



An Roinn Iompair
Department of Transport

Project Ireland 2040

National Investment Framework for Transport in Ireland

Background Paper 4: Brexit

Prepared by the
Department of Transport
gov.ie/transport

Disclaimer

This Background Paper has been prepared as part of the supporting analysis for the National Investment Framework for Transport in Ireland. It reflects the latest data and information available to the author at the time of writing. The views presented in this paper do not represent the official views of the Department of Transport or the Minister for Transport.

Contents

List of Figures	2
List of Tables	2
1. Introduction	3
2. Brexit, the Irish Economy and the Transport Sector	4
3. Peripherality and International Connectivity	5
4. Trans-European Transport Network.....	7
5. Conclusions.....	9
6. References.....	10

List of Figures

Figure 4.1: Current TEN-T core network corridors	7
--	---

List of Tables

Table 3.1: Passengers handled at Dublin Airport by origin/destination, 2018	6
---	---

Summary

- Among EU Member States, Ireland is uniquely exposed to Brexit.
- As a small country on the periphery of Europe, current trade and logistics flows rely on accessing the economic centre of the EU via the UK. Following Brexit, this access cannot be taken for granted.
- The effects of Brexit are likely to be particularly acute in the northwest, which is reliant on accessing the rest of the country via Northern Ireland.
- Consequently, any framework for future transport investment should seek to enhance both our intranational and international connectivity independent of the future relationship between the EU and UK.

1. Introduction

As part of the National Investment Framework for Transport in Ireland (NIFTI), five major themes with the potential to substantially alter how and where transport takes place have been identified. These are:

1. The National Planning Framework;
2. Economic and Fiscal Context;
3. Climate Change;
4. Brexit; and,
5. Technology.

This paper considers the fourth of these themes, Brexit.

2. Brexit, the Irish Economy and the Transport Sector

On 23 June 2016 the British electorate voted to leave the European Union. Following that vote, on 29 March 2017 the UK Government invoked Article 50 of the Lisbon Treaty—the mechanism by which a Member State exits the EU—beginning the withdrawal process.

When Article 50 was invoked the UK was scheduled to exit the EU by 29 March 2019. However, the UK requested a total of three extensions during the withdrawal process and ultimately left the EU on 31 January 2020. The European Union Withdrawal Agreement was enacted on 31 January 2020, commencing an 11-month transition period which is due to expire on 31 December 2020. As Ireland and the UK acceded together on 1 January 1973, UK withdrawal marks the first time that the two countries have differing relationships with the EU—one continuing to be a Member State and the other becoming a third country.

The impact of Brexit on Ireland is likely to be considerable. To take the example of maritime trade, 50% of all goods forwarded through Irish ports in 2015 went to the UK (Department of Transport, Tourism and Sport, 2017), and it is uncertain what proportion of these goods had the UK as their final destination and what proportion continued to continental Europe through UK ports.

Significant disruption of Irish trade with both the UK and the rest of the EU via the UK can be expected to have negative economic consequences. The Ifo Institute has estimated that, of the EU27, Ireland will be the country most negatively affected by Brexit—even more so than the UK itself. By their estimates, Irish GDP will experience a long-term reduction of between 2.0% in the worst case and 0.5% in even the most benign, 'soft Brexit' scenario, compared to a reduction in UK GDP of 1.7% to 0.4% (Felbermayr et al., 2017). Other projections are even more pessimistic, with a Copenhagen Economics study estimating a 7.0% reduction in Irish GDP by 2030 compared to a no-Brexit baseline in the worst-case scenario (Copenhagen Economics, 2018).

Within the transport sector, this paper will discuss the potential ramifications of Brexit for Ireland's international connectivity, its peripherality within the EU and the Trans-European Transport Network (TEN-T). Possible adaptations to the challenges presented by Brexit will be considered at a high level, with the important caveat that much will depend on the nature of the future relationship between the UK and the EU.

3. Peripherality and International Connectivity

The first objective of the European Union, as set out in Article B of the Maastricht Treaty, is “to promote economic and social progress which is balanced and sustainable”. This commitment to balance is important, and the Treaty resolves to achieve the convergence and strengthening of economies within the EU.

