

Cover Note

This draft internal working paper and preliminary analysis was compiled in September 2016, to support the deliberative process following the UK vote in June 2016 to exit the EU.

It is important to note that matters have moved on significantly since September 2016 and in particular since Article 50 was triggered in March 2017.

As such, this document remains in draft format and was not finalised as it was overtaken by consequent major developments and policy statements and does not reflect Revenue's current view on Brexit.

Revenue's current view was set out clearly in the Revenue Chairman's opening statement to the Joint Oireachtas Committee on Finance, Public Expenditure and Reform and Taoiseach on 25 May 2017.

<http://www.oireachtas.ie/parliament/media/committees/finance/2017/Niall-Cody,-Chairman,-Revenue-Commissioners---Statement.pdf>

Brexit and the consequences for Irish Customs

DRAFT

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1. Introduction

The fallout from the UK decision to leave the EU will have profound consequences for all stakeholders involved. The full extent of these consequences will take months, even years, to emerge. However what is absolutely clear is that the European country to be impacted most by Brexit, perhaps even more than the UK itself, is Ireland. This is because Ireland is so heavily dependent on trade with Britain, far more than any other EU country, and also because of the unique historical and political relationship between the two countries.

Once Article 50 of the Lisbon Treaty is activated, which the UK Brexit Minister David Davis has indicated can be expected in early 2017, negotiations will begin between the remaining MS and the UK. Once the negotiations are completed, Article 50(2) provides that this should be within 2 years, regardless of what agreement is reached, the UK will become a 3rd country for customs purposes and the associated formalities will be unavoidable.

Again, while this will affect all MS, the affect will be more profound on Ireland as the only EU country to have a physical border with the UK. The EU already has many land frontiers with 3rd countries, with established procedures already in place, but what is unique and challenging from an Irish perspective is the lack of actual physical border markings and signs to indicate that you are entering a different jurisdiction along a meandering border which stretches some 499 km from Carlingford Lough to Lough Foyle.

Four main models of EU interaction seem the most likely scenarios for a post-Brexit UK;

Norwegian model: Norway is a member of the European Free Trade Association (EFTA), giving it access to a network of free trade arrangements and the right to be a party to the European Economic Area Agreement. Parties to the EEA Agreement are included in the EU single market and must comply with its rules and restrictions, including the four fundamental freedoms: movement of goods, workers and capital and provision of cross-border services. The EU has said this model only works properly if parties adopt these internal market obligations fully, which means the UK would be unlikely to succeed in negotiating any similar type deals.

Swiss model: Switzerland is also a member of EFTA, but is not party to the EEA Agreement. Instead, it accesses the EU single market via regularly updated bilateral agreements. The EU has, however, called the Swiss model unwieldy and indicated that further arrangements of this kind may not be tolerated.

Canadian model: Various other nations have opted to form relationships with the EU that go beyond the basic parameters of the World Trade Organization and the General Agreement on Tariffs and Trade. Specifically, Canada and the EU have negotiated CETA (Comprehensive Economic Trade Agreement) which allows for tariff free trade on most goods and agricultural products although, crucially, financial services are excluded. At some point, a similar arrangement between EU and UK is conceivable. Negotiating and putting in place any comprehensive trade deal would be extremely challenging in the relatively short window provided in Article 50 (CETA negotiations commenced in 2009 and the agreement only becomes operational in 2017). Additionally, there may be political considerations around whether a post-Brexit UK should be given unrestricted access to the Single Market from which it has decided to depart.

WTO Model: A post-Brexit Britain will continue to be a member of the OECD, G20 and WTO, which are increasingly powerful forums for harmonising international trade and business practices. In the event that a unique EU UK trade deal is not in place at the time of Brexit, the only alternative is the WTO (World Trade Organisation) model whereby all UK goods entering the EU would be subject to a default range of tariffs. In such a scenario, initially at least, it has to be assumed that broadly similar tariffs would apply to EU goods entering the UK.

In many ways, the customs implications of Brexit are largely unaltered by the nature of the final settlement between the EU and the UK. The basic formalities and procedures will be broadly similar regardless of the precise nature of the final agreement. The only point of real uncertainty at this time is whether customs duties will be chargeable on UK goods. From an administrative perspective, this is a somewhat incidental matter and the least of the challenges facing Irish Customs.

The primary purpose of this document is to identify, from the viewpoints of both customs and trade, the key areas where Brexit is likely to bring about a significant change in existing processes or activities. Many of these will require further and more detailed study in their own right and the final position will not become fully visible in advance of the outcome of the Brexit negotiations.

Nevertheless, Revenue needs to consider and make advance plans to cover a range of scenarios and business programmes if we are to be adequately prepared for the eventual reality of Brexit.

2. Impact on Traders

2.1 Importing Goods into Ireland from the UK

All goods entering the Customs territory of the EU from a non-EU country are subject to a number of rules. The main rule is that these goods must be “presented” and either placed under a 'customs procedure' or declared for temporary storage. In 2015, there were goods with a value of €17.8bn¹ imported from the UK. As all of these goods will be subject to the Customs Import Procedure in the post Brexit era the administrative and fiscal burden on the traders involved cannot be underestimated. The import procedure involves a number of steps and the first of these takes place before the goods arrive in Ireland. Annex 1 gives an overview of the standard Import procedure with a breakdown by mode of transport.

2.1.2 Pre-arrival Safety and Security

A safety and security entry summary declaration (ENS) must be lodged in respect of all goods where Ireland is the first point of arrival into the EU (i.e. direct imports from non-EU countries which do not arrive in Ireland via another member state). The carrier is responsible for the lodgment of the ENS and it is lodged electronically via the Import Control System (ICS) in advance of the goods arrival. The deadlines for lodging the ENS vary depending on the mode of transport carrying the goods into the customs territory of the Union. These deadlines are explained in more detail in Annex 2.

The data required in the ENS includes the details of the Consignor, Consignee, Carrier etc., the transport document references, place of loading/unloading, goods description etc.²

Currently Norway, Switzerland (including Lichtenstein) and Andorra are not members of the EU. They are however members of the EU security area and an entry summary declaration is not required for goods originating from these countries. It may well be that a similar arrangement could be put in place between the EU and the UK. As in many other areas, the question is whether such an arrangement could be put in place before Brexit. If not, carriers that previously dealt exclusively with goods plying between the UK and Ireland will need the systems and software to permit them to engage with ICS³.

¹ Figures obtained from CSO Trade Statistics Report 2015

² The precise data elements required for an ENS are set out in EU Regulation 2016/341

³ Import Control system

2.1.3 Arrival Notification

The EU rules on safety and security requires that a notification of arrival must be lodged at the customs office of arrival for all sea going vessels and aircraft entering the customs territory of the Union⁴. Legislation provides that the requirement for an Arrival Notification from the Carrier may be waived where the information is otherwise available to the customs authorities. We have dispensed with the requirement for an arrival notification because we already receive arrival information on all sea going vessels and aircraft from DTTAS and DAA respectively. It is not envisaged that Brexit will place any strain on these processes.

2.1.4 Presentation

All goods brought in to Ireland from a 3rd country, the status which will most likely apply to the UK post Brexit, must be presented to customs immediately upon their arrival at a pre-designated customs office or at any other place approved by customs for the presentation of goods, e.g. temporary storage facility⁵. In Ireland in the case of goods arriving by air and sea, this requirement is fulfilled by the lodging of the e-manifest. There are two distinct processes in the e-manifest procedure, depending on whether the goods are non-union or union goods. Currently goods coming from the UK are union goods and, while a manifest is required for the enforcement of national prohibitions and restrictions, there are no systematic controls imposed on these goods. However, post Brexit these goods will be non-union goods and as a result the manifest will be fully processed and the goods in question will not be released until all customs formalities have been completed. Presentation in a land frontier scenario is likely to require both a form of electronic notification as well as physical arrival of goods at a designated customs station.

2.1.5 Temporary Storage

Non-union goods arriving into Ireland from the UK will be deemed to be in temporary storage from the moment of presentation⁶. In order to end Temporary Storage, the goods must be placed under a customs procedure or re-exported. Goods cannot remain in Temporary Storage for more than 90

⁴ Article 133 UCC

⁵ Article 139 UCC

⁶ Article 144 UCC

days. If after 90 days the goods have not been released for a customs procedure or re-exported they will incur a customs debt.

2.1.6 Import Declaration

All goods imported into Ireland from the UK will be required to be declared to Revenue electronically through the Direct Trader Input (DTI) facility. This system allows importers or their agents to clear consignments at import by lodging an electronic Customs declaration to Revenue. The form and manner of the Customs Declaration for release for free circulation is determined by EU law and there is no possibility for a reduced or simplified data-set based on the country of origin. Simplified Procedures may be approved but only on a trader by trader basis and subject to the relevant conditions⁷.

2.1.7 Temporary Importation

Although a relatively uncommon procedure at present⁸, Temporary Importation is likely to see a major growth. Given our geographical proximity to the United Kingdom, the temporary movement of goods between the two States is very significant. An obvious example is the three day national ploughing championship which sees a significant volume of equipment moved into Ireland from NI and the UK for the duration of the event. If the UK were no longer in the EU, all of these products would need to be declared under the Temporary Importation Procedure with guarantees or ATA Carnets required for the period of the Importation. In addition to the routine processing of the associated declarations, EU customs procedures would require a significant level of checking to ensure the re-export of these goods at the conclusion of the Temporary Importation period.

A further concern would be the number of times that equipment (e.g., large construction equipment or even just tools) moves a few miles over and back across the border with N.I. today. Given that these temporary movements would now be across the border of the EU customs territory, controls would be unavoidable.

⁷ Article 166 UCC

⁸ Circa 350 transactions per annum

2.2 Exporting goods to the UK

All union goods leaving the Customs territory of the EU with a destination of a non-EU country must be placed under the export procedure. In 2015, goods with a value of €15.5bn⁹ were exported from Ireland to the UK. As all of these goods will be subject in the post Brexit era to the Customs Export Procedure, the administrative and fiscal burden on the traders involved will also be significant.

2.2.1 Pre-departure Declaration

Goods to be exported to the UK will need to be covered by a pre-departure declaration¹⁰ to be lodged electronically at the competent customs office via AEP; this pre-departure declaration may take the form of an export declaration that contains the necessary data for risk analysis and safety and security purposes. The obligation to ensure that a pre-departure declaration is lodged within the time-limits set out in Annex 2 lies with the carrier.

2.2.2 Presentation

Goods to be exported to the UK will need to be presented to customs at the customs office of exit¹¹ and be made available for examination if required. This extra layer of formalities for movements that are currently intra-union movements will not only place a considerable administrative burden on traders it will also have a negative impact on trade flows and delay the release of goods.

2.2.3. Entry to the UK

Once the goods have been released for exit they will be free to leave the declared office of exit and move to the UK. On entry to the UK the goods will need to be declared for import into the UK. While Irish import and export declarations are subject to the rules on format and content set down in EU law, the UK will determine exactly what data they need in respect of each transaction and in what format it should be lodged. Again this will present carriers and exporters with an extra administrative burden and will require them to have access to whatever systems that HMRC develop for such declarations. In all likelihood, this should be an expanded version of the CHIEF (Customs

⁹ Figures obtained from CSO Trade Statistics Report 2015

¹⁰ Article 263 UCC

¹¹ Article 267 UCC

Handling of Import and Export Freight) system used to process imports into the UK from 3rd countries today. It is understood that this system is in the process of being upgraded at present so it can be assumed that any new system will have the necessary inbuilt capacity to deal with post Brexit volumes.

A further potential complication is that a post Brexit environment would see the UK permitted to apply any national prohibitions and restrictions that they deem necessary to goods that are presently deemed to be in free-circulation.

2.3 Transit

Transit is a customs procedure that allows the movement of goods across international borders, without customs formalities at these borders, while under customs control and ensuring that any customs duties or other charges due on those goods in their country of destination are secured.

