HM Revenue & Customs

Summary of consultation responses on the removal of non-inventory linked ports and airports

Summary of Responses

November 2015

Contents

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Foreword

Current UK policy allows both digital and manual systems to be used for the presentation and customs clearance of non-EU (third country) freight at (air) ports. However, in order to:

- Support the Government's digital strategy to eliminate paper and manual processing;
- Prepare the UK for the introduction of mandatory digital data processing systems as required under the Union Customs Code (UCC) entering into force in 1 May 2016; and
- Assist in the shaping of the future customs business model in support of the strengthening of controls to protect the UK border, ensure the correct tax is paid at the correct time and reduce smuggling opportunities

we are seeking to introduce a wholly digital solution for the clearance and presentation of non-EU goods at UK airports and ports.

This document outlines the responses to the public consultation exercise on this proposal.

1. Executive Summary

The scope of the consultation was to determine the commercial impacts on industry from the introduction of mandatory digital communications for the presentation and customs clearance of goods at all UK (air) ports being introduced by the Union Customs Code (UCC), EU Regulation 952/2013 on 1 May 2016.

During the consultation exercise a number of comments were received relating to the removal of manual customs declarations. These responses have not been included in this document as they will be included in the 'Summary of Responses' document for the 'Removal of Manual Customs Declarations' consultation exercise.

The consultation exercise, which ran from 29 December 2014 to 31 March 2015 invited comments from all parties involved in the import and export of non-EU (third country) goods into and from the UK. Responses were received both in writing and at two face to face events. These are details in Annex B.

The consultation exercise identified concerns from the industry, both in terms of the costs of implementation and realisable benefits, from the move to a digital environment. These are detailed in Chapter 4.

The respondents identified a number of potential solutions for delivering the change; these are detailed, along with the Government's response, in Chapter 5 of this document.

There were eight options identified during the consultation exercise:

- Do nothing: The situation remains the same and the submission of paper documentation would be still be acceptable from a commercial perspective but this would be unlawful under the UCC.
- Full inventory linking at all locations; All paper operations would cease to be acceptable and the requirement would be for all (air) ports to be electronically inventory linked.
- Inventory linking at most locations but with bespoke solutions in exceptional cases: Introduce inventory linking but with derogations for certain types of traffic, recognising the need for different solutions in certain industries.

- Centralised inventory (single UK inventory): Introduce a ‘virtual’ (air) port to cover all non-inventory linked locations. This solution would need to be provided commercially to the same standards as those laid down for existing inventory system providers.
- Import Web Dec (internet access): The delivery of a web solution for the creation and submission of import customs declarations. This would not provide a solution for the manifesting, presentation and arrival of goods at the UK border.
- A Government provided system: The Government develop and implement a free of charge inventory system. The Government would not wish to move into developing this type of commercial software. The existing commercial systems provide more than a customs clearance functionality, they also operate the commercial environment of the (air) port.
- Using existing safety and security IT systems as an inventory: This would use information from the safety and security IT systems (Import Control System (ICS) as a means of controlling arrivals by linking it to the Customs declaration processing system (CHIEF – Customs Handling of Import and Export Freight). The ICS declaration is only a partial data set of the full presentation and clearance requirements. It does not operate in the export environment in the same way.
- Existing commercial in-house IT systems: to provide full shipment data on arrivals and departures with the ability to electronically link their own and Government systems to conduct digital clearance of goods. Any in-house system would need to meet the full standards laid down for the current commercial providers of inventory systems (Community Systems Providers, CSPs) to ensure a fair and level operating environment.

Prior to the Public Consultation exercise, the Government’s preferred solution was *Option 2 – full inventory linking at all ports and airports*. However, recognising the specific issues facing certain industry sectors, HMRC recommends *Option 3: inventory linking at most locations but with bespoke solutions in exceptional cases*, as the chosen way forward.

