

Customs Capacity Study

**A Report by
The Logistics Consultants**

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1. Introduction

In March 2020, a report by The Logistics Consultants on Customs Capacity in Northern Ireland (NI) was published by Department for the Economy (DfE). The consultants interviewed customs intermediaries operating in NI about a range of topics including preparedness for post-Brexit trading arrangements, recruitment and training strategies, etc., and they found that the customs intermediary sector was ill-prepared at that time to process the anticipated volume of customs declarations associated with inflows from Great Britain (GB) to NI.

In November 2021, Department for the Economy commissioned The Logistics Consultants to carry out further research on Customs Capacity in NI building upon the previous research completed in early 2020. Government is seeking to develop its evidence base required to ensure that decisions affecting NI are as well informed as possible. It is important to understand the capacity of the private sector in NI to complete customs declarations on behalf of others, and to look at the state of play at present and understand what potential solutions might exist for NI businesses. Given the level of trade between GB and NI it is crucial to know what steps might be possible to mitigate any barriers to trade.

1.2 Methodology

Similar to the previous research carried out for the 2020 report, a series of semi-structured interviews were conducted with sixteen service providers, including long-established customs intermediaries as well as with businesses that recently started providing customs-related services in response to the new trading arrangements.

A set of questions was used to direct the semi-structured interviews, covering topics including:

- Services provided by customs intermediaries;
- Capacity of the private sector in NI to complete customs declarations;
- Impact of the Trader Support Service (TSS) on the local sector;
- Level of demand for services;
- Rates charged for processing customs declarations;
- Challenges with switching to the Customs Declaration Service (CDS);
- Exploring if businesses providing customs services have invested in recruitment and upskilling of staff; and
- Identifying current and future challenges and opportunities for the sector.

The research did not focus exclusively on services relating to the new trading arrangements implemented since the beginning of 2021, and customs intermediaries also discussed their role in facilitating international trade flows from the rest of the world into NI.

For this report, interviews were also carried out with a representative of the Trader Support Service (TSS) as well as five local businesses receiving goods from suppliers in GB and from further afield.

TSS provided comprehensive data to facilitate analysis of GB-NI trade activity and of customer feedback in respect of TSS' performance. Hard and soft data provided by customs intermediaries and traders also informed the findings, conclusions and recommendations of this report.

2. Key Findings

2.1 Customs Procedures and Processes

The establishment of the European Union (EU) Single Market in 1993 facilitated the free movement of goods and meant that United Kingdom (UK) businesses trading with the rest of the EU were not subject to routine customs controls, and import duty was not payable. However, businesses trading with countries beyond the UK and the EU continued to follow the necessary customs procedures to facilitate the flow of goods. This requires that before the movement of goods commences it is necessary to complete and have had accepted an export [declaration](#) in the country of export and to complete and have accepted an import declaration in the country of import.

Goods are presented to customs on each occasion and cleared with duty being paid, where applicable. They then enter free circulation and can move anywhere within the customs territory.

Typically, businesses involved in importing and exporting goods engage third-party specialists to manage the process on their behalf, including [customs intermediaries](#) or [freight forwarders](#). A consequence of the establishment of the EU Single Market was a major reduction in the number of customs clearance specialists operating in NI due to the reduced number of consignments requiring customs clearance.

2.2 Impact of EU Exit on Customs Services in NI

Following the UK's decision to leave the EU in 2016, and the Government's subsequent decision to leave the EU Single Market and Customs Union, businesses in NI understood that new trading arrangements would come into force, but it was not until the Withdrawal Agreement (including the revised Protocol on Ireland and NI) was agreed in October 2019 that the focus shifted from preparing for a customs border on the island of Ireland to determining the implications for trade between GB and NI. The Protocol came into force on 1 January 2021 and initiated changes to the way goods move between Great Britain (GB) and NI.

The EU–UK [Trade and Cooperation Agreement \(TCA\)](#) is a free trade agreement agreed between the UK and the EU on 24 December 2020 and signed on 30 December 2020. While the TCA delivers zero tariffs on qualifying imports and exports, there are some instances where duty may be due.

Customs procedures for NI businesses trading with countries beyond the UK and the EU remain largely the same as before EU Exit.

2.3 Options for Processing Customs Declarations for Movements GB-NI

To support the continued flow of trade in goods, Government tendered for, and appointed an operator to provide a free-to-use solution for processing customs declarations for goods moving between GB and NI; and all businesses based in, or trading with NI were encouraged to sign-up for the Trader Support Service (TSS) towards the end of 2020.

