

# Single Window

Assessment of The Costs Of  
Trade-Related Regulatory  
Requirements In Ireland

March 2010

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# Executive Summary

## Introduction

Overcoming the current economic challenges that Ireland faces will require a concerted effort to achieve higher levels of productivity and support export-led growth. Regulatory requirements and associated administrative costs that create an unnecessary burden on Irish business will only serve to further reduce our productivity and competitiveness levels particularly vis-à-vis our international competitors.

In addition to increasing competitiveness, a recent report by the National Competitiveness Council (NCC) found that well-designed and efficiently enforced regulation helps achieve other policy goals (social, health and safety, environmental and economic policy) without imposing unnecessary administrative and hidden costs on firms.<sup>1</sup> The NCC found that the overall level of regulation in Ireland is among the lowest in the OECD (4<sup>th</sup> lowest out of the OECD-27). Regulation levels are perceived to be decreasing in Ireland (from 5.5 out of 10 in 2005 to 6.2 in 2008) but increasing in most other benchmarked countries. While this is the case, a greater reduction in regulatory burden on business will lead to a reduction in the cost to business and possibly the government, and improve our overall competitiveness.

In 2008, the Irish Government decided on a 25 per cent target for administrative burden reduction for business, to be achieved by 2012. The identification and the reduction of trade-related regulatory burdens can help Ireland achieve this target.

One approach to addressing the administrative burden in firms as adopted by some countries is the introduction of a “Single Window” system. A Single Window system is an electronic system that allows trade-related information to be submitted once to fulfil all import, export and transit-related regulations. There are a number of Single Window systems, of varying sophistication, in operation around the world, for example, in Sweden, Singapore and the Netherlands. There are different ways in which a Single Window system can be established:<sup>2</sup>

- A Single Authority - one agency that receives information, either on paper or electronically, disseminates this information to all relevant governmental authorities, and co-ordinates controls to prevent undue hindrance in the logistical chain;
- A Single Automated System for the collection and dissemination of information (either public or private) that integrates the electronic collection, use, and dissemination (and storage) of data related to trade that crosses the border; and,
- An automated Information Transaction System through which a trader can submit electronic trade declarations to the various authorities for processing and approval in a single application. In this approach, approvals are transmitted electronically from governmental authorities to the trader’s computer.

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<sup>1</sup> National Competitiveness Council (NCC), Annual Competitiveness Report 2008: Benchmarking Ireland’s Performance, Forfás, 2009.

<sup>2</sup> UN/CEFACT, 2004, Recommendation and Guidelines on Establishing a Single Window: to enhance the efficient exchange of information between trade and government, UN/CEFACT Recommendation Number 33, 07 May 2004.

Much research has been undertaken in order to identify the regulatory requirements that businesses are faced with when importing and exporting, both on a per shipment basis and on an ongoing basis. The cost of complying with these regulatory requirements has been quantified using the Standard Cost Model.<sup>3</sup>

This study has highlighted some issues relating to requirements that stem from EU compliance and are stipulated in Irish regulation. While there may be some scope within the EU legislation for minimising the trade burden, generally speaking, Revenue has already exercised the possibilities to the maximum. Further reduction in the EU requirements can only be introduced by agreement with EU partners and the Irish State is not free to take unilateral action.

A full description of the methodology used for the assessment of trade-related regulatory requirements, and the four sectors chosen for the study, can be found in Annex 1.

## Compliance costs of regulations

The total regulatory costs of the import and export requirements were estimated at around €3.8 million for the four sectors examined (food, manufacture of basic chemicals, pharmaceutical and businesses that trade in or produce office equipment, computer, software, etc), or approximately €4,922 per company in the four sectors per year. 84.4 per cent of these costs are due to EU-regulation, 8.3 per cent are due to Irish regulation, and the remaining 7.3 per cent are due to international regulation.

While many of the requirements studied carry stringent penalties for non-compliance, some of the requirements are not fully complied with. Calculating the cost of meeting regulatory requirements assuming full compliance will give a better estimate of the true total potential cost of regulation. The cost of regulation assuming full compliance for all requirements (sector specific and non-sector specific) examined in this study equals approximately €3.9 million. The cost of full compliance for non-sector specific requirements is approximately €3 million.

Some of the requirements identified in the background study are sector specific (for example, documentation for dangerous goods and marine pollutants, VET 15, CVED, etc), while other requirements apply to all Irish businesses engaged in external trade (for example, VAT return form, Intrastat, etc.). Extrapolating the non-sector specific requirements to estimate economy wide costs of compliance results in the total compliance cost of the non-sector specific requirements for the four sectors analysed of around €3.08 million, comprising of €1.93 million on imports and €1.15 million on exports.

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<sup>3</sup> See page 15 for description of Standard Cost Model. This study was done in conjunction with Jacobs and Associates Europe Ltd.

There are two ways this figure (€3.08 million) can be extrapolated to give an economy wide estimate: by share of trade, and by share of companies.

Economy wide costs are estimated at between €11.3 million and €20.8 million depending which option for extrapolation is chosen.

To assess where the most savings can be made, an examination of electronic and paper-based requirements was undertaken. Of the ten non-sector specific requirements in this report, only one is paper-based, the duty relief scheme. All of the seven sector specific requirements identified in this report are paper-based requirements. The total cost of the paper-based regulation for the four sectors was €2 million. Thus the opportunity to reduce cost by moving away from paper based requirements is limited.

## Conclusion

This report has investigated the requirement for the introduction of a Single Window system in Ireland by estimating the costs it may address and help to reduce for business. The first step was to identify areas where savings might be made after an assessment of trade-related requirements. The second step considered the inputs from a consultation process. The overall results of this study serve as advice to Government on the requirement for a Single Window.

The estimated economy wide costs of compliance with trade-related regulatory burdens vary between €11.3 million and €20.8 million. A Single Window system would not erase all costs of compliance for companies, however savings could be made. It is not clear exactly what the likely cost of the introduction of the Single Window would be, with estimates from the UN showing that minimum costs to be approximately €8 million. Some likely costs are: network operation, hardware/software operation costs, training, etc., while much of the savings from a Single Window are delivered by facilitating electronic submissions. It is worth noting that some of the most costly regulations (VIES, Customs clearance on imports and export declaration and Intrastat) can already be submitted electronically. Ultimately, there is no unique model for a Single Window as operators adapt their systems to specific national/regional conditions and requirements. This reinforces our conclusion that a comprehensive cost-benefit analysis would be required which would assess the potential cost to business and to government against the benefits that would accrue from its introduction.

Some of the requirements identified as imposing administrative burdens on trade (Intrastat returns, VIES returns, VAT Returns and VAT Return of Trading Details), are not thought to be the kind of issues that are amenable to a Single Window solution. Single Window is normally considered in the customs import/export environment and is intrinsically related to the presentation or declaration of goods to Customs. Specifically, Single Windows are often discussed in terms of the transit of goods to/from a third country, with a view to reducing clearance times and ensuring that information necessary for completing these processes is only submitted once. This study has highlighted some issues relating to requirements that stem from EU requirements. While there may be some scope within the EU legislation for minimising the trade burden, generally speaking, the Revenue Commissioners has already exercised the possibilities to the maximum. Further reduction in the EU requirements can only be introduced by agreement with EU partners and the Irish State is not free to take unilateral action.

It is important to note that Governmental benefits from the introduction of a Single Window system have not been quantified in this report. Some potential benefits to the public sector include:

- administrative burden reduction;
- freeing up resources;
- increasing efficiency;
- improving statistical data;
- making all information available in one central outlet for government to access;
- ensuring correct revenue yield;
- improving trader compliance;
- enhancing security; and,
- increasing integrity and transparency.

Ireland has already made great strides in burden reduction stemming from trade-related administrative requirements, in particular by the Revenue Commissioners. Such advances may have reduced the requirement for a Single Window system in Ireland. An example of such an advance was the move to a paperless Single Administrative Document (SAD)<sup>4</sup> in 1996. This meant that, unless a consignment was called for inspection by Customs, there was no need for the trader to come to Customs and all formalities were completed electronically. Furthermore the requirement for a paper SAD in addition to the electronic version was removed at that time.

The benefits of submitting information electronically, as envisaged in 1996 and as continues to be the case, are:

- faster clearance of goods for the trade;
- no queues at Customs;
- better risk analysis at import which allows compliant traders (for example, authorised economic operators) to receive lower risk ratings; and,
- controls are effectively moved from the point of importation to a post clearance environment thus removing any holdups at ports/airports.

This is essentially the system that exists today (although the technical infrastructure for the receipt and processing of SADs has been updated, especially with the introduction of AEP 2 in June 2007). Today some 99 per cent of import and export SADs are received electronically and processed within a matter of minutes. While the need to carry out controls on certain consignments is and will remain a feature of customs processes, Revenue strives to ensure that goods are selected on the basis of risk analysis and, once selected for controls, are dealt with in an expeditious manner.

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<sup>4</sup> See the following link: <http://www.revenue.ie/en/customs/businesses/importing/index.html>

In addition to the above initiatives, Revenue is committed to explore with trade and other relevant parties how processes and procedures can be made more effective and efficient and considers that the Single Window concept can be explored further in these discussions. In this regard Revenue will also be actively participating in discussions on the Single Window concept at EU level in the context of the Multi Annual Strategic Plan (MASP) for electronic Customs.

## Findings

1. Given the large variations between the estimates of the total cost of compliance of trade-related requirements in this report, it is not clear if the benefits of the introduction of the Single Window system would sufficiently outweigh the potential costs. That would depend on the functionality provided by such a system. In addition, it is clear that a Single Window system would not eliminate all costs.
2. The cost of some Customs requirements has been identified as high. These requirements are almost entirely due to international or EU regulations. It is recommended that the EU regulations supporting these requirements be examined to determine if savings can be made. The most costly requirements have been identified as:
  - Duty relief schemes;
  - VAT Information Exchange System (VIES);
  - Customs clearance on imports and export declaration; and,
  - Intrastat.
3. It is important to consider this topic in any wider analysis of eGovernment. This includes data storage, data protection, data-sharing, unique business identifier, a business register and the need for Departments and Agencies to develop business-friendly, efficient eGovernment systems.
4. Business has an important role to play in advising on future developments in relation to a Single Window or the most appropriate model of system for Ireland.
5. A method of analysing the format and reporting of any new requirements could be done with consideration of the Single Window idea. Synergies with current systems in place should be examined and the best approach to the reporting of new requirements should be identified.
6. Any move to a Single Window type approach should only be undertaken following a comprehensive cost-benefit analysis which would assess the potential costs to business and to government against the benefits that would accrue from its introduction. A cost-benefit analysis could be undertaken with regard to: the costs to business of the introduction of a Single Window, the likely costs and benefits to the Government of its introduction, and an analysis of third country costs. This was outside the scope of this study.
7. One area highlighted during the consultation process is that Government increasingly relies on self-regulation by industry of adherence to quality standards (e.g. Good Manufacturing Practice (GMP) for the control and management of manufacturing and

quality control testing of food and medical products, Good Automated Manufacturing Practice (GAMP) for automated systems, and Hazard Analysis and Critical Control Points (HACCP) in the area of food safety, etc). Government facilitated regulation or indirect regulation falls outside the scope of this study. Indirect regulation may not reduce administrative burden, it may simply redirect it to other avenues. Further research could be undertaken to assess the impact on business and government of such indirect regulation.

8. Case studies could be undertaken of a sample import/export procedure in some sectors. This would help calibrate the SCM methodology to obtain a better assessment of the true business related costs of trade related reporting. Ideally, a more challenging procedure should be examined to highlight the maximum cost in various circumstances. A case study analysis would confirm, challenge and complement the assessment in this report.
9. This study indicates that the reduction of the costs of trade-related regulatory requirements with the introduction of a Single Window system would not likely offset its costs, in particular the potential costs of upgrading ICT systems. Exact costs of updating and the possible merging of ICT systems of various agencies has not been estimated in this report and should be analysed by relevant agencies before any final recommendation on the introduction of a Single Window system can be made.

# Chapter 1                      Background

## 1.1 Trade, Administrative Burden & Competitiveness

Increasing our share of international trade remains an overarching policy objective for Ireland and is the primary indicator of our international competitiveness and performance. Much of Ireland's economic success was driven by domestic demand rather than by international trade. Increasing standards of living over the long run will require a return to higher productivity and support export-led growth, which in turn will necessitate a significant improvement in our national competitiveness. Productivity is the key long run determinant of competitiveness, and productivity increases must be the key driver of future growth in Ireland.

Overcoming the current economic challenges will require a concerted effort to achieve higher levels of productivity and export-led growth. Regulatory requirements and associated administrative costs that create an unnecessary burden on Irish business will only serve to further reduce our productivity and competitiveness levels particularly vis-à-vis our international competitors.

In addition to increasing competitiveness, a recent report by the National Competitiveness Council found that well-designed and efficiently enforced regulation helps achieve other policy goals (social, health and safety, environmental and economic policy) without imposing unnecessary administrative and hidden costs on firms.<sup>5</sup> The NCC found that the overall level of regulation in Ireland is among the lowest in the OECD (4<sup>th</sup> lowest out of the OECD-27). Regulation levels are perceived to be decreasing in Ireland (from 5.5 out of 10 in 2005 to 6.2 in 2008) but increasing in most other benchmarked countries. While this is the case, a greater reduction in regulatory burden on business will lead to a reduction in the cost to business and possibly the government, and improve our overall competitiveness.

Regulation and associated administrative burden can reduce productivity and competitiveness making effective trade-facilitation an important element of Ireland's policy response to mitigate this. Addressing import and export-related national regulatory burden is a key part of Ireland's trade facilitation policy as reducing trade-related administrative burden would benefit both enterprise and the public sector in Ireland. In particular, in 2008, the Irish Government decided on a 25 per cent target for administrative burden reduction, to be achieved by 2012. The Business Regulation Forum has estimated that this will work out at approximately €500 million annually (25 percent of 1.5 percent of €136 billion GNP), estimating the administrative burden of regulation to be similar to that calculated in the UK (1.5 percent of GDP).<sup>6</sup> This is a measure of the potential benefit to business. It is important to note that the UK is ranked ahead of Ireland by the World Bank for Ease of Doing Business.<sup>7</sup> The

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<sup>5</sup> National Competitiveness Council, Annual Competitiveness Report 2008: Benchmarking Ireland's Performance, Forfás, 2009

<sup>6</sup> Business Regulation Forum, Report of the Business Regulation Forum, Forfás, March 2007.

<sup>7</sup> Ibid.

identification and the reduction of trade-related regulatory burdens can help Ireland achieve this target.

One approach to addressing the administrative burden in firms as adopted by some countries worldwide is the introduction of a “Single Window” system. A Single Window system is an electronic system that allows trade-related information to be submitted once to fulfil all import, export and transit-related regulations. There are a number of Single Window systems in operation around the world, for example, in Sweden, Singapore and the Netherlands. There are different ways in which a Single Window system can be established:<sup>8</sup>

- A Single Authority - one agency that receives information, either on paper or electronically, disseminates this information to all relevant governmental authorities, and co-ordinates controls to prevent undue hindrance in the logistical chain;
- A Single Automated System for the collection and dissemination of information (either public or private) that integrates the electronic collection, use, and dissemination (and storage) of data related to trade that crosses the border; and,
- An automated Information Transaction System through which a trader can submit electronic trade declarations to the various authorities for processing and approval in a single application. In this approach, approvals are transmitted electronically from governmental authorities to the trader’s computer.

The appropriate agency to lead the establishment and operation of a Single Window will depend on legal, political and organisational issues.<sup>9</sup> The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) state that in some cases, because of their pivotal role, the information and documentation they receive and their key positions at borders, Customs or port authorities can be the agency best suited to lead a Single Window development and implementation.<sup>10</sup> UN/CEFACT also point out that private entities or semi-state organisations could also be a lead agency, however, due to lack of power to enforce rules this may not make them as effective as other potential agencies. In addition, seven out of the twelve Single Window systems reviewed in the development of the UN/CEFACT Guidelines were lead by Customs authorities.<sup>11</sup>

## 1.2 Objective of report

The purpose of this report is to identify the requirement for a Single Window system in Ireland. This is based on the findings of a detailed study, which analysed the costs of trade-related requirements, and the outcome of a broad national and international consultation process.