This would support compliance with the legal requirement for electronic communications and data processing wherever possible whilst recognising that a full, inventory linked solution would not be appropriate for all types of businesses.

The Government thanks everyone who participated in the Consultation and looks forward to working with them to further develop this policy change.

2. Introduction

HMRC requires (air) ports to be approved when they are involved in the movement of non-EU goods across UK borders. Historically, all customs procedures and clearances were made using paper based procedures although gradually many (air) ports have moved to use commercially provided digital systems.

From 1 May 2016 the Union Customs Code (UCC) Regulation EU 952/2013 enters into force. One of the major changes it introduces is that all communications, unless there are exceptional circumstances, between customs and businesses will have to be made using digital data processing systems.

Most large airports and ports already customs clear goods digitally, however the UK currently has a number of (air) ports that are customs approved for importing and exporting goods but who do not have this digital capability. The customs presentation, arrival and departure of goods using these (air) ports is currently undertaken using manual, paper based procedures. This will no longer be a lawful method following the introduction of the UCC.

Currently, in the UK there are 191 approved locations for the clearance of import freight. 128 of these (air) ports continue to use total or partial manual paper based procedures accounting for 11% of all freight imported to the UK from outside the EU.

For exports there are currently 170 approved locations for the clearance of export freight, 116 of these (air) ports continue to use total or partial manual paper based procedures to report the departure of ‘non-EU’ goods accounting for 20% of all freight exported from the UK for destinations outside the EU.

In December 2014 the Government published a consultation document inviting views on the impacts of a move to a digital environment and identify solutions that could minimise the burdens on business. 59 operators responded to the consultation, of which 18 were written responses and 41 attended face to face events.

This document provides a summary of the responses to that consultation.

3. Consultation Responses

3.1 Respondents

The table below details the types of commercial operators who responded to the consultation. Whilst the face to face events were specifically designed to allow for anonymity, attendees were requested to specify the type of business they were involved in.

TYPE	No of Respondents
Bulk goods	1
Carriers (shippers)	3
Clearing Agents	5
Commercial Systems Providers (CSPs)	3
Excise goods	7
Exporters	2
Express parcel couriers	4
Freight Forwarders	6
Government Agencies	4
Importers	3
Logistics operators	5
Port Operators	11
Wharf Operators	1

Five industry organisations participated in the consultation representing different sectors of the industry that would be impacted by the proposed changes. These organisations were:

- British Ports Association (BPA) whose membership 'comprises many ports, terminal operators and port facilities, all of varying size, location and nature'[1].
- UK Major Ports Group (UKMPG): represents most of the larger commercial ports in the United Kingdom. Its members…own and operate...ports and... terminals which account for over 70% of the tonnage handled in UK ports[2].
- Institute of Chartered Shipbrokers (ICS): is the professional body for all members of the commercial shipping industry worldwide… it represents shipbrokers, ship managers and agents throughout the world[3].
- The UK Oil Industry Taxation Committee (UKOITC): is a non-profit making members' organisation which exists to share knowledge of the complex array of taxes applicable to the UK's oil and gas industry[4] and
- Association of International Courier and Express Services (AICES): is the trade organisation in the United Kingdom for companies handling international express documents and package shipments[5].

[1] http://www.britishports.org.uk/about-us

[2] http://www.ukmajorports.org.uk/

[3] http://www.ics.org.uk/about-us

[4] http://www.ukoitc.org/article1.htm

[5] http://www.aices.org/

3.2 Summary of Responses

In order to protect confidentiality quotes have been included to substantiate the industry's views but the full responses are not replicated in this document.

Most respondents expressed concerns over the proposals as they felt the move to a digital environment would increase costs for themselves and their customers whilst delivery few commercial benefits.

> *To sum up, I do not see a CSP system working in the ports that we operate our business in. They are small, remote and the volume of international traffic is small but high value – this is very important to the local macro-economies.*
>
> *[Response provided by a business involved in international shipping and forwarding]*

Many respondents felt that the current manual practices work well and meet the needs of the business environment.