Although some suppliers in GB are responsible for processing the [Supplementary Declarations](#) (SDs) associated with consignments moving from GB-NI, the vast majority of such declarations are the responsibility of declarants (i.e., traders) based in NI.

Traders can decide to contract an intermediary to deal with customs on their behalf, such as a freight forwarder or customs agent/broker. The ability to have agents represent traders in the TSS system was implemented in response to trader feedback. In March 2022, TSS estimated that approximately one per cent of SDs processed using its platform were processed by customs agents acting on behalf of traders. Although this figure grew between March-June 2022 with an increase of twenty per cent in

the number of traders using this option, it still represents a small proportion of the overall number of SDs processed using TSS.

As an alternative to the two-stage [Customs Freight Simplified Procedures](#) offered by TSS, a small proportion of [Full Frontier Declarations](#) (FFD) are processed in respect of movements from GB-NI, either by the traders themselves or by customs intermediaries acting on behalf of their clients. The FFD must account for all the customs data in one declaration, and it should be completed before the goods move from GB to NI.

[Her Majesty's Revenue & Customs \(HMRC\)](#) has adopted a temporary approach¹ to applying declaration requirements for the movement of goods in parcels (including by the Royal Mail Group and [express carriers](#)).

2.4 Customs Duties

EU duty will not be collected if goods moving from GB to NI qualify for a preferential rate of duty under the Trade and Cooperation Agreement between the UK and EU. However, if goods moving GB-NI are "[at risk](#)" of entering the EU's single market via NI, they will be subject to EU [tariffs](#) on arrival.

Government introduced measures to reduce the burden on traders in NI, including the [UK Trader Scheme](#) (UKTS) and a [duty waiver scheme](#). Registration with UKTS allows eligible traders to select a simplified process where their goods are confirmed as remaining in the UK and thus will not be subject to any duties or taxes when moving between GB and NI. NI businesses can claim a waiver for duty on goods which might otherwise be charged 'at risk' tariffs as long as they have not exceeded the [allowances](#) at the point the import declaration is submitted. Waivers for duty on goods are provided in the form of '[de minimis aid](#).'

2.5 TSS Activity

The TSS programme launched on 28th September 2020, and the TSS platform was built and rolled out in around three months, going live on 21st December 2020 and beginning operations on 1st January 2021.

As of June 2022, the number of TSS registered accounts is in excess of forty-seven thousand. These represent all sizes of businesses across varied roles in the supply chain (e.g., traders, hauliers, agents); and since the introduction of agents and intermediaries functionality in TSS, there are 74 registered agents representing 566 traders.

The SD submission success rate increased in June 2022 to ninety-three per cent, and this is likely attributed to recently released enhancements to the TSS solution. TSS actively engages with traders to assist them with processing SDs; however just under twenty-three per cent of SDs created to date have not been closed yet.

2.6 Perspectives on TSS

The commonly held view among customs intermediaries is that TSS did a good job in a difficult and challenging situation and that the overall experience with TSS improved through 2021. Direct engagement between the customs sector and senior staff at TSS led to various systems improvements through 2021 including 'apportionment', 'grouping' and 'bulking'. A number of the intermediaries interviewed for this report were critical of the training materials produced by TSS in late 2020 and early 2021; with one intermediary suggesting that the training materials had confused clients.

¹ <https://www.gov.uk/guidance/sending-parcels-between-great-britain-and-northern-ireland#temporary-arrangements-for-moving-goods-from-great-britain-to-northern-ireland>

However, they acknowledged that the quality of the information, guides, webinars, etc., improved through 2021.

The traders we interviewed had envisaged a much simpler process for completing GB-NI declarations based on their understanding of the requirements under the Protocol, and businesses with little or no previous experience of customs procedures struggled with completing SDs – in particular, those with complex supply chains.

In the early part of 2021, traders found that many TSS support personnel did not have the knowledge to be able to provide satisfactory assistance, and this added to the level of frustration for businesses. However, there was an acknowledgement that the quality of customer support provided by TSS improved significantly during 2021.

2.7 NI Customs Intermediaries

The majority of the customs intermediaries in NI describe themselves as Customs Specialists and/or Freight Forwarders, although other businesses including hauliers, third-party logistics providers, port services providers, etc., provide customs-related services as part of a broader service offering.

Traders in NI trading with countries beyond the UK and the EU had no real experience of customs procedures before the new trading arrangements for GB-NI movements were introduced at the start of 2021, and they continue to use customs intermediaries to manage all of the customs formalities associated with trade with the [Rest of the World \(RoW\)](#).