In practical terms, these provisions imply that policies should be pursued which enable peripheral and less-developed regions of the EU to sustainably grow their economies so that they converge with the central and more-developed regions. The concept of peripherality is not precisely defined at European level, though theoretical attempts have been made to develop some sort of index. For example, a 2002 paper considered peripherality with respect to access to both population and GDP at the NUTS 3 level, the former indicator representing the perspective of service firms who require access to clients, the latter representing the perspective of producers and their access to potential markets. On both indicators, the region around the Benelux, Germany, northern France and extending up to London was most central, with above average access to population and GDP. All of Ireland, by contrast, was more peripheral than average, and increasingly so the further west of Dublin you travel (Schürmann and Talaat, 2002).

Due in part to our peripheral location, Irish trade is particularly exposed to Brexit. Not only is the UK the largest source of Irish imports and second largest destination for our exports by value after the United States, but a sizeable proportion of Irish trade moves through the UK. Transit times for direct sailings from Ireland to continental Europe are much longer than those making use of the UK ‘landbridge’ and this is particularly important for time sensitive goods such as agricultural products. Therefore, though Brexit can be expected to impact on the bilateral trade flows between the UK and any given EU Member State, Ireland’s geographic location means that it will have the secondary effect of disrupting much of its trade with the rest of the EU also. This reduction in Ireland’s connectivity poses an existential threat to exposed businesses.

On the island of Ireland, partition created two economic jurisdictions where previously there was one, cutting off hinterlands from their market towns and cities (Joint Committee on Jobs, Enterprise and Innovation, 2016). The impact of this fragmentation of natural markets is clear from regional GDP figures, with disposable income per person in the Border region (comprising Cavan, Donegal, Leitrim, Louth, Monaghan and Sligo) 13% below the State average (CSO, 2017). The emergence of an all-island economy since the Good Friday Agreement was reached in 1998 has benefitted border counties, with major cross-border infrastructure projects such as an upgraded road link from Dublin to Derry currently in planning. However, the all-island economy could be undermined by Brexit.

It is not just overland trade routes that will be affected by Brexit, however. Prior to the implementation of Covid-19 related restrictions to air travel, Dublin Airport was serving 190 destinations in 42 countries, and this figure was projected to increase to 200 in 2020. Growth in passenger numbers at the airport since 2010 has been robust, with the total number rising from 18.4m in that year to 31.3m in 2018 – an increase of 70% over eight years.

Despite Dublin Airport’s recent growth, the relative lack of direct routes mean that Ireland is still reliant on passengers travelling through the UK to get to or from certain destinations. Exemplifying this fact, Table 3.1 below

breaks down 2018 passenger numbers handled by Dublin Airport for the ten most frequent origins or destinations. Of the ten, six are in the UK, including four of the top five. Combined, these six airports represented a daily average of over 18,000 passenger movements at Dublin Airport in 2018.

Table 3.1: Passengers handled at Dublin Airport by origin/destination, 2018

	Passenger Numbers, 2018
London - Heathrow	1,810,126
London - Gatwick	1,348,588
Amsterdam Schiphol	1,200,263
Manchester	985,665
Birmingham	926,633
London - Stansted	896,977
Paris - Charles De Gaulle	722,189
Edinburgh	637,527
New York - John F Kennedy	607,693
Frankfurt-main	601,261