There were two main objectives of the background study:

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<sup>8</sup> UN/CEFACT, 2004, Recommendation and Guidelines on Establishing a Single Window: to enhance the efficient exchange of information between trade and government, UN/CEFACT Recommendation Number 33, 07 May 2004.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

1. Interaction identification and mapping - identifying the interactions that businesses are required to undertake in the course of meeting import and export regulatory requirements, as well as the 'ongoing' interactions required to meet general regulatory requirements e.g. statistical reporting, licences etc;
2. Cost analysis of trade-related interactions - quantifying the costs of the identified interactions using the Standard Cost Model.

The study focused on an assessment of trade-related costs within the following four sectors:

- Food sector - these are all found within NACE code 15 and sub codes;
- Manufactures of basic chemicals - these are found within NACE code 24.1 and sub codes;
- Pharmaceutical sector - these are all found within NACE code 24.4 and sub codes; and
- Businesses that trade in or produce office equipment, computers, computer software etc.- these are mostly found within NACE code 30 and sub codes, although producers of software are also found within various service sectors<sup>12</sup>.

The aim of the study was to assess the trade-related costs that these businesses incur, when importing and exporting typical products within their sector, as well as to assess the ongoing trade-related costs related to importing and exporting for these businesses. The most general requirements that an Irish business within one of the four sectors will be subject to were identified. The study also focused on requirements that the Irish government can influence and alter, i.e. requirements in either Irish or EU regulation.

The objective of the consultation process was to get feedback on the *Assessment of the Trade-Related Regulatory Requirements* report, specifically comments were sought on the following:

- The methodology used (see Annex 1);
- The completeness of the trade-related requirements covered (Annexes 2 to 6);
- The details of each of the requirements reported (Annexes 2 to 6);
- The costs/times associated with each requirement (Annexes 2 to 6); and,
- General views on the overall results of the analysis.

The objective of this report is to weigh up the results of both the background document and the submissions received from the consultation process and determine the requirement for a Single Window system in Ireland.

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<sup>12</sup> When extrapolating figures for this sector, only figures from NACE 30 are used. Software companies are spread over a number of different production- and service sectors, cf. this outline <http://www.oecd.org/dataoecd/34/37/2771153.pdf>

### 1.3 Single Window

Companies involved in international trade regularly have to prepare and submit large volumes of data and documents to governmental authorities to comply with import, export and transit-related regulatory requirements. This information and documentation often has to be submitted through several different government Departments and agencies, each with their own specific (manual or automated) systems and paper forms. A Single Window is a system that allows traders to lodge information with a single body to fulfil all national import or export related regulatory requirements.

The United Nations have described the implementation of a Single Window as being potentially highly beneficial for both Governments and traders. For Governments it can bring better risk management, improved levels of security, better statistical information and increased revenue yields with enhanced trader compliance. Trading communities benefit from transparent and predictable interpretation and application of rules, and better deployment of human and financial resources, resulting in appreciable gains in productivity and competitiveness. The value of such a facility for Governments and traders has taken on increased importance in the new global security environment with its emphasis on advance information and risk analysis.

### 1.4 International Developments

Complexities in import and export controls and administration are seen as a significant burden on traders and barriers to global trade, making trade facilitation an important component of the international WTO/EU agenda. The United Nations have published both recommendations and guidelines on establishing a Single Window to enhance the efficient exchange of information between trade and government, as well as international case studies on implementation. A growing number of countries and of our trading partners have Single Windows including Sweden, the United States and Singapore. Identifying and mapping the trade-related interactions (and thus, burdens) of businesses is an important stage in assessing the requirement for a Single Window, as well as helping to identify what model of system would be most appropriate for Ireland.

At EU-level, political agreement was reached by the EU Council of Ministers in June 2007 on the proposals for a Modernised Community Customs Code to simplify legislation and streamline customs procedures for the benefit of both customs authorities and exporters. The code will *inter alia* offer a base for the development of the Single Window concept across the Union, under which exporters will need to give information on goods to only one contact point, even where the data is needed by a number of agencies/administrators. At a High Level Seminar on the Future of Electronic Customs in Prague in March 2009 it was stressed that the Single Window initiative should be strongly supported, should be implemented for customs declarations and supporting documents, and should be developed at EU level under the leadership of the Commission. Following that Seminar, the Commission (DG TAXUD) proposed that national customs administrations send to the Commission a list of the most 'popular' documents/administrations in their Member States (by mid-June 2009). A number of Member States, including Ireland, responded to this request. The Commission is preparing

Business Process Modelling for most popular documents and will also prepare a strategic document for discussion.

## 1.5 Developments in Ireland

Forfás has worked with trade representative groups and public bodies to assess the requirement for a Single Window system for Ireland. In 2007, Forfás cooperated in the publication of “*Single Window Ireland*”, a document that set out high-level features and objectives. Since that time, Forfás has continued to progress the concept with representative bodies and, in particular, with the Revenue Commissioners who are seen as a key actor in this area. The next phase was to evaluate, cost and map the interactions experienced by Irish businesses that trade internationally. The results of this assessment are outlined in chapter 2. Comments on these results were received through a consultation process. Based on all the previous work of Forfás in this area, this report aims to analyse the requirement for a Single Window system in Ireland.

Before developing policy proposals for the Department of Enterprise, Trade and Employment (DETE) in relation to the requirement of initiating a Single Window system for Ireland, an independent assessment was required of the extent of the administrative burden borne by importers and exporters that would specifically be addressed by such a system. This burden was assessed by direct engagement with a selection of firms trading internationally in the ICT, food, pharmaceutical and chemicals sectors. This allows assessment of relevant interactions required pertaining to an individual shipment of product, as well as the ‘ongoing’ interactions required to meet general regulatory requirements e.g. statistical reporting, licences etc. The format (paper, electronic etc.) and elements (data-fields) of each interaction was recorded to help reveal repetition and commonality.

A consultation process with key national and international stakeholders, including the Revenue Commissioners, the Department of Agriculture and Food, Trade Facilitation Ireland, Sitpro, UN, EU and the business sector, was undertaken to highlight the results of the mapped and costed trade-related regulatory requirements.

## Chapter 2 Results from the assessment of the costs of trade-related requirements

### 2.1 Overview

The following four sectors in Ireland were analysed to determine the main import and export-related regulatory requirements:

- NACE 15: Manufacture of food products and beverages;
- NACE 24.1: Manufacture of basic chemicals;
- NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products;
- NACE 30: Manufacture of office machinery and computers.

The cost of complying with these regulatory requirements has been quantified using the Standard Cost Model on a per shipment basis and an ongoing basis. Since the ultimate aim is to try and reduce the regulatory costs incurred by businesses when complying with trade-related regulatory requirements, the study has been limited to requirements stemming from Irish regulation. See Annex 1 for a full description of the methodology used.

### 2.2 Total trade related Regulatory costs

Tables 3 to 7 below give an overview of the regulatory costs of the import and export requirements that have been quantified during this study.

The total regulatory costs of the import and export requirements that have been quantified during this study amount to around €3.8 million. 84.4 per cent of these costs are due to EU-regulation, 8.3 per cent are due to Irish regulation, and the remaining 7.3 per cent are due to international regulation.

Around 31 per cent of the regulatory costs are due to compliance with duty relief schemes, which are quite costly for the relatively few businesses that make use of these schemes. In total this area carries regulatory costs of €1.2 million. It is important to note that these businesses only make use of the duty relief schemes because it is an economic benefit to them. The companies analysed in the three sectors, excluding food, made financial savings of €10m. However, efforts could be made to improve the usability of the scheme to keep the costs of compliance as low as possible. While this would be ideal, during the consultation process it was pointed out that the administrative burden of complying with the duty relief scheme is, to the extent that EU rules allow, at a minimum.

The second most costly requirement is the VAT Information Exchange System (VIES), which requires quite detailed information from businesses on their trading. This requirement accounts for 15 per cent of total regulatory costs, €0.6 million.

The following requirements each account for approximately 8 per cent of the total regulatory costs: customs clearance on imports and export declaration, CVED and Intrastat. In the case of Intrastat, many businesses find reporting - especially the import element - to be especially cumbersome to deal with. While this is the case, there is a proposal at EU level to introduce a 'Single Flow' reporting system which would eliminate double reporting of Intrastat. At present, some member states report both on the goods leaving the state for another member state (known as 'dispatches') and those goods arriving in from another member states ('arrivals'). A single-flow reporting system would, in theory, both reduce the reporting burden on business and also improve the accuracy of statistical information.<sup>13</sup>

**Table 3: Cost of 'importing' from the EU**

Importing from the EU	Information obligation	International regulation (€)	EU-regulation (€)	Irish regulation (€)	Total regulatory costs (€)	% of total costs of importing from the EU
<b>Per shipment</b>	VET 1: Notification of Import of Animal Product of EU Origin	-	-	28,013	<b>28,013</b>	<b>9.1%</b>
<b>Ongoing requirements</b>	VAT return form	-	15,940	-	<b>15,940</b>	<b>5.2%</b>
	VAT Return of Trading Details - EU-import	-	14,785	-	<b>14,785</b>	<b>4.8%</b>
	Intrastat import return	-	245,023	-	<b>245,023</b>	<b>79.4%</b>
	Registration Of Importers Of Products Of Animal Origin (Covers both EU and non-EU import)	-	4,717	-	<b>4,717</b>	<b>1.5%</b>
<b>Total cost of importing from EU</b>		-	<b>280,465</b>	<b>28,013</b>	<b>308,478</b>	<b>100%</b>

<sup>13</sup> European Parliament, Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EC) No 638/2004 on Community statistics relating to the trading of goods between Member States (COM(2008)0058 – C6-0059/2008 – 2008/0026(COD))

## FORFÁS SINGLE WINDOW: ASSESSMENT OF THE COSTS OF TRADE-RELATED REGULATORY REQUIREMENTS

The above table shows all the costs of regulatory requirements of importing from the EU. The cost of Intrastat import return is much higher than the other requirements. The total regulatory cost of importing from the EU in the four sectors, excluding the Intrastat form, is low.

**Table 4: Cost of importing from non-EU**

Importing from non-EU	Information obligation	International regulation (€)	EU-regulation (€)	Irish regulation (€)	Total regulatory costs (€)	% of total costs of importing from non-EU
<b>Per shipment</b>	Customs clearance on imports	-	340,038	-	<b>340,038</b>	<b>17.1%</b>
	CVED - Common Veterinary Entry Document when importing from third countries	-	375,111	-	<b>375,111</b>	<b>19%</b>
	VET 15: Application for licence to import samples of animal products for diagnostic/ education/ research/ exhibition purposes	-	-	49,287	<b>49,287</b>	<b>2.5%</b>
	VET 16: Import license for Carcasses and Animal Products (Prohibition) etc.	-	-	17,160	<b>17,160</b>	<b>0.9%</b>
<b>Ongoing requirement</b>	Registration Of Importers Of Products Of Animal Origin (Covers both EU and non-EU import)	<b>Covered above</b>				
	VAT Return of Trading Details - non-EU import	-	4,928	-	<b>4,928</b>	<b>0.2%</b>
	Duty relief schemes	-	1,196,800	-	<b>1,196,800</b>	<b>60.3%</b>
<b>Total cost of importing from non-EU</b>		-	<b>1,916,877</b>	<b>66,447</b>	<b>1,983,324</b>	<b>100%</b>

The costs of the sector specific requirements (CVED, VET 15, VET 16 and registration of importers of animal products) are quite high in the table above. While this is the case, great developments have been made in the reporting of import related SADs. An electronic SAD was introduced in 1991. For a 5 year period up to 1996 the electronic version operated in tandem with a paper version i.e. the trade was required to follow up the electronic SAD with a paper version. In 1996 the move to a paperless SAD was made which effectively meant that, unless a consignment was called for control by Customs, there was no need for the trader to come to Customs and all formalities were completed electronically. Furthermore the requirement for a paper SAD in addition to the electronic version was removed at that time.

This is essentially the system that continues to exist today (although of course the technical infrastructure for the receipt and processing of SADs has been updated, especially with the introduction of AEP 2 in June 2007). At this stage some 99 per cent of import and export SADs are received electronically and processed within a matter of minutes.

These developments have made the process of submitting the import declaration less burdensome and less costly. A new compulsory digital customs system will come into effect in July 2009 and this may decrease the burden more for both importing from non-EU and exporting to non-EU. A transitional period from 1 July 2009 until 31 December 2010 has been provided for import control systems (ICS) in the new regulation. In Ireland, Revenue's electronic ICS system will be available from early 2010 and trade will have the option of opting in during 2010. It will be mandatory for relevant traders to communicate electronically with Revenue's ICS system by 1 January 2011.

It can be observed that the cost of applying for the duty relief scheme is substantial. It must be acknowledged that the purpose of the duty relief scheme is to achieve significant savings in duty costs. In light of this, it is clear that companies will only apply when the net financial gains of doing so outweigh the costs of applying. Nevertheless, reducing the burden from application could deliver great savings to business.

Table 5: Cost of ‘exporting’ to EU

Exporting to EU	Information obligation	International regulation (€)	EU-regulation (€)	Irish regulation (€)	Total regulatory costs (€)	% of total costs of exporting to EU
Per shipment	Documentation for Dangerous goods and Marine pollutants (Covers both EU and non-EU exports)	209,944	-	-	209,944	20.71%
Ongoing requirements	Maintain compliance system on dangerous goods and marine pollutants (Covers both EU and non-EU exports)	68,128	-	55,637	123,765	12.22%
	VAT return form	-	-	20,316	20,316	2%
	VAT Return of Trading Details - EU exports	-	778	-	778	0.08%
	VIES: VAT Information Exchange System	-	440,882	146,961	587,843	58%
	Intrastat - EU exports	-	69,534	-	69,534	6.9%
<b>Total cost of exporting to EU</b>		<b>278,072</b>	<b>511,194</b>	<b>222,914</b>	<b>1,012,180</b>	<b>100%</b>

The table above shows the total costs of the requirements for ‘exporting to the EU’. This includes both sector and non-sector specific requirements. The requirement with the highest cost of compliance is the non-sector specific VIES, with a cost of €587,843. Intrastat for EU imports is three and a half times higher than Intrastat for EU exports. This is possibly the case because reporting exports is easier than reporting imports, as most of the necessary information is already present within the company systems.

It must be noted that from 1<sup>st</sup> January 2010 VIES goods returns will be mandatory each month for traders returning over €100,000 per quarter, and from 1<sup>st</sup> January 2012 it will be mandatory for traders returning €50,000 per quarter. It could be argued that this will increase the burden on companies as they will have to file returns 12 times a year. However, this may not necessarily be the case because, as companies are now compiling and assessing information for a three month period, doing this on a more regular basis may decrease the burden as less information would be inputted in each return.

**Table 6: Cost of exporting to non-EU**

Exporting to non-EU	Information Obligation	International Regulation (€)	EU-regulation (€)	Irish regulation (€)	Total regulatory costs (€)	% of total costs of exporting to non-EU
<b>Per shipment</b>	Export declaration	-	462,286	-	<b>462,286</b>	<b>89.22%</b>
	Documentation for Dangerous goods and Marine pollutants	<b>Covered above</b>				
	Dual-use goods	-	55,589	-	<b>55,589</b>	<b>10.73%</b>
<b>Ongoing requirements</b>	VAT Return of Trading Details	-	259	-	<b>259</b>	<b>0.05%</b>
<b>Total cost of exporting to non-EU</b>		-	<b>518,134</b>	-	<b>518,134</b>	<b>100%</b>

The export declaration makes up the majority of the cost of requirements for exporting to non-EU countries and equates to an average cost of €6.10 per declaration. As with the import declaration, great developments have been made in the reporting of SADs (see above). These developments have made the process of submitting the import declaration less burdensome. While this is the case, from 1 July 2009 there will be changes to automated<sup>14</sup> entry processing (AEP) in the light of additional information being required from the EU. These changes will affect export SAD declarations. It is necessary for traders to upgrade their software to ensure that their systems are compatible with AEP from 1 July 2009.

