NO DEAL NO WAY!

unite the UNION

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Some consequences of a no deal Brexit to Unite members in Northern Ireland

It is impossible to fully quantify or assess the potential impact of a no deal Brexit to Unite members in Northern Ireland. Our economy is the most exposed to potential dislocation and disruption arising from a failure to negotiate free and frictionless trade.

The cost of a no deal Brexit should in no way be considered to be simply an economic one. Brexit, in particular a no deal scenario, threatens to undermine the delicate constitutional balance that was achieved in the Belfast/Good Friday Agreement and endorsed north and south in 1998. That agreement provided a basis for Northern Ireland's transition to what is a predominantly peaceful society, albeit one still emerging from profound conflict.

Brexit potentially impacts rights, entitlements provided for under the Belfast Agreement – including those extending to Irish and EU citizens living in Northern Ireland. It poses immediate challenges in terms of border controls over mobility and commerce as well as threatens the imposition of hard border controls from the Southern side.

Adding to these very serious concerns must be a realisation that the new complex tariff and non-tariff barriers will pump-prime hugely a black economy that is already substantial, in particular in border areas. It goes without saying that those who benefit from such arrangements care little for workers' rights and have less than a positive regard for the right of trade unions. The prevalence of black economy standards and the alienation from legal norms it engenders represent a direct threat to workers' rights even in the legitimate sectors of the economy. Tied to this is the issue of the exploitation of migrant workers who are often the victims of such businesses.

A no deal Brexit represents a grave threat to virtually every aspect of our economy and our society. It must be averted at all costs.

Jackie Pollock
Ireland Secretary of Unite

Economic Forecasts of damage

The latest UK government long-term Economic Analysis (November 2018) estimates that Brexit will result in a GVA (GDP regional proxy) fall by 9.1 percent in Northern Ireland in a no deal Brexit scenario as compared to one where the region remains in the EU.

The latest analysis from the Northern Ireland Department for Economy (July 2019) project that a no deal Brexit – notwithstanding the UK government commitment to a temporary land border policy of not applying customs or regulatory checks – would result in the EU applying such controls on the Irish side. This would result in:

- At least 40,000 job losses across the economy – this estimate does not include agricultural job losses, financial services or tourism – so is likely to be an under-estimate. Many of these jobs would disappear very quickly;
- Reduced NI exports to the Republic of Ireland (ROI) by 11 percent due to import duties (Most Favoured Nation tariff); with non-tariff barriers contributing a further 19 percent amounting to a £100-£180 million reduction in exports to this vital market (ROI is NI's main market outside GB);
- A further fall in Foreign Direct Investment (FDI). This is already heavily impacted by the uncertainties of Brexit with an estimated fall of more than 50 percent on in the year after the referendum. The estimated the fall consequent to a no-deal Brexit to be 6 percent in number of FDIs and 7.6 percent in terms of jobs created.

Wider Economic Impacts

- The strong likelihood of a further depreciation in sterling is likely to result in a significant inflationary spike at a very time when job losses result in weaker wage inflation (or the ability of workers to sustain their living standards);
- The majority of NI businesses do not consider themselves to have a mitigation strategy in place;
- On average NI consumers have the lowest weekly household discretionary income of any UK region at £114 in Q1 2019 compared to £212 in the UK as a whole. The purchasing power of NI consumers is likely to fall sharply post-Brexit resulting in a contraction of the economy – which is significantly more dependent on domestic consumption (approx. 75 percent) than that of GB (approx. 65 percent).

Company specific Impacts

Every business in Northern Ireland is likely to be impacted – we have concentrated on some larger employers where we represent substantial numbers of employees and where there is evidence of a specific threat.

Moy Park

This is the largest employer in Northern Ireland (employing 8,000) with a very significant supply chain across the region. It holds a dominant stake in the supply of chicken-meat.

Like most NI agri-food exporters who will face effectively being shut out of the ROI/EU markets by import duties, this business will be forced to compete with low-cost overseas competition for the UK market. The MFN tariffs on imports are set to fall by 60 percent – increasing volumes even before the TRQ quotas are applied.

Tariff Rate Quotas are likely to cover 74% of fresh chicken imports from EU leaving a shortfall of 58k tonnes but UK exports to the EU amount to 114k tonnes leaving a likely oversupply to the UK market of 56k tonnes. The equivalent oversupply for frozen chicken is likely to be 38k tonnes and 3k tonnes for preserved/prepared chicken – totalling equivalent to 4 percent of UK consumption.