A report entitled *Customs Capacity Study within Service Providers*² prepared by The Logistics Consultants and published by Department for the Economy in March 2020 highlighted the fact that there were very few specialist customs intermediaries operating in NI due to the relatively low volume of consignments requiring customs clearance from beyond the EU Single Market prior to EU Exit.

Twenty per cent of intermediaries process a combined eighty per cent of the total number of customs declarations processed by the sector in NI as a whole, with fifty per cent of respondents responsible for processing ninety-six per cent of declarations.

2.7.1 Impact of the New Trading Arrangements on Customs Intermediaries

Delays in finalising the Trade and Cooperation Agreement (TCA) between the UK and the EU meant that intermediaries found it difficult to prepare for the impending changes at the end of the Transition Period.

Intermediaries had to quickly get to grips with TSS and with other new procedures. The lack of preparation by some traders in NI as well as the difficulties traders experienced with TSS led to calls from traders seeking assistance from intermediaries with GB-NI customs declarations. Indeed, a quarter of the intermediaries interviewed for this report had not planned to provide services related to GB-NI movements but found themselves doing some ad hoc work after being approached by clients seeking their help with post-Brexit administration.

With the introduction of the TSS, the primary focus for customs intermediaries in NI in 2022 continues to be on facilitating international trade flows rather than on processing declarations related to GB-NI movements. Some of these businesses also now specialise in facilitating movements with no links to NI trade flows, including movements between GB and Ireland and/or between Ireland and Great Britain, as well as servicing the emerging requirement for solutions for importing consignments from mainland EU into Great Britain.

² <https://www.economy-ni.gov.uk/publications/customs-capacity-study-within-service-providers>

Those Intermediaries in NI processing customs declarations for GB-NI movements currently use a combination of TSS and [Customs Declaration Service \(CDS\)](#). However, a third of respondents indicated they are transitioning towards using CDS exclusively for this purpose.

2.7.2 Transitioning from CHIEF to CDS

The Customs Declaration Service (CDS) was implemented from the start of 2021 for movements between GB to NI; and TSS interfaces with the CDS platform. Another phase of the rollout was implemented on November 1st 2021, with import declarations for consignments from the Rest of the World to NI to be processed using CDS.

The transition from [CHIEF](#) to CDS for RoW-NI import declarations proved to be at least as challenging for customs intermediaries as was the case with implementing the new procedures for GB-NI declarations earlier in 2021. Challenges included:

- Timing of the implementation (e.g., soon after EU Exit, during COVID restrictions, etc.)
- Lack of opportunity for training on CDS
- Quality of support provided by HMRC
- Software suppliers not ready for switch over
- Customers not ready for switch over
- Problems with CDS functionality and updates

Although a minority of intermediaries had fully implemented CDS for all RoW imports by January 2022, the majority were still at varying stages of transitioning from CHIEF to CDS.

Intermediaries in NI believe that the early transition to CDS gives them a competitive advantage over competitors based in GB in terms of providing services beyond NI.

2.7.3 Recruitment and Training

Customs Capacity Study within Service Providers (2020) highlighted that intermediary had been very conservative in scaling-up for EU Exit, and staffing levels have not changed significantly during the period 2019-2021.

Fourteen customs intermediaries provided us with details of the number of staff they employ processing customs declarations in NI. Four of these businesses employ more than ten such staff, while another four businesses have between five and nine staff and the remaining six intermediaries employ fewer than five people in their customs departments.

Interestingly, any growth in employment in the sector in NI was not driven by the changes to the trading arrangements between GB and NI. Rather, recruitment was primarily driven by the demand for services from clients trading between Ireland and GB (in either direction) due to the new customs requirements introduced on January 1st 2021, as well as from mainland EU into GB as a result of the introduction of full import requirements in GB from January 1st 2022.

When we asked customs intermediaries to describe their ideal candidates for entry level positions, most said they preferred to recruit bright school leavers rather than third level graduates; preferably with some experience of, or to be able to demonstrate an interest in the sector. Only two respondents specified a requirement for third level qualifications.

The average starting salary for new recruits has risen from £18-19k in 2020 to £20-21k. For more experienced recruits, salaries range from £24-29k. A tight labour market and a lack of skilled talent is driving up salaries and the poaching of staff is quite common in the customs sector.

One third of intermediaries' train new entrants in-house, while others typically start with on-the-job training, then transition to training provided by BIFA (British International Freight Association), IIFA (Irish International Freight Association) and UK Customs Academy.

It takes a minimum of six months to train a recruit to a reasonable level, but it can take between one to two years for them to learn about more complex customs procedures. Moreover, there is a need for ongoing training to keep up to date with new legislation and regulation.