<sup>14</sup> See:

<http://209.85.229.132/search?q=cache:Cj8S7EXD8X8J:www.revenue.ie/en/customs/ecustoms/importan tnotice.doc+transitional+arrangement+ics&hl=en&ct=clnk&cd=6&gl=ie>

**Table 7: Total costs of import and export requirements**

Information obligation	International regulation (€)	EU-regulation (€)	Irish regulation (€)	Total regulatory costs (€)
Total regulatory costs	278,072	3,226,670	317,374	3,822,116
Total share of regulatory costs	7.3%	84.4%	8.3%	100%

It can be seen from the above table that the requirements for EU-regulation make up 84.4 per cent of all regulatory costs for the four sectors. The total estimated regulatory cost, €3,822,116, is relatively low and corresponds to an average of €4,944 per company in the four sectors per year.

Looking at the administrative costs per sector (see table 6 for details on which sectors are affected by what requirements) the following picture emerges:

**Table 8: Trade related administrative costs per sector**

	Total costs for sector (based on proportion of firms)	Annual regulatory costs per business	
		Business using duty relief scheme	Business <i>not</i> using duty relief scheme
<b>NACE 15: Food</b>	€1,820,379	-	€3,880
<b>NACE 24.1: Manufactures of basic chemicals</b>	€929,431	€14,990	€7,656
<b>NACE 24.4: Manufactures of pharmaceuticals</b>	€612,000	€10,736	€3,178
<b>NACE 30: Manufactures of office machinery, computers and businesses producing software</b>	€460,076	€11,221	€3,632

Note: Companies within the food sector are assumed not to make use of duty relief schemes. The total costs for sector total €3,821,887. This is slightly different to the total costs reported in the previous table due to rounding errors.

The costs of trade related requirements per business in each of the four sectors on the one hand appear low but must be considered in light of the size of the company and ability to bear these costs. The cost for requirements under EU regulation, regardless of sector, make up the majority of the annual regulatory costs per business.

## 2.3 Full Compliance and Extrapolation

While many of the requirements studied in this report carry stringent penalties for non-compliance, some of the requirements are still not fully complied with. Calculating the cost of complying under full compliance will give a better estimate of the total cost because it is a better reflection of the total administrative burden faced by all businesses in Ireland. The cost of full compliance for all requirements (sector specific and non-sector specific) examined in this study equals approximately €3.9 million (up from €3.8 million).

While this study identifies all trade-related requirements within the four sectors, only the requirements that are non-sector specific will be extrapolated to estimate economy wide costs of compliance. The total compliance cost of these non-sector specific requirements for the four sectors analysed is estimated at around €3 million, comprising of €1.9 million on imports and €1.1 million on exports. This figure is used as a basis for extrapolation.

The estimated cost for the four sectors under full compliance, €3 million, could be considered an accurate approximation. Extrapolation to calculate economy wide results will not yield accurate results, as there are many uncertainties regarding the total number of companies in Ireland and the number under each sector. These uncertainties lead to large variations in estimated economy wide costs (see table 9 below).

An accurate estimate of the economy wide costs could have been calculated using the total numbers of forms submitted for each requirement by all companies in all sectors. However, it was not possible to get such data for all requirements. It was possible to get this figure for import and export related SADs. The SAD requirement will not be aggregated up in a similar way to the other requirements as it is now possible to estimate the economy wide costs based on the total number of forms submitted and the cost of complying per form (this was found to be €6.10 per form or €24.41 for imported goods that receive orange/red routing). The figures for import and export related SADs will be added to the extrapolated figures below to calculate the total extrapolated cost.

There are two ways the figure for total compliance cost of non-sector specific requirements can be extrapolated to give an economy wide estimate: by share of trade, and by share of companies. Within these two options there are additional methods of extrapolation using various data sources. The extrapolation reported below is based on full compliance.

### 1. Share of trade<sup>15</sup>

By extrapolating using the four sectors' share of total Irish imports and exports, a rough estimate of the total cost of compliance of these non-sector specific trade-related requirements can be derived for all companies in Ireland.

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<sup>15</sup> Extrapolating the cost of complying with the sector specific requirements examined in this report based on share of trade equals €2.1m.

The total cost of complying with these non-sector specific requirements for the four sectors analysed is estimated at around €3 million, comprising of €1.9 million for import-related requirements and €1.1 million for export-related. Using the figures for exports and imports from the CSO Census of Industrial Production 2005, total imports for the four sectors is 41 per cent of total industrial imports and total exports for the four sectors is 75 per cent of total industrial exports. Based on this sectoral share, it can be estimated that the economy wide cost of compliance with non-sector specific trade-related requirements is €11 million (comprised of €8 million for import requirements and €3 million for export requirements).

## 2. Share of companies

By extrapolating these figures using the four sectors' share of companies a reasonable range of estimates of the total cost of compliance with the above non-sector specific trade-related requirements for all companies in Ireland can be calculated.

There are two different sources for the number of companies in Ireland and within the four sectors. The following outlines the estimation under both scenarios:

- Number of plants in the Forfás Annual Business Survey of Economic Impact (ABSEI):<sup>16</sup>

The ABSEI reports a total number of 5,830 plants in Ireland. Of this, 1,123 are categorised under the four sectors analysed in this report (that is 19 per cent of the total number of plants). The companies that are reported in the ABSEI are agency-assisted companies<sup>17</sup> and therefore it can be assumed that the vast majority of these plants will be either exporting or importing. Using the share of companies in the ABSEI, the total economy wide cost of compliance with the non-sector specific requirements is €18.5 million.

- Number of units in the CSO Census of Industrial Production (CIP):<sup>18</sup>

As reported in the CIP, there are 4,853 local units<sup>19</sup> in Ireland. The total number of local units in the four sectors analysed in this study is 774, which is 16 per cent of total units in Ireland. This includes all companies both exporting and importing and, importantly, companies that do not export or import.

Using the share of companies in the CIP, and the estimated figure for full compliance for the non-sector specific requirements, the total economy wide cost of compliance is approximately €20.8 million.

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<sup>16</sup> Extrapolating the cost of complying with the sector specific requirements examined in this report based on ABSEI data equals €4.5m.

<sup>17</sup> Agency assisted company is a company under the remit of one of the following development agencies: IDA, Enterprise Ireland, Shannon Development and Udaras na Gaeltachta.

<sup>18</sup> Extrapolating the cost of complying with the sector specific requirements examined in this report based on share of companies in the CIP equals €5.4m.

<sup>19</sup> CSO defines local unit as “an enterprise or part thereof situated in a geographically identified place. The number includes all the separate industrial local units of multi-location enterprises”.

**Table 9: Summary of estimated costs of compliance:**

Measure		Total cost
<u>Costs in 4 sectors studied</u>	All requirements	€3.8 million
	Non-sector specific	€3.0 million
<u>Extrapolation to wider economy</u>		
<b>By share of trade:</b>	Using figures from CSO on total exports and imports	€11.3 million
<b>By share of companies:</b>		
	Using ABSEI figures for total number of agency assisted plants (both trading & non-trading), which equals 5,830 plants	€18.5 million
	Using CSO figures for total number of enterprises (both trading & non-trading), which equals 4,800 enterprises	€20.8 million

## 2.4 Duplication and commonality between forms

To get a sense of where the most savings can be made, an examination of electronic and paper-based requirements, and the level of duplication of fields is required. The total cost of the paper-based regulation for the four sectors was €2 million.

Of the ten non-sector specific requirements in this report, only one is paper-based, the duty relief scheme. The remainder are electronic, though there is an option to submit Intrastat on imports both electronically and by paper. All of the seven sector specific requirements identified in this report are paper-based requirements. Thus the opportunity to reduce cost by moving away from paper-based requirements is limited.

In terms of data fields, there may be some potential to reduce duplication. However from viewing the forms, it is difficult to determine which fields are duplicated as the description of fields varies between forms. Reducing duplication would most certainly save time and reduce administration burden but many of the non-sector specific forms (besides VIES and Intrastat) have only 1 to 3 data fields to be completed and the estimated administrative cost of this relatively low.

Finally, much of the duplication can be seen in forms which are sector specific, for example the VET 15 and VET 16 forms, so these may offer opportunities to reduce duplication.

Business representative groups have stated that any attempt to reduce duplication would be welcomed by business as a means of saving time and money. While it is recognised that such savings may be limited in non-sector specific forms, it was felt that any opportunity to reduce duplication in sector specific forms should be pursued.

## 2.5 Cost of Single Window implementation

There are some costs associated with the introduction of a Single Window system. Costs relating to the following can be encountered: network operation costs, hardware/software operation costs, operational support, continuous software development, R&D, training, change management, and additional requirements. The UN estimates that, depending on the size of the country and the complexity of the system, a Single Window project can cost between €8m and €40m. This cost is for implementation alone. Running costs can range from €160,000 per annum to €6.5 million. It is very likely that, given Ireland's advanced customs systems, the cost would be at the lower end of the scale. It is not clear how much exactly the implementation of the Single Window has cost other nations as many of these countries are constantly expanding the remit of their electronic interfaces. In addition, the estimated cost does not include the annual operating costs and ongoing costs of such a system. A number of factors impact on the estimation of the cost of such a system, including:

- Size of economy;
- Extent of existing systems;
- Extent of user fees and use of Public Private Partnerships;
- Geographical diversity of trading union;
- Sophistication of design in terms of technology and equipment;
- The need for network development;
- Existing customs automation;
- Need for software licence;
- Training costs; and,
- Marketing and promotion of the system.

Considering the cost of implementing other eGovernment initiatives, it is clear that the cost of implementation could be high. The Comptroller and Auditor General reported that the estimated cost of eGovernment activity undertaken or commenced in the period 2000 to 2005 would be almost €420 million at the time of reporting.<sup>20</sup> An example of one of these projects was the Public Services Broker that envisaged a single website (the Broker) to integrate public services, sharing data and establishing links between all the services associated with or affected by significant events for website users e.g. on the death of a relative; setting up a business, etc.<sup>21</sup> The responsibility for developing the Broker was assigned to Reach. The final expenditure was around €37 million when all the costs associated with development of the system are included (to design and build the online broker the cost was €20m). Ongoing costs

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<sup>20</sup> Comptroller and Auditor General, 2007, eGovernment, CaAG special report, October 2007.

<sup>21</sup> Ibid.

are expected to be in the region of €14-15 million a year. This is the case even though the Broker services are not widely used and the benefits are not quantitatively clear.

Considering another eGovernment project, the estimated cost of implementing the Revenue Online Service (ROS) was €43million. The Revenue Commissioners reports that the ROS has resulted in substantial savings in administrative expenditure (estimated at €6.4 million in 2004 and €10.6 million in 2005), through a reduced need for staff to service phone, mail and personal contacts, reduced printing, stationery and postage costs and less manual processing.<sup>22</sup> The savings are expected to grow in line with increased adoption of on-line filing and payment. The freeing up of staff from manual processing has allowed Revenue to handle increasing volumes of returns without staff increases.

It is clear from the above examples the cost of implementation of an 'e -' initiative can be costly. However, in some instances the benefit in terms of savings on administrative expenditure can outweigh the cost. It can be seen that the ROS initiative will have recouped its cost within 5 to 7 years of operating. In addition to the costs, issues related to government inter-agency communication and institutional co-operation must also be considered with the implementation of a Single Window system.<sup>23</sup>

Ultimately, there is no unique model for a Single Window as operators adapt their systems to specific national/regional conditions and requirements. This reinforces our conclusion that a comprehensive cost-benefit analysis would be required which would assess the potential cost to business and to government against the benefits that would accrue from its introduction.

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<sup>22</sup> Ibid.

<sup>23</sup> Yasui, T., and Engman, M., 2009, The Role of Automation in Trade Facilitation, in OECD eds., 2009, Overcoming Border Bottlenecks: the Costs and Benefits of Trade Facilitation.

## Chapter 3 Conclusion

### Costs of trade-related regulatory requirements

This report has shown that the estimated economy wide costs of trade-related regulatory requirements vary between €11.3 million and €20.8 million.

It must be noted that it is possible that the total estimated administrative costs of the trade-related administrative requirements include business as usual costs (BAU), which are administrative costs which businesses would still incur regardless of the regulation. If BAU had been estimated, it is certain that the actual costs would be less. It could be concluded that the costs, excluding BAU, are controlled by regulation and could be reduced.

### Views of interviewed businesses

In general, the interviewed businesses for the requirement mapping and costing stage of this report had very few complaints regarding import and export requirements in Ireland. As one of the respondents coming from a large multinational company said, “Ireland is one of the best countries to trade in”.

There were some issues arising regarding import and export requirements, most notably Intrastat reporting, reporting on VAT return of trading details, and the regulation on how to handle dangerous goods.

As part of the study, businesses were asked about where they got information on import and export requirements. Many businesses generally felt well equipped to handle the tasks themselves, but if they needed specific information (for instance when exporting to new markets) they would typically contact their business organisation, the Chamber of Commerce, or their freight forwarder.

Some of the larger companies could also draw on internal expertise in trade related matters, and specifically the multinational ones were well equipped with specialised people around the globe. None of the interviewed businesses mentioned the public sector as the preferred choice of information on trade related issues.

However, no start-ups were interviewed during the mapping and costing stage. It is possible that such companies might have very unique requirements in terms of setting up exports and finding new markets, which the more established companies are not faced with.

### International Experience of Single Window systems

A “Single Window” system is an electronic system that allows trade-related information to be submitted once to fulfil all import, export and transit-related documentation.

Many countries have introduced a Single Window, for example, the Single Window Interface in Canada, ASEAN Single Window project, the Virtual Customs Office in Sweden, and others. The common aim of national Single Windows is to streamline the national governments approach to electronic collection, use and dissemination of commercial trade data, and to reduce the burden of submitting trade information on business. All examples provide web based services to enable businesses to access all the information they need from various government departments to comply with international trade requirements in one central place.

It was originally estimated that a UK international trade single window project could deliver savings of £122 million over 5 years. These estimated savings were based on reduced duplication, ability to pre-populate forms, re-use of data between forms and improved dissemination of information across Government. However, a number of practical difficulties have been identified related to the completion of the Single Window project in the UK. These include: the continued requirements (or EU legal obligations) by some regulators to prove authenticity through paper documents, different existing computer systems within Government departments and agencies and the sheer complexity of developing a fully comprehensive electronic package taking account of all regulatory and business requirements.<sup>24</sup> In addition, the process in the UK has identified “*several practical problems...especially in a developed country where already many different systems are in existence and delivering good service to their users*”, which echo the conclusions of this study.<sup>25</sup> In response, the proposal in the UK is to establish a technical group to develop Single Window specifications, enhance liaison with international Single Window projects, and create of a number of simple demonstrator projects to showcase the methodology.

The most dramatic increase in the use of Single Window systems is in developing countries. This is probably because many developing countries are increasingly realising the benefits of international trade and have implemented strategies to make trade simpler to improve competitiveness. It is also possible that there is more focus on this in developing nations as the returns to investment may be higher. The time delays and the costs of trading in Eastern Africa, for example, are much higher than in developed countries. The ASEAN Single Window Project is a major project across a number of southeast Asian nations. It aims to allow single submission of data and information, a single system for processing of data and information, and a single decision making system for customs release and clearance. This project was introduced to enhance the competitiveness of ASEAN economies. The agreement to establish and implement the ASEAN Single Window was signed by ten countries in 2005. Studies show that while reforms in developing countries have often built upon a relatively unsophisticated institutional environment, Single-Window entities seem to have been easier to put in place than in developed countries.<sup>26</sup>

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<sup>24</sup> Simplifying Trade Across UK Borders A Plan of Action, December 2009:  
<http://www.berr.gov.uk/files/file53811.pdf>

<sup>25</sup> International Trade Single Window: A New Conceptual Model:  
<http://www.sitpro.org.uk/regreview/newitsw.pdf>

<sup>26</sup> Moise, E., 2009, Trade Facilitation in the Services of Development, in OECD eds., 2009, Overcoming Border Bottlenecks: the Costs and Benefits of Trade Facilitation.