There are three types of Transit:

Union Transit: allows for the movement of goods within the customs territory of the Union,

Common Transit: allows for the movement of goods: between the Union, the Common Transit Countries (i.e. Iceland, Norway, Switzerland and Liechtenstein, Turkey, the former Yugoslav Republic of Macedonia and the Republic of Serbia) and between the Common Transit Countries themselves; The combined territories of the Union, and the Common Transit Countries are known as the Common Transit Area and

TIR: (Transport International Routers) allows for the movement of goods internationally over one or more frontiers and where some portion of the journey between the start and end of the TIR operation is conducted by road.

As Union Transit relates exclusively to movements within the EU, it will not be relevant in a post Brexit scenario.

2.3.1 Common Transit

Common Transit allows for the movement of goods between the union and some countries outside of the Union, collectively known as the Common Transit Countries, and vice versa. Currently the UK is part of the Common Transit regime by virtue of membership of the EU.

A trader enters goods into a transit procedure by way of a declaration at the customs office of departure, provides a guarantee to cover the amount of any potential customs debt and becomes responsible for;

- presentation of the goods intact (with seals intact where appropriate) together with the transit declaration at the office of destination within a prescribed time limit,
- observance of the customs provisions relating to the transit procedure; and
- payment of any duties and other charges which may become due in the event of an irregularity occurring.

If the UK were to remain members of the Common Transit Convention, the following example outlines what would happen in a post Brexit scenario. An importer (Company A Ltd.) is based in Ireland and importing goods from China via the U.K. into Ireland. To avoid having to complete customs formalities in the UK and pay the necessary duties there and complete further formalities and pay further duties in Ireland, the goods could travel under the transit procedure directly to their premises in Ireland. For this to happen Company A Ltd. need to be approved as an Authorised Consignee and a Temporary Storage Operator and will also need to be connected to the electronic Transit declaration system NCTS. Alternatively the goods could arrive at the nearest office of Destination on the transit system.

What needs to be considered here is the number of operators that can be authorised as outlined above and the Customs resources needed to effectively control and facilitate them. Likewise, while in theory every Revenue Office could become an office of Destination on the transit system, consideration needs to be given to the location and facilities available at these offices and the resources required to operate them. In this context, a full review of the existing network of approved transit offices will be required in advance of Brexit (Appendix 4).

While it would be the best outcome from an IE perspective, it is as yet unknown if the UK will apply for continuing membership of the Common Transit Convention or that any such application would be successful or approved before their official withdrawal from the EU.

2.3.2 TIR Movements

The other option for goods moving through the UK under transit is the TIR (Transport International Routiers) procedure which allows for the movement of goods over one or more frontiers provided

that some portion of the journey between the start and end of the TIR operation is by means of road transport.

TIR can only be used in the European Union where the movement either starts or ends in a third country, or where the goods move between two or more Member States via the territory of a third country. Consequently as a result of Ireland's geographical position there has never been any significant use of the TIR system. However this would change as a result of Brexit and the TIR system will become another attractive option for transport operators.

The TIR Convention contains specific technical requirements for the construction of the load compartments of vehicles or containers, in order to avoid smuggling. In addition, only carriers authorised by customs are allowed to transport goods under the TIR procedure. Under the TIR convention these vehicles and containers must be formally approved and re-approved every two years.

To cover the customs duties and taxes at risk throughout the journey, the TIR Convention has established an international guaranteeing chain which is managed by the International Road Transport Union (IRU). IRU is also responsible for the printing and distribution of the TIR Carnet, which serves both as a customs declaration and a proof of guarantee.

All of the above conditions and requirements would not only place an increased administrative burden on the trade but also would result in increased costs for traders involved in exporting goods via the UK. The UK is already a contracting party to the TIR convention and will not need to reapply following their exit from the European Union.

2.3.3 Goods arriving into Ireland from (or through) the UK

Under transit, it is possible for goods to proceed directly to an inland location before customs formalities need to be completed. Where a trader wishes to move goods arriving from or through the UK directly to their premises they will need to be approved as an authorised consignee and also have the appropriate premises approved as a Temporary Storage facility as the goods will have the status of non-union goods.

Where traders are not approved as authorised consignees then those goods declared for the transit procedure would be required to be presented at the declared customs office of destination for control purposes and in order to end the transit procedure. This in effect would require that current Revenue offices not assigned the function of a customs office of destination in NCTS would need to

be assigned that status and be in a position to provide suitable examination facilities where necessary controls can be performed. Providing suitable facilities and associated human resources may prove difficult for Revenue.

2.4 Charges Payable

2.4.1 Customs Duty

Custom Duty, which is almost entirely governed by EU legislation, is normally calculated as a percentage of the customs value of the goods. The percentage rate applied is dependant on the type of goods. These rates are set by the EU and, in the absence of a trade agreement, will apply to all goods being imported to Ireland from the UK. Of course the reverse would also apply, meaning any goods being exported to the UK would be subject to UK import duty, sole authority for the control and setting of which will have reverted to the UK authorities.

2.4.2 VAT

VAT is payable in Ireland at 23% of the Custom Value of the goods, meaning that any import duty levied on goods entering Ireland from the UK will have to be included in the value on which the VAT is calculated. Again it would be expected that the same would apply to goods entering the UK.

2.4.3 Excise Duty

Excise duties are also governed by EU rules. Tobacco, alcohol and energy are all subject to excise duties and there are agreed minimum rates for each of these, although Member States are free to set excise duties above the minimum rates. Although significant change is unlikely in the short-term, again the UK will be able to make changes here which could have an effect on traders moving excisable products to and from the UK.

2.5 Collection of Duty

Import duty, if required, will be calculated automatically and collected by AEP as part of the validation of the electronic customs declaration. This will mean that any traders who import goods exclusively from the UK and do not currently use AEP will need to apply for an AEP account. Where

duty arises, payment may be made by means of Deferred Payment (Bank Direct Debit) Scheme or by immediate Payments on Account.

2.6. Economic Operators Registration Identification (EORI)¹²

EORI is a system whereby every trader who interacts with Customs Authorities in any Member State of the EU is allocated a unique reference number. A declarant is obliged under legislation to register for EORI. Any trader not established in the customs territory of the Union must apply for an EORI number at the customs authority or, if different, the designated authority of the Member State where the declarant first will lodge an entry summary declaration. This means any trader exporting goods from the UK to Ireland who does not currently possess an EORI number will need to apply here for one. Currently there are some 22,000 Irish registered Economic Operators involved in the Import/Export business. With the number of VAT registrations at 250,000, it would be expected that a significant number of new registrations will occur.

2.7 Authorised Regular Shipping Service

Union goods carried on board ships with a status of Regular Shipping Service maintain their Union status when leaving a Member State's port for discharge at another Member State's port. The status is granted by customs to a shipping company that has made a specific application for it and it is restricted to ships that operate solely between ports located in EU Member States. Ships plying their trade between UK and IRL will no longer be able to benefit from the arrangements currently in place, leading to additional compliance costs of compliance for operators.

¹² Article 9 UCC

3. Impact on Customs

The key impact on customs will be in terms of increased client numbers and increased transactions. To an extent, the actual scale of the increased activity is unknowable and has to be extrapolated from rather limited existing data. Initial simplistic metrics, based solely on the value of traded goods, suggested that the post-Brexit environment would see a 100% increase in core customs business. However, the nature of trade is that consignments from outside the EU are more likely to involve bulk or single large shipments whereas imports from the UK are generally smaller. Therefore, a far greater number of small consignments, each requiring an individual customs transaction, may be involved in our UK imports than would be the case with the current 3rd country supply chains.

Specifically regarding land frontier activity, there is data from Transport Infrastructure Ireland (<http://www.tii.ie/>) as to the volumes of traffic using the main cross-border routes each day which suggests approximately 13,000 crossings each month by commercial vehicles using just the 12 monitored routes. On an annual basis, while not all of these >156,000 vehicles are necessarily carrying goods or deserving of customs attention, it is inevitable that many would meet these criteria. Furthermore, there are indications that a significant amount of groupage or multiple consignment loads would be a feature of cross-border traffic.

An equally valid indicator may be the 91,077 traders whose 2015 VAT files show intra-EU acquisitions of goods from the UK. This suggests a possible 800% increase in the number of active customs traders. Clearly, significant further research is required to establish if a more accurate assessment of the likely increase in actual transactions is possible.

In any event, a significant increase in human resources and a major investment in physical infrastructure will be unavoidable at existing ports/airports and at the new land frontier.

The eventual increase in business, whether 100% or 800%, may itself be influenced by the extent to which the existence of customs formalities becomes a deterrent to Irish UK trade and sees a degree of substitution of EU goods for items previously sourced within these islands.

Although the significant level of human resources required to support customs control programmes cannot be discounted, the primary interface between trade and customs will be our electronic systems and it is on these that the main burden of increased activity will fall.

3.1 IT Systems

The impact on specific IT systems is outlined below.

3.1.1 AEP

As stated above, simple extrapolation (substituting volumes for value), suggests a doubling of Import declarations from a current rate of approx. 1.1M¹³. At current control rates (9.4%), an additional 90,000 declared articles would require documentary controls and 25,000 articles would need to be physically controlled.

At Export, a minimum uplift of approx. 40% in declarations would be expected. Export control rates are lower than in the case of imports but an additional 6,000 consignments would require examinations of documents and or the goods themselves in order to maintain our current and rather low control levels.

AEP processed 1.35m declarations in 2015 with a peak time processing rate of 30 per minute. There is currently some degradation in performance noted, as a consequence of additional validation checks (arrivals/EMS) and an uplift in numbers (8% year on year).

3.1.2 Import Control System

It is unlikely that UK would wish to depart from the example of Switzerland and Norway and cease to be members of the security zone. That being the case, the UK will continue to undertake Safety & Security checks on third county goods transiting to Ireland. However, should this not be the case or should it not prove possible to have necessary arrangements in place before Brexit, the number of Entry Summary Declarations would strongly correlate to the number of additional declarations in AEP, a significant increase from a current figure of 50,000. The current system would not be in a position to cope with this additional volume without investment. However, given changes proposed under UCC, we have to gear up for a substantial increase in activity anyway by 2020.

3.1.3 Export Control System

As all direct Exports are handled via AEP currently, no additional volumes would be expected under this heading.

¹³ According to the CUP annual report there were 1,056,110 items declared for import in 2015

3.1.4 Transit (NCTS)

EU goods that move via UK to Ireland will require the opening of a transit movement. It would be expected that there would be a substantial increase in current inward volumes of 30,000. The software system in place is also used by the Netherlands who handle millions of movements so scalability is not in doubt but infrastructural facilities relating to Temporary Storage/Transit sheds would need to be established.

In relation to outgoing Transits, (14,355 – 2014) the pattern of trade would mean a more dramatic increase than inward traffic. Although as mentioned, the system could cope with increased volumes, a significant increase in the number of Guarantors (currently 17, and 22 with Guarantee waivers) may require additional control resources.

As mentioned previously in the context of trader impacts, there is will be a challenge for Revenue in striking the correct balance between control and facilitation. A number of traders may wish to pursue approval as temporary Storage operators or even seek a facility to discharge transit movements at nearby Revenue offices. Whether all such applications can be facilitated without disproportionate impact on Revenue facilities and staff resources is something that will have to be considered. Finally, aspects of the existing regime such as procedures involving notification on the opening of transits for inspection within a 15 minute window would have to be reviewed given the numbers involved as it may be necessary to diminish existing service levels if overall service is to be delivered at satisfactory levels.

Initial projections from ICTL on the potential impact on IT systems are outlined in Annex 5.

3.2 Air

3.2.1. Passenger Traffic

Based on recently published overseas travel figures¹⁴, there were 8.6m passenger trips to Ireland in 2014 of which 3.5m (41%) were from the UK mainland. Of the 7.0m trips outwards by Irish residents 3.5m were to the UK (excluding N.I.) This would mean that the number of passengers (both air and sea) arriving from the U.K. and potentially in possession of prohibited goods or with goods in excess of duty free allowances may exceed our existing customs control capacity.