> *We… do not have inventory linking… manifest are received mainly be email and hard paper copies …. Customs clearance requests for non EU goods are submitted… to NCH* Salford. We find this quick, efficient and adequately suits the needs of our Company and incurs little cost…. Our Company will not benefit by moving to a compulsory electronic system.*
>
> *[Response provided by a ship's agents]*
>
> ** NCH: National Clearance Hub*

A number of respondents recognised that commercial practices are evolving and that digital processing had benefits for operators and Government. However, the attendees felt that any solution needed to be able to be tailored to specific business operations.

> *As we rarely export outside the EU, we have not registered on the CHIEF system, and are not set up to make entries electronically onto HMRC systems. Should we be required to do so then it would not be a major issue for us, and we would be happy to do so… we maintain extensive electronic records… and it should be a simple matter to convert required data into a format suitable for you.*
>
> *[Response provided by a business involved in the export of bulk products]*

We do handle Imports and Exports at Inventory controlled ports, such as Felixstowe and Southampton, and have links via the CSP's….., and therefore can are in a position to see the benefit of using such systems, especially the instant transfer of information between the Ports, Carriers and Agents…

I can understand and agree a need for medium to large Ports such as Sheerness to be inventory linked, when they have multiple vessels arriving with multiple cargo's for multiple receivers, and inventory linking the goods arriving would have a greater control for the Port/HMC&E on the cargo, however not all locations where cargo's are landed or dispatched operate in the same way!

[Response provided by a customs clearance agent]

Concerns were expressed, in both the written and face to face responses, over the potential costs involved in adopting IT solutions, particularly in establishing access links to Government systems and the conversion of paper documents into an e-format.

Inventory linking via CSP's is imposed then there are likely to be substantial costs to Trade.

Reconciliation between different locations/specific badges, with financial implications increasing the operating costs.

[Response provided by an industry organisation]

At the face to face events, respondents stated that the costs in developing bespoke solutions by the industry were seen as prohibitive and business expressed the view that if a move to digital was required then current commercial solutions would be more cost effective. A summary of the comments made at the face to face events can be found at Annex B.

Respondents felt that, if a move to digital had to be introduced, the Government needed to consider alternative solutions that would reduce costs for businesses. Alternative implementation proposals were put forward by respondents and these are detailed in Chapter 5.

Some respondents felt that particular types of traffic needed to be exempted from the need to move to a digital environment, for example fresh catch. Most respondents expressed the view that there were also specific types of goods which needed bespoke solutions, for example bulk traffic.

For our company to continue to offer the range of locations that aircraft operators require for their import and export flights we feel that the current plan of forcing all locations to be inventory linked flawed and short sighted.

[Response provided by customs consultant]

The types of operation that may be negatively impacted are imports involving high unit volumes / large numbers of individual consignments, such as the import of vehicles or unitised shipping (to give two examples).

[Response provided by port operator]

4. Thematic Analysis of Responses

This Chapter provides a summary of the main themes emerging from the consultation responses.

4.1 Current Business Practices

Of the written responses 33% currently receive information from their business partners in a digital format which could be adapted for onward transmission to the Government.

21% are already involved in the presentation and clearance of goods at inventory linked locations.

40% of the written respondents only have information in a paper format, this would require keying into an IT solution, involving administrative costs in moving to a digital solution.

> *…the costs would be significant with no scope to recover them… The present system of manually submitting our import entries is quick, efficient and I believe it would be hard to surpass that.*
>
> *[Response provided by a business involved in international shipping and forwarding]*

A full range of formats in which information is currently held and transmitted can be found in Annex A.

90% of the respondents operate at the location which is non inventory linked, and of the written respondent 45% do not have access to any digital links with Government systems for the completion of Customs formalities. These businesses would incur costs in obtaining this communication link themselves or paying a third party to complete these activities in their behalf.