There has been some discussion on a potential supra-national Single Window at EU level. Political agreement has been reached by the EU Council of Ministers on a Modernised Community Customs Code which will offer a base for the development of the Single Window concept across the Union. At a High Level Seminar on the Future of Electronic Customs in Prague in March 2009 it was stressed that the Single Window initiative should be strongly supported, should be implemented for customs declarations and supporting documents, and should be developed at EU level under the leadership of the Commission. Following that Seminar, the Commission (DG TAXUD) proposed that national customs administrations send to the Commission a list of the most 'popular' documents/administrations in their Member States (by mid-June 2009). A number of Member States, including Ireland, responded to this request. The Commission is preparing Business Process Modelling for most popular documents and will also prepare a strategic document for discussion.

## Summary

This report has identified areas where savings might be made in the reporting of trade-related requirements and serves as advice to the State on the requirement for a Single Window.

The estimated economy wide costs of compliance with trade-related regulatory burdens vary between €11.3 million and €20.8 million. A Single Window system would not erase all costs of compliance for companies, however savings could be made. It is not clear exactly the amount that could be saved or what the likely cost of the introduction of the Single Window would be (estimates show that minimum costs to be approximately €8 million). Some likely costs are: network operation, hardware/software operation costs, training, etc. In countries which have already implemented Single Window systems, operating and updating costs are normally balanced by user fees or financed by governments.<sup>27</sup> It is worth noting that some of the most costly regulations (VIES, Customs clearance on imports and export declaration and Intrastat) can already be submitted electronically. Ultimately, there is no unique model for a Single Window as operators adapt their systems to specific national/regional conditions and requirements. This reinforces our conclusion that a comprehensive cost-benefit analysis would be required which would assess the potential cost to business and to government against the benefits that would accrue from its introduction.

A business representative group said that one area it's members are concerned about is the potential for higher regulatory burden arising from increased number of customs checks being carried out as new safety, security and other customs measures are introduced. It was stated that the potential regulatory burden is particularly high where the product has to be returned to a controlled environment in the factory for further inspection. While this is the case, a new compulsory digital customs system will come into effect in July 2009 and this may offset such burden for both importing from non-EU and exporting to non-EU.

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<sup>27</sup> Yasui, T., and Engman, M., 2009, The Role of Automation in Trade Facilitation, in OECD eds., 2009, Overcoming Border Bottlenecks: the Costs and Benefits of Trade Facilitation.

Some of the requirements identified as imposing administrative burdens on trade (namely, Intrastat returns, VIES returns, VAT Returns and VAT Return of Trading Details), are not thought to be the kind of issues that are susceptible to a Single Window solution. It was felt that this solution is normally talked about in a customs import/export environment and has always been intrinsically related to the presentation or declaration of goods to Customs in respect of the import, export and transit of goods from a third country, with a view to reducing clearance times and to ensuring that information necessary for completing these processes is only submitted once. It was also felt that, while this study has highlighted some issues relating to requirements that stem from EU requirements, there may be some scope within the EU legislation for minimising the trade burden. Generally speaking, the Irish Revenue Commissioners has already exercised the possibilities to the maximum. Further reduction in the EU requirements can only be introduced by agreement with EU partners and the Irish State is not free to take unilateral action.

In addition to the costs, issues related to government inter-agency communication and institutional co-operation must also be considered with the implementation of a Single Window system.<sup>28</sup> UN/CEFACT has identified the key factors in establishing a successful Single Window and state that efforts should be measured against these:<sup>29</sup>

- Political will;
- Strong lead agency;
- Partnership between Government and trade;
- Establishment of clear project boundaries and objectives;
- User friendliness and accessibility;
- Legally-enabling environment;
- International standards and recommendations;
- Identification of possible obstacles;
- Financial model;
- Payment possibility;
- Promotion and marketing; and,
- Communications strategy.

Benefits to the Government with the introduction of a Single Window system have not been quantified in this report. Some potential benefits to Government include:

- administrative burden reduction;
- free up resources;

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<sup>28</sup> Yasui, T., and Engman, M., 2009, The Role of Automation in Trade Facilitation, in OECD eds., 2009, Overcoming Border Bottlenecks: the Costs and Benefits of Trade Facilitation.

<sup>29</sup> UN/CEFACT, 2004, Recommendation and Guidelines on Establishing a Single Window: to enhance the efficient exchange of information between trade and government, UN/CEFACT Recommendation Number 33, 07 May 2004.

- increase efficiency;
- improved statistical data;
- all information available in one central outlet for government to access;
- correct revenue yield;
- improved trader compliance;
- enhanced security; and,
- increased integrity and transparency.

In addition to the above, a Single Window system could be effectively be used as a promotional tool in the context of attracting foreign companies operations to Ireland. Studies show that improved trade facilitation has a positive effect on investment attractiveness. However, reduced customs clearance time and improved logistics systems have proved to be critical in attracting foreign direct investment in developing countries.<sup>30</sup> There is no doubt that the returns to investment are higher for developing countries.

A recent business survey highlighted that regulatory burden costs are a significant problem for small businesses in Ireland.<sup>31</sup> However, many of the issues outlined in this survey are not trade-related (the audit exemption thresholds, work permits, waste collection licences, etc). In addition, Ireland has already made great strides in the area of administrative burden reduction of trade-related administrative requirements, in particular the Revenue Commissioners. As such, regulatory burden has fallen down the rankings from being the third most important challenge in 2005 to the fifth most important challenge for exporters in 2008 (after labour costs, energy costs, currency exchange and inflation, with 5.61 per cent of exporters in Ireland stating regulatory burden as an important challenge).<sup>32</sup>

The advances made over the past few years may have reduced the requirement for a Single Window system in Ireland, for example, the developments in relation the SAD. In addition to the above initiatives, Revenue is committed to explore with trade and other relevant parties how processes and procedures can be made more effective and efficient and considers that the Single Window concept can be explored further in these discussions. In this regard Revenue will also be actively participating in discussions on the Single Window concept at EU level in the context of the Multi Annual Strategic Plan (MASP) for electronic Customs.

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<sup>30</sup> Engman, M., 2009, The Economic Impact of Trade Facilitation, in OECD eds., 2009, 'Overcoming Border Bottlenecks: the Costs and Benefits of Trade Facilitation.

<sup>31</sup> Small Firms Association, 2008, See the following link:  
<http://www.sfa.ie/Sectors/SFA/SFADoclib4.nsf/wvPressReleasesCurrent/5036F68EDA1771DA8025733F004C73E1?OpenDocument>

<sup>32</sup> Irish Exporters Association, 2008, "Export Ireland Survey 2008 & International Trade Finance Review", The Irish Exporters Association and the Institute of International Trade of Ireland

## Findings

1. Given the large variations between the estimates of the total cost of compliance of trade-related requirements above, it is not clear if the benefits of the introduction of the Single Window system would sufficiently outweigh the potential costs. That would depend on the functionality provided by such a system. While a Single Window system could solve some issues and reduce some burden for business, it would not be possible to eliminate all issues. For example, in relation to Intrastat, information on exports and imports is collected by customs and referred to as the 'Extrastat' system for the CSO. EUROSTAT requires both Intrastat and Extrastat reports for EU statistics and it would not be possible to create a Single Window between the intra and extra administrative systems.
2. The cost of some requirements has been identified as high. These requirements are almost entirely due to international or EU regulations. It is recommended that the EU regulations supporting these requirements be examined to determine if savings can be made. The most costly requirements have been identified as:
  - Duty relief schemes;
  - VAT Information Exchange System (VIES),
  - Customs clearance on imports and export declaration; and,
  - Intrastat.
3. It is important to consider this topic in any wider analysis of eGovernment. This includes data storage, data protection, data-sharing, unique business identifier, a business register and the need for Departments and Agencies to develop business-friendly, efficient eGovernment systems.
4. Business has an important role to play in advising on future developments in relation to a Single Window or the most appropriate model of system for Ireland.
5. A method of analysing the format and reporting of any new requirements could be done so with consideration of the Single Window idea. Synergies with current systems in place should be examined and the best approach to the reporting of new requirements should be identified.
6. Business representative groups state that any move to a Single Window type approach should only be undertaken following a comprehensive cost-benefit analysis which would assess the potential costs to business and to government against the benefits that would accrue from its introduction. A cost-benefit analysis could be undertaken with regard to: the costs to business of the introduction of a Single Window, the likely costs and benefits to the Government of its introduction, and an analysis of third country costs.
7. One area of concern is that Government increasingly relies on self-regulation by industry of adherence to quality standards (e.g. Good Manufacturing Practice (GMP) for the control and management of manufacturing and quality control testing of food and medical products, Good Automated Manufacturing Practice (GAMP) for automated systems, and Hazard Analysis and Critical Control Points (HACCP) in the area of food safety, etc). Government facilitated regulation or indirect regulation falls below the radar and the scope of this study. Indirect regulation does not reduce administrative load burden, it simply redirects it to other avenues. Further research could be

undertaken to assess the impact on business and government of such indirect regulation.

8. Case studies could be undertaken of a sample import/export procedure in some sectors. This would help calibrate the SCM methodology to obtain a better assessment of the true business related costs of trade related reporting. Ideally, a more challenging procedure should be examined to highlight the maximum cost in various circumstances. A case study analysis would confirm, challenge and complement the assessment in this report.
9. This study indicates that the reduction of the costs of trade-related regulatory requirements with the introduction of a Single Window system would not likely offset its costs, in particular the potential costs of upgrading ICT systems. Exact costs of updating and the possible merging of ICT systems of various agencies has not been estimated in this report and should be analysed by relevant agencies before any recommendation on the introduction of a Single Window system can be made.

# Annex 1      The Applied Methodology - assessment of the costs of trade-related requirements

## Standard Cost Model

The Standard Cost Model (SCM) is the preferred methodology when assessing the administrative burdens put on businesses through regulation. Originally conceived in the Netherlands, the methodology has since been refined and improved through numerous measurements conducted in a number of European and OECD countries.

The SCM methodology is a way of breaking down regulation into a range of manageable components that can be measured. The SCM does not focus on the policy objectives of each regulation. As such, the measurement focuses only on the administrative activities that must be undertaken in order to comply with regulation and not whether the regulation itself is reasonable or not. Deciding whether to abolish or simplify a given piece of regulation is a subsequent exercise carried out by regulators, stakeholders etc.

Recent methodologies for SCM tend to deduct Business As Usual (BAU) costs from derived administrative costs to estimate a figure for administrative burden. However, due to time and resource limitations, this study does not estimate BAU. This leads to results that are higher than if BAU was included.

It is thought that the SCM is liable to an underestimation, or an exclusion of fixed costs, as the on-going costs of maintaining the capability to respond to government information requirements are not included. While this may be true, such costs are not included in this study because such costs cannot be eliminated by a Single Window system and thus do not impact on the results of this study.

During the consultation process another view was expressed that it would have been useful to include a validity measure of the SCM measurement by including direct activity observation of traders practice and the procedures surrounding documentation inputs for requirements submitted to public administrations. However, due to limited time and resources, this was not possible in this study. It was also pointed out that it would be interesting to widen the scope of the study to include samples of actual transactions from end-to-end as cases of actual practice which could either confirm or challenge our interpretations of statistical, interview and observational data.

## Measurement of regulatory compliance costs

The focus of the study is on regulatory requirements and the costs Irish businesses incur when complying with these requirements. The regulatory requirements come in two forms:

- Administrative costs arising from the time spent by businesses fulfilling information obligations, i.e. obligations arising from regulation to provide information and data to the public sector or third parties;
- Substantive costs arising from the time spent by businesses fulfilling the requirements set out in regulation (also referred to as content obligations), i.e. legal requirements stipulating that businesses have to carry out or avoid certain actions or conduct.

This study only analyses administrative costs and only content obligations which are accompanied in some way by information obligations have been assessed. It is extremely difficult to distinguish between the normal operating costs and the substantive compliance costs of some regulatory requirements. Only one possible example of substantive costs was identified in this report, in relation to a compliance system on dual-use goods. No attempt has been made to try and assess the substantive compliance costs of this regulation.

Trade related requirements that are of a non-regulatory origin, for example, the costs of having to communicate with hauliers, banks, warehouses, Chamber of Commerce, suppliers, customers etc, are not included in the study.

Only regulation within the Irish sphere of influence is measured. Since the ultimate aim is to try and reduce the regulatory costs incurred by businesses when complying with trade-related regulatory requirements, the study has been limited to requirements stemming from Irish regulation. Some of these requirements may be traced back to EU directives or international agreements, but the important point is that all of the requirements are stipulated in Irish regulation, meaning that the Irish State is ultimately responsible for the requirements and the regulatory compliance costs faced by Irish businesses. The Irish State is therefore also able to take direct steps towards reducing these costs. Any steps taken will help Ireland achieve the 25 per cent target reduction in administrative burden by 2012.

This means that requirements of third country origin that Irish businesses are faced with when exporting to foreign markets are not included in the measurement. For example, certain non-EU countries require companies to produce health certificates or certificates of origin when exporting goods to these countries, while certain countries require that specific information is printed on the label of goods sold in that country. All of these requirements carry costs for Irish businesses, but since the Irish State has no direct way of influencing or reducing these regulatory costs, they are not included in this measurement.

### Regulation affecting four sectors of the economy measured.

The study has focused on assessing the regulatory compliance costs for four sectors of the Irish economy:

- Food sector, i.e. businesses that trade in or produce food products and beverages that are either partly or entirely processed, e.g. meat importers and exporters. These are all found within NACE code 15 and sub codes<sup>33</sup>;
- Manufacture of basic chemicals, e.g. businesses producing industrial gasses, chemical adhesives, pesticides etc. These are found within NACE code 24.1 and sub codes;
- Pharmaceutical sector, e.g. traders and producers of medication, but not medical products. These are all found within NACE code 24.4 and sub codes; and,
- Businesses that trade in or produce office equipment, computers, computer software etc. These are mostly found within NACE code 30 and sub codes, although producers of software are also found within various service sectors<sup>34</sup>.

The table below presents key economic figures for the four sectors. As can be seen from the table, the four sectors constitute only around 16 per cent of industrial enterprises with 3 or more employees, but they employ around one third of the people employed in industrial enterprises with 3 or more employees in Ireland. Moreover, their total share of turnover is around 57 percent. While they “only” account for around 41 percent of total imports, their total share of exports is 75 percent and their share of enterprises is 16 percent.

The four sectors are highly important to the Irish economy, both in terms of total turnover and number of persons employed, and also in terms of their share of trade. They therefore constitute a good basis for identifying the trade related regulatory requirements and the costs of complying with these.

While these sectors are important to the Irish economy, it is accepted that they may have very specific requirements this may make it difficult to use these sectors as representative of all sectors in the economy. In other words, any generalisation on the issues highlighted may be difficult.