¹⁴ Overseas Travel Jan-Dec 2015, CSO statistical release, 27 January 2016

The vast majority of our international air traffic, particularly 3rd country traffic, involves Dublin, Shannon and Cork airports. However, a number of smaller airfields are approved for the arrival and departure of EU traffic only. This would involve primarily traffic arriving from and going to the UK. A re-examination of these approvals would be required and a decision made as to whether they should be re-approved for arrival of non E.U traffic, with whatever restrictions or conditions might be considered appropriate. Clearly, any such approvals could lead to the requirement for an additional, if not permanent, customs presence at such airports, e.g. Weston, Knock and Kerry. In addition, the control of the plethora of smaller aerodromes would become a more challenging task for regional enforcement teams in light of their current use by flights emanating from both N.U.I and the UK mainland.

3.3 Maritime

3.3.1 Passenger Traffic

In 2015 a total of 2.8m¹⁵ passengers travelled to the Republic of Ireland from the UK. This significant increase in what will become non-EU movements will result in a substantial increase in the requirement for customs clearance of passengers at Dublin and Rosslare. Passenger Ferries from Cork to the UK ceased operations in 2010. Of lesser significance are the 3 car ferry operations between Northern Ireland and the Republic of Ireland¹⁶ which would also need to be considered when assessing the requirements for additional controls and resources.

3.3.2 Cargo traffic

Significant extra resources would also be required to deal with cargo from the U.K. Irish ports handled 12,000 vessels, a total of 46.7 million tonnes of goods in 2013 of which some 60% was Bulk, 12.1m (10.3m UK) Ro-Ro and 6.2m (0.5m UK) Lo-Lo (31.4m inward and 15.3m outward). While the existing customs freight handling processes at major ports can probably be scaled up to deal with increased activity, there could be significant challenges at both Dublin and Rosslare in terms of dealing with Ro-Ro traffic. Existing physical infrastructure and traffic streaming are likely to be stretched, if not overwhelmed, by the increased demand for customs controls.

¹⁵ UK Department of Transport Sea Passenger Statistical Report released 24 February 2016

¹⁶ Warrenpoint to Omeath, Greencastle to Magilligan and Greenore to Greencastle

3.4 Road Traffic

There are approximately 30m vehicle crossings on the main routes between Northern Ireland and the Republic each year. A more detailed analysis is provided in Annex 3. Much has been said about the need to ensure minimal disruption of this traffic while still ensuring adequate customs control and supervision. While some form of common travel area may exist post Brexit, a completely open border is not possible from a customs perspective. As stated at the outset, the procedures to be implemented at EU borders are long established (16 MS have existing land frontiers with non-EU countries) and it is probably somewhat naïve to believe that a new and entirely unique arrangement can be negotiated and applied to the IE/UK land frontier.

The choice would appear to be between the “hard” border as found on the existing eastern frontier of the EU and the “soft” border arrangements which apply between the EU and Norway or Switzerland. Even in the latter scenarios, certain controls are unavoidable and a number of designated and resourced crossings will be required to meet the needs of legitimate trade and to satisfy our EU obligations.

Deciding on the final number, location and operating hours of designated crossings to be manned by customs will itself be challenging. The border is 499km (310 miles) in length. While a very small number of approved or designated official crossings (3 or 4) might be considered to meet the requirements of the most significant routes, the consequent restrictions on economic activity on all other routes is unlikely to be unacceptable.

The final placement of frontier stations is something which will need to be agreed with the UK authorities as a reciprocity is a basic requirement, i.e., crossings where export from IE is permitted will need to be approved for import into the UK and vice versa.

A final scenario of somewhere in the region of 8 designated crossing points is not inconceivable. The staffing and infrastructure costs associated with such an outcome, along with the physical infrastructure required to facilitate efficient processing at these sites, will make this a significant project.

At some point, it may be possible to have an arrangement with the UK, similar to that in place between Sweden and Norway, whereby at minor crossings there is only one customs station on one particular side of the border and a bilateral agreement allows the customs officers of one country to carry out clearance checks for both countries. However, it should be noted that there are customs offices at both sides of the border at the main crossing points between Sweden and Norway. Any such arrangement would require extensive re-training of customs officers from both jurisdictions in

order to comply with both EU and UK legislation and is probably not a priority in the initial stages of Brexit as any related efficiencies are more to the benefit of customs than trade.

Another possibility which has been proposed is an e-flow-style number plate recognition system that would allow vehicles carrying goods to move from the Republic to the North and vice versa without having to stop in cases where a pre-departure/arrival declaration has been lodged and green-routed. In theory, upon arriving at the frontier, a vehicle could be identified by the ANPR system, associated with a particular pre-declared consignment and signalled as to whether clearance had been provided or engagement with customs was required.

For a system of this nature to work with maximum effectiveness it would require an interface between both countries electronic systems and it is unclear whether that any such system could be commissioned and installed in the time available. Clearly, a detailed analysis of the potential cost/benefit and the associated technical challenges is required before the practicality of such a regime can be evaluated. Furthermore, one of the primary functions of an EU Customs Office of Exit is to supervise the physical exit of goods from the Union¹⁷. Clarification would be required from the EU Commission as to what extent a camera based system could be considered to meet this requirement.

In any event, a physical customs presence would still be required to engage with legitimate traders and to meet a range of EU obligations. Regardless of any efficiency arising from an ANPR system, the inevitability of certain consignments being routed other than green and goods or documents having to be examined would still require investment in suitable facilities at all designated crossing points. A particular issue in this regard may be the logistical challenge of placing permanent controls on the M1 route from Dublin to Belfast.

There have been suggestions that, in some cases, the need for physical controls could be identified at the frontier but that goods could travel, possibly under seal, to trader premises for subsequent examination by customs as opposed to being physically controlled at the point of importation. While this could be permissible under EU law in some circumstances, it is unlikely that any such arrangements will be common as the consequent requirement for customs human resources would be a multiple of what would be required if controls were to be carried out at the point of importation.

¹⁷ Article 333 Implementing Act

There are a small number of simplifications that have come into being in the context of the EU/CH border or between Norway and Sweden that may be worth exploring with a view to minimising the burden on trade but indications are that these would have a peripheral impact at best.

Finally, a visible regime of mobile patrols and checkpoints will be required to monitor and control the remaining multitude of “unapproved” routes to deter and detect abuse.

3.4.1 Agriculture – animals and food products

Consignments of live animals and products of animal origin being brought into the EU can only be imported at an approved BIP (Border Inspection Post). Customs cannot permit the release into free circulation of goods or animals not already cleared by the relevant collocated BIP. The Department of Agriculture, Food and the Marine has put infrastructure in place and granted approvals as follows:

Dublin Port	- packed products of animal origin
Dublin Airport	- horses
Shannon Airport	- packed products of animal origin, horses, cattle, sheep pigs and goats

Clearly, liaison between Revenue and DAFM will be required to determine the extent and location of whatever revised BIP infrastructure is necessary as a consequence of Brexit. While an obvious issue for the land frontier, it may be that additional BIP facilities at Rosslare or changed responsibilities at other locations will be required in a post Brexit environment.

3.5 Rail Traffic

3.5.1 Passenger traffic

The cross border service, linking Dublin to Belfast, named **Enterprise**, is jointly owned and run by Northern Ireland Railways and Irish Rail. The service provides 8 round trips per day and in 2013 the total number of passengers travelling on the outbound service from Connolly Station to Belfast was 880,000¹⁸. The last station in the Republic is Dundalk and the first station in N.I. is Newry.

Prior to EU accession, customs controls were performed at Dublin and Belfast but this may not be sufficient to comply with current EU regulations as there are a number of stops between these two points, at both sides of the border. For example and despite the fact that they are part of the

¹⁸ Transport Omnibus 2014 CSO statistical publication, 17 December 2015

Schengen Area there are permanent customs areas in France, Germany and Italy for passengers travelling to and from Switzerland.

3.5.2 Rail Cargo

There is currently no cross border movement of freight by rail.

3.6 Postal Traffic

There are approximately 20 customs staff based at mail centres at present whose functions include assessing all non EU mail for duties together with carrying out prohibition and restriction controls. An Post estimates that 50% of the post coming into Ireland originates in the UK. This being the case we would need to increase the number of customs staff carrying out controls at the three postal depots by at least double to cope with these volumes. Current figures received from An Post estimate that there are 18,000 parcels arriving in Portlaoise Mail Centre per week from the UK and Northern Ireland while there are 128,000 items of correspondence processed in Dublin Mail Centre.

3.7 Express Carriers and couriers

There are four global express carriers operating in Ireland namely DHL, FEDEX, TNT and UPS. In an industry that continues to grow, there are also a large number of smaller operators e.g. GLS, DPD, Nightline, Fastway, etc. All of these companies would have significant volumes of goods coming from the UK. Currently, these goods move relatively freely and are only subject to minimal levels of control for prohibitions or restrictions purposes. However post Brexit these goods will need to be declared as Imports and subsequently be subject to the associated customs controls.

The aforementioned "big 4" express carriers already have the necessary infrastructure and systems to deal with customs formalities for their UK traffic but most other operators will need to significantly upgrade. In addition, customs resources will be needed to carry out physical controls at the depots of larger operators or at the relevant port, airport or frontier station in the case of smaller operators where volumes would not justify customs attendance at individual premises. It should also be noted that all couriers moving via road from Northern Ireland will also need to be adequately controlled.

3.8 Pipelines

The Republic of Ireland is connected to UK by two gas pipelines known as the UK interconnector with an entry point at Moffat in Scotland. The Scotland-Northern Ireland Pipeline also connects to the Irish gas system at Gormanston in the Republic of Ireland. 95% of natural gas used in Ireland comes from the UK¹⁹. Natural Gas being imported via a pipeline from the UK will be exempt from the requirement for a pre-arrival safety and security declaration²⁰ but will be subject to all other import formalities.

3.9 Authorised Economic Operator (AEO)

Based on the fact that our volume of imports from the UK (value based figure) is nearly equivalent to our current volume of third country imports there is likely to be a significant increase in the number of traders applying for AEO status. This will be especially relevant under UCC where the granting of all customs simplifications will be dependant on the applicant having AEO status or at least meeting the criteria for AEO. It is almost inevitable that a significant increase in customs traders will result in an increased level of applications for AEO status which will further burden our existing scarce operational resources.

3.10 Economic Procedures

Taking the volume of imports measured in value and based on CSO figures for the 2013 calendar year, Ireland roughly imported the same volume of goods from the UK and NI as it did from all other Third Countries outside of the EU. Applying these figures to the number of special procedures we have in place we can estimate that the number of authorisations could at least double if the UK exits the EU. The following is an estimate of the effect:

- 74* Inward processing (IP) authorisations increases to 148
- 75* Processing under Customs Control(PCC) authorisations increases to 150
- 63* Customs Warehouse authorisations increases to 126

¹⁹ Energy Security in Ireland 2014 report.

²⁰ Article 104 Delegated Act

- The number of End Use authorisations (84) that are currently in place may not be affected but given the high number of Aer Lingus and Ryanair planes based in UK airports and parts for which are all covered by End Use today (dispatched from Dublin as required), we can expect the number of normal exports of aircraft parts to increase significantly.
- With an estimated 37% increase in the number of third country exports if the UK exit the EU we can expect an equivalent increase in the number of Outward Processing authorisations from the current number 12 to 16

As previously stated in respect of AEO, it is almost inevitable that any significant increase in traders availing of these procedures will further burden our existing scarce operational resources. We should also expect that there would be a big rush by traders to apply for any extra reliefs in the period leading up to or following a UK exit. This particular group of traders would have little or no experience with customs procedures and who would require a lot of “hand holding” for a period, clearly placing an additional burden and drain on our resources.