> *Has anyone considered the additional costs in badge fees to the Agent / Trade?*
> *[Response provided by a logistics operator]*

A mixture of traffic is currently imported and exported through non inventory linked ports, both bulk cargo such as, aggregates, steel, chemicals, oil and gas and smaller itemised traffic such as parcels, newsprint, timber and vehicles.

A list of the goods and types of the traffic moving through these types of locations can be found at Annex A.

4.2 Current Costs

The respondents (both written and at the face to face events) identified a number of costs from operating manually at these frontier locations. These costs, in some cases, offer opportunities for administrative savings for businesses in the long term, dependent on the costs incurred in introducing an operational digital solution. The opportunity costs include:

- Manual reconciliations of physical goods received against the items detailed on the paper manifests;
- Photocopying and fax costs of presenting paper documents;
- Costs of consolidating multiple shipments information into a single manifest and
- Paying customs clearing agents (third parties) for the completion of customs formalities.

Other costs involved in the manual operations include:

- Keying information received in a paper format onto commercial IT systems;
- Updating the arrival status and physical locations of goods for examination purposes and
- The completion of border inspection and Government formalities for specific types of goods (for example timber).

One respondent identified the cost involved in clearing a single movement of goods at a non-inventory linked location as £25.50 per transaction. A full list of the current operating costs identified involved may be found in Annex A.

4.3 Costs involved in Moving to Digital

The respondents identified a number of financial and administrative burdens that would be incurred as a result of introducing digital solutions at these locations:

- Purchase, development and supply of software
- Training of staff in new procedures and IT solutions
- Implementing communication links between commercial and Government systems and between other parties involved in the supply chain.
- Conversion of manual information into a digital format
- Payment of commercial fees for the use of third party digital solutions
- Obtaining any associated approvals for the presentation and clearance of non EU goods at these locations.

Any solutions implemented would need to balance these costs against the opportunity savings identified in the **Current Costs** section (see above) to minimise adverse impacts on the business community.

The identified options in **Chapter 5** need to be analysed against these costs and opportunities to assess their feasibility.

The cost of developing solutions at these locations may be compounded for businesses who operate from a number of different locations.

we do not anticipate the additional costs to be significant to us as a port operator. However, where importers have several unique consignment numbers the costs of using a CSP system could be substantial for them.

[Response provided by port operators]

Charges for using facility - if too high would mean us having to stop handling Non EU goods

[Response provided by an air cargo handler]

This will depend on whether port operators and their customers will be permitted to operate as they do presently, through agents that have paid for a CSP badge. If so, and if the agency costs remain the same and are not increased, the direct additional costs are unlikely to be substantial.

[Response provided by the an industry organisation]

A full list of the costs identified from mandating digital operations may be found in Annex A.

4.4 Benefits from moving to Digital

During the consultation the respondents identified some potential benefits from the implementation of a digital solution. These benefits could result in administrative savings in the longer term providing the cost of implementation were manageable.

The potential benefits identified were:

- Storage costs for paperwork;
- Handling of paper manifests;
- Faxing and photocopying;
- Carrier costs in submitting paper to remote Government Officers;
- Ability to use existing in-house systems for the provision of official data and the
- Ability to use inventory systems for the presentation, arrival, movement and release functions delivering economies of scale.

One logistics company cited the benefits of being notified automatically when goods are cleared at inventory linked locations.

We have very few non inventory entries but welcome the move to a electronic data input. It will certainly save us time and resource.

[Response provided by a logistics operator]

The introduction of a single electronic inventory system would make the import/export of goods more auditable and traceable. There would be greater visibility when it comes to pinpointing the movements and/or locations of goods located on or passing through our facilities.

[Response provided by port operators]

A full list of the potential benefits identified from a move to a digital solution for non-inventory linked (air) ports be found in Annex A.