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<sup>33</sup> The statistical classification of economic activities in the European Community is commonly referred to as NACE-codes. It is a European industry standard classification system consisting of a 6 digit code. The first four digits of the code are the same in all European countries. The fifth digit might vary from country to country. For a list of NACE-codes please refer to [http://ec.europa.eu/comm/competition/mergers/cases/index/nace\\_all.html](http://ec.europa.eu/comm/competition/mergers/cases/index/nace_all.html)

<sup>34</sup> Only figures from NACE 30 are used when extrapolation for this sector. Software companies are spread over a number of different production- and service sectors, cf. this outline <http://www.oecd.org/dataoecd/34/37/2771153.pdf>

**FORFÁS SINGLE WINDOW: ASSESSMENT OF THE COSTS OF TRADE-RELATED REGULATORY REQUIREMENTS**

**Table A1: Key economic figures for the four sectors<sup>35</sup>, 2006.**

Sectors <sup>36</sup>	Number of Enterprises		Turnover		Persons Engaged		Value of Imports		Value of Exports	
	2006	%	2006 €million	%	2006	%	2007 € '000	%	2007 € '000	%
<b>NACE 15: Manufacture of food products and beverages</b>	614	13	23,854	19	43,079	19	5,579,700	9	8,917,300	10
<b>NACE 24.1: Manufacture of Basic chemicals</b>	62	1	22,407	17	7,747	3	5,697,700	9	28,044,900	32
<b>NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products</b>	57	1	8,340	6	11,645	5	2,391,200	4	14,764,900	17
<b>NACE 30: Manufacture of Office Machinery and computers</b>	41	1	19,170	15	11,776	5	11,231,100	18	13,968,800	16
<b>All Four Sectors</b>	774	16	73,771	57	74,247	32	24,899,700	41	65,695,900	75
<b>Total for all sectors</b>	<b>4,800</b>		<b>128,655</b>		<b>232,729</b>		<b>61,116,300</b>		<b>87,933,700</b>	

<sup>35</sup> Due to rounding off of figures, there may be a difference between individual figures and the total sum. This applies to this and all other tables in the report.

<sup>36</sup> This data is based on the value of merchandise trade by commodity group from 2007 (SITC Categories). Each commodity code has subsequently been matched to the NACE code that produces the respective commodities. NACE code 15 was matched with SITC codes Total food and live animals (0), Beverages and tobacco (1), and Animal and vegetable oils, fats and waxes (4). NACE code 24.1 was matched with SITC codes Organic chemicals (51), Inorganic chemicals (52), Dyeing, tanning and colouring materials (53), Essential oils, perfume materials, toilet preparations etc. (55), Fertilisers, manufactured (56), Plastics in primary forms (57), Plastics in non-primary forms (58), and Chemical materials and products, n.e.s. (59). NACE code 24.4 was matched with SITC code Medicinal and pharmaceutical products (54). NACE code 30 was matched with SITC codes Office machines and automatic data processing equipment (75) and Telecommunications and sound recording, reproducing equipment (76).

Source: Central Statistics Office (CSO), 2006 Census of Industrial Production. Data from the CSO reports on industrial production by sector. This includes only industrial enterprises with 3 or more persons engaged.

## Step-by-step methodology

In order to achieve the objectives of the project, the following step-by-step methodology has been applied.

### **Step 1: Inception and selection of businesses for mapping-interviews.**

The project started in mid-April 2008, with the interaction of a first round of businesses for interviews. The first set of interviews focused on identifying the import and export requirements that Irish businesses were subject to.

### **Step 2: Interviews with businesses in order to identify requirements.**

A total of eight businesses were interviewed during the initial phase of the project in order to identify what import and export requirements they were subject to. The focus has been on requirements associated with the individual shipment of goods, and also the ongoing requirements when importing and exporting.

Businesses were asked to identify both information obligations, i.e. obligations arising from regulation to provide information and data to the public sector or third parties, and content obligations, i.e. legal requirements stipulating that businesses have to carry out or avoid certain actions or conducts.

Although the subsequent interviews with businesses (see step 7 below) focused on identifying the costs of complying with the different requirements, these interviews were also used to identify additional trade related requirements. Hence, businesses were asked to identify the costs of a range of requirements, and were then asked to identify whether they had experience with any other requirements.

### **Step 3: Mapping of export and import requirements.**

At this stage, the requirements were mapped out, in order to identify the individual information obligations, and the related data requirements. For content obligations, the individual actions that need to be carried out, in order to fulfil the content obligation, were identified.

### **Step 4: Review of mapping.**

By mid May 2008 the mapped requirements were presented to a project steering committee, along with a report summarising the results from the first phase of the project. The steering committee was asked to identify any requirements that might be missing from the mapping, and approve the mapping prior to commencing the assessment of costs.

The feedback from the steering committee was incorporated into the subsequent analysis.

**Step 5: Identification of number of iterations.**

During this step, the number of iterations, or specifically the number of times each requirement is fulfilled per year, was identified.

In some cases it has been relatively straight forward to identify the correct number of iterations, but other cases have been more challenging:

- In some cases very specific data was needed, for example, the number of companies within the four sectors that report Intrastat. A number of Government departments and agencies have been very helpful in supplying the necessary data, even though it has required considerable work on their part.
- In other cases the necessary data could not be identified, but suitable proxies were used instead, e.g. the number of export Single Administrative Documents (SADs) as a measure of number of commercial invoices.
- For some of the requirements it has not been possible to retrieve the required data, either because it does not exist, or because it would have required a considerable effort to determine the exact figures. In these cases, it has been necessary to make certain assumptions in order to arrive at population figures that could be used for extrapolation. Further more detailed analysis would be required in order to confirm the accuracy of these assumptions.

*The number of businesses engaged in trade within the four sectors*

Identifying the total number of businesses within the four sectors that are affected by import and export requirements is important when trying to assess the average cost that a business within one of the four sectors will have when complying with the trade related requirements.

When the Central Statistics Office reports on industrial production by sector, they include only industrial enterprises with 3 or more persons engaged.<sup>37</sup> No explanation is given for this, but it is likely to ensure that only units with a certain level of economic activity are included in the figures. According to this approach, there are a total of 774 businesses within the four sectors with 3 or more persons engaged. However, this figure is likely to be too low in terms of businesses affected by the trade related requirements, as even businesses with fewer than 3 employees may be engaged in importing and exporting.

A total of 2,475 units are registered for VAT within the four sectors. This is the total number of units undertaking some form of economic activity within the four sectors. This figure will therefore include units with a very low level of economic activity, either because the unit is dormant, constitutes a holding company or because the owner only runs the business as a part time business, without making his/her entire living out of the company. It will also include

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<sup>37</sup> Central Statistics Office, 2007, 2006 Census of Industrial Production, December 2007.

businesses with more than one VAT number. Moreover, it will include businesses which do not have any foreign trade. This figure is in other words too high in terms of identifying the number of businesses affected by trade related requirements.

In order to arrive at a more reasonable figure for the number of businesses affected by the trade related requirements, it is reasonable to look at the number of VAT registered units which report the total value of imports and exports when filing their VAT return form, as this will effectively be the number of businesses engaged in imports and exports. The number of units that do this is assessed in Annex 2 to Annex 6. According to the assumptions made in these sections, a total of 1,152 businesses are engaged in imports and 1,504 are engaged in exports.

Table A2 below gives an overview of the number of businesses within the four sectors according to the different sources.

**Table A2: Number of businesses affected by trade related requirements**

NACE Code	CSO number of businesses		VAT number of businesses (import)		VAT number of businesses (export)	
	2006	%		%		%
NACE 15: Manufacture of food products and beverages	614	79%	704	61%	1,056	70%
NACE 24.1: Manufacture of Basic chemicals	62	8%	86	7%	86	6%
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	57	7%	154	13%	154	10%
NACE 30: Manufacture of Office Machinery and computers	41	5%	209	18%	209	14%
<b>All four sectors</b>	<b>774</b>		<b>1,153</b>		<b>1,505</b>	

The number of businesses reporting the value of imports and exports respectively will be used in the report to assess the average and total costs for a business within each of the four sectors when complying with the trade related requirements.

**Step 6: Selection of businesses for interviews on costs.**

During this step, businesses were recruited for the cost-assessment interviews. All in all, around 155 attempts were made at recruiting businesses for the interviews - this covers both recruiting under step 1 and the recruiting at step 6. This resulted in a total of 24 businesses being recruited for interviews, which gives a participation rate of around 15 per cent.

The initial interviews were conducted as face-to-face interviews, but a number of businesses declined to participate in these interviews, citing lack of time. Hence, although there had been an initial preference for face-to-face interviews in the study, a decision was made to shift to telephone interviews to increase the participation rate. This methodology was actually suggested by some of the businesses themselves, as this type of interview is less time consuming to participate in.

The telephone interviews that were conducted proved to be equally as good as the face-to-face interviews when assessing costs, so methodologically there was no problem with the shift. However, the response rate did not improve significantly, due to this. The reason for this is probably that at the point of time when telephone interviews were adopted, most of the general requirements had already been cost assessed. Hence, it was the more specific requirements that needed to be assessed at this point, and this naturally lowers response rate as many of the businesses who are contacted won't have any experience with the given requirements.

In an attempt to interview businesses affected by some of these more specific requirements - and as a general attempt to increase response rate - a number of business organisations were approached in order to seek their assistance in recruiting businesses within their ranks. However, this had little effect, as the business organisations were not able to supply any businesses to the study.

Of the 24 completed interviews, 13 were conducted as face-to-face interviews, eight as telephone interviews, and three interviews were conducted by e-mail. The breakdown of businesses interviewed for the study is as follows:

**Table A3: Type and number of businesses interviewed for study**

	SMEs (less than 50)	Medium and large size
NACE 15: Manufacture of food products and beverages	4	3
NACE 24.1: Manufacture of Basic chemicals	1	3
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	2	1
NACE 30: Manufacture of Office Machinery and computers	3	4

In addition, three freight forwarders were interviewed in order to hear how they handle import and exports on behalf of clients.

There is an equal representation of small and large businesses in the study, and it is interesting to note that there was no connection between the size of the business, and their level of administrative costs. Hence, some of the small businesses had established very good ICT-systems, which allowed them to conduct their administrative tasks very quickly, while some of the large companies had administrative routines which could well be optimised - and vice versa.

All of the businesses which were interviewed for the study were businesses which had been operating for a number of years. It would have been interesting to conduct interviews with a number of start-ups (businesses with less than two years in business), in order to see whether they experienced the trade related requirements in another way compared to the established companies. Unfortunately, it was not possible to recruit any start-ups for the study. These businesses are generally also very difficult to get in contact with, as they rarely appear in any of the business registers that are publicly available.

Due to time and resource constraints, and also due to the responsiveness of companies, the sample size is relatively small. In addition, it was not possible to request companies to analyse their report archives to help identify a statistical sample of actual documents submitted by trade. It is recognised that the use of the SCM instead of an econometric analysis plus the small sample size may not result in statistically reliable results.

#### **Step 7: Interviewing businesses about cost of interactions.**

The businesses which were recruited for the interviews were asked to identify the costs of fulfilling the identified requirements. Additionally, they were asked to describe what parts of the requirements were particularly time consuming for them. Moreover, they were asked to

describe what administrative activities were involved in fulfilling the various requirements, and how much time or - in the case of external costs - how much money, was spent complying with each administrative activity.

In general, businesses were very forthcoming with their cost assessments, and found it relatively straightforward to answer the questions. However, some of the requirements were difficult for businesses to cost assess, especially those dealing with ensuring general compliance with requirements, for instance ensuring compliance with dual-use regulation.

#### **Step 8: Standardising results and making draft report.**

During this step, the results from the interviews were standardised in order to arrive at a cost of fulfilling the requirements for a normally efficient business, i.e. a business which handles its administrative tasks in a normal manner, meaning neither better nor worse than may be reasonably expected.

Within the context of this study, a normally efficient business is a business that employs some form of IT-system in its administration, i.e. software based programs that will aid and facilitate the businesses in planning, logistics and accounting tasks. These can be very advanced IT-systems, which will allow businesses to monitor the entire flow of goods in their company, but can also be very basic systems that will allow businesses to do electronic bookkeeping. This is what most businesses will have as a minimum, and this therefore also defines the level of the normally efficient businesses. This is not to say that all businesses will do their accounting electronically - some businesses may still be doing their accounting manually in a physical book. However, these companies will be spending more time on their administrative tasks than can reasonably be expected, given the level of affordable technology that is available in the market.

The standardised figures were entered into the database, where they were extrapolated to national level by multiplying by the wage for staff performing the administrative tasks, and the number of annual iterations identified during step 5.

Two wage rates were used in the calculation:

- Clerical employees: €19.53 per hour + 25 per cent overhead = €24.41 per hour
- Managerial employees: €26.96 per hour + 25 per cent overhead = €33.69 per hour

These earnings are based on the latest available figures from the Central Statistics Office<sup>38</sup> and are based on weekly earnings for the two employee categories within the four sectors, and an average working week of 40 hours. An overhead of 25 per cent is added, in order to account for the additional costs of employing staff, e.g. costs of office space, telephone, computers, heating etc.

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<sup>38</sup> CSO, 2007, Industrial Earnings and Hours Worked, March and June 2007.

It must be noted that, for some regulatory requirements, both clerical and managerial employees may complete the form. It is acknowledged that in some instances it was difficult to assess which category of employee completed the form (for example, the Intrastat returns). In cases such as this, an assumption was made as to who was responsible for filling out the form.

At this stage sensitivity analyses were also conducted on areas where assumptions had been made. This has specifically been relevant in cases where the number of iterations has been assumed. Here, the total regulatory costs have been calculated based on other likely scenarios of the number of iterations. In this way the increase or decrease in regulatory costs due to changing assumptions can be illustrated.

## Description of Import and Export Requirements That Have Been Quantified

The following table shows the import and export related requirements that have been quantified as part of this study, and the sectors that these requirements affect:

**FORFÁS SINGLE WINDOW: ASSESSMENT OF THE COSTS OF TRADE-RELATED REGULATORY REQUIREMENTS**

**Table A4: Import and export requirements and affected sectors**

	Information Obligation	NACE 15 - Food	NACE 241 - Basic Chemicals	NACE 244 - Pharmaceuticals	NACE 30 - Computers etc.
<b>Importing from the EU</b>					
Per Shipment	VET 1: Notification of Import of Animal Product of EU Origin*	x			
	VAT return form	x	x	x	x
Ongoing	VAT Return of Trading Details - EU-import	x	x	x	x
	Intrastat import return (subject to threshold of €191,000)	x	x	x	x
	Registration Of Importers Of Products Of Animal Origin (both EU & non-EU import)*	x		x	
<b>Importing from non-EU</b>					
Per Shipment	Customs clearance on imports	x	x	x	x
	CVED - Common Veterinary Entry Document - importing from 3 <sup>rd</sup> countries*	x		x	
	VET 15: Application for licence to import samples of animal products for diagnostic/ education/ research/ exhibition purposes*	x		x	
	VET 16: Import license for Carcasses and Animal Products (Prohibition) etc.*			x	
Ongoing	Registration Of Importers Of Products Of Animal Origin (both EU & non-EU import)*	x		x	
	VAT Return of Trading Details	x	x	x	x
	Duty relief schemes		x	x	x
<b>Exporting to EU</b>					
Per Shipment	Documentation for Dangerous goods & Marine pollutants (both EU & non-EU exports)*		x		
Ongoing	Maintain compliance system on dangerous goods and marine pollutants (both EU & non-EU exports)*		x		
	VAT return form	x	x	x	x
	VAT Return of Trading Details -exports	x	x	x	x
	VIIES: VAT Information Exchange System	x	x	x	x
	Intrastat - EU exports (subject to threshold of €635,000)	x	x	x	x
<b>Exporting to non-EU</b>					
Per Shipment	Export declaration	x	x	x	x
	Documentation for Dangerous goods & Marine pollutants*		x		
	Dual-use goods *				x
On going	VAT Return of Trading Details	x	x	x	x

Requirements marked with \* are sector specific requirements.

The following annexes provide a description of each of the requirements, detail the administrative activities businesses have to perform in order to fulfil the requirements, identify the number of annual iterations per requirement, and the total costs per requirement, both per filing, notification etc, and in total for all the four sectors.