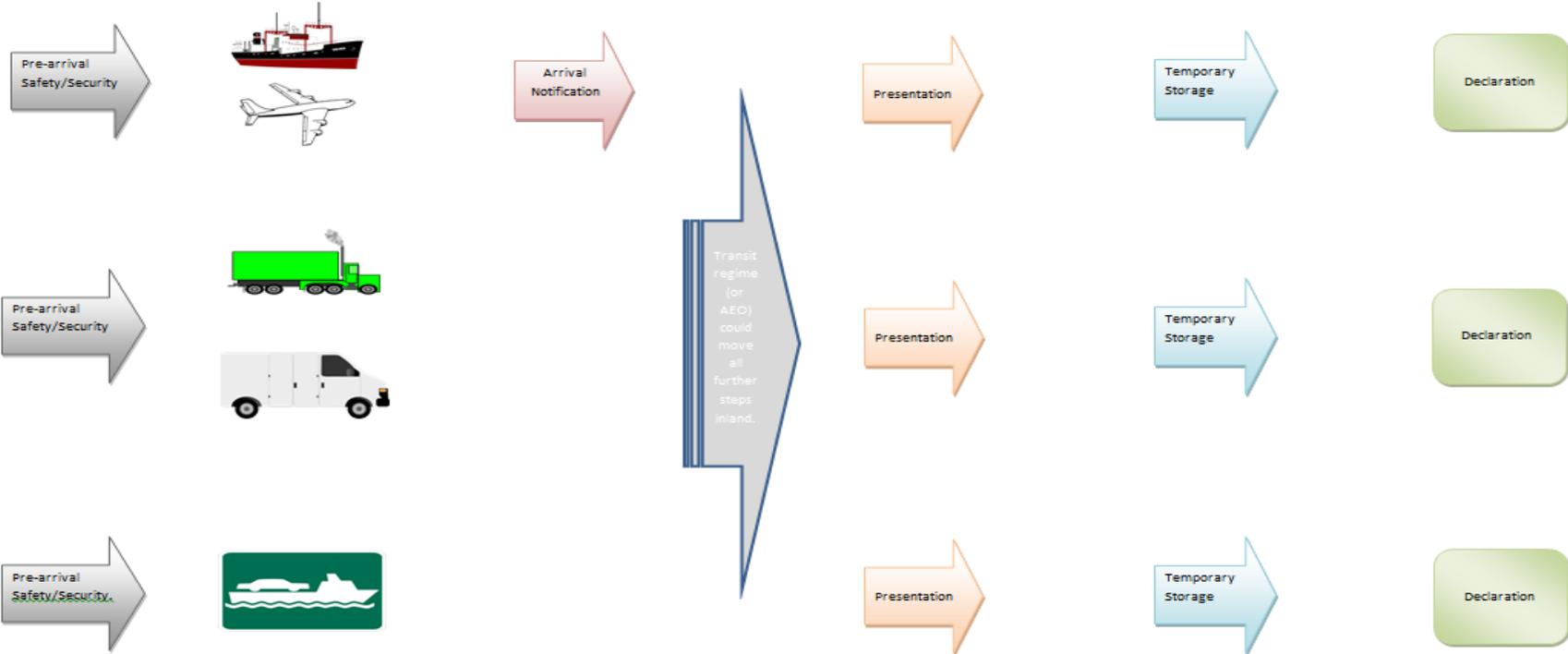
3.11 Duty/VAT Free sales

A final point to be considered is the impact on relief schemes for travellers such as duty free sales of excisable products and VAT free sales for non-EU citizens. Both of these regimes should see a significant increase in activity which will bring their own control challenges for Revenue.

ANNEX 1 - Import procedures - transport arriving from 3rd country



Import procedures – transport arriving from 3rd country



NOTES:

1. Pre-arrival Safety & Security data not required from Norway or Switzerland due to agreements in place with EU

ANNEX 2 – Time limits for lodging an Entry Summary Declaration

Time Limit for lodging an Entry Summary Declaration

Mode of Transport	Time Limit
Containerised maritime cargo	24 hours before loading onto the vessel on which the goods will enter the customs territory of the EU
Bulk or Break Bulk maritime cargo	4 hours before the arrival of the vessel at the first port of entry into the customs territory of the EU
Air Transport	No later than the actual time of departure
Road Transport	1 hour before the arrival at the place for which the customs office of first entry is competent
Combined Transport	Time limit applicable for the active means of transport entering the customs territory of the EU

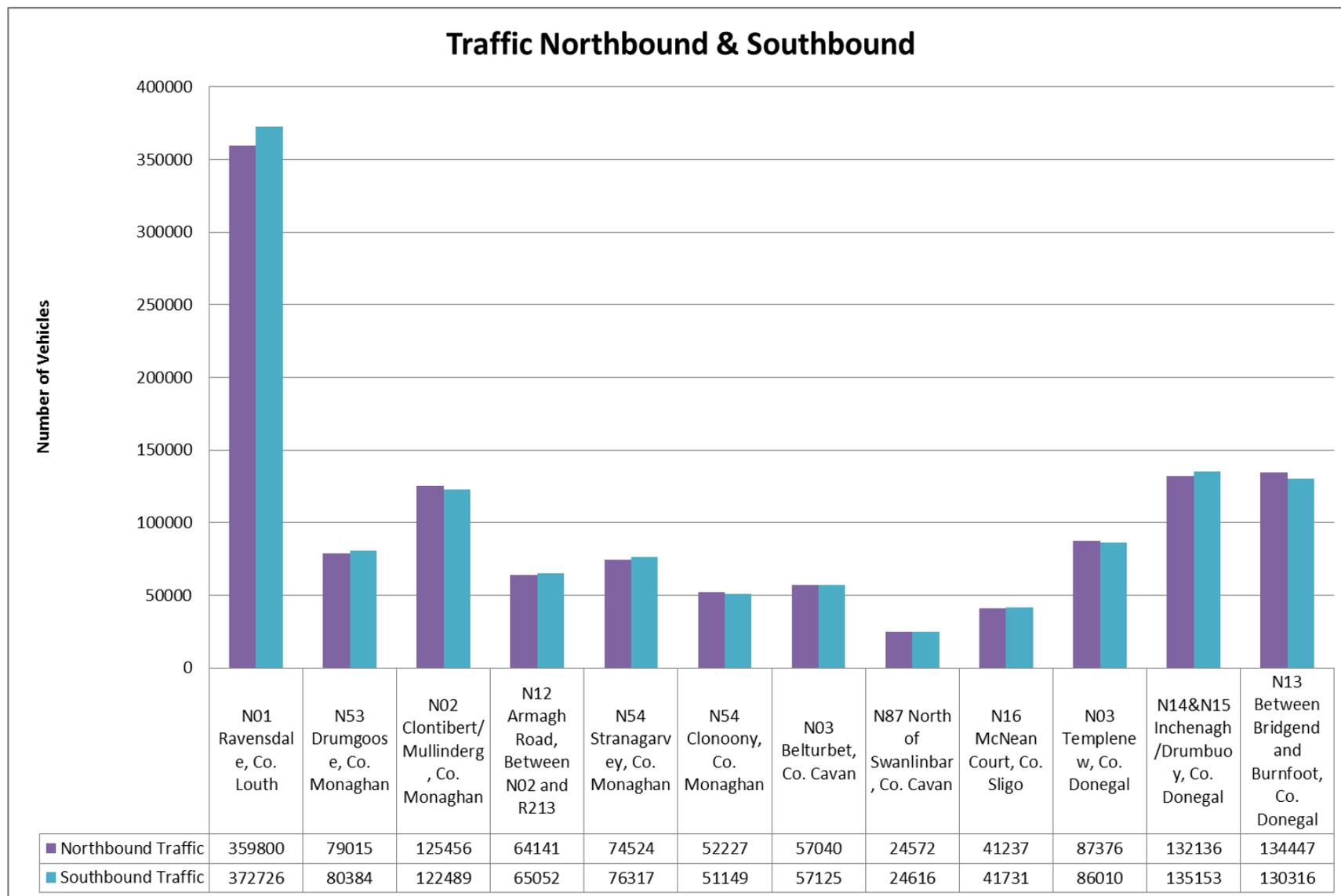
ANNEX 3 – Traffic information

The following charts and tables have been compiled using data from the Transport Infrastructure Ireland website (<http://www.tii.ie/>)



Note; there are two data points on the following roads, N01, N02 and N14&N15. Data from these points have been added and split in two for the purpose of the following graphs.

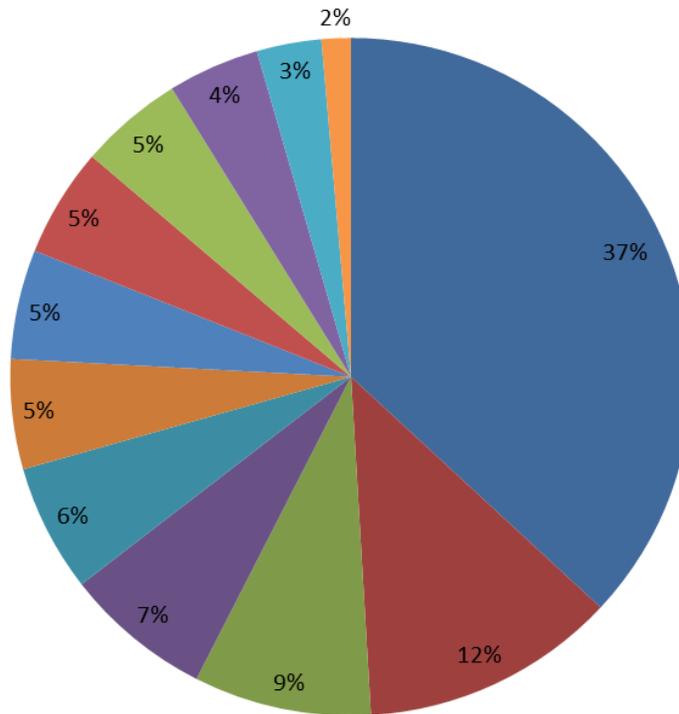
The graph below illustrates Northbound and Southbound Traffic for the month of May 2016, for all vehicles.

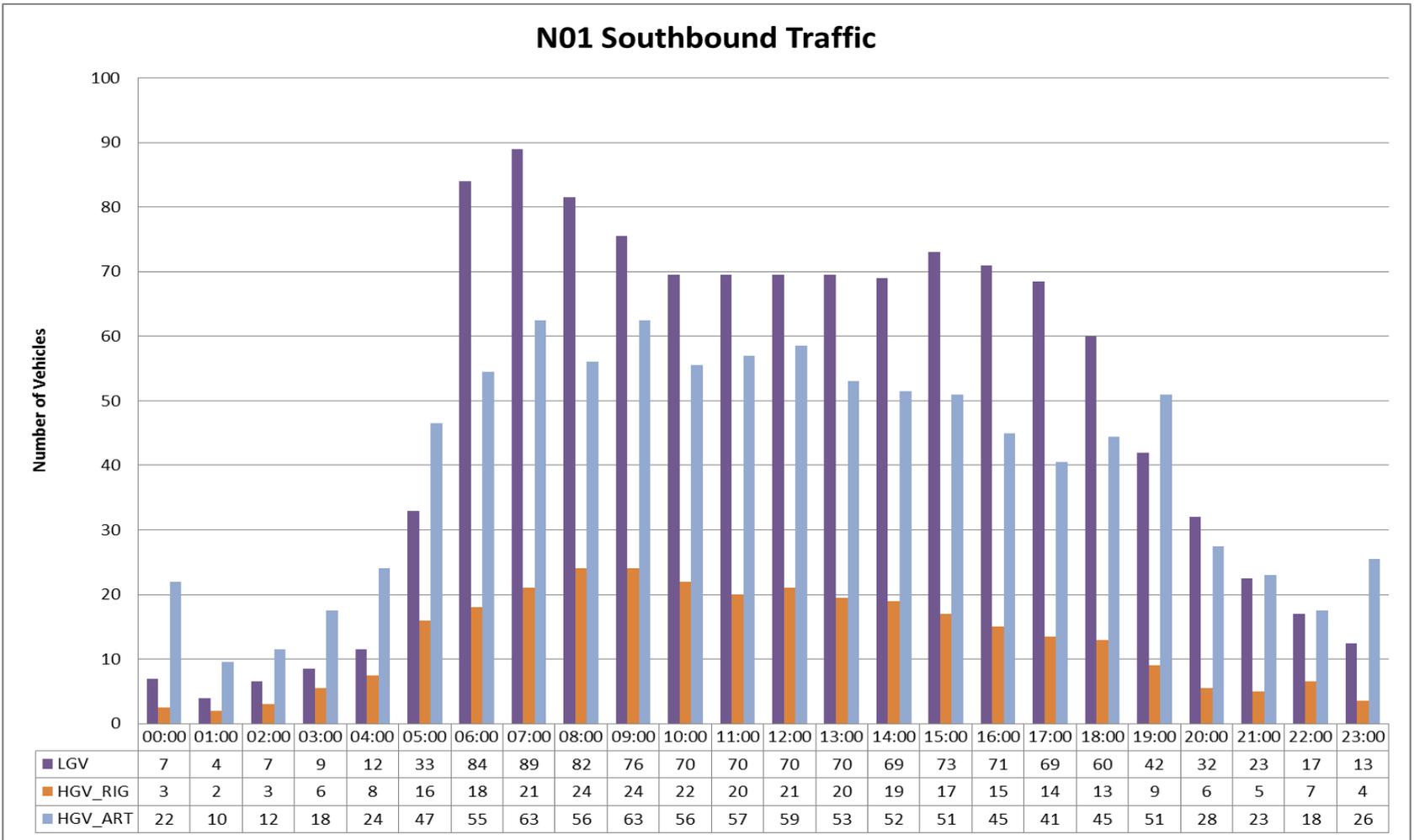


This graph displays the Southbound traffic of LGV, HGV_RIG and HGV_ART vehicles only. Roads are listed as per the busiest routes, based on these types of vehicles only.