2.7.4 Rates Charged by Customs Intermediaries

In respect of the customs intermediaries processing declarations for consignments moving between GB-NI, the average rate charged to complete the two-stage customs process is £51.17. This includes processing the Entry Summary Declaration (ENS) as well as the Supplementary Declaration using TSS. Additional charges usually apply for processing more complex declarations.

The average rate quoted for processing import declarations in respect of consignments entering NI from Rest of the World was £48.66.

Intermediaries explained that the rates they charge can be significantly reduced if the data-sharing process between the trader and the intermediary can be streamlined through an '[onboarding](#)' process.

2.8 Impact of GB-NI Trading Arrangements on Traders in NI

As part of this research, we interviewed five traders based in NI to get their perspectives on the new trading arrangements. These businesses described the additional bureaucracy associated with moving goods from GB-NI as onerous, although the administrative processes have settled down for the majority of these traders.

Traders referenced the lack of preparation and awareness among suppliers in GB in respect of EU Exit in general, and in respect of the implications of the Protocol in particular as a major issue impacting on the local economy, with some businesses in NI having had to seek out new suppliers.

As a work-around, some NI traders managed to maintain the flow of goods from existing suppliers in GB by changing Incoterms to [Ex-Works](#) and assuming responsibility for all of the customs procedures.

Some suppliers from mainland EU servicing customers in NI are now using direct ferry routes into Dublin Port to avoid the UK land-bridge, while some suppliers in GB are using direct routes into NI ports to avoid any additional administration associated with transiting the Republic of Ireland en route from Great Britain.

Most traders said that the new trading arrangements had not impacted on their sales performance, but some have had positive and negative impacts.

Traders in NI have experienced additional costs as a result of the new trading arrangements, including customs-related charges levied by GB suppliers, charges levied by hauliers for processing ENS declarations, additional wage costs and tariffs/duties for 'at risk' goods. Other traders are experiencing indirect costs through committing their own valuable time and effort into processing Supplementary Declarations.

2.9 Customs Intermediaries Developing New Solutions

Having anticipated Brexit-related challenges, a small minority of NI traders decided to use customs intermediaries to process their customs declarations. These decisions were based on an assessment that using outside expertise would deliver a better and/or more cost effective option than resourcing an in-house customs function.

Having migrated from CHIEF to CDS for RoW-NI consignments, more customs intermediaries in NI are now planning to process GB-NI declarations directly to CDS rather than using TSS, and they will offer new services for traders in NI. A number of intermediaries indicated to us that they are seeking to grow their businesses in this way, and they plan to advertise in NI once they have developed new solutions for processing GB-NI declarations.

Customs intermediaries have consistently been reluctant to commit resources until there is sufficient clarity to allow them to expand or develop new services, and interviewees highlighted the following factors that are currently holding them back from providing new services in NI:

2.9.1 Uncertainty over the Protocol

Until they know exactly what the customs landscape will look like, intermediaries will not be in a position to finalise decisions in respect of developing and advertising new services, recruiting and training new staff, investing in IT systems, etc.

Representatives of the sector believe that customs intermediaries are resilient enough to adapt once they know what they are facing into. However, achieving a 'steady state' – whatever that might look like – will be necessary to allow customs intermediaries make decisions and prepare for any changes that might be required.

2.9.2 Future of TSS

Decisions about the future of TSS will have some bearing on decisions that customs intermediaries might make in respect of developing new solutions; and businesses had varying perspectives in respect of what should happen to TSS. These ranged from a belief that TSS' contract should be renewed through to calls for TSS to be discontinued in order to let intermediaries fill the gap in the market. One interviewee suggested that the current TSS model should be phased-out over a three-year period, with a nominal charge for declarations being introduced initially, and with further incremental increases in rates until year three, by which time TSS could compete with other players in the marketplace.

There was widespread agreement across the sector that any decision relating to the future of TSS should be announced in a timely fashion to allow customs intermediaries sufficient time to develop services for GB-NI movements in the event that TSS' contract might not be renewed.

2.9.3 Technology

It is apparent that some of the customs intermediaries in NI have developed their processes and capability since we prepared our previous report for Department for the Economy in 2020. These intermediaries described an 'onboarding' process making use of advanced scanning technologies to collate the necessary data, data transfer protocols to facilitate the ongoing transfer of data to intermediaries, and robotic process automation software to enable the swift and cost-effective processing of multiple customs declarations.

Interviewees believe that the systems they have now implemented as a result of the migration to CDS will enable them to significantly increase the number of declarations they can process; thereby allowing them to compete with, or even replace TSS.