## Annex 2 Costs of assessed EU “import” requirements

### VET 1: Notification of Import of Animal Product of EU Origin

Companies are first registered as importers of products of animal origin (see section below), and, if they want to import animal products from an EU country into Ireland, they will need to provide 24 hours advance notice in respect of each consignment by filling out and filing this form. The regulation related to this requirement is handled by the Department for Agriculture, Fisheries and Food.

#### Administrative activities in companies

During the course of interviewing businesses it has not been possible to identify any businesses who had filed notifications on imports of animal products. Hence, the assessment of administrative activities is based on an expert assessment.

It is assumed that the notification is completed by a person within the clerical wage category, and that this person will spend ½ hour completing the notification. The affected businesses will most likely be importing on a regular basis, so filling out the notification will be a recurring task for the employee. This means that the person will not need to spend time on familiarising her/him self with the requirements involved in filling out the notification.

The work will involve the following administrative activities:

- Information retrieval (50% of time);
- Checking (30% of time);
- Copying, distribution, filing, etc. (10% of time);
- Reporting/submitting information (10% of time).

There are no external costs involved in completing the registration.

#### Number of iterations

In 2007 there were a total of 2,295 notifications of import of animal products of EU origin filed to the Department of Agriculture and Food. This information comes from the Department of Agriculture, Fisheries and Food.

#### Administrative costs

The total administrative costs of filing a notification are as follows:

- Per registration                    €12.21;
- In total for all notifications        €28,013.

All of these administrative costs are due to Irish requirements. Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

## VAT return form - value of imports from EU

When fulfilling the information obligation regarding the filing of the VAT return form, businesses which have imported goods from other EU countries are faced with a data requirement regarding the total value of imports from EU countries. This information is filed along with the VAT return form, either every 2 months or once a year. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

The requirement for businesses to provide data on the value of imports and exports to/from EU countries arose from the establishment of the Single Market in 1993 when Customs declarations for intra EU movements of goods were abolished. Prior to this the VAT 3 form required detailed information on all purchases and sales transacted during a VAT period; it was replaced by the current VAT 3 which is essentially an accounting document which gives a global figure for the amounts of VAT due and the amounts deductible in each taxable period and includes two statistical elements relating to the value of intra community purchases and of intra community sales. The detailed fiscal information has been required on an annual basis only on the VAT3 RTD since 1993.

### Administrative activities in companies

In order to be able to deliver the data on total value of imports from EU countries, the businesses need to keep track of each individual import and the value of this. In the normally efficient businesses this is done in some sort of IT-system. Hence, invoices relating to imported goods are entered into a system as part of the normal bookkeeping conducted by businesses, and these administrative activities are therefore not included in the assessment of the administrative costs.

In order to file the VAT form, an employee within the clerical wage category will extract a report from the IT-system where all the relevant information is listed, including information on the total value of imports from EU countries. The person will then enter the information on the value of imports from the EU into the VAT return form, and check whether the figures are as expected. The information is then submitted along with the other VAT information.

Based on the interviews with businesses, it is estimated that the normally efficient business spends 45 minutes retrieving information for the VAT form, checking the figures, and submitting them to Revenue. However, this covers completion of the entire VAT form which consists of five main data requirements. Completing the requirements regarding information on value of imports from the EU is therefore estimated to take 9 minutes, which is spread evenly across the following administrative activities

- Information retrieval (25% of time);
- Checking (25% of time);
- Presentation of figures (25% of time);
- Reporting/submitting information (25% of time).

There are no external costs involved in filing this information.

**Number of iterations**

For the four sectors approximately 8,990 VAT return forms were lodged in 2007 by 2,475 businesses. Depending on the size of the business, the VAT return form can be returned every 2 months or annually. . The facility of filing returns every 4 months or 6 months is available to certain small traders. This came into effect on 1 July 2007. The breakdown by sector is as follows:

**Table A5: VAT forms lodged by businesses within the four sectors**

	Number of businesses registered for VAT	Number of businesses lodging VAT form every 2 months	Number of businesses lodging VAT form annually	Total number of VAT forms lodged
<b>NACE 15: Manufacture of food products and beverages</b>	1,878	899	979	6,373
<b>NACE 24.1: Manufacture of Basic chemicals</b>	114	111	3	669
<b>NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products</b>	205	124	81	825
<b>NACE 30: Manufacture of Office Machinery and computers</b>	278	169	109	1,123

The above information has been provided by Revenue, although the distribution between businesses filing every 2 months and those filing annually has been calculated.

Regardless of the intervals of reporting, a business will spend the same amount of time reporting the information on total value of imports from EU countries, as the information is anyway just extracted from the IT-system. It has therefore not been necessary to segment between businesses reporting every second month and those who only report every year.

For the purpose of the extrapolation it is necessary to identify the number of businesses which include information on the value of imports when lodging the VAT return form - the above figures cover the total number of VAT filings, and may include businesses which do not have imports. It has not been possible to determine the exact number of businesses which file information on imports along with the VAT return form and, in order to arrive at such figures, it is therefore necessary to make certain assumptions.

A certain number of VAT registered units within the four sectors will not be engaged in imports, either because they are dormant, holding companies, or are only part time companies. For the purpose of this study, it is assumed that 25 per cent of the VAT registered units will not be engaged in imports.

As the Irish economy is a very open economy where many businesses rely on imports and exports, it has been assumed that the remaining companies within the chemicals, pharmaceuticals and office/computer machinery sector, will all be engaged in some form of imports.

The food sector is not so heavily reliant on imports for its production, as many products are based on domestically produced goods. It is therefore assumed that only half of the remaining 75 per cent of businesses within the food sector will conduct imports. It will furthermore be assumed that the above reductions in number of businesses who report VAT on imports will apply equally to businesses who report every 2 months and those filing annually.

Combining the available data with the above assumptions leads to the following number of iterations:

**Table A6: Number of VAT forms with information on imports**

	Number of VAT registered businesses who import	Number of businesses lodging VAT form every 2 months	Number of businesses lodging VAT form annually	Total number of VAT forms lodged
<b>NACE 15: Manufacture of food products and beverages</b>	704	337	367	2,390
<b>NACE 24.1: Manufacture of Basic chemicals</b>	86	83	2	502
<b>NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products</b>	154	93	61	619
<b>NACE 30: Manufacture of Office Machinery and computers</b>	209	127	82	842

Hence, annually a total of 4,353 VAT forms with information on imports are filed by businesses within the four sectors.

#### **Administrative costs**

The total administrative costs of filing VAT forms with information on imports are as follows:

- Per filing                                    €3.66
- In total for all filings                €15,940

All of these administrative costs are due to EU requirements. Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

The number of annual filings is a cost driver for this requirement, and since the total number of filings has been arrived at based on certain assumptions, it is relevant to see how the administrative costs will differ under different scenarios:

- If all businesses who reported VAT also reported information on imports, the total number of annual filings would be 8,990. In this case, the total administrative costs will be €32,920, i.e. a 107 per cent increase in administrative costs compared to the costs included above.

- If all businesses who report VAT on a bi-monthly basis are engaged in imports, but none of the businesses who report annually, the total number of annual filings will be 7,938. In this case, the total administrative costs will be €29,067, i.e. an 82 per cent increase in administrative costs compared to the costs included above.

## VAT Return of Trading Details - EU imports

Once a year, all registered traders must give a breakdown of the supply of goods and services, imports and deductible inputs at the various VAT-rates applicable during the year. The required information includes all Irish, Intra-EU and overseas trade. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

Specifically in relation to imports (both from EU and non-EU countries), businesses have to supply data on Value of Acquisitions from EU countries Net of VAT & VAT free imported parcels, Value of Stock for Resale (purchases, Intra-EU acquisitions & imports), and Value of Other Deductible Goods & Services (purchases, Intra-EU acquisitions & imports). For each of these information categories, there are several rows, which each refer to a separate VAT-rate. Hence, all imported products need to be categorised according to the VAT-rate that is applicable to that good in Ireland, and the combined value of goods at the various applicable VAT-rates then needs to be reported.

### Administrative activities in companies

The form requires all imported goods (both from EU and non-EU countries) to be split up according to the VAT-rate applicable when sold in Ireland. In order to supply this information an employee within the clerical wage category will extract a report from the IT-system where all the relevant information is listed. However, it is not common for businesses to have their IT-system set up in a way that will allow them to directly transfer the information from the IT-system to the form.

The information needs first to be processed, and businesses therefore have to spend a considerable amount of time identifying the specific way in which data has to be reported, and sort out the data according to these requirements. Furthermore, the fact that the data is only reported once a year means that businesses will typically not have established routines to handle the task.

Based on the times quoted by businesses it is estimated that a normally efficient business will spend 5 hours fulfilling the information obligation, and that this will involve the following administrative activities:

- Familiarisation with the information obligation (20% of time);
- Information retrieval (5% of time);
- Assessment (20% of time);
- Calculation (35% of time);

- Presentation of figures (5% of time);
- Checking (10% of time);
- Reporting/submitting information (5% of time).

The majority of the work is spent familiarising oneself with what data actually needs to be reported, assessing the retrieved information and not least calculating the data, so that the different goods that are imported are ascribed to the applicable VAT-rate.

The 5 hours spent fulfilling the information obligation covers both import and export information that needs to be supplied, but the majority of the work is spent on reporting import related information, as the information on value of exported goods is more straightforward as only one figure needs to be supplied. Therefore, the import related information accounts for 95 per cent of time, i.e. 4 hours and 45 minutes (285 minutes).

For analytical purposes, the time needs to be split between the time that is spent handling figures on EU import and time spent handling figures on non-EU imports. Since the majority of imports to Ireland come from the EU, 75 per cent of the time is allocated to handling figures on EU imports, which means that 214 minutes are spent handling figures on EU import, while 71 minutes are spent handling figures on non-EU imports.

#### Number of iterations

This is an annual form so there is just one return per trader per annum. For the four sectors the number of forms returned in 2007 was 170, comprised of:

- NACE Code 15: 123 forms;
- NACE Code 24.1: 7 forms;
- NACE Code 24.4: 15 forms;
- NACE Code 30: 25 forms.

The above information has been provided by Revenue. Some of the returned forms will only contain information on imports, while others will only contain information on exports. However, it has not been possible to identify the exact figures in this respect, so for the purpose of this study it will be assumed that all returned forms contain information on both imports and exports.

It is compulsory for businesses to file the VAT return of trading details form once a year, and there is a penalty of €4,000 for failing to comply. Hence, one would expect a total of 2,475 filings coming from the four sectors, corresponding to the number of businesses who file the VAT form, see table A5 above. Of these 2,475 filings, 1,153 of the filings should include information on imports, see table A6 above. However, as can be seen from the figures above, compliance is low. This has also been confirmed by some of the interviewed businesses, who have acknowledged that they did not file the form even though they knew it was compulsory.

### Administrative costs

The total administrative costs of entering information on EU-imports on the VAT return of trading details are:

- Per filing €86.97
- In total for all filings €14,785<sup>39</sup>

The administrative costs related to information on EU imports constitute 71 per cent of the total costs of completing the VAT Return of Trading Details form. Revenue has informed us that the Return of Trading Details is an EU requirement. While the EU requirement is set out in VAT Directive 2006/112/EC, there are options for Member States in terms of frequency. Ireland has opted to apply the minimum requirement, being a return only once a year.

It should be noted that the above costs correspond to the actual compliance costs of the requirement, and not the full compliance costs of the regulation, which would be the costs if all registered traders within the four sectors filed the VAT return of trading details with information on EU-imports. The full compliance costs of the requirement would be €100,274.

In general, SCM measurements report the regulatory costs assuming full compliance, most often because the actual compliance rate is not known. In this case, both actual and full compliance has been reported, but the actual compliance costs have been included when adding up the total costs of the regulatory requirements, in order to reflect the actual impact of the regulatory requirements upon Irish businesses.

### Intrastat - imports

Businesses who import goods valued in excess of €191,000 annually from other EU countries have to file a monthly Intrastat return. Businesses are required to detail what they have been importing, the value of this and the weight of it etc. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

### Administrative activities in companies

The major part of the time spent filling out the Intrastat form on imports from the EU focuses on:

- compiling the information on the different commodities that have been imported;
- identifying the correct commodity code for each group of commodities;
- assessing the total value for each group of commodities (both the invoice value and the statistical value);
- calculating the total weight of each commodity group.

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<sup>39</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

There are three ways of handling this task:

- The information is entered into the IT-system, when the invoice arrives at the company. If it is an electronic invoice, the necessary information goes right into the IT-system, but if it is a physical invoice the information on the invoice needs to be entered into the system. Either way, the company can relatively easily extract the necessary information from the IT-system when it is time to do the Intrastat reporting.
- Businesses which do not have an IT-system that is set up to do handle Intrastat, will normally have some sort of spreadsheet, where the necessary information from the invoices is entered, after which the necessary information can be calculated and entered into the Intrastat form. The necessary information from the invoices can either be entered on a continuous basis or when the Intrastat form needs to be completed. The latter option will be a bit more time consuming, as the correct invoices will have to be retrieved once again. However, this added time is cancelled out by the fact that businesses which compile and enter the information once a month will have to spend less time in assessing and checking the information.

In either case, the amount of time spent on filing the Intrastat form will be roughly the same whatever way it is done, the business will have to spend the same amount of time entering information into the system<sup>40</sup>. As this information is generally not used for any internal business purposes, all of the time spent entering the information into the system can be labelled as administrative costs.

There will obviously be some businesses that do all of this work by hand, without the use of spreadsheets, etc. However, owing to the fact that it is only businesses with a certain level of imports (i.e. typically businesses that import on a regular basis) that need to file the information, it is reasonable to expect a certain level of automation - it would simply not be effective in the long run to do all of this work by hand.

Another major part of the work that needs to be performed is assessing and checking the information that is put down on the Intrastat form. This is mostly relevant for businesses which record the necessary information on a continuous basis (either in their IT-system or in a spreadsheet), as they will need to spend some time on assessing whether the extracted information is a true reflection of the actual trade that has taken place during the last month. However, as shown above, this added information on a continuous basis.

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<sup>40</sup> It should be noted that some companies have begun to use electronic invoicing, where the invoice can be transferred electronically between companies and go directly into the IT-system. In these cases, companies won't have to spend time entering the information into their IT-system. However, a company cannot rely fully on electronic invoicing, as some of its suppliers will be able to send electronic invoices, while others will not. Some larger companies may however be in a position, where they can require of their suppliers that they deliver invoices electronically. It has not been possible to determine the extent to which electronic invoicing is being used today, and it has therefore not been considered in this study. It is being examined in detail by the European Commission Expert Group on e-Invoicing which aims to design a European Electronic Invoicing (EEI) Framework by the end of 2009. A Mid-Term report released in January found that e-invoicing has great potential but is being held back by a number of barriers to the achievement of mass adoption. See: [http://ec.europa.eu/internal\\_market/payments/docs/einvoicing/report-2009\\_01\\_27\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/einvoicing/report-2009_01_27_en.pdf)

In sum though, whether the information is entered on a continuous basis or once a month it will take the same amount of time for businesses to compile the information and make it ready for reporting.

Hence, it is not the means by which businesses choose to handle the administrative work related to reporting Intrastat on imports that determines their administrative costs. Rather it is the amount of different commodities that the company imports, that will determine their administrative costs of reporting Intrastat on imports. If the company only imports one type of commodity reporting Intrastat will be very straightforward. However, companies that import a lot of different commodities will have to spend considerably more time on reporting.

Based on the pattern of Intrastat reporting that was observed among the interviewed businesses, in order to determine the administrative costs of reporting Intrastat this study has chosen to distinguish between two types of businesses that report Intrastat on imports:

- Businesses who only report a few different types of commodity codes. Typically, the interviewed businesses who fall into this category reported no more than 20 different commodity codes, but it is found reasonable to extend this category to include businesses who report up to 50 commodity codes.
- Businesses who report many different types of commodity codes. Typically, the interviewed businesses who fall into this category reported more than 100 different commodity codes, but it is found reasonable to include businesses who report more than 50 commodity codes in this category.