4.5 Potential Special Considerations

A number of respondents raised concerns over how the implementation of a digital solution would work with certain types of traffic due to the nature of the goods and the processes involved in their clearance.

The specific areas of concern raised were:-

- Importations of aircraft: The respondent proposed the following:

concession for aircraft…. To use electronic entry but not inventory linked ports subject to low value. Or provide a 'virtual' inventory linked system for small ports managed by the NCH.

[Response provided by a customs consultant]

- Fresh catch: An exemption was proposed by the industry for the importation of freshly caught fish. They felt this was necessary as the fish is loaded on the vessel at various locations and a paper manifest is received only following the vessel's arrival in the UK. As other paper documentation is required by other Authorities (for example Port Health) which is correlated against the manifests they felt it would be problematic to convert the manifests into a digital format.

We receive from Norway a paper manifests (the fish is loaded at various ports along the Norwegian coast), not electronic data that we could utilise for an inventory linked system… Any requirement to transfer to a Phase II system would just incur additional expense for no benefit… In some cases catch certs. can be over 100 pages per consignment. The Customs import entry cannot be cleared by HMRC without 1st. being released by the MMO/Port Health.

[Response provided by import and export clearing agent]

- Pipelines: The UK Oil Industry Taxation Committee (UKOITC) representatives and their members expressed concerns that the introduction of an inventory linked solution would not be a feasible solution for pipeline traffic.

  They expressed the opinion that due to the constant flow of goods through the pipeline and the fact that, until the materials are stabilised, it would not be possible to accurately manifest, present and discharge the 'goods' on arrival. In most cases volumetrics are measured by a flowmeter and accounted for by an initial declaration which is then followed up with an amended declaration to provide accurate accounts of the goods imported.

- Refineries: The industry expressed the opinion that, as these locations are under tight control (normally with single vessels containing single shipments of goods arriving at a single location), it would be an unnecessary burden to inventory link these locations. As with pipeline traffic, until the refining process is completed it is not possible to accurately declare what has been received and will be entering free circulation. The same difficulties would be experienced in manifesting on an inventory system what has arrived on the vessel.

Refineries/terminals where a vessel arrives with a bulk cargo which is owned by the terminal operator… there is no need for an inventory system to be linked in with Customs via the CSP's…as most of these terminals have their own 'inventory' linking due to the nature of them also being either a Tax or Excise warehouse, where the stock has to be controlled mainly due to the nature of the product.

[Response provided by a customs clearance agent]

- Terminals: These locations receive oils, gas and chemicals but are not exclusively operated by the oil and gas industry. There may be multiple owners and multiple types of goods arriving at these locations. Due to the variety of products and operators involved at these locations a different solution would therefore be necessary for the terminals from that developed from the pipelines and refineries.
- Military: Many military goods arrive in and depart from the UK via naval bases and RAF air stations. Due to the unique nature of this traffic separate consideration needs to be given on how to handle these transactions.

5. Options Appraisal

One of the main aims of the consultation was to explore with the industry what solutions could be used to transform the manual non-inventory linked (air) ports into a digital environment. The identified options are detailed in this Chapter.

5.1 Option 1: Do Nothing

The UK could opt to retain the status quo at these locations allowing the continued use of paper manifests and manual clearances.

5.1.1 Government response:

There would be no ‘implementation’ costs for businesses but the operational expenses of the manual procedures would remain (for example, photocopying, faxing) for both industry and government. Inconsistencies in the treatment of freight across the UK would continue and following the implementation of the Union Customs Code, the UK would be in breach of EU legislation.

5.2 Option 2: Full Inventory Linking at all Locations

For the (air) ports in the UK that are already operating in the UK in a digital manner, clearances are effected through electronic links between commercial (port and airport) systems and Government systems (CHIEF). This digital clearance of goods is known as inventory linking. Inventory systems are provided to the (air) port operator by commercial companies known as Community Systems Providers (CSPs). These inventory linked locations currently account for 89% of all freight imported to the UK from outside the EU and 80% of all freight exported from the UK to destinations outside the EU.

