in 1998 the Association now represents over 95% of the mineral products industry. Our membership includes major, medium and smaller sized companies directly employing over 5000 people with an annual turnover of around £750 million. We are Affiliated to the Mineral Products Association (MPA) in London and through them to the European Aggregates Association (UEPG).

The Mineral Products sector is a key essential industry that contributes significantly to the quality of life of every man woman and child in Northern Ireland.

Comments on the ACC Interim Report

We welcome the AAC commitment to work to prevent a NO DEAL and the following comments within the Interim Report;

1. On the need for Protection of the Belfast/Good Friday Agreement and the Peace Process.
2. The preservation of the Common Travel Area agreement;
3. Solutions to the border must seek to maximise cooperation in the relevant areas, and must be founded on the principle of consent.

4. Our goal should be to ensure that the Irish border is the most seamless anywhere.

MPANI acknowledge that the AAC has recently visited Northern Ireland and listened to the community and business leaders, particularly in the border areas. Members of the Alternative Arrangements Commission are no doubt now much more aware of the challenges that a border will bring to business and communities.

However, MPANI have serious concerns and would call into question the origins, the purpose and the evidence the findings and recommendations this interim report is founded upon. Our concerns are based on;

1. On Page 17, section 19, the report states - *All over the world, technological advances are delivering seamless borders*, nowhere in the report does the Commission actually produce any evidence where this is the case. The report fails to observe that an infrastructure free border does not exist in any of the examples given.
2. Unfortunately the proposals within the Interim Report do not fulfil the UK Government's commitment in the December 2017 joint statement with the EU to "the avoidance of a hard border, including any infrastructure or related checks and controls.
3. The EU have stated that any alternative arrangements would have to meet the five tests of;
 - 1: avoid a hard border
 - 2: comply with the EU customs code
 - 3: comply with EU principles (ie, Ireland has to be full member of SM)
 - 4: comply with WTO rules
 - 5: must protect the all-island economy.
4. We would caution that this Interim Report gets treated as having more status than it deserves.
5. The solutions proposed will add complexity and costs that will make business in NI less competitive and in some cases unviable.
6. The adoption of different rules on the Irish/UK border compared to other EU/UK borders, in itself, is not a problem if the same treatment is applied to goods from all sources. If UK/Irish businesses along the border are exempted from some procedures, whilst imports from other sources are not, this could breach WTO provisions. A number of experts have told us

they believe the Report is somewhat misleading by suggesting possible WTO exemptions throughout. It's almost like the authors are trying to give credibility to the proposed alternative arrangements by keeping emphasising that these WTO provisions could be used.

7. One of our Partner Organisations has highlighted an important point in Chapter 4 (movement of people) – The Interim Report proposes that the common travel area (CTA) between IE/UK is maintained which means no border checks of people. It compares the CTA to the Schengen Agreement. On page 63, para 3, the paper says that there will need to be agreements about how to manage the entry and stay of 3rd country nationals for the CTA to operate effectively. **This identifies a problem but does not answer it.** This is not so much a problem for the EU because there are passport checks between IE and the rest of the EU. So if a 3rd country national entered Ireland, they would be free to travel to the UK but would be passport checked on entering the EU either from IE or the UK. From the UK side, however, there is an issue that is not answered. If UK rules diverge from those of the EU, those with free movement within the EU, and thus freedom to enter Ireland, will be able to freely cross into the UK. The 'perimeter' strategy mentioned in the conclusions on page 63 has worked partially because the UK and IE are both bound by free movement rules within the EU. This may not be the case if/when there is divergence between IE and UK immigration policy towards those persons with free movement rights in the EU. This is an area of concern for MPANI given the importance of free movement of workers we have highlighted previously.

8. It is clear throughout the report the Alternative Arrangements Commission objective is that it wants both a seamless border with no infrastructure and an independent UK trade and regulatory policy. Prosperity's website also states *'The Commission is committed to.....Irish Border.....without the presence of physical infrastructure at the frontier.....Lastly, Alternative Arrangements must ensure the UK retains an independent trade and regulatory policy.'* No border infrastructure in addition to an independent trade and regulatory policy is very difficult, if not impossible, to achieve. **This is the language of "cake and eat it"!!**

9. The Report covers trusted trade programmes. It states and gives example of some Countries having TTPs covering 70-80 of tradable products! Experts have informed us that unless TTPs cover 100% of trade (which is highly unlikely), a border is still required. TTPs improve the efficiency of borders by reducing border checks but do not remove all need for borders.

Therefore the Commission is mistaken if they believe Trusted Trader Programmes will deliver a seamless NI / RoI border.

10. The Report suggests the use of special economic zones. In our view these will simply create more borders.
11. On page 104 the Report states that "**smuggling is a fact of life at all borders**" and sets the goal of ensuring **that 'current levels of smuggling do not increase to unacceptable levels'**. No increase in circumvention of EU or UK trade remedies would be acceptable. The text is careless in suggesting that there would be an acceptable level of increase. The reality is, and we have plenty of experience of it here in Northern Ireland, that the microeconomic and macroeconomic effects of cross border fraud on particular industries can be devastating.