Source: CSO

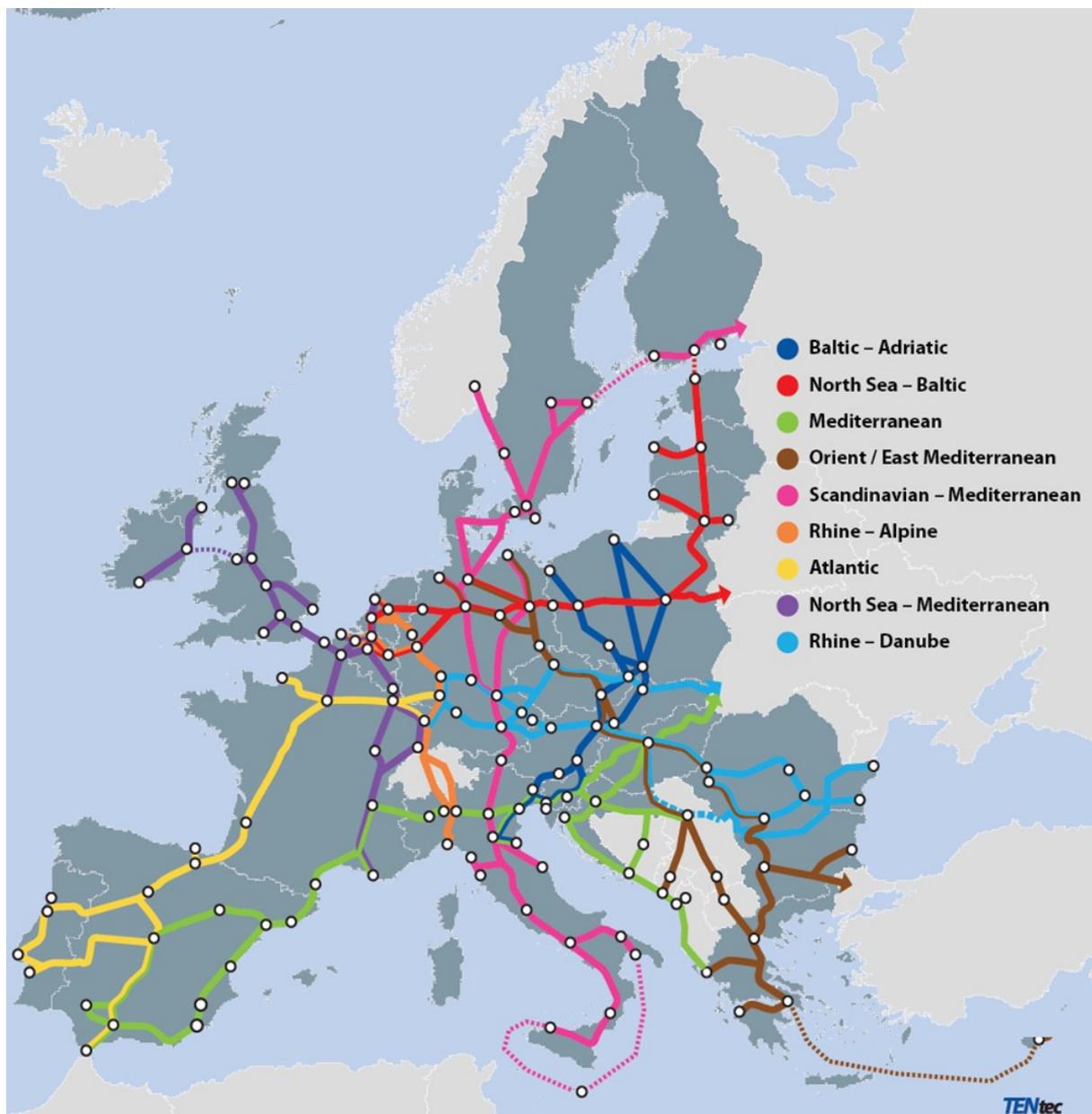
Given Ireland's geographic position and size relative to the UK, it is unsurprising that we are somewhat reliant on the UK for our international connectivity. While both countries have been Member States of the EU, this arrangement has been relatively frictionless and posed no great difficulties. However, there is no guarantee that this will continue to be the case after Brexit, and Ireland's international connectivity could be greatly reduced in the absence of mitigating measures.

4. Trans-European Transport Network

Since the early 1990s the EU has sought to develop an infrastructure policy that supports the functioning of the internal market through continuous and efficient networks in transport, energy and telecommunications. The first guidelines for a trans-European network in transport (TEN-T) were adopted by the European Parliament in 1996. The ultimate objective of TEN-T is “to close gaps, remove bottlenecks and eliminate technical barriers that exist between the transport networks of EU Member States, strengthening the social, economic and territorial cohesion of the Union and contributing to the creation of a single European transport area.”

To streamline this objective, a 2013 review of TEN-T policy identified nine Core Network Corridors along which Member States should seek to coordinate development. These nine Corridors are shown in Figure 4.1.

Figure 4.1: Current TEN-T core network corridors



Source: European Commission

Ireland currently has only one corridor linking it to the European mainland, the North Sea-Mediterranean, which runs from Glasgow at its northernmost point to Marseille in the south. However following consultation with the European Transport Committee in September 2018, MEPs voted in favour of TEN-T realignment in an effort to preserve Ireland's connectivity to the European Union, particularly in the case of a no-deal Brexit. This decision has since been reflected in the drafting of the new Connecting European Facility (CEF) Regulation, which is due to come into effect on 1 January 2021. Under this arrangement Ireland will be located on two TEN-T corridors for the first time. In addition to remaining on the North Sea-Mediterranean corridor, Ireland will also be on the Atlantic corridor, with Ireland's three core ports Dublin, Cork, and Shannon-Foynes linked with two French ports Le Havre and Nantes Saint-Nazaire.