Chart Title

- No. 1: N01 Ravensdale, Co. Louth (37%)
- No. 2: N02 Clontibert/Mullinderg, Co. Monaghan (12%)
- No. 3: N14&N15 Inchenagh/Drumbuoy, Co. Donegal (9%)
- No. 4: N13 Bridgend & Burnfoot, Co. Donegal (7%)
- No. 5: N54 Stranagarvey, Co. Monaghan (6%)
- No. 6: N03 Belturbet, Co. Cavan (5%)
- No. 6: N54 Clonoony, Co. Monaghan (5%)
- No. 6: N53 Drumgoose, Co. Monaghan (5%)
- No. 6: N12 Armagh Rd (between N02 & R213) (5%)
- No. 7: N03 Templenew, Co. Donegal (4%)
- No. 8: N16 McNean Court, Co. Sligo (3%)
- No. 9: N87 North of Swanlinbar, Co. Cavan (2%)

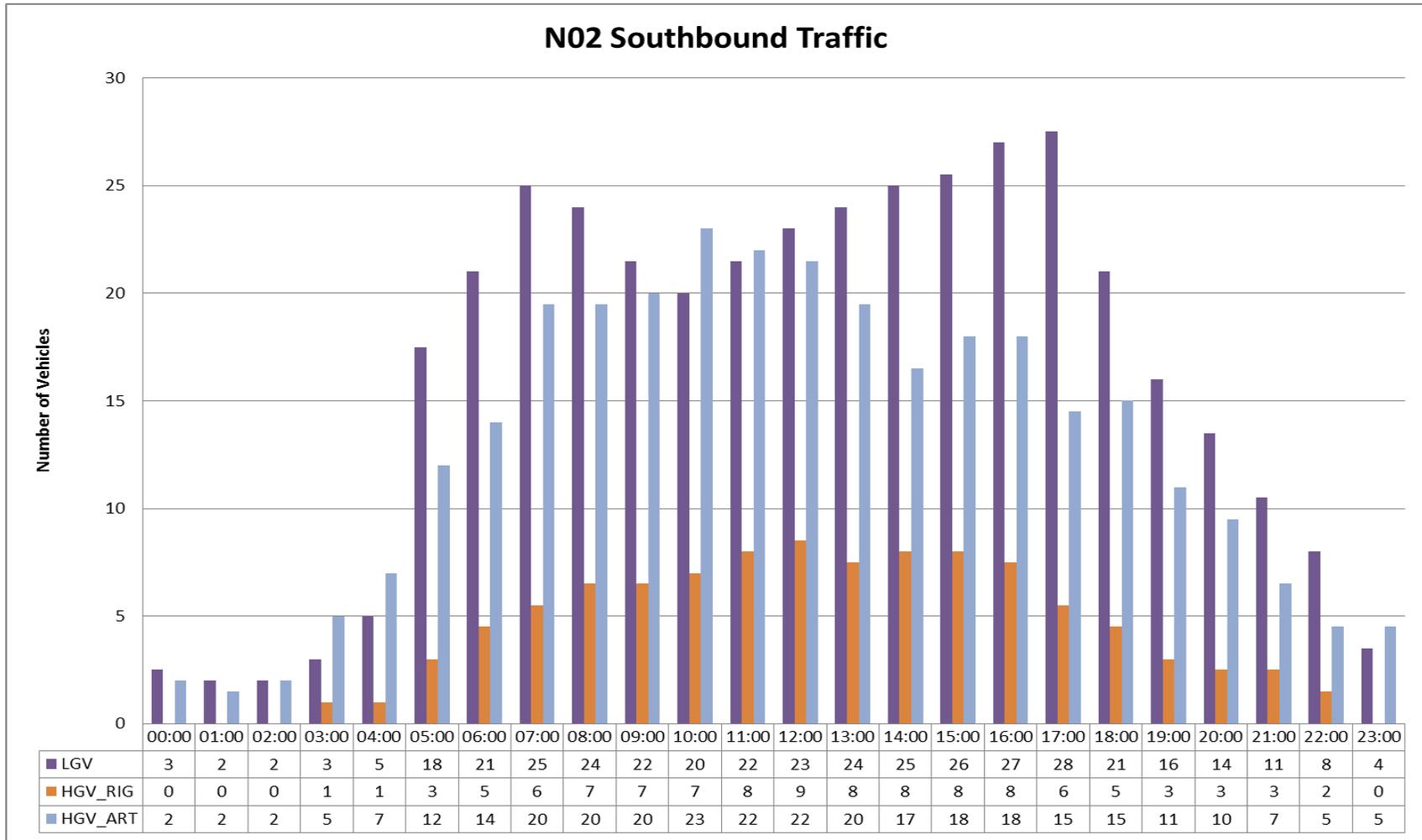




Peak Times

AM: 07:00hrs (173 vehicles)

PM: 12:00hrs (150 vehicles)

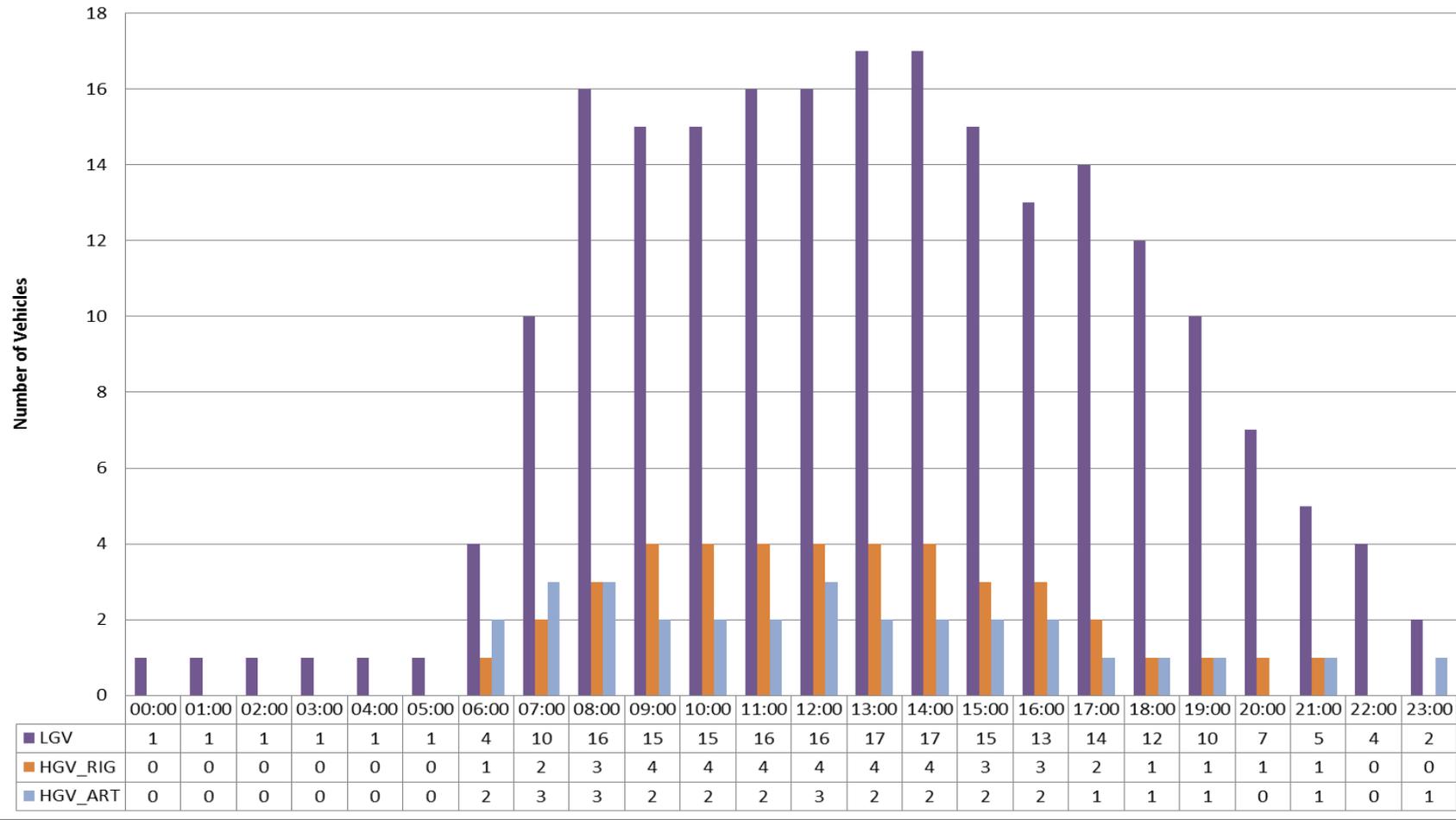


Peak Times

AM: 11:00hrs (52 vehicles)

PM: 12:00hrs (54 vehicles)

N03 Southbound Traffic (Templenew)