2.9.4 Availability of Staff

A tight labour market is driving up salaries in the sector. So, interviewees suggested that consideration should be given to implementing tailored programmes to train new recruits and to upskill staff already working in the sector.

2.9.5 Willingness of Traders to Pay for Services

At least one customs intermediary has been processing Full Frontier Declarations for clients in NI on a commercial basis using CDS since the beginning of 2021, while others are planning to do so since access to CDS will enable them to significantly scale-up the number of declarations they can process. Furthermore, some interviewees indicated that technology-driven processes can drive down the cost of processing customs declarations for traders, so intermediaries are working on the assumption that at least some traders in NI will be prepared to switch from using TSS in-house to paying intermediaries to process customs declarations on their behalf.

2.9.6 Support from Government

A number of the customs intermediaries said that their ability to provide new services would be coloured by the degree to which Government would be willing to support the local sector over the coming period.

2.10 Potential for Growth Beyond NI

Forty per cent of the Northern Irish intermediaries we interviewed are already providing services for traders importing goods into GB from mainland EU, and one specialist customs broker based in NI told us that they expect revenues to double as a result of the implementation of a full customs border between the EU and GB. This same customs broker stated that NI is light years ahead of GB and could become centre of excellence in customs.

There is, however, no room for complacency as an interviewee based in Dublin suggested that TSS will eventually attract a charge, and, in these circumstances, his company will immediately look at entering the NI market. Furthermore, he believes that brokerages based in GB are also likely to enter the local market should there be significant changes to the TSS model.

3. Conclusions

3.1 Summary

Two things that intermediaries indicate will help going forward to get to a 'steady state' are clarity on the NI Protocol and confirmation on the future status of TSS.

Some of the flaws in the implementation of GB-NI customs procedures resulted from

1. negotiations being rushed and
2. from a fundamental lack of understanding on the part of negotiators regarding the characteristics of trade flows between GB and NI and between NI and Ireland, including
 - the number of small consignments,
 - the predominance of groupage loads, the complexity of mixed consignments of food products,
 - the reliance on GB-based distributors with remits to service both the UK and Ireland markets,
 - the complexity of manufacturing supply chains and
 - the integrated nature of cross-border supply chains on the island of Ireland.

Understanding the nature of east-west and north-south supply chains, customs procedures, etc, is complex and therefore including the right technical experts such as business representatives, logistics experts, customs intermediaries etc., could help identify the type of practical solutions needed.

3.2 Characteristics of the Customs Intermediary Sector

There are still relatively few specialist customs intermediaries operating in NI and the primary focus for these intermediaries in 2022 continues to be facilitating international trade flows rather than processing declarations related to GB-NI movements.

Staffing levels at existing firms providing customs intermediary services remained largely unchanged since 2020. Increases in staffing levels in the sector in NI were primarily driven by the demand for services from clients trading between Ireland and GB (in either direction), as well as from mainland EU into GB rather than by the changes to the trading arrangements between GB and NI. However, a small number of firms had developed solutions for traders moving goods from GB-NI, and these firms had typically used digitalisation to enable them process multiple declarations. TSS estimates that twenty-nine thousand of the two million Supplementary Declarations processed using its platform were processed by customs agents acting on behalf of traders, although the number of businesses availing of this option is increasing. It should be noted that overall statistics are not available to identify the party lodging declarations on CDS.

A number of new entrants to the market were interviewed for this report, and these included hauliers / third party logistics companies that are now providing customs solutions for clients moving goods from GB-NI.

Customs intermediaries also faced the transition from CHIEF to CDS later in 2021, and the consensus was that this was a bruising experience. However, the sector in NI acknowledged that switching to CDS before the rest of the UK provided them with a competitive advantage, and a number of intermediaries took the initiative to develop new services for traders importing goods into GB from mainland EU. Similarly, some customs intermediaries in NI have developed new solutions to allow them to compete with TSS.

Customs intermediaries in NI providing solutions for GB-NI movements currently use a combination of TSS and CDS to process customs declarations for GB-NI movements. However, a number of specialist

customs intermediaries are transitioning to processing GB-NI declarations directly to CDS rather than using TSS, and they propose marketing new services for traders in NI. Typically, this involves processing Full Frontier Declarations rather than the two-stage process favoured by most traders. Having direct access to CDS allows intermediaries to streamline information flows and to minimise data transfer friction between the clients' and the intermediaries' systems to facilitate the ongoing transfer of data, thus enabling the swift processing of multiple customs declarations. Digitisation can reduce complexity to the point that the unit cost of processing declarations can be significantly reduced.

The pain experienced by the sector in 2021 means that NI is currently ahead of the game in terms of capability, and the sector believes that this advantage could be developed further.