5.2.1 Government response:

As well as fast and efficient customs clearance, inventory linking provides commercial benefits in reducing costs and speeding up the movement of goods through the (air) port. For customs, it provides benefits in greater visibility for the control of goods and allows a digital link to our declaration processing system, which

saves significant resources as we do not have to key paper release documents into our systems.

The current commercially operated inventory systems account for over 80% of all imported and exported freight.

5.3 Option 3: Inventory Linking at most Locations but with Bespoke Solutions in Exceptional Cases

Respondents felt that there were specific types of traffic that should benefit either from:

- An exemption to provide information in a digital format where it does not suit the nature of the traffic (for example, fresh catch) or
- A tailored solution to reporting the arrival and departure of non-EU goods that takes account of the unique nature of the traffic (for example, pipeline movements).

5.3.1 Government response:

The Government sees clear benefits from the introduction of full inventory linking across the UK's air ports and ports but recognises that this poses real difficulties for certain types of traffic such as fishing trawlers and oil and gas in pipelines. The Government recognises the specific issues that the introduction of full inventory linking would cause certain industry sectors and will work with industry to develop tailored solutions for these types of traffic.

5.4 Option 4: Centralised Inventory (single UK inventory)

Introducing a 'virtual' port to cover all non-inventory linked locations (either nationally or over a given geographical area, for example Scotland). This would deliver economies of scale, allowing the benefits of inventory linking to be realised without the full implementation costs of delivering IT solutions at each physical location. The actual frontier locations could be identified within the centralised inventory to support risk targeting and physical controls of the goods.

We would hope that clearing agents could clear arrivals using this generic EPU while using their existing badges and therefore not adding the expense of us being required to purchase additional badges.

[Response provided by a logistics operator]

In the event that port operators are required to (or decide to) purchase a CSP badge, will it be possible for that single CSP badge to be used across several locations within that port operator's business (assuming that such use remains within the same company and/or group company)? If so, this may help to reduce costs.

[Response provided by port operators]

Single inventory would be a significant advantage, and would mirror HMRC's own preference for centralisation (National Clearance Hub)

[Response provided by an industry organisation]

If a fully centralised inventory is not feasible it was proposed by respondents that grouped inventories would be a more cost effective alternative to the traditional implementation of inventory systems (for example, small locations being annexed to larger ports and airports).

Only alternative would be paper or "Piggyback" on larger nearby location.

[Response provided by an air cargo handler]

5.4.1 Government response:

Centralised inventory option: This option could be considered as long as the same standards as those laid down by CSPs are met to ensure that physical controls by customs on the release of goods through the frontier locations are not compromised and that a fair level operating environment is introduced for commercial entities.

Annexing smaller locations to larger ports and airports:

The current commercial systems have sufficient flexibility to offer bespoke solutions to cater for the needs of smaller locations with appropriate costing packages. This functionality includes the creation of specific freight location codes to identify individual clearance sheds attached to larger locations.

5.5 Option 5: Import Web Dec (Internet Access)

The delivery of a web solution for the creation and submission of import customs declarations (for example, an equivalent to the existing Export Web Dec).

In terms of future input our favoured route would be through a web-entry system. [Response provided by an exporter of bulked goods]

For export of goods out-with the EU, we utilise the web based National Export System which works well. If this system can be done for export declarations, surely HMRC could/should set up a similar system for the importation of goods.

[Response provided by a ship's agents]

5.5.1 Government response:

The current commercially operated inventory systems provide web based access routes that may be a viable alternative to an import web dec.

The viability of developing an import web dec solution is being considered as part of the customs declaration processing system's replacement project.

Whilst the Import Web Dec could be a potential solution for the digital submission of the Customs declaration, it would not provide a solution to the need for digital manifesting, presentation and arrival of the goods at the UK border.