Moy Park has already sought to minimise its exposure to Brexit and has decided to locate its new HQ and R&D centre in the Republic of Ireland.

Dunbia (Beef & Lamb)

Unite represents workers at a number of sites in Northern Ireland. Total NI employment of this company is more than 4,800. Again, this industry faces a sharp threat as a result of loss of access to EU markets from their import tariffs. At the same time, the UK market is being opened up to low-cost competition. TRQ quotas are likely to cover 69 percent of all beef imports leaving a shortfall of 46k tonnes – but UK exports to EU amount to 79k tonnes leaving a likely oversupply of 33k tonnes.

That is likely before the impact of a reduction to MFN tariffs of 53 percent. It will be very difficult for UK producers to compete – NI beef carcasses average €3.67 a kg compared to €2.17 a kg in Brazil. With the reduced MFN tariff Brazilian beef will be €3.25 a kg which is still lower than the NI equivalent.

Unite represents workers across the entire beef and sheepmeat processing sector – which makes up 5,200 FTE jobss or 22 percent of agri-food processing employment.

Firms in the beef and sheep-meat subsector are already operating at the smallest net profit margin (2.6 percent) of the entire NI food and drinks processing sector (Dunbia net profit was just over 1 percent). There are obvious concerns for jobs in such a scenario. The impact is likely to extend to the wider agricultural base – where 70 percent of farms have cattle for slaughter.

Kerry Group

Unite represents workers across all five Kerry sites in Northern Ireland. This group primarily focusses on pork and dairy production. Both of which are threatened by a no deal Brexit.

Northern Ireland sources 25 percent of its pigs from ROI. The lowering of MFN tariffs on pigs to zero will safeguard that supply but the reduction in MFN tariffs on pork is very substantial – only 13 percent of current rate – leaving NI processors hugely exposed to low-cost competition. This threat would be particularly pronounced if there was any reduction in quality control as non-tariff barriers would be the only line of defence for jobs.

The dairy sector generally is highly integrated with ROI – 35 percent of NI dairy goes to ROI for processing. This will become unviable in a no deal Brexit scenario. NI producers such as Kerry group will have to compete for UK market share with ROI exporters who will seek to sell to NI as a zero-tariff entry point to the wider UK market.

Diageo

Guinness is brewed in Dublin, shipped in tankers to Belfast where it is canned before being shipped from Dublin port for export to Holyhead. This process would be hugely impacted by tariff barriers and potentially non-tariff difficulties. Bailey's Liquor is also likely to be impacted with some ingredients – in particular the dairy component – crossing the border three times before being bottled in Belfast and shipped from Dublin. At every stage, there are likely to be difficulties with this production with adverse consequences for Unite members.

Haulage

Unite represents significant numbers of hauliers. They will be required to obtain ECMT (European Conference of Ministers of Transport) licences to drive their vehicles to the Republic of Ireland after December 31st 2019. There are a limited number of such licences available for UK drivers – Northern Ireland has so far accounted for 15 percent of such applications. If a driver is unable to obtain one they would be unable to drive a vehicle cross border. This would have particular impacts for Unite drivers in haulage companies but also quarrying e.g. Quinn Building Products and glass manufacture industries in border areas e.g. Encirc.

Groupage

Increasingly business are grouping different products together to minimise transport costs through increasing efficiency, a practice known as groupage. Given potential for differential tariff barriers and onerous non-tariff barriers it is very likely that the economics of such practices are likely to come under pressure as they result in unacceptable delays. This may have a direct consequence for smaller exporters.

NHS

One in three EU NHS workers indicate they intend to leave if there is a no deal Brexit. That would have a huge impact on the NHS across the UK but its impact in NI is likely to be considerably worse. Due to the absence of an accountable government, Northern Ireland's NHS workers are paid substantially less than any other UK region and the region is already suffering a profound crisis in retention/recruitment. There are also potential difficulties with non-tariff barrier costs for the importation of drugs and medicines. A no deal Brexit may also impact existing mutual cross-border delivery/access arrangements in the health sector.

Bombardier

Unite represents the majority of Bombardier's 3,500 workforce at its five Northern Ireland sites. Approximately one quarter of that workforce is employed on production of the CSeries wings. That project was acquired by Airbus before being rebranded as the A220. Airbus has indicated that due to difficulties with tariffs, they would pull out all investment in the UK in a no deal scenario. This would directly threaten our members working on production lines for this aircraft.

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