3.3 Factors Affecting the Customs Intermediary Sector

Customs intermediaries highlighted the ongoing uncertainty around the Protocol as a significant challenge. Until they know exactly what the customs landscape will look like, intermediaries will not be in a position to finalise decisions in respect of developing and advertising new services, recruiting and training new staff, investing in IT systems, etc.

Achieving a "steady state" will be necessary to allow customs intermediaries to make decisions and to prepare for any changes that might be required. This steady state will require absolute clarity on the trading arrangements between GB-NI as well as any possible knock-on effects on trade on the island of Ireland. This would also require clarity as to whether customs procedures might be applied to fast parcel operators as any such change would have a bearing on many traders not currently impacted by customs procedures.

Any decision relating to the future of TSS should be announced in a timely fashion – whatever the scenario – to allow customs intermediaries sufficient time to develop solutions for GB-NI movements.

It is likely that intermediaries based in GB and the Republic of Ireland would enter the NI market in the event that TSS were to be wound down or if it were to charge for its services.

A tight labour market is driving up salaries in the customs intermediary sector, so to help with this situation, there may be merit in exploring the benefits of implementing tailored programmes to train new recruits and to upskill staff already working in the sector.

3.4 Impact of Cost of Customs on Traders

Traders in NI have experienced additional costs, both direct and indirect, as a result of the new trading arrangements between GB-NI. Traders highlighted direct costs including customs-related charges levied by GB suppliers, charges levied by hauliers for processing ENS declarations, additional wage costs, and tariffs/duties levied for 'at risk' goods. Although NI traders are not charged for using TSS, some traders face indirect costs associated with the time, effort and resources involved in completing Supplementary Declarations.

With grace periods extended indefinitely, many more businesses in NI have not yet been impacted by customs procedures. In particular, it is likely that many small businesses have not been impacted as they solely rely on fast parcel operators or Royal Mail to deliver supplies from suppliers in GB.

Some businesses have experienced resistance from existing suppliers in GB as a result of the requirement for customs procedures associated with consignments moving to NI. Traders referenced the lack of preparation and awareness among suppliers in GB in respect of EU Exit in general, and in respect of the implications of the Protocol in particular as a major issue impacting on the local economy, with some businesses in NI having had to seek out new suppliers. Other NI traders managed to maintain the flow of goods from existing suppliers in GB by changing Incoterms to Ex-Works and assuming responsibility for all of the customs procedures.

Uncertainty over Protocol has led to some businesses postponing or reconsidering investing in NI.

Small businesses typically rely on TSS for processing Supplementary Declarations, so the cost impact of changes in relation to TSS (e.g., winding down TSS, introducing charging mechanism, etc.) on small businesses in particular could lead to a reduction in economic trading.

Some suppliers from mainland EU servicing customers in NI are now using direct ferry routes into Dublin Port to avoid the UK landbridge, while some suppliers in GB are using direct routes into NI ports to avoid any additional administration associated with transiting the Republic of Ireland en route from Great Britain. Such decisions can add cost and impact lead times.

4. Findings and Recommendations from this Research

1. The customs landscape in NI must reach a 'steady state' before major changes are proposed or enacted, such as any proposed changes in respect of TSS.
2. Adequate notice will be needed to allow customs intermediaries in NI to prepare to take up the slack in the event of any proposed changes in respect of TSS.
3. In the event that TSS were to be wound down, training programmes should be considered for traders to prepare them for the post-TSS landscape where they would need to engage customs intermediaries or else to prepare to process their own customs declarations in-house.
4. NI is currently ahead of the game in terms of capability and could become centre of excellence in customs. To support this goal, the following initiatives could be considered if conditions are appropriate:
 - There should be direct engagement with the sector to understand its requirements in terms of supports for recruitment, training, upskilling, etc.
 - An apprenticeship program, similar to that currently available in England could be developed in conjunction with the sector.
 - Accredited training programmes tailored to the unique requirements of NI should be developed and rolled out to ensure that employees have the requisite skills required by local customs intermediaries.
 - Digitisation can reduce complexity to the point that the unit cost of processing declarations can be significantly reduced, so consideration should be given to support businesses to develop solutions that will benefit the sector, but also the wider economy.
5. To ensure, where possible, that the UK Government considers including local industry in discussions around the Protocol so practical solutions can be identified more easily.

Appendix 1. Glossary

An **Air Waybill (AWB)** is a document that accompanies goods shipped by an international air courier to provide detailed information about the shipment.