This option will be considered under the consultation exercise on the "Removal of Manual Customs Declarations" launched on 11 March 2015.

5.6 Option 6: A Government Provided System

Respondents expressed the desire for the Government to develop and implement a free of charge inventory system. This could be used to report, present and arrive non EU goods at these locations.

If the port authorities were to take onboard the role of CSP that might be workable – provided they did so free of charge.

[Response provided by a business involved in international shipping and forwarding]

Or provide a 'virtual' inventory linked system for small ports managed by NCH.

[Response provided by customs consultant]

5.6.1 Government response:

Inventory systems provide many services, including customs clearance. It is important that ports use their own commercial systems to manage and operate their business and the government would not wish to move into this commercial environment. Charging practices between port operators and the businesses operating at those locations is a commercial matter and not something the Government can comment on. It will be a commercial matter for businesses operating at non-inventory linked locations to discuss with the port operator the commercial solutions to be implemented at those locations.

5.7 Option 7: Using Existing Safety and Security IT systems as an Inventory (Linking ICS to CHIEF)

Respondents felt that the existing reporting mechanisms for safety and security declarations for non EU imports (ICS) should be electronically linked to the Customs declaration processes system (CHIEF). The information already reported by businesses to the ICS system could therefore be used as an inventory solution.

I would however put forward my view that the ICS system should somehow be linked into the Customs system CHIEF, as it occurs in other EU countries such as Spain, where if the details that are put into their ICS system do not match the details of the Customs entry, then an error message is sent. By linking ICS to the Customs Entry HMC&E would at least know that all the cargo lodged via ICS for arrival into the UK has been Customs cleared and also the time scale, a sort of back door Inventory control.

[Response provided by a customs clearance agent]

5.7.1 Government response:

This proposal is outside the scope of the consultation. The Safety and Security declarations provided to the import control system is only a partial data set which does not fulfil the full data requirements for the presentation and clearance of non-EU goods.

The changes being proposed by the EU Risk Management Strategy and the creation of an EU central data repository for safety and security declaration data may also impact on the viability of this option. ICS is an EU system operating across Member States which has restrictions on its use.

There is not a similar facility for exports which could act as an inventory and would not therefore provide an holistic solution.

5.8 Option 8: Existing Commercial In House IT Systems

The respondents suggested that their existing commercial (in house) IT systems provide full shipment data on arrivals and departures that they should be able to electronically link their own and Government systems to conduct digital clearance of goods.

Arrival notified by entry into records of trader's own Stock Account record… clearance conducted by declaration to CHIEF via the use of a CSP

[Response provided by an industry organisation]

5.9.1 Government response:

This option could be considered as long as the same standards as those laid down for CSPs are met to ensure that physical controls by customs on the release of goods through the frontier locations are not compromised and that a fair and level operating environment is introduced for commercial entities. This option would also significantly impact on the Border Force resources needed to control an increased number of inventory systems and, as such, is unlikely to be considered.

6. Next steps

Following initial analysis of the option identified during the consultation exercise, (see Chapter 5 for details) the Government will work with the industry to take forward implementation of its preferred option, Option 3: Inventory linking at most locations with bespoke solutions in exceptional cases.

Further discussions will be held with respondents and the wider industry to develop the bespoke solutions for the specific types of traffic identified in Section 4.5.

The Government will work with the industry to further develop the solutions for Option 3 and to formulate a managed implementation programme for its delivery including:

- A series of workshops with the industry sectors that require bespoke solutions to agree tailored strategies with them (see Section 4.5 for details)
- Discussions with the air (port) operators on the delivery of inventory linking at their locations
- Discussions with the IT companies that manage the (air) port inventories about system roll-out
- Looking to streamline processes and costs where possible for occasional importers and exporters and
- Developing a change timeline so that impacted businesses can plan their migration effectively.