Reporting Intrastat can be done either on paper or by transferring a file to Revenue with the information. Hence, businesses which transfer a file will save time on having to fill out the physical copy of the Intrastat form. Obviously the more commodity codes a company needs to report, the more rational it would be for this company to transfer a file rather than report on paper. In this study is assumed that businesses who report less than 50 commodity codes will report on paper, while businesses with more than 50 commodity codes will transfer a file to revenue.

The typical amount of time that was spent reporting Intrastat for businesses with less than 50 commodity codes is 2 hours per month (which is in line with the findings of a recent CSO report)<sup>41</sup>, with half of this time being spent on entering the necessary information into the IT-system or spreadsheet. There is a total of 19 data requirements on the Intrastat form, but it is estimated that 90 per cent of the time is spent fulfilling the 11 data requirements that need to be fulfilled for each type of commodity that is imported. The administrative activities that are involved in this work are as follows:

- Information retrieval (55% of total time - this covers 50% of total time spent entering information into system, and 5% of total time spent on retrieving the necessary information from the system);
- Assessment (15% of total time);

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<sup>41</sup> CSO, 2009, "Report on Response Burden placed on Irish Businesses by CSO inquiries in 2008".

- Presentation of figures (5% of total time);
- Checking (15% of total time);
- Correction (5% of total time);
- Reporting/submitting information (5% of total time).

The typical amount of time that was spent reporting Intrastat for businesses with more than 50 commodity codes is 15 hours per month. It is estimated that two thirds of this time is spent on entering the necessary information into the IT-system or spreadsheet. As with the companies with less than 50 commodity codes, it is estimated that 90 per cent of the time is spent fulfilling the 11 data requirements that need to be fulfilled for each type of commodity that is imported. The administrative activities that are involved in this work are as follows:

- Information retrieval (70% of total time - this covers 66% of total time spent entering information into system, and 4% of total time spent on retrieving the necessary information from the system);
- Assessment (10% of total time);
- Checking (10% of total time);
- Correction (5% of total time);
- Reporting/submitting information (5% of total time).

Businesses with more than 50 commodity codes are assumed to report Intrastat by transferring a file to Revenue. Unlike businesses with less than 50 commodity codes, these businesses therefore don't have to spend time on presenting figures in the Intrastat form. However, they will still spend time reporting figures, as the file has to be prepared and sent to the Revenue Commissioners.

The Revenue Commissioners have reported that, from their experience, some companies experience problems with the identification of the correct Combined Nomenclature (CN) codes (or commodity codes as referred to here). However, while this is the case, it was pointed out that Revenue Commissioners provides advice and guidance on CN/Taric classifications to traders.

#### **Number of iterations**

The Central Statistics Office has provided figures on the annual number of Intrastat returns within the four sectors. In 2007, 350 different businesses filed Intrastat forms on imports. It is assumed that the distribution of these 350 businesses between the four sectors corresponds to the share of businesses within the four sectors which file information on imports along with the VAT form, see table A6 above.

**Table A7: Number of businesses filing Intrastat spread across the four sectors**

	Number of VAT registered businesses who import		Number of businesses filing Intrastat
	Numbers	%	
<b>NACE 15: Manufacture of food products and beverages</b>	704	61,1%	214
<b>NACE 24.1: Manufacture of Basic chemicals</b>	86	7,5%	26
<b>NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products</b>	154	13,4%	47
<b>NACE 30: Manufacture of Office Machinery and computers</b>	209	18,1%	63
<b>Total</b>	<b>1,153</b>	<b>100,0%</b>	<b>350</b>

It is assumed that each of the 350 businesses filed the Intrastat return during the entire year, meaning a total of 4,200 Intrastat returns on imports were filed in 2007. These filings contained a total of 120,444 lines of commodity codes.

Data from the CSO shows that 97 per cent of filings are for less than 50 commodity codes while 3 per cent are for more than 50 commodity codes.

#### **Administrative costs**

The total administrative cost of filing Intrastat return on imports is as follows:

- fewer than 50 commodity codes: €48.82 per return or €586 annually;
- more than 50 commodity codes: €366.12 per return or €4,394 annually;

- In total for all INTRASTAT returns on imports: €245,023 - 81% of these costs are carried by companies reporting less than 50 commodity codes.

All of these administrative costs are due to EU requirements.<sup>42</sup>

Business representative groups state that Intrastat reporting which requires businesses who import goods valued in excess of €191,000 annually from other EU countries to file monthly returns constitutes a significant administrative burden for business and it was suggested that efforts should be made to streamline the system with a view to improving its usability.

It is thought that the optimal time in terms of minimising the administrative cost and time involved in completing the Intrastat return is at the end of each month when the traders accounts are being closed off for fiscal purposes and the data relating to, an knowledge of transactions, are current. This is the case with the current format of Intrastat reporting.

## Registration of importers of products of animal origin (Covers both EU and non-EU import)

This form is relevant for companies that want to become registered as importers of products of animal origin, either from the EU or from third countries. The regulation related to this requirement is handled by the Department for Agriculture, Fisheries and Food.

When importing products of animal origin from an EU country, the company may have to give prior notification to the Department of Agriculture, Fisheries and Food using the form VET 1: Notification of Import of Animal Product of EU Origin. When importing from a non-EU country, they will need to notify an approved Border Inspection Post (BIP) using the form CVED - Common Veterinary Entry Document when importing from third countries.

### Administrative activities in companies

During the course of interviewing businesses it has not been possible to identify any businesses that had registered as importers of products of animal origin. Hence, the assessment of administrative activities and time consumption is based on an expert assessment. It is assumed that the form is completed by a person within the manager wage category, and that this person will spend 1 hour completing the form. This work will involve the following administrative activities:

- Familiarisation with the information obligation (25% of time);
- Assessment (25% of time);
- Text description (40% of time);
- Reporting/submitting information (10% of time).

There are no external costs involved in completing the registration.

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<sup>42</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.



## Annex 3 Costs of assessed non-EU import requirements

### Customs clearance on imports

When importing goods from non-EU countries, the goods need to go through customs in order to determine whether any duty needs to be paid. The goods are usually accompanied by an import declaration, which is submitted to customs through the Automated Entry Processing (AEP) system. According to information from Revenue, around 99 per cent of all import declarations are submitted electronically through the AEP-system.

The import declaration - also referred to as the Single Administrative Document (SAD) - gives a detailed description of the goods being imported, by using the universal Commodity Code, which is a ten digit number that equates to a description of the item. Every item has a code number and there are around 65,000 different commodity codes in total. A rate of duty is set for each commodity code. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

### Administrative activities in companies

Typically, businesses outsource the handling of all matters relating to the importation of goods to a freight forwarder. For this service, the importing company pays a lump sum charge to the freight forwarder, which includes transportation, handling etc. The charge will depend upon the quantity of goods being imported, size, whether they need to be transported in a special way etc.

Some freight forwarders handle the goods from door to door, meaning that they will pick up the goods from the supplier, get them through customs in the country of origin, transport them to the country of destination, clear them through customs and deliver them to the receiving company. In these cases, the receiving company will not have to supply any information to the freight forwarder, as all information will already be available. In other cases, the receiving company needs to inform their freight forwarder that a shipment of goods is expected, and also supply them with the necessary information, e.g. commercial invoices. However, in both cases the company will have to pay the freight forwarder for clearing goods through customs. In order to clear goods through customs, the freight forwarder sends the SAD to customs, where the goods are given a routing:

- Green Routing - indicates that goods have been cleared by customs on the basis of the SAD declaration received.
- Orange Routing - indicates that goods have been selected for a documentary check and that additional documents need to be forwarded, including the hard copy SAD, before goods can be cleared. If customs are satisfied the goods will be cleared.
- Red Routing - indicates that goods have been selected for a documentary check and a physical examination. Customs will check to ensure that the goods declared on the SAD correspond to the actual goods. If everything is in order the goods are cleared to go.

A customs declaration may be lodged in advance of the arrival of the goods. However, the routing is not issued until the goods actually arrive at which point the goods are either released (Green Routed), selected for documentary control (Orange Routed) or selected for physical control (Red Routed). In the case of goods selected for physical control, the goods must be placed in a customs approved location where customs will then carry out the physical inspection. When the goods are cleared to go, the freight forwarder will load the goods onto a means of transportation, and deliver them to the client. In order to assess the regulatory administrative costs of importing goods to Ireland, one needs to isolate the amount of time freight forwarders have to spend entering information into the AEP-system and dealing with customs.

The freight forwarder will receive various documents relating to the imported goods, e.g. the commercial invoice. The necessary information is entered into the AEP-system and transferred electronically to customs. In some cases the freight forwarder will need to spend some time correcting mistakes in the commercial invoice that has been supplied, clarify commodity codes etc. It is estimated that the freight forwarder will spend approximately 10 minutes per shipment of goods dealing with this administrative work.

The work is performed by a person within the clerical wage category, but obviously there is a mark up on this wage. This mark-up is estimated at 50 per cent, meaning that companies will pay around €36.62 per hour for freight forwarding services. For the freight forwarder, the administrative activities involved in submitting information to the AEP-system are:

- Information retrieval (10% of time);
- Assessment (20% of time);
- Presentation of figures (30% of time);
- Checking (20% of time);
- Correction (10% of time);
- Reporting/submitting information (10% of time).

As stated, the above work covers entry of information into the AEP-system. Hence, if the goods receive a green routing no further work related to regulatory requirements will need to be undertaken by the freight forwarder.

However, if the goods receive an orange or red routing, the freight forwarder will have to undertake additional work, e.g. retrieve and prepare additional information, and deal with customs. In some cases the freight forwarder is required to show up at the bonded warehouse and inspect the goods with customs, while in other cases customs may also just inspect the goods, without having to involve the freight forwarder any further.

If the goods receive an orange or red routing, the freight forwarder will typically have to spend an additional 30 minutes dealing with the goods. The administrative activities involved in this work are as follows:

- Information retrieval (25% of time);

- Assessment (20% of time);
- Checking (20% of time);
- Inspection by public authorities (25% of time);
- Reporting/submitting information (10% of time).

### **Number of iterations**

In 2007 a total of 678,519 import related SADs were submitted to customs. The four sectors covered by this study accounted for a total of 52,561 of these import related SADs - per NACE code the number of SADs were as follows:

- NACE Code 15: 11,760 import SADs;
- NACE Code 24.1: 3,355 import SADs;
- NACE Code 24.4: 6,066 import SADs;
- NACE Code 30: 31,380 import SADs.

Approximately 95 per cent of all goods receive a green routing, 3 per cent receive an orange routing, while 2 per cent receive a red routing. This means that around 2,628 shipments from the four sectors are pulled for further inspection, either due to a red or orange routing. Since 2007, goods receiving orange and red routing has decreased substantially from 4 per cent being orange routed prior to 2007 to 3 per cent after 2007, and from 10 per cent being red routed prior to 2007 to 2 per cent after 2007.

Revenue has provided the information on the number of goods that receive a green, orange and red routing respectively, while the information on number of import related SADs has been provided by Central Statistics Office. In order to determine the number of transactions for the specific NACE codes, the CSO extracted VAT numbers for businesses within the above NACE codes. For each VAT number, trade data at transaction level was then extracted - compiled this gives the above figures.

### **Administrative costs**

The total administrative costs of getting customs clearance on goods imported from third countries is as follows:

- |   |                      |
|---|----------------------|
| ▪ Per customs clearance: goods receiving green routing          | €6.10                |
| ▪ Per customs clearance: goods receiving orange and red routing | €24.41 <sup>43</sup> |
| ▪ In total for all customs clearances                           | €340,038             |

All of these administrative costs are due to EU requirements.<sup>44</sup>

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<sup>43</sup> This includes €6.10 for entering information about goods into AEP-system, and €18.31 related to retrieving additional information and dealing with customs.

<sup>44</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

It should be pointed out that a new compulsory digital customs system will come into effect in July 2009, which may change how freight forwarders do their work. This might alter their prices and thereby the regulatory costs for businesses.

## **CVED - Common Veterinary Entry Document when importing from third countries**

Companies are first registered as importers of products of animal origin, and if they want to import animal products directly from a third country into the EU, they will need to provide 24 hours advance notice in respect of each consignment by filling out and filing this form.

There is also a second part to this form, which has to be filled out by an official veterinarian, who inspects the goods upon arrival. The regulation related to this requirement is handled by the Department for Agriculture, Fisheries and Food.

### **Administrative activities in companies**

During the course of interviewing businesses it has not been possible to identify any businesses who had filed the Common Veterinary Entry Document. Hence, the assessment of administrative activities is based on an expert assessment.

Compared to importing animal products from EU countries, there are further data requirements when importing animal products from non-EU countries, for instance the nature of goods, number and types of packages; gross weight of goods, seal number and container number etc.

It is assumed that the notification is completed by a person within the clerical wage category, and that this person will spend 1 hour completing the notification. The form and supporting health certification should be accurate and complete. The affected businesses will most likely be importing on a regular basis, so filling out the notification will be a recurring task for the employee. This means that the person will not need to spend time on familiarising her/himself with the requirements involved in filling out the notification.

The work will involve the following administrative activities:

- Information retrieval (40% of time);
- Presentation of figures (20% of time);
- Checking (20% of time);
- Copying, distribution, filing, etc. (10% of time);
- Reporting/submitting information (10% of time).

The second part of the form has to be filled out by an official veterinarian, who inspects the goods upon arrival at an EU approved Border Inspection Post. For this service, the company

pays a fee, which depends on whether it is meat or fish that is imported, and what the total weight of the consignment is. The fee currently starts at €100 for meat and €30 for fish, and increases according to the weight of the consignment. In 2007 a total of €330,000 was collected in veterinary fees. Since a total of 1,725 CVEDs were filed in 2007, the average fee paid per veterinary inspection was €193.

#### Number of iterations

In 2007 there were a total of 1,725 CVED notifications filed to the Department of Agriculture, Fisheries and Food. This information comes from the Department of Agriculture, Fisheries and Food.

#### Administrative costs

The total administrative costs of importing animal products directly from a third country into Ireland are as follows:

- Per import €217.46
- In total for all imports €375,111<sup>45</sup>

89 per cent of these costs are veterinary fees. All of the administrative costs are due to EU requirements.

### VET 15: Application for licence to import samples of animal products for diagnostic/ education/ research/ exhibition purposes

This form is used by any organisation or company when they want to import samples of animal products for purpose of diagnostic, research etc. Within the four sectors of this study, the form will typically be used in pharmaceutical companies by their laboratories and research units, but it may also be necessary for companies who want to import small samples of food products of animal origin for trade, testing or evaluation.

The form details the type of product which will be imported, what it was derived from, how it will be transported, where it was produced etc. It is a condition of the licence that the product may not be placed on the market and must be destroyed to the satisfaction of the Department of Agriculture, Fisheries and Food following the purpose of import. The application for an import license should be accompanied by an invoice from the company where the product is imported from.

The regulation related to this requirement is handled by the Department for Agriculture, Fisheries and Food.

#### Administrative activities in companies

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<sup>45</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

In order to apply for the license, companies fill out the form and send it to the Department of Agriculture, Fisheries and Food along with a copy of the invoice from the company from where the product will be purchased.

It has only been possible to interview one pharmaceutical company who had experience with filing this form, and they estimated that they spent around 5 hours per filing. Most of the work was carried out by clerical staff, but the information was checked by a manager before it was submitted, and the manager also signed the form. The following administrative activities were involved in filling out the form:

- Information retrieval (25% of time);
- Assessment (15% of time);
- Checking (10% of time - done by manager);
- Text description (25% of time);
- Internal meetings (15% of time);
- Reporting/submitting information (10% of time).

There were no external costs involved in filing the form.

### **Number of iterations**

In 2007 a total of 382 import licenses were issued by the Department of Agriculture, Fisheries and Food in relation to VET 15. This information comes from the Department of Agriculture, Fisheries and Food.