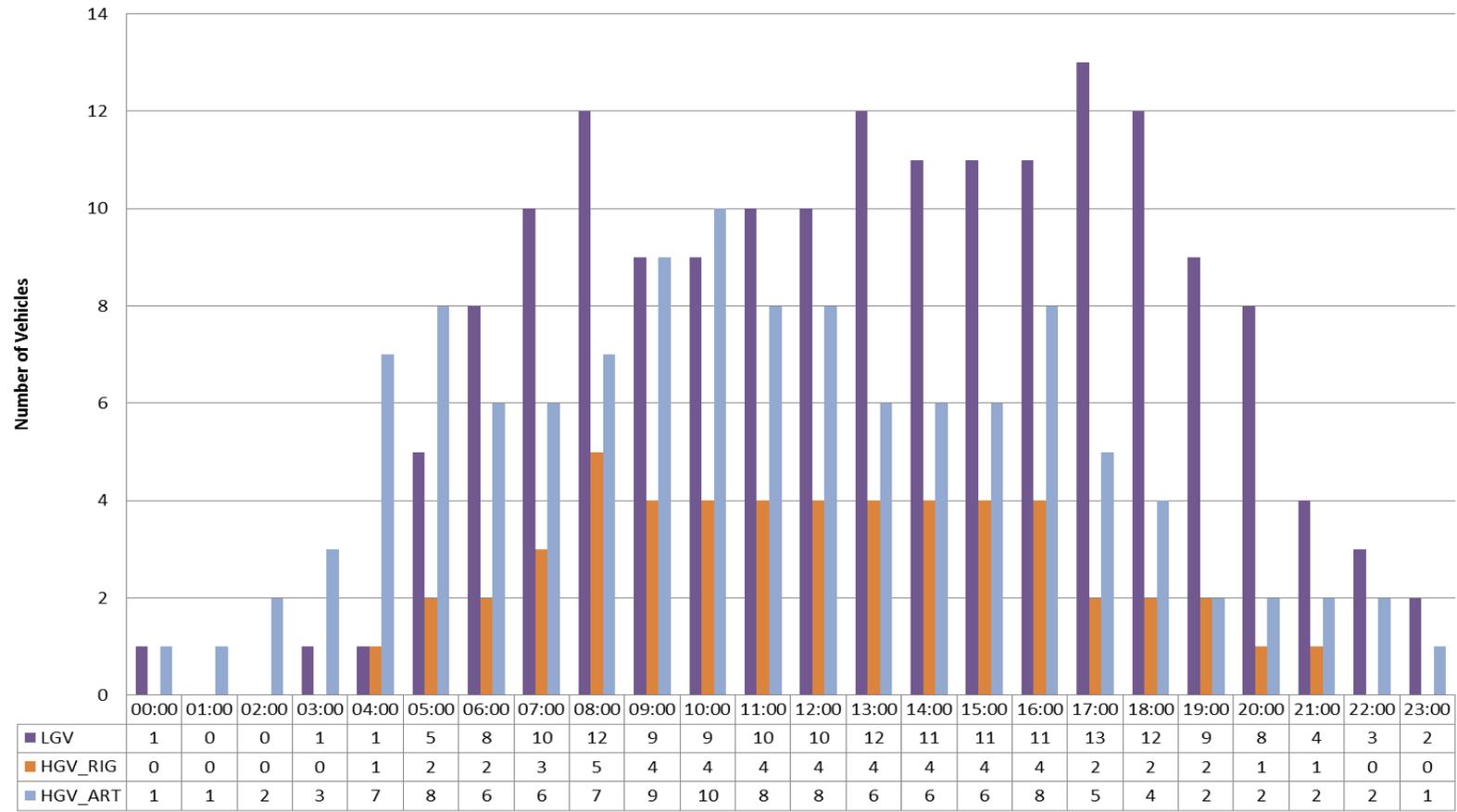


Peak Times

AM: 08:00hrs and 11:00hrs (22 vehicles)

PM: 12:00hrs, 13:00hrs and 14:00hrs (23 vehicles)

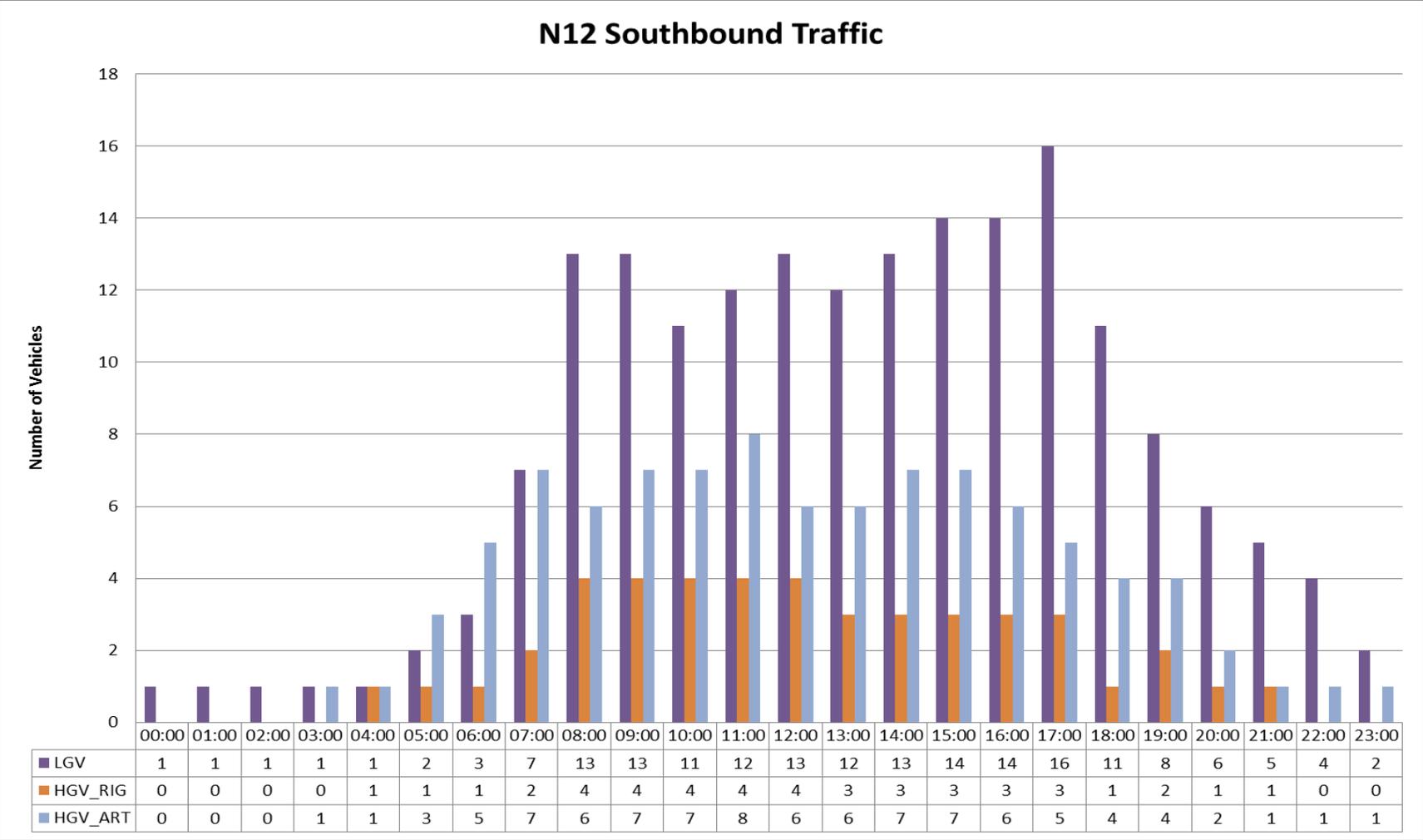
N03 Southbound Traffic (Belturbet)



Peak Times

AM: 08:00hrs (24 vehicles)

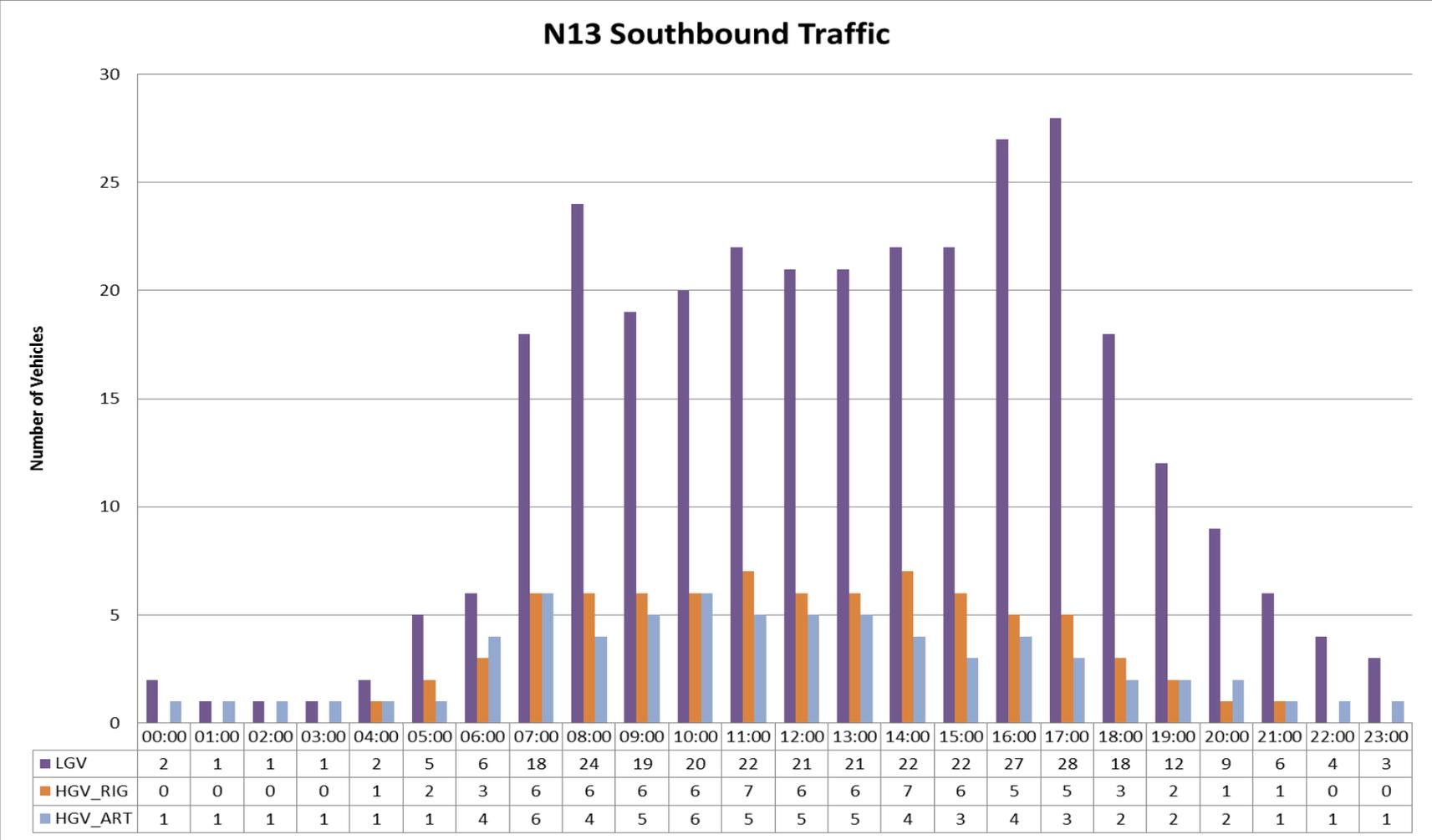
PM: 16:00hrs (23 vehicles)



Peak Times

AM: 09:00hrs and 11:00hrs (24 vehicles)

PM: 15:00hrs and 17:00hrs (24 vehicles)