'At Risk' and Not 'At Risk' Goods. Goods are deemed 'at risk' when there is a risk, they will be moved out of the UK domestic market into Ireland or the rest of the EU. Goods are not 'at risk' if they are going to remain or be consumed within the UK domestic market.

Authorised Economic Operator (AEO) status is an internationally recognised quality mark that shows a business's role in the international supply chain is secure and has customs control procedures that meet Authorised Economic Operator standards and criteria. A NI trader with AEO status could benefit from a faster application process for customs simplifications and authorisations, a lower risk score which may reduce the number of checks customs carry out on its documents and goods, and a reduction or waiver of comprehensive guarantees.

The **Automated Import System (AIS)** is Irish Revenue's national electronic import system. AIS handles the validation, processing, duty accounting and clearance of customs declarations.

A **Bill of Lading** is a legal document between a shipper and carrier detailing the type, quantity, and destination of goods being shipped.

CHIEF is a computerised operating system and interface used in the UK by H.M. Revenue & Customs which is responsible for controlling and recording all of the UK's international trade movements. It links UK Customs offices to thousands of sea-and airports, inland facilities, freight Customs agents, UK businesses, etc.

Clearance is the documented permission to pass that a national customs authority grants to imported goods so that they can enter the country, or to exported goods so that they can leave the country. The customs clearance is typically given to a shipping or customs agent to prove that all applicable customs duties have been paid and the shipment has been approved.

A road consignment (**CMR**) note is a standard contract used by companies who want to use a provider to transport goods internationally by road. The CMR note confirms that the haulage company has received the goods and has a contract from the supplier to carry them.

A **Commercial Invoice** should contain details of addresses of seller/shipper & buyer/receiver, credit terms and methodology for payment, currency of transaction, date of invoice / transaction, description of what is being transported, EORI numbers, net weight, other information required to allow the goods to cross international frontiers (e.g. Commodity (Tariff) Codes, country of origin, references numbers, important transaction numbers including. part or purchase order numbers, and the Incoterms.

A **Commodity Code** is a sequence of digits used to identify goods for customs purposes. When trading internationally, it is necessary to know the correct commodity code for the goods so that customs paperwork can be filled out correctly. UK and European Union tariff codes are usually 8 digits long for exports, and 10 digits (or sometimes more) for imports.

Most tariff codes globally are based on the Harmonized System of classification, and are often referred to as Harmonized System, or H.S. codes. The harmonized system covers only the first 6 digits of codes.

Country of Origin is the economic nationality of goods being imported and exported (where they have been produced or manufactured).

Customs Clearance Intermediaries/Agents/Brokers make sure that goods clear through customs. These parties are authorised by international customs authorities to certify and manage consignments between countries.

Customs Declaration is a legal document that lists the details of goods that are being exported from or imported into the UK/EU.

CDS (Customs Declaration Service) has replaced the existing Customs Handling of Import and Export Freight (CHIEF) system in NI, with all declarations taking place on CDS for TSS journeys.

Customs Freight Simplified Procedures (CFSP). In the context of movements from GB-NI, the simplified process is where a reduced data set you is submitted when the goods leave GB (via a simplified frontier declaration) before providing the remaining information via a Supplementary Declaration by the fourth working day of the month following the goods movement.

The **Department for Environment, Food and Rural Affairs (DEFRA)** is the government department responsible for environmental protection, food production and standards, agriculture, fisheries, and rural communities in the United Kingdom.

Under the **Delivered Duty Paid (DDP)** Incoterm, the seller assumes all responsibilities and costs for delivering the goods to the named place of destination. The seller must pay both export and import formalities, fees, duties and taxes.

De Minimis Aid refers to aid given to businesses and is calculated in euros. Most businesses can claim up to a maximum of €200,000 of aid over three tax years. The period of three years is assessed on a rolling basis.

Duty Deferment Account is an authorisation that allows a business to defer payment of certain charges including Customs Duty, VAT at import, etc. The business must lodge a bank guarantee and comply with the conditions of the authorisation. A duty deferment account enables the holder to make one payment a month through Direct Debit instead of paying for individual consignments. Traders can also consider using a customs agent for duty deferment or else use the Trader Support Service (TSS) for NI imports.

ENS (Entry Summary Declaration). In order for the goods to even leave a country, the carrier must lodge an ENS (sometimes called a 'safety and security declaration') with customs at the first place of arrival within the customs territory to let the customs authorities know which goods are being carried. The ENS must be lodged within certain time limits.

An **Ex-Works** Incoterm is an agreement that maximizes the buyer's risk and responsibility, by requiring the seller to only make the goods available for the buyer usually the seller's factory or depot. Once the buyer collects the cargo, the buyer assumes all other responsibilities; for all export procedures; for onward transport and for all costs arising after collection of the goods.