Conclusion

It is clear from the attempts of the Alternative Arrangements Commission in this report to prove that a technology-based plan for avoiding a hard border is possible, are to say the least extremely flawed. The realities are

- No evidence whatsoever has been, or can be, produced that "All over the world, technological advances are delivering seamless borders"!
- If you are not in the single market there will be regulatory barriers.
- The NI Business Community tests for any alternative arrangements remain the same. They must;
 - add to the backstop not take away from it.
- There must be no new rules of origin complications,
- There must be free movement without a VAT border.
- We must not have no SPS checks on either side of the border.
- We must deal with the CTC and the need to scan on both sides of the border, not have new infrastructure and no new cost burdens on business.
- In short a SME business, who make up the majority of our supply chain should be able to trade the same as it does today.

Currently the proposals contained within the Interim Report do not meet these tests. We look forward to seeing how they will change."

Impact of Brexit on the Construction Materials Sector in NI

It is widely accepted that the Northern Ireland economy is at greater risk from effects of Brexit than any other Region of the UK. As the Interim Report rightly acknowledges the Agricultural and Agri Food sectors are more important and have a wider economic and social impact than any other region of the UK.

Economic context: Why will Brexit impact differently on the construction materials industry in Northern Ireland compared to Great Britain?

- Before any impact from Brexit, the level of investment in Northern Ireland's built environment was significantly below pre-recession levels unlike in Great Britain where investment levels had fully recovered.

Implication 1 – construction activity in Northern Ireland

- The construction materials industry is concerned that the inevitable uncertainty created by Brexit will delay capital investment plans in Northern Ireland's private sector. There are also concerns that some potential international investors who saw NI as a highly skilled, english speaking gateway to Europe may redirect their investment to the Republic of Ireland. The current high growth of the RoI economy in comparison to the modest growth in NI is evidence of this.
- MPANI believes there is a significant risk that the fragile recovery in construction output over the past few years in Northern Ireland could falter as a result of the uncertainty created by Brexit.
- A halt in the recovery would have a detrimental impact on the local economy, on employment, retention of skills in NI and housing supply.

Implication 2 – workload of NI businesses working in GB

- As work opportunities for NI construction companies and suppliers reduced dramatically from 2007 onwards many suppliers and contractors, particularly the larger ones, successfully turned their focus to winning work in Great Britain. Now it is estimated that the GB market accounts for over 80% of precast concrete manufacture from Northern Ireland factories and over £1bn of turnover generated by Northern Irish construction companies.
- As a result there is significant concern that a fall in the GB market, created by Brexit, could have direct and serious consequences for Northern Irish contractors, professional practices and material suppliers.
- Many Northern Irish jobs are dependent on construction and civil engineering projects in GB.

Implication 3 – funding for construction projects in NI

- There is concern that EU funding which has been critically important for a number of major capital projects in Northern Ireland will not be matched by future UK governments.
- There is also concern that loans from the European Investment Bank (EIB) will no longer be available to help finance strategically important construction projects in Northern Ireland.

Implication 4 - movement of people, goods and services

It is unknown how exactly Brexit will impact on the movement of people, goods and services but MPANI would be concerned about:

- the introduction of any barriers to the movement of goods or services particularly any barriers between Northern Ireland and the Republic of Ireland. Approximately 80% of cement used in the construction materials sector in NI is sourced from the Irish Republic. The requirement for the use of consignment notes in all cross border transactions will add cost and administration that is currently not experienced. Its estimated that cost could range from between £25 and £30 per consignment note. That creates an additional cost of between £1.25 and £1.50 per tonne of aggregate (stone/sand). This is another incentive and green light for an already vibrant black market in many areas along the NI /RoI Border.
- We are also concerned about the post Brexit ability of Northern Ireland companies to tender for and win work in the Republic of Ireland as they have done for years.
- Any restrictions on the ability of NI companies to employ staff from EU countries, particularly the Republic of Ireland.
- Political and community tensions that would be created by any change to the current approach to free movement of people and goods across the island of Ireland.
- It is now abundantly clear that a NO Deal Brexit and /or a Hard border will impact severely on the NI Farming and Agri Food Sector. These sectors are significant customers of the minerals / aggregate industry therefore if they are damaged so are we.

In terms of the challenges being faced by our sector at present

- The Minerals and construction materials sector in NI has a very high age profile with average age of 55.

- Recruitment of new employees is a challenge right across our sector as we are recruiting from the same pool of young people as every other sector.
- Two main areas where recruitment is acute are Transport and Engineering.
- We are the largest transport sector in Northern Ireland, moving approximately 87,000 tonnes per day across Northern Ireland (20 million tonnes over 46 weeks at 5 days per week). That's 4,347 20 tonne lorry loads per day to keep our economy going. If every one of those lorries was parked along the MI it would stretch from Belfast to 4 miles beyond Dungannon.
- 80% of the cement that is used in the NI Construction Industry has to be transported from 3 cement quarries in the Republic of Ireland.
- 80% of the precast concrete that we manufacture in Northern Ireland has to be transported by lorry to construction sites in GB.
- Our very successful quarry and concrete materials handling sector, mainly based in Mid Ulster and West Tyrone, has a high dependency on skilled EU migrant workforce. Cutting off the availability of that labour pool would be a disaster.

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