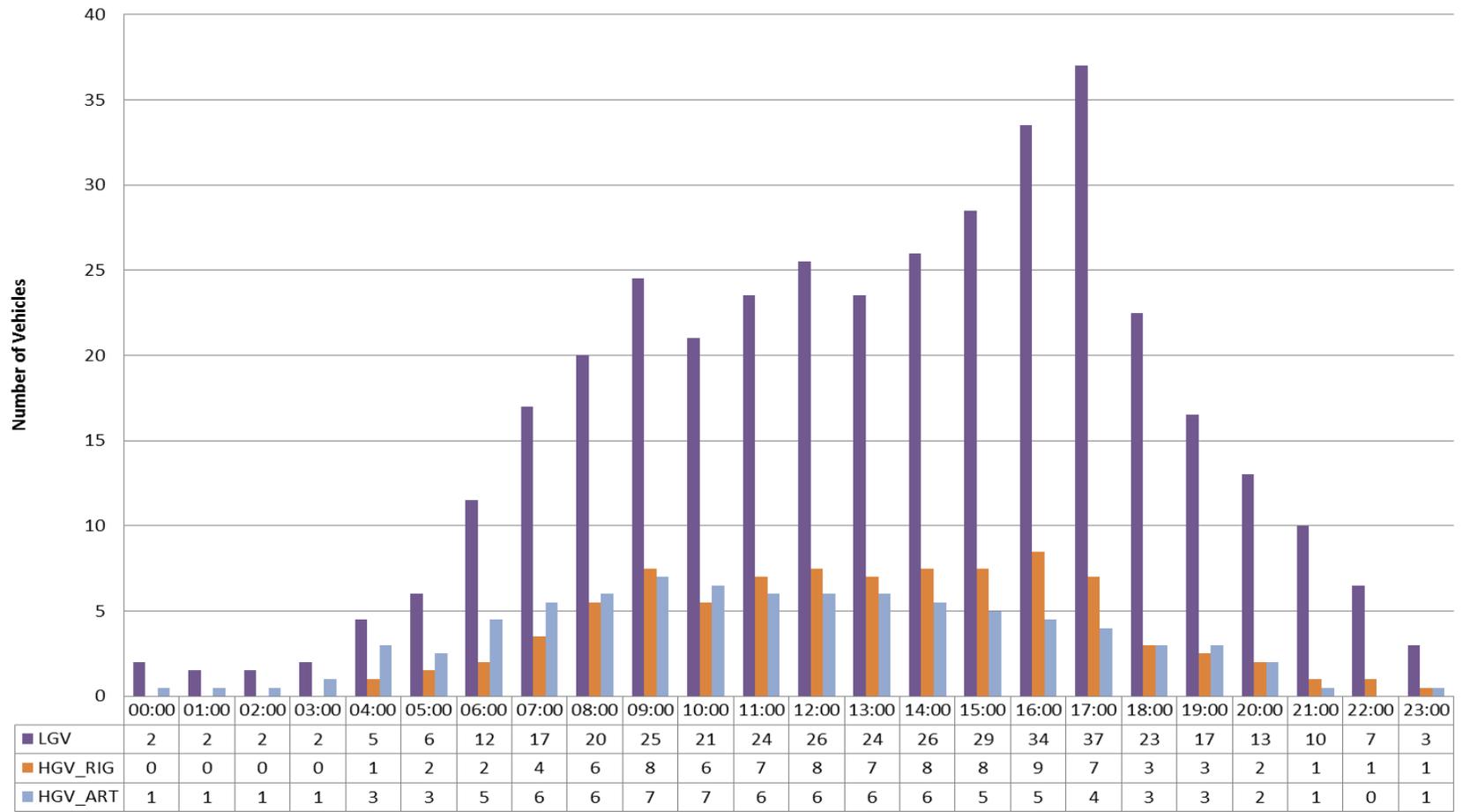


Peak Times

AM: 08:00hrs and 11:00hrs (34 vehicles)

PM: 16:00hrs and 17:00hrs (36 vehicles)

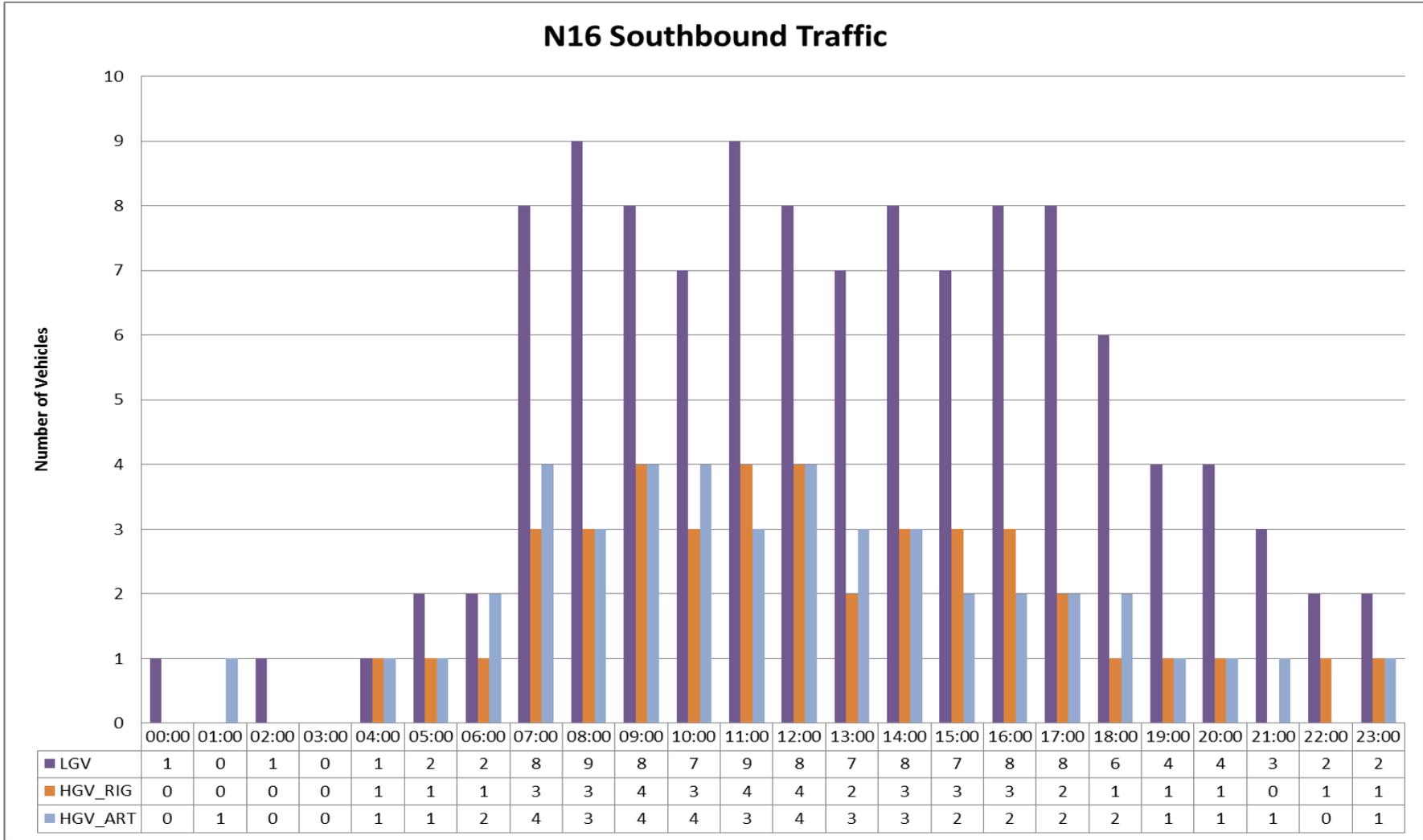
N14 & N15 Southbound Traffic



Peak Times

AM: 09:00hrs (39 vehicles)

PM: 16:00hrs and 17:00hrs (48 vehicles)

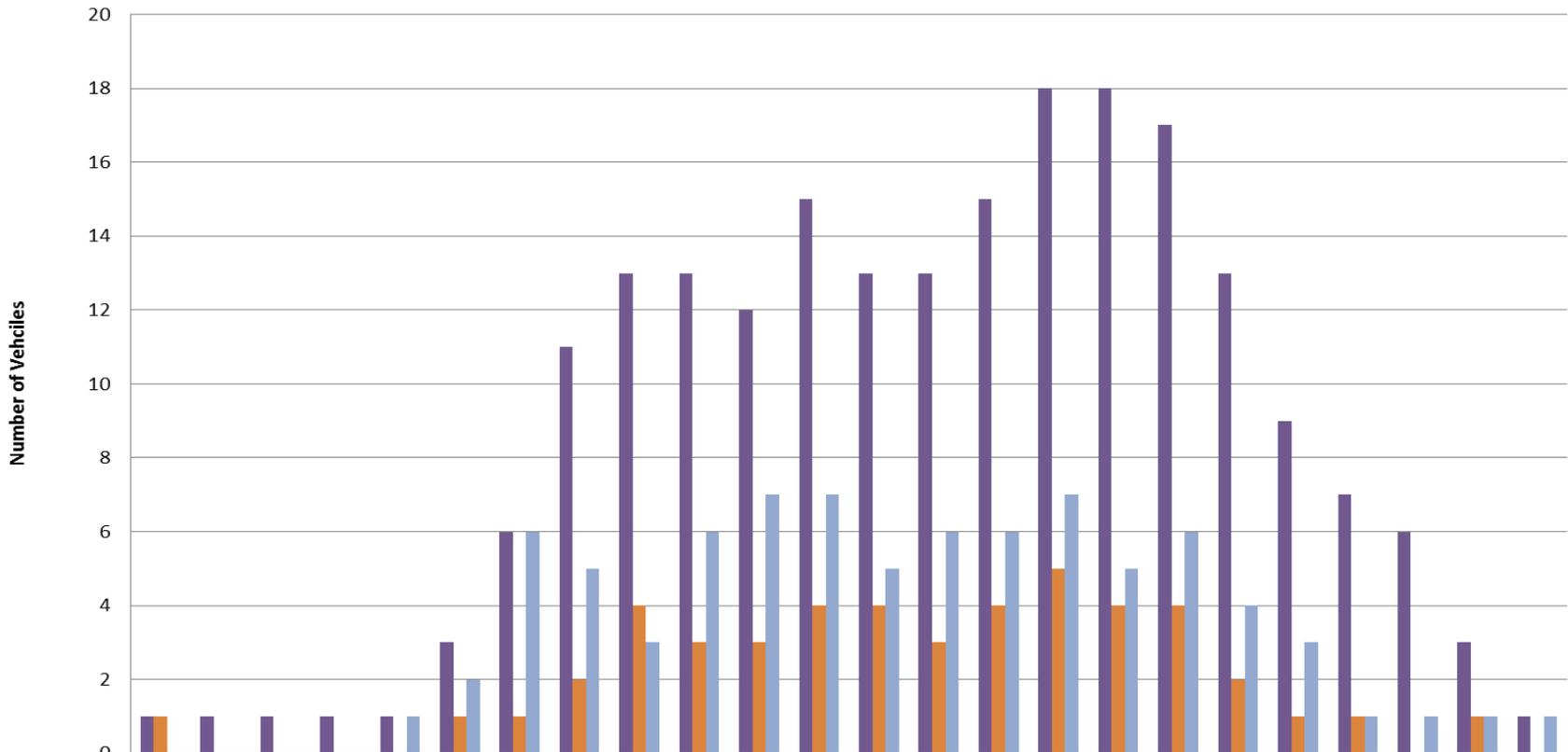


Peak Times

AM: 09:00hrs, 11:00hrs (16 vehicles)

PM: 12:00hrs (16 vehicles)