A **Fast Parcel Operator** or **Express Carrier** is an entity moving cargo (i.e., parcels) by special express commercial service under closely integrated administrative control.

Freight Forwarders move goods around the world for importers/exporters, including arranging for goods to be cleared through customs. A Freight Forwarder acts as an agent when he performs functions on behalf of, and under the instructions of, the principal (e.g., the exporter or importer). The

forwarder procures the services of third parties who will perform the packing, storage, transport, handling and customs clearance of the goods.

A **Full Frontier Declaration (FFD)** is a set of forms that need to be completed to facilitate the movement of goods between two customs territories. The FFD is required where the trader cannot make use of simplified customs procedures, and where there is a need to supply more information prior to movement of goods, such as the requirements for an export license or where advance information is required to facilitate the export.

A **GMR (Goods Movement Reference)** is a number authorising movement of goods generated through the Goods Vehicle Movement Reference Service.

The **Goods Vehicle Movement Service (GVMS)** is a UK government border control information technology system for coordinating the movement of vehicles.

Groupage involves the combining of shipments from multiple customers to form a single groupage shipment. By filling truck with mixed freight, the costs of this groupage shipment can be shared.

HMRC stands for Her Majesty's Revenue & Customs; this is the body which oversees customs and tax matters within the United Kingdom.

Incoterms are internationally agreed commercial terms identifying the transfer of risk and the responsibility for customs declarations, transportation, insurance and who bears the associated costs.

The **Movement Assistance Scheme (MAS)** is to support the movement of agrifood goods from GB-NI. MAS provides financial support for certain certification costs up to a set amount.

A **Movement Reference Number (MRN)** is a number issued to a consignment after importing customs have conducted safety and security validation of the data. The MRN confirms that the goods are allowed to be shipped.

Onboarding is a term used by some customs intermediaries to explain the process they go through with new clients to facilitate the swift processing of multiple customs declarations. Although the process can differ from one instance to another, intermediaries must first ascertain what businesses actually require in terms of support. They typically review formats and layouts of key documents, such as commercial invoices to determine how key data can be extracted digitally, and the onboarding process also involves understanding where key data files are held on the client's systems and determining how these data can be shared electronically.

In the context of this report, **Rest of World (RoW)** means any country outside of the UK or EU. Importing goods from the RoW will incur duties and taxes on import, although these duties and taxes may be reduced or zero depending upon specific trade agreements.

Rules of Origin are the World Trade Organisation (WTO) rules used to determine the country of origin ('economic nationality') of a product for purposes of international trade, where there is not a free trade agreement between the relevant countries.

A **Simplified Frontier Declaration (SFD)** contains the minimum amount of information needed to be submitted at the frontier to enable clearance.

A **Supplementary Declaration (SDI)** is required after the goods move and is completed by the declarant – usually the trader bringing the goods into NI. Additional data is required to complete the Supplementary Declaration. If duty payment is required, it is calculated at this stage.

A **Tariff** is a tax or duty to be paid on a particular class of imports or exports.

Third Party Logistics (abbreviated as 3PL) in logistics and supply chain management is an organisation's use of third-party businesses to outsource elements of its distribution, warehousing, and fulfilment services.

The UK and EU agreed a **Trade and Cooperation Agreement (TCA)** on 24 December 2020. It establishes arrangements for future co-operation across a range of areas including trade, aviation, road haulage, fisheries, police and security, health insurance and continued UK participation in some EU programmes. The UK parliament approved the TCA on 30 December 2020, and, after a period of "provisional application" by the EU, the European Parliament followed suit on 28 April 2021.

Alongside the Withdrawal Agreement, ratified in January 2020, the TCA forms the basis of UK-EU relations going forward. A joint UK-EU Partnership Council governs the TCA, to ensure it is properly implemented and can change elements if both sides agree. Both agreements contain mechanisms to resolve disputes that may arise. There is provision for a full review in five years' time.

UK Trader Scheme (UKTS). If a trader wants to declare their goods 'not at risk' and the EU tariff rate on these goods is above zero, they must apply for authorisation under the UK Trader Scheme. Registration with UKTS allows a trader to select a simplified process where their goods are confirmed as remaining in the UK and thus will not be subject to any duties or taxes when moving between GB and NI.

A NI business can claim a **Waiver** for duty on goods which might otherwise be charged 'at risk' tariffs if they have not exceeded the allowances at the point the import declaration is submitted. Waivers for duty on goods that would normally be charged 'at risk' tariffs are provided in the form of 'de minimis aid.'