

**Thank You Chairman,**

**Good afternoon Deputies and Senators and many thanks for the invitation to attend today's meeting of your Committee. My name is Gerry Harrahill, I am a Revenue Commissioner and the Director General of Customs. I am joined today by my colleague Celine O'Neill who is a Principal Officer in our Brexit Policy and Legislation Branch of Customs Division. I welcome the opportunity to brief the Committee on the operation of customs checks since the end of the transition period on the 31<sup>st</sup> December 2020 including some practical aspects from a Revenue perspective on how matters have progressed with trade and business.**

In the interests of time, I have included as an appendix to my opening statement, information on our trader engagement programme in the lead up to the UK's departure from the EU and the resources and staffing we put in place to provide a 24/7 customer support service to trade and business. I hope this is helpful.

### **Trade**

I'd like to briefly put the scale of trade between Ireland and the UK in context. In 2020, the value of Irish exports to the UK was in excess of €10 billion and the value of imports was in excess of €15 billion. This trade with the UK was carried out by more than 90,000 Irish businesses.

### **Customs Formalities in Practice**

I hope it will be helpful to the Committee to give you a clear picture of how goods are imported in terms of practical operation of customs formalities operated by Revenue, and how that interacts with other State agencies such as the Department of Agriculture Food and the Marine, Food Safety Authority of Ireland and the HSE.

In a standard goods import from Great Britain since 1 January there are a number of parties involved

- the exporter on the GB side and possibly the customs agent representing the exporter in GB,
- the importer in Ireland,
- the customs agent who may be completing the customs formalities on behalf of the importer in Ireland,

- the logistics, freight forwarder or haulage business involved in actually moving the goods from GB to Ireland, and
- the driver of the truck, and the goods it contains, who boards the ferry and arrives for example in Dublin Port.

The key customs components are the export declaration on the UK side, the import declaration on the Irish side, the safety and security declaration on the Irish side and the Irish Pre-Boarding Notification (PBN) process which applies on both the UK and Irish side and which permits the truck and its goods to board the ferry. All of these elements are critically dependent on data that is accurate and timely. Getting those data elements together means that all the players in the supply chain need to be aware of their specific role; have access to and be capable of providing that data at the right time; and share this information so that declarations can be completed correctly and on time. Any delay or disruption in that process impacts on key features of that integrated supply chain including the ability to board a ferry or the driver's ability to leave the port immediately following disembarkation at the port of destination.

Since 1 January 2021 there have been 9,318 inbound freight movements, across 250 ferries from Great Britain, involving approx. 668,000 declarations of various types covering the Pre-Boarding Notification (PBN), import declaration and safety and security declaration. Additionally, approx. 61,000 export declarations for movements to GB were processed. All of these declarations have been successfully processed by Revenue's systems.

In effect the customs declaration systems operate as the gatekeeper process from which everything flows in terms of subsequent controls and checks. With the exception of specific pre-notification requirements for certain SPS products, the interaction with other State agencies is driven by the work undertaken by Revenue in receiving and processing customs declarations, risk assessing those declarations and giving one of three routings to the goods movement when it arrives in Ireland: green - goods cleared to leave the port without intervention: orange - goods subject to a documentary check or similar control: and red - goods subject to a physical examination or inspection of the goods. Sophisticated IT processes have been developed between Revenue and the other State agencies to allow for maximum information sharing, automated communications between the Departments, re-use of data in order to reduce duplication of effort

by both business and State agencies and to allow as much work as possible to be done while the ferry is sailing and in advance of the arrival of the goods in Ireland.

Revenue's approach is to ensure that trade flows efficiently through the ports on arrival in Ireland and that where goods require any form of documentary, or physical examination by the State authorities, including Revenue, such interventions can be accommodated in the most efficient way possible. The Customs RoRo Service is key in supporting this approach by providing a direct channel of communication with the haulage sector which was not possible previously, by reusing data and thereby reducing the number of customs declarations required and by giving visibility to the multiple stakeholders at each step of the process before, during and after the ferry journey. Based on engagement with the haulage representative groups Revenue is exploring further ways to enhance this.