After the transition period the TEN-T guidelines will have to be amended to clarify the status of the UK parts of the network that make up a significant part of the North Sea-Mediterranean Corridor. There are examples of the network running through non-EU countries, such as in the Balkans and Norway. However, the extent to which future transport investment along the corridor, in Ireland, the UK and other EU Member States, can be effectively coordinated will largely depend on the mutual interest of the parties involved.

If the future relationship between the UK and EU sees a sizeable reduction in the flows of people and goods between the two parties, and by extension a reduction in transport volumes, the benefits from coordinated investment may not justify the costs. For France and the Benelux countries, which are parts of various other corridors, this may not be of huge concern. For Ireland, Brexit has the potential to see the Irish transport network cut adrift from the core network connecting our EU partners. However, discussion of the implications of Brexit in a North Sea-Mediterranean Corridor work plan, published in 2018, indicates an EU commitment to protecting Ireland's connection to continental Europe via this corridor.

Objectives of the development of this corridor include the further development of Motorways of the Sea, and the improvement of hinterland connections at seaports. Specific reference is made to plans to encourage a range of projects including the Ringaskiddy road connection to Cork, and the Alexandra Basin in Dublin. The sea is recognised as Ireland's most significant border crossing, and the plan commits to ensuring Ireland's connectivity to mainland Europe by sea. Further investment in Ireland's port capacity is identified as a potential means through which to reduce Ireland's dependence on the UK landbridge. The work plan also references the key role played by transport connectivity within the Island of Ireland in supporting Ireland's international connectivity.

5. Conclusions

As is clear from the foregoing discussion, Brexit has the potential to significantly disrupt the Irish transport sector. However, with the future relationship between the EU and UK yet to be agreed, the extent of disruption is still highly uncertain. The ongoing negotiations may resolve some of the issues touched upon in this paper, while new ones might emerge.

This paper considered the impact of Brexit in terms of peripherality, international connectivity and the Trans-European Transport Network. The three are highly interlinked. Ireland, as a small country on the edge of Europe, is peripheral from the economic centre of the EU. To gain access to the centre, it is highly reliant on the connectivity afforded it by the UK's membership of the EU. This connectivity, in turn, is enhanced over time by the Trans-European Transport Network.

As a result of Brexit, however, there is a real risk that Ireland becomes much more peripheral than it already is, cut off from the rest of the EU. In an effort to mitigate this risk, the European Parliament has supported the realignment of the TEN-T network. This realignment will see Ireland's connection via sea to the European Mainland enhanced, both through development of its connectivity via the North Sea-Mediterranean Corridor and through Ireland's addition to the Atlantic Corridor in 2021.

In terms of planning future transport investment, it is important to preserve our international and intranational connectivity. This may mean, for example, developing shipping via new Motorways of the Sea going directly from Ireland to continental Europe. It may mean expanding our ports to accommodate larger ships and providing more space for lorries in the event of time-consuming customs checks. For particularly time-sensitive goods, it may require investment in air freight. And, alongside these potential adaptations to our international links, there is also the cross-border dimension of Brexit to consider, such as its implications for upgrading the road link between Dublin and Derry. While the outcome of Brexit remains uncertain, any framework for future transport investment should seek to ensure Ireland's access to EU and international markets regardless of the final settlement reached between the EU and UK.

6. References

- Central Statistics Office (2017). County Incomes and Regional GDP 2014. Cork: Central Statistics Office.
- Copenhagen Economics (2018). Strategic Implications for Ireland Arising from Changing EU-UK Trading Relations. Dublin: Department of Business, Enterprise and Innovation.
- Department of Transport, Tourism and Sport (2017). Transport Trends 2017. Dublin: Department of Transport, Tourism and Sport.
- Felbermayr, G., Gröschl, J., Heiland, I., Braml, M. and Steininger, M. (2017). Ökonomische Effekte eines Brexit auf die deutsche und europäische Wirtschaft. Munich: Ifo Institute.
- Joint Committee on Jobs, Enterprise and Innovation. (2016). Report on the All-Island Economy. Dublin: Houses of the Oireachtas.
- Schürmann, C. and Talaat A. (2002). The European Peripherality Index. Dortmund: University of Dortmund.