N53 Southbound Traffic



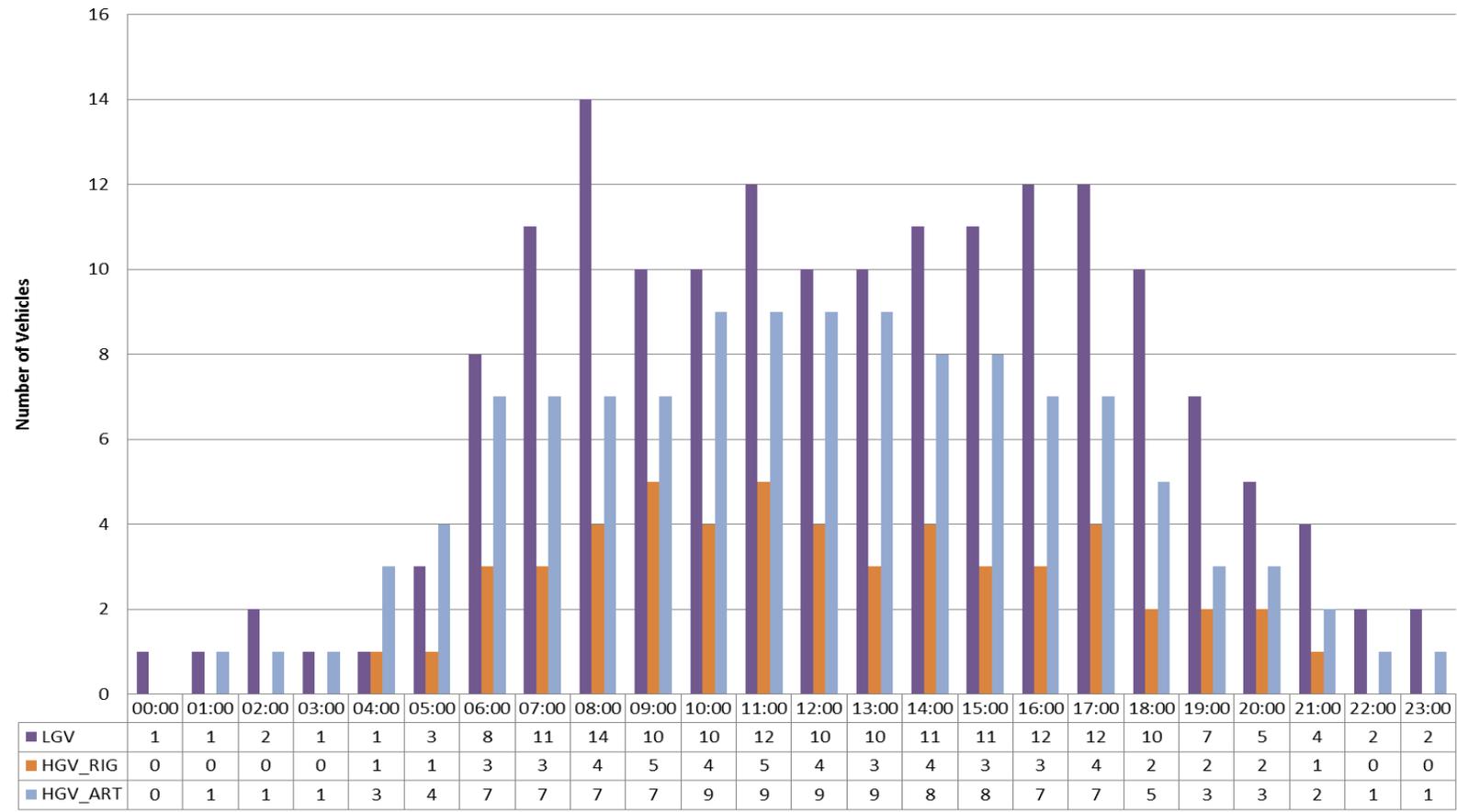
	00:00	01:00	02:00	03:00	04:00	05:00	06:00	07:00	08:00	09:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00
LGV	1	1	1	1	1	3	6	11	13	13	12	15	13	13	15	18	18	17	13	9	7	6	3	1
HGV_RIG	1	0	0	0	0	1	1	2	4	3	3	4	4	3	4	5	4	4	2	1	1	0	1	0
HGV_ART	0	0	0	0	1	2	6	5	3	6	7	7	5	6	6	7	5	6	4	3	1	1	1	1

Peak Times

AM: 11:00hrs (26 vehicles)

PM: 15:00hrs (30 vehicles)

N54 Southbound Traffic (Clonoony)

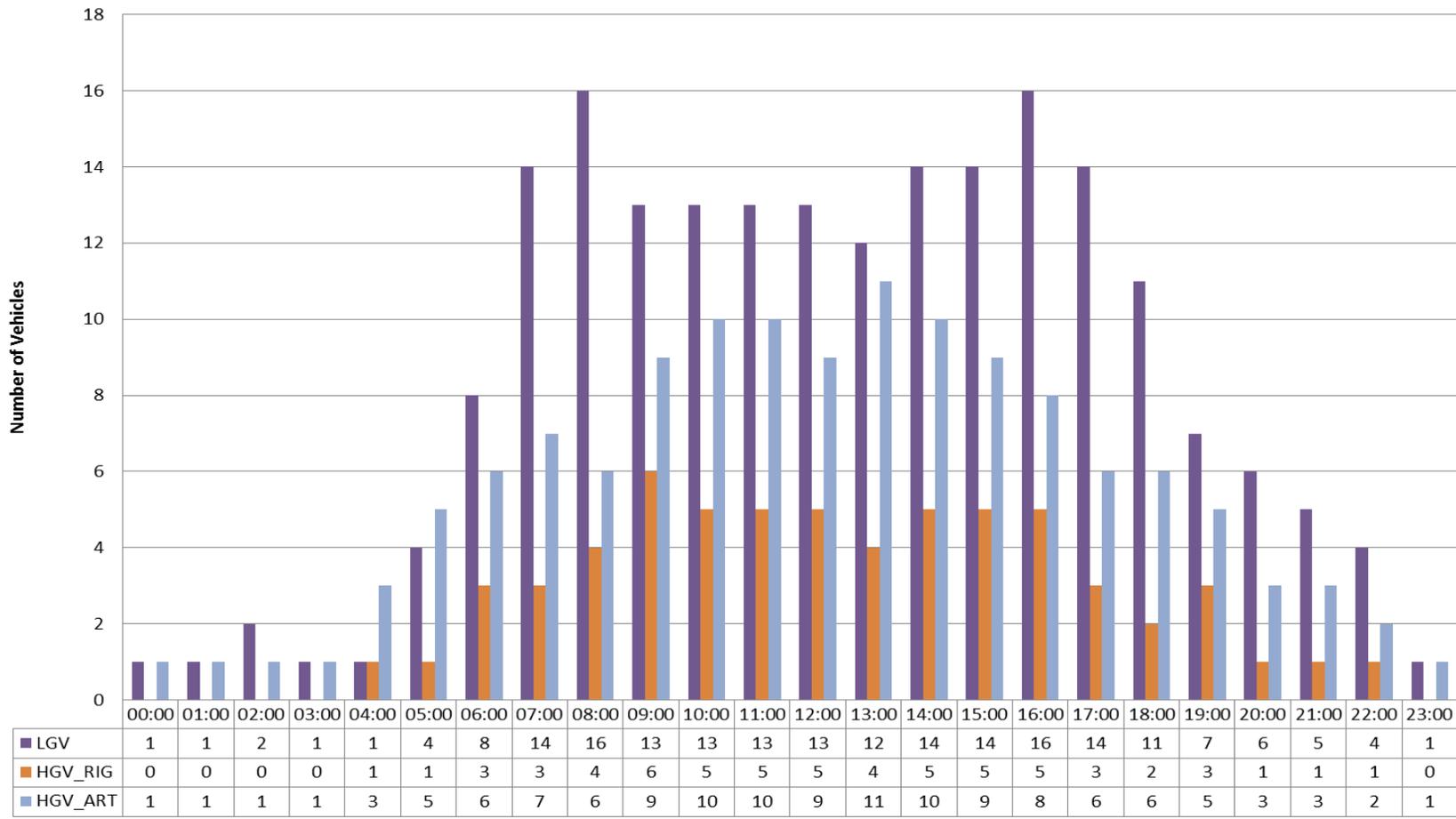


Peak Times

AM: 11:00hrs (26 vehicles)

PM: 12:00hrs, 14:00hrs and 17:00hrs (23 vehicles)

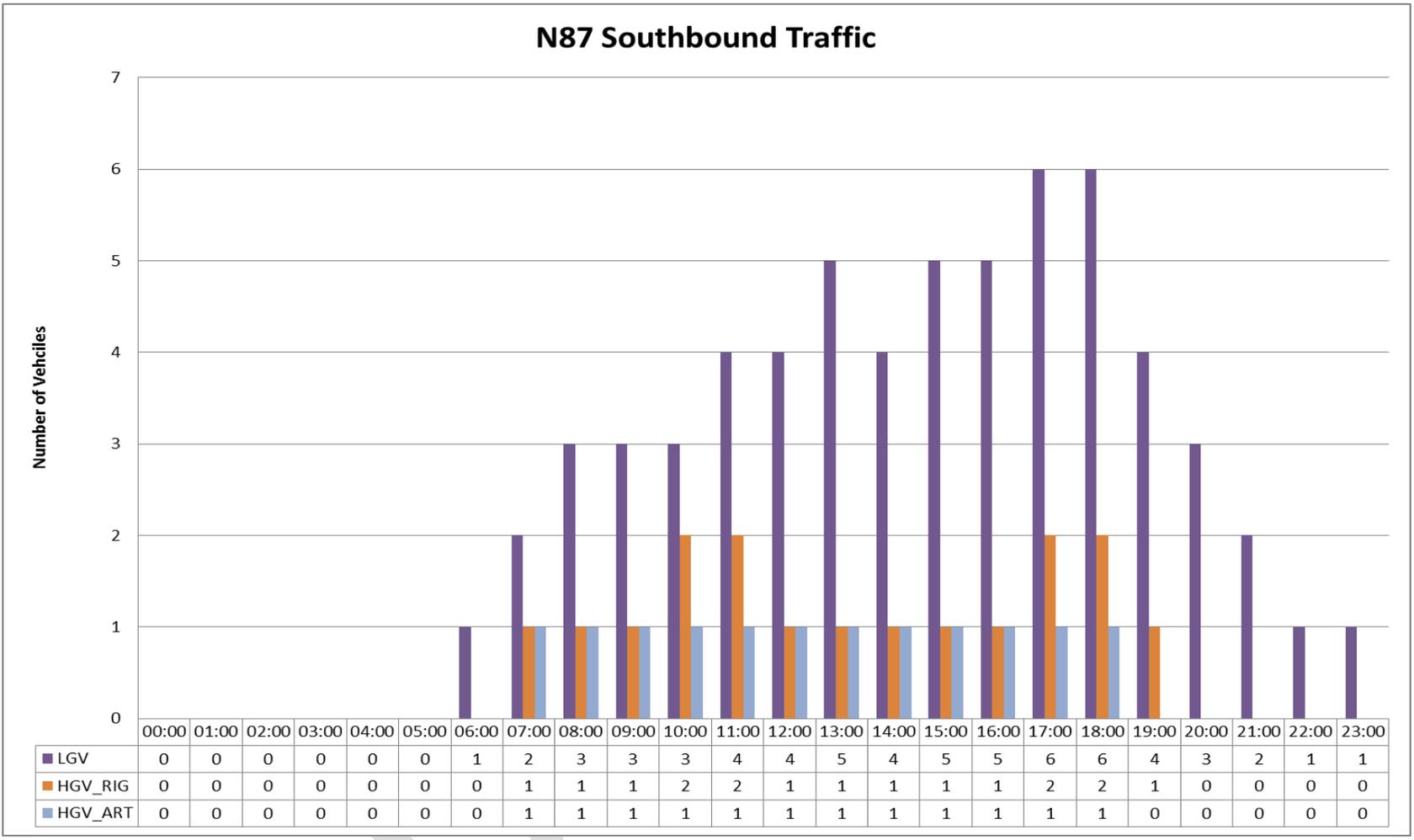
N54 Southbound Traffic (Stranagarvey)



Peak Times

AM: 09:00hrs, 10:00 and 11:00hrs (28 vehicles)

PM: 14:00hrs and 16:00hrs (29 vehicles)



Peak Times

AM: 11:00hrs (7 vehicles)

PM: 17:00hrs and 18:00hrs (9 vehicles)

ANNEX 4 – List of transit stations

List of Transit Stations

County	Location	Code	Transit Station	Office Status
Clare	Shannon Airport	IESNN400	✓	Active
Cork	Whitegate	IEWHI100	✓	Active
	Cork Airport	IEORK400	✓	
	Bantry	IEBYT100	✓	
	Tivoli	IETIV100	✓	
Donegal	Killybegs	IEKBS100	✓	Active
	Letterkenny	IELTR300	✓	
Dublin	Dublin Port	IEDUB100	✓	Active
	Dublin ACP Control	IEDUB200	✓	
	Dublin Airport	IEDUB400	✓	
Galway	Galway	IEGWY100	✓	Active
Kerry	Fenit	IEFEN100		Active
Kildare	Athy	IEATY800	✓	Active
Kilkenny	Kilkenny	IECLK100	✓	Active
Limerick	Foynes	IEFOV100	✓	Active
	Limerick Docks	IELMK100	✓	
Louth	Dundalk	IEDDK100	✓	Active
	Drogheda Port	IEDRO100	✓	
	Greenore Port	IEGRN100	✓	
Monaghan	Monaghan	IEMON300	✓	Active
Sligo	Sligo	IESLI100	✓	Active
Waterford	Frank Cassin Wharf	IEFCW100	✓	Active
			☐	
	Belview	IEWAT101	✓	Active
	New Ross	IENRS100	✓	Active
Wexford	Rosslare Harbour	IEROS100	✓	Active

ANNEX 5 – IT systems impacts estimations

Annex 5 has been redacted as it contains commercially sensitive information the publication of which could prejudice the conduct or outcome of ongoing contractual negotiations.

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