Additionally, the PBN ensures that Revenue and other State agencies, have full sight of all consignments on any given truck which allows the necessary work on risk assessing those consignments to begin while the goods are still on the ferry. Being able to do this work in advance allows Revenue to determine whether the consignment is red, orange or green routed prior to arrival in Ireland.

I am aware that it has been advocated that the PBN process should be scrapped. Without the PBN process, which is a core element of the Revenue Customs RoRo Service, 100% of goods movements arriving in Ireland would have to be red routed rather than the position that we have achieved where over 70% of consignments are being green routed allowing the goods to move directly from the ferry, out of the port. So those who advocate the abolition of the PBN and the Customs RoRo Service are advocating that a hugely effective measure in facilitating the speedy movement of trade through our ports would be scrapped and replaced by a requirement that all goods movements be presented to customs.

### **Infrastructure and interdepartmental cooperation**

The critical infrastructure needed to be able to manage and process the flow of traffic through our ports and airports after 31 December is in place and operating as intended. The relevant State agencies have been working together since 2018 to ensure that not only the infrastructure that is needed could be provided but to develop optimal working relationships and to apply a

streamlined approach to import controls. This is evidenced by the introduction of the new IT systems referred to previously, co-location at the State facilities in Dublin and Rosslare Ports and the coordinated approach taken by operational staff on site at those locations.

### **IT Investment**

I want to briefly mention the IT systems operated by Revenue. I have already touched on certain elements such as declarations, safety and security declarations and Pre-Boarding Notifications. As Deputies and Senators will probably be aware, in line with the objectives of the Union Customs Code, completion of customs formalities is heavily dependent on IT processes and systems and so data accuracy and data timeliness are crucial. Revenue's IT systems have performed well and as intended. The fact that a specific transaction is not accepted by Revenue's IT systems or cannot be processed is not a fault of the systems, if the data being submitted is incorrect or incomplete. The solution must be one that involves compiling the required, correct data. Revenue must have the necessary information to be able to risk assess transactions, make sure that declarations are valid and that goods requiring a documentary check, or a physical examination can be identified and processed efficiently. There have been two specific performance issues in relation to Revenue's customs systems and on those occasions, we notified trade and business, clarified what the fallback procedures were and restored the systems to full operation as quickly as possible. We apologised for the inconvenience caused when this happened, and I want to repeat that today. It should be noted that all declarations lodged into our import system during the performance issues were received correctly and were processed on resumption of the full system.

### **First Three Weeks Experience**

Before I conclude, I would like to comment on the first three weeks experience in the new environment for GB trade. All of the State agencies recognise that the new trading arrangements with GB represents the biggest change for trade and business since we joined the EEC (European Economic Community) almost 5 decades ago.

So far, we are seeing that exports to GB are moving relatively smoothly.

In relation to imports, traffic movements overall into Ireland are down on previous years for the same period by approximately 20%. Early indications suggest that freight or goods movement may be down further, possibly by 50% overall.

It is important to acknowledge that some businesses are successfully continuing to trade because their levels of preparation have been excellent, and they addressed all of the challenges of the new trading environment well ahead of 31 December. It is also clear that some businesses, large and small, are having difficulty, in some cases severe difficulty, adapting to the new system of controls. We are seeing that, even in the case of significant international businesses, where the information required to complete SPS pre-notifications and customs declarations is proving very challenging because, in many instances, the effort required to assemble all the necessary information for such declarations was underestimated.

Trying to adapt your business model in real time for something that has already happened, is extremely challenging. But there is no alternative to addressing this challenge and to do so in a collaborative approach involving trade, business, State agencies and indeed all stakeholders.

We understand how being held up is very frustrating for hauliers. Our officials are talking to hauliers and drivers on the ground. It is particularly frustrating for hauliers who are dependent on either the importer or exporter or their agent to fix shortcomings in documentation before the goods can be cleared and moved from the port. In many of these cases as far as the haulier is concerned they have been stopped by customs systems. We are actively working on how we can give the haulier greater visibility on what is causing the movement of the goods to be delayed.