Annex A: Summary of written responses

Types of goods identified	Aggregate Aircraft Alcohol Bulk steel Bulk cargo Chemicals Coal Express Parcels Fertilizer Fish High Value Bulk Grain Gas Military Minerals Newsprint Oil Pulp Timber Vehicles
Types of traffic identified	Aircraft bulk, Certificate of Agreement Airports (COA) Couriers Fresh Catch Individual's cargo Military Pipeline Refinery Separating out Union goods Ship's Stores Tankers Unified Cargo
Format in which data is held	Duty management systems EDI Electronic (Excel) Email Export Web Dec Fax Handwritten paper Inventory Keying

	PDFs
	Phone
	Scanned
	Telex
	Verbal
Methods of Submission	Agent's badge
	Anti-Smuggling Net (ASN) via traders' own system
	Customs Import Entry (CIE)
	Consolidator badge
	Direct Trader Input (DTI) badge
	Exports Web Dec
	Manual Declaration
	Own Badge
Costs of Manual	Agents costs
	Consolidating manifests
	Costs of keying
	Differences in data between shippers and Customs
	FAL Forms
	Faxing
	Goods not physically presented though CHIEF grants clearance
	Groupage to the shipping line
	Identifying union status goods
	Inter shed transfers
	Photocopying and runners
	Safety and security still received in Pdf
	Time and resource
	Updating arrival status
Costs of moving to digital	Additional transaction costs
	Badge Costs
	Classification codes for ICS
	Communication links
	Conversion costs
	CSP costs
	Development Costs
	Development of FAL forms
	Duplication of existing in-house system.
	Gathering additional data items
	Interfaces into HMRC Systems
	IT equipment
	Keying costs
	Licences
	Need for TS facility
	Network costs

	Phase 2 system for Temporary Storage (TS) premises Relationship building Setting up location codes Software costs Staffing costs Training Costs Uploading manifest information to the system,
Benefits of moving to digital	Auditing and tracking of goods Better management of overs and unders Faster Communication Greater control for port over cargo Less errors Less paperwork Minimise Agency Costs Own data can used in house stock systems to create manifests Relationship between vessel and cargo Staff Costs Using inventory information in lieu of a separate transit declaration

Annex B: Summary of face to face consultation

- There needs to be an interchange with CHIEF. Can it be confirmed that Inventory Systems are a separate entity? *(Answer "yes". Data sets are found in Annex A & B of the UCC which should be updated by the end of the month.)* Need to see what these are before identifying cost implications.
- There will be a cost impact. There is a difference between Manifests / Inventory and EU / Non EU trade. Cost implications such as data input. Onus should be on the ships, but is this covered by legislation?
- Who is responsible for crew manifests for aircraft *(response needs to be provided)*.
- Concerns that this is not achievable by June.
- EU inventory linked being electronic would result in massive cost implications and is not financially feasible. Under the impression that this was just for Non EU freight*. (HMRC view is that this for non EU, however, we are trying to align systems with DFT).*
- In Scotland UKBA are trialling an Excel web based portal system for monitoring crews. Can this system be combined? *(HMRC to investigate)*.
- There are issues with obtaining information electronically directly from ships; some do not have the technical capability.
- Examples of "exceptional circumstances" include private individual personal imports.
- There are differences between CAS3 and FAL, where PDFs are still acceptable.
- Reporting requires keying and / or manipulation, it is just not a case of uploading.
- Traders would like EDI formats.
- There are lots of different reporting regimes across HM Government.

- Use of CSPs, there are transmission issues that could result in duplication of keying at either end.
- Most are doing declarations electronically.
- There are different systems in different sheds.
- There will be duplicate CHIEF badges and costs.
- There is the potential to for local systems, but not in the timeframes suggested.
- Systems are not in place for FAL2.
- Impacts if traders' systems cannot be improved as new system will need to be developed.
- Third country info needs to be keyed in most cases.
- Are the changes to ICS transitional?