I am aware of a view among some businesses and business representatives that Revenue should set aside compliance with the Union Customs Code (UCC) in part or in whole for a period of time while trade and business get to grips with the requirements of the UCC. This would carry with it serious consequences for the view taken by other Member States of exports from Ireland and their automatic right to free circulation within the European Union. Such an approach would be highly detrimental to Irish trade and business and the Irish economy in general.

I am happy to address any questions or concerns you may have. However, I need to refer to the provisions of Section 851A of the Taxes Consolidation Act and our duty of confidentiality in relation to any individual taxpayer. Subject to that I will try to address your concerns and questions.

**Thank you.**

### Trade Engagement

In 2018 Revenue began a direct engagement campaign with trade to set out the actions they needed to take to be ready to trade with the UK after the UK left the Single Market and the Customs Union. The subsequent Protocol on Ireland and Northern Ireland ensured continued free movement of goods on the island of Ireland but trade with Great Britain would be trade with a 3<sup>rd</sup>, or non-EU, country to which customs formalities would apply.

During 2019 our trade engagement programme expanded and intensified to include nationwide seminars. We set out for businesses the key preparatory steps they needed to follow to be ready to trade with the UK after Brexit, highlighting in particular the importance of understanding the role of all players in the supply chain and the importance of each player being aware of that role and being able to discharge that role given the integrated nature of supply chains.

From February 2020, when the UK formally left the EU, our engagement programme intensified further, with a continuing focus by Revenue on the importance of being able to complete the customs formalities required as a result of Great Britain being outside the Customs Union and Single Market, that would apply even if a trade deal were agreed between the EU and the UK, which as you know it subsequently was, on Christmas Eve.

Revenue wrote directly to the 90,000 plus Irish businesses that had traded with the UK in 2019 and 2020. We followed this up by a direct telephone campaign to some 15,000 businesses that we identified as likely to be most impacted by the new trading environment.

In October 2020 we hosted 17 technical webinars to bring businesses through various specific topics including, importing and exporting goods, the process involved in transiting through Great Britain, and Rules of Origin. These webinars were recorded and continue to be available and relevant to businesses today on the Revenue website.

Over the same period, this direct and focused engagement was complemented by engagement with thousands of individual firms and businesses and with key business stakeholders, trade representative bodies across the importer, exporter and haulage sectors, as well as with ferry operators.

So, over the past three years we have had a sustained and clear focus on awareness raising with business and trade, complemented by ongoing support and advice to businesses to get and be Brexit ready. Our primary objective has been, that to the greatest extent possible businesses would be ready to successfully deal, from 1 January 2021, with the entirely changed framework of trade with the UK that came about from their decision to leave the EU. Unfortunately, our engagement with trade and business since 1 January, at both the level of the individual business and at trade representative body level, shows that the extent of preparedness varied quite a bit. What was surprising was and is the extent to which the preparedness work by some businesses was clearly inadequate and in some instances was almost non-existent. This has resulted, for some businesses, in a massive and understandable pressure to try and complete the necessary customs formalities, in real time, from what is in effect a standing still start. Attempting to retro fit the correct customs procedures in real time and expect a seamless flow of goods is simply not possible and is leading to understandable frustration on the part of the businesses concerned.

## Staffing and Resources

Location	Number of staff assigned at 01/09/2018	Staff Assigned Jan 2021
Dublin Airport	118	211
Shannon Airport	20	28
Cork Port/Airport	21	37
Dublin Port (including NPC)	130	328
Rosslare Port	26	70
<b>Totals</b>	315	675

The balance of the staff in Customs Division (540) provide enforcement and trade facilitation at areas other than ports and airports, (i.e. parcel hubs, inland areas, maritime,) systems developments and support, policy and legislation advice, operational guidance for trade and business representing the Irish position at EU and International seminars/meetings on customs matters