### **Administrative costs**

The total administrative costs of filing the VET 15 form are as follows:

- Per application                    €129.02
- In total for all filings        €49,287<sup>46</sup>

All of these administrative costs are due to Irish requirements.

## **VET 16: Import license for Carcasses and Animal Products (Prohibition) etc.**

This form is used in cases of import of certain animal by-products to be used in manufacture where EU harmonised veterinary import rules have not yet been designated. Importers, principally pharmaceutical companies, use these products for the manufacture of diagnostic or research equipment or pharmaceuticals.

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<sup>46</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

The form details the type of product which will be imported, what it was derived from, how it will be transported, where it was produced etc. The application for import license should be accompanied by an invoice from the company where the product is imported from together with a copy of the appropriate format of health certificate. The regulation related to this requirement is handled by the Department for Agriculture, Fisheries and Food.

Cases where this import licence is required are also required under EU rules to be submitted for veterinary checks at an approved Border Inspection Post (BIP). This is undertaken when the material enters on to the territory of the EU and must be carried out before it can be cleared by Customs. Thus, in addition to completing the VET 16 procedure and submitting the import licence to the BIP, the importer will have to follow the CVED requirements outlined above.

### **Administrative activities in companies**

In order to apply for the license, companies fill out the form and send it to the Department of Agriculture, Fisheries and Food along with a copy of an invoice from the company from where the product will be purchased, and other relevant certificates, e.g. health certificates and certificates of analysis.

It has only been possible to interview one pharmaceutical company who had experience with filing this form, and they estimated that they spent around 5 hours per filing. Most of the work was carried out by clerical staff, but the information was checked by a manager before it was submitted, and the manager also signed the form. The following administrative activities were involved in filling out the form:

- Information retrieval (25% of time);
- Assessment (15% of time);
- Checking (10% of time - done by manager);
- Text description (25% of time);
- Internal meetings (15% of time);
- Reporting/submitting information (10% of time).

There were no external costs involved in filing the form.

One element of this form caused considerable annoyance to the interviewed company. In some cases, the EU and the US authorities have different opinions on how animal products should be classified, and therefore the terms under which they are to be produced. Therefore, a product may be produced under certain conditions in the US, while these conditions are not immediately recognised by the EU. Hence, a company importing such products from the US will have to spend considerable time obtaining documentation from the US-company, clarifying the conditions under which the product has been produced.

### **Number of iterations**

In 2007 a total of 133 import licenses were issued by the Department of Agriculture, Fisheries and Food in relation to VET 16. This information comes from the Department of Agriculture, Fisheries and Food.

### **Administrative costs**

The total administrative costs of obtaining an import license are as follows:

- Per import license €129.02
- In total for all import licenses €17,160

All of these administrative costs are due to Irish requirements.<sup>47</sup>

## **VAT Return of Trading Details - non-EU imports**

Once a year, all registered traders must give a breakdown of the supply of goods and services, imports and deductible inputs at the various VAT-rates applicable during the year. The required information includes all Irish, Intra-EU and overseas trade. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

Specifically in relation to imports (both from EU and non-EU countries), businesses have to supply data on Value of Acquisitions from EU countries Net of VAT & VAT free imported parcels, Value of Stock for Resale (purchases, Intra-EU acquisitions & imports), and Value of Other Deductible Goods & Services (purchases, Intra-EU acquisitions & imports). For each of these information categories, there are several rows, which each refer to a separate VAT-rate. Hence, all imported products need to be categorised according to the VAT-rate that is applicable to that good in Ireland, and the combined value of goods at the various applicable VAT-rates then needs to be reported.

### **Administrative activities in companies**

The form requires all imported goods (both from EU and non-EU countries) to be split up according to the value applicable when sold in Ireland. In order to supply this information an employee within the clerical wage category will extract a report from the IT-system where all the relevant information is listed. However, it is not common for businesses to have their IT-system set up in a way that will allow them to directly transfer the information from the IT-system to the form.

The information needs first to be processed, and businesses therefore have to spend a considerable amount of time identifying the specific way in which data has to be reported, and sort out the data according to these requirements. Furthermore, the fact that the data is only reported once a year means that businesses will typically not have established routines to handle the task.

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<sup>47</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

Due to the low compliance with this form (see below) it was difficult to get sufficient data on the time consumption for this form. However, based on the time consumption quoted by businesses it is estimated that a normally efficient business will spend 5 hours fulfilling the information obligation, and that this will involve the following administrative activities:

- Familiarisation with the information obligation (20% of time);
- Information retrieval (5% of time);
- Assessment (20% of time);
- Calculation (35% of time);
- Presentation of figures (5% of time);
- Checking (10% of time);
- Reporting/submitting information (5% of time).

The majority of the work is spend familiarising oneself with what data actually needs to be reported, assessing the retrieved information and not least calculating the data, so that the different goods that are imported are ascribed to the applicable VAT-rate.

The 5 hours spend fulfilling the information obligation covers both import and export information that needs to be supplied, but the majority of the work is spent on reporting import related information, as the information on value of exported goods is straightforward as only one figure needs to be supplied (see below for a description of this part of the form). Therefore, the import related information accounts for 95 per cent of time consumption, i.e. 4 hours and 45 minutes (285 minutes).

For analytical purposes, the time consumption needs to be split between the time that is spent handling figures on EU-imports and time spent handling figures on non-EU imports. Since the majority of imports to Ireland come from the EU, 75 per cent of the time consumption is allocated to handling figures on EU-imports, which means that 214 minutes are spent handling figures on EU-import, while 71 minutes are spent handling figures on non-EU imports.

#### **Number of iterations**

This is an annual form so there is just one return per trader per annum. A total of 170 returns were filed by businesses in 2007, and this breaks down as follows:

- NACE Code 15: 123 forms
- NACE Code 24.1: 7 forms
- NACE Code 24.4: 15 forms
- NACE Code 30: 25 forms

The above information has been provided by the Revenue Commissioners. Some of the returned forms may only contain information on imports, while others may only contain information on exports. However, it has not been possible to identify the exact figures in this

respect, so for the purpose of this study it will be assumed that all returned forms contain information on both imports and exports.

As noted earlier it is compulsory for businesses to file the VAT return of trading details form once a year. Assuming that businesses who import from the EU also import from non-EU countries, one would expect a total of 1,153 filings, see table A6 above.

### Administrative costs

The total administrative costs of entering information on non EU-imports on the VAT return of trading details form are:

- Per filing €28.98
- In total for all filings €4,927<sup>48</sup>

The administrative costs related to information on non EU-imports constitute 24 per cent of the total costs of completing the VAT Return of Trading Details form. Revenue has informed us that the Return of Trading Details is an EU requirement. While the EU requirement is set out in VAT Directive 2006/112/EC, there are options for Member States in terms of frequency. Ireland has opted to apply the minimum requirement, being a return only once a year.

The above costs correspond to the actual compliance costs of the requirement, and not the full compliance costs of the regulation, which would be the costs if all registered traders within the four sectors filed the VAT return of trading details with information on non EU-imports. The full compliance costs of the requirement would be €33,414.

In general, SCM measurements report the regulatory costs assuming full compliance, most often because the actual compliance rate is not known. In this case, both actual and full compliance has been reported, but the actual compliance costs have been included when adding up the total costs of the regulatory requirements, in order to reflect the actual impact of the regulatory requirements upon Irish businesses.

## Duty relief schemes

Businesses can make use of various duty relief schemes regulated by Revenue, which will allow them to achieve significant savings in duty costs:

- End Use Authorisations (EUA) - End-use is a Customs procedure whereby goods entered for free circulation in the European Union (EU) may be given favourable tariff treatment or relief at a reduced or zero rate of duty on condition they are put to a prescribed use. This procedure is designed to facilitate trade and ease of movement of goods within the EU;
- Inward Processing (IP) - Goods may be imported from non-EU countries for processing in Ireland (or any other Member State) with a view to ultimately re-exporting the

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<sup>48</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

processed product. The re-export of the processed product outside of the EU qualifies for duty relief either by non-payment or reimbursement of the duty. This is dependent on the type of authorisation employed;

- Outward Processing (OP) - This customs procedure permits partial or total duty relief for goods temporarily exported from the EU for processing or repair. It must be possible to demonstrate that the exported goods have been incorporated into the re-imported goods;
- Processing under Customs Control (PCC) - A procedure whereby materials may be imported into the EU without payment of duty, processed into finished goods and released onto the EU market at the duty rate applicable to the finished product.

Most of these duty schemes require renewal after three years. The authorisations include tariff details and also contain quantities and values so most will need amending during the lifetime of the authorisation or at some stage prior to renewal. The nature of the business the trader is in will dictate the frequency. Medical, pharmaceutical and technological advances for the products included in the duty scheme will usually cause an application for amendment to be submitted. Changes to tariff classifications also cause amendments. The regulation related to duty relief schemes are implemented by the Office of the Revenue Commissioner.

#### **Administrative activities in companies**

Two of the businesses that were interviewed during the study had experience with Processing under Customs Control. It was not possible to identify businesses that had experience with any of the other duty schemes, but for the sake of this analysis it will be assumed that the time periods are comparable.

The interviewed businesses had spent around 4-5 days applying for the authorisation to use this duty relief scheme. However, both of these companies had made previous applications, and so a company applying for the first time will likely spend a comparable number of days getting familiar with the requirements. This work will be carried out by employees within the managerial wage level.

Most likely a company applying for a duty relief scheme will also have to bring in outside assistance from people with expertise within this area. Taxation is a highly complex area, so the assistance will be quite expensive. Moreover, the external assistants will have to spend some time identifying what duty relief scheme will be most cost-effective for the company, and what parts of the company's imports and exports should be subject to the duty relief scheme. It is estimated that the external assistance will cost around €5,000. However, this is a one off cost, as once the scheme is up and running the company will be able to sustain it and make the necessary re-applications.

A new company applying for a duty scheme will have to use 10 days making the application and spend €5,000 on external assistance. The administrative activities that are involved are as follows:

- Familiarisation with the information obligation (50% of time);
- Information retrieval (10% of time);
- Assessment (5% of time);
- Calculation (5% of time);
- Presentation of figures (5% of time);
- Checking (5% of time);
- Correction (3% of time);
- Text description (5% of time);
- Internal meetings (5% of time);
- External meetings (5% of time);
- Copying, distribution, filing, etc. (1% of time);
- Reporting/submitting information (1% of time).

A company that is renewing its application will have to spend 5 days doing so. The administrative activities that are involved are as follows:

- Familiarisation with the information obligation (6% of time);
- Information retrieval (20% of time);
- Assessment (10% of time);
- Calculation (10% of time);
- Presentation of figures (10% of time);
- Checking (10% of time);
- Correction (10% of time);
- Text description (10% of time);
- Internal meetings (10% of time);
- Copying, distribution, filing, etc. (2% of time);
- Reporting/submitting information (2% of time).

Once the application has been granted, the company will have to spend significant resources on a continuous basis proving that they are in compliance with the substantive requirements of the regulation. Both of the companies interviewed were large companies, which had a lot of imports and exports. This is also a prerequisite for making it cost-effective to maintain a system of compliance with a duty relief scheme.

One of the interviewed companies spent 2½ days a month ensuring compliance, while the other estimated that it spent 20 hours a week ensuring compliance. The former company was a company producing various types of office machinery and computer equipment with a fairly fixed line of products, while the latter was a medical company with constantly evolving

products, which helps to explain the relatively large time inputs. Based on this, it is estimated that companies will on average have to spend around 40 hours per month complying with the regulation, or around 480 hours per year.

The administrative activities that are involved are as follows:

- Information retrieval (20% of time);
- Assessment (10% of time);
- Calculation (10% of time);
- Presentation of figures (5% of time);
- Checking (5% of time);
- Correction (5% of time);
- Inspection by public authorities (10% of time);
- Corrections based on results from inspection by public authorities (10% of time);
- Training, updating on statutory requirements (10% of time);
- Copying, distribution, filing, etc. (10% of time);
- Reporting/submitting information (5% of time).

There are some reservations about the above estimations of the time spent on particular activities. Based on the consultations, it was felt that the estimations above are overstated and that the scheme is neither complex nor cumbersome as there is an accessible guide available to aid in the process and the terms and conditions are set out clearly. It was stated that the 10 days identified above, to make a first application appears incomprehensible especially when the breakdown to the ten days shows that 50 per cent of the time is used in familiarisation of the obligations required. The suggestion of the necessity of seeking external help to the amount of €5,000 was also felt to be unsustainable given the nature of the scheme. In addition it was felt that the position in relation to renewals (5 days) appears overstated since applying for a renewal of authorisation should take no more than one day as the company would have had their authorisation for three years at that stage, if it was their first renewal, and for much longer if it was a second or third renewal.

It was felt that it is in the initial part of the process that costs in ensuring compliance will be encountered. Once the necessary control arrangements are in place this will be largely repetitive, it was felt that it was difficult to see how the time identified by the interviewed companies is necessary. Finally, it was noted that the high level of control/audit by Customs in relation to the scheme implied by the report appears overstated given the normal methods of control applied in relation to PCC.

### Number of iterations

According to information from Revenue there are currently 275 duty reliefs approved (one company can account for more than one approval), which breaks down as follows:

- End Use Authorisations (EUA): 98
- Inward Processing (IP): 83
- Outward Processing (OP): 15
- Processing Under Customs Control (PCC): 79

This covers all sectors in Ireland, and it has not been possible to identify the specific companies within the four sectors covered by this study. It is estimated that no companies within the food sector will be utilising any of the duty relief schemes. There are only a few large companies within this sector, and they are mainly involved in exports of Irish products.

Looking at the other three sectors, the Census of Industrial Production from 2006 from the Central Statistics Offices shows that while they only account for around 3 per cent of all Irish businesses, they account for 39 per cent of the total turnover of Irish businesses, and 36 per cent of the gross value added to the Irish economy. It is therefore reasonable to expect, that these companies account for a large share of the approvals that have been granted. Hence, it will be assumed that they account for 25 per cent of all approvals, i.e. in total 69 approved duty reliefs. It is assumed that the distribution of the approved duty relief schemes across the three sectors corresponds to the relative share of number of businesses with 3 or more employees (see table A1)<sup>49</sup>.

It is estimated that 10 per cent of the approvals are given to companies applying for the first time, e.g. around 7 approvals annually for first time applicants. The application has to be renewed every 3 years, which would mean that 23 companies would need to renew their application each year. However, it is estimated that a small number of companies will not want to renew their application and there will therefore be around 20 applications for renewal of a duty relief scheme annually. Again, it is assumed that these iterations are spread evenly across the three sectors.

The above assumptions are illustrated in the table below:

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<sup>49</sup> The CSO figure on number of businesses is used here, rather than the VAT figure, as it is assumed that only businesses of a certain size (also in terms of employees) will utilise the duty relief schemes

**Table A8: Duty relief schemes spread across sectors**

	End Use Authorisations (EUA)	Inward Processing (IP)	Outward Processing (OP)	Outward Processing (OP)	Companies applying for the first time	Annual number of renewals of existing schemes
NACE 15: Manufacture of food products and beverages	9	8	2	8	3	8
NACE 24.1: Manufacture of Basic chemicals	9	8	1	7	2	7
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	6	5	1	5	2	5
<b>Total</b>	<b>24</b>	<b>21</b>	<b>4</b>	<b>20</b>	<b>7</b>	<b>20</b>

#### Administrative costs

The total administrative costs of complying with the duty relief regulation are as follows:

- New company applying for a duty relief scheme                    €7,696;
- Company applying for renewal of duty relief scheme            €1,348;
- Compliance costs of duty relief scheme                            €16,174;
- Total annual cost of regulation for the three sectors            € 1,196,800.<sup>50</sup>

The Duty Relief Schemes operated by the Revenue Commissioners are provided for in the Community Customs Code and applied in all EU Member States.

There are considerable uncertainties associated with these results. The main regulatory cost is associated with maintaining a system of compliance with the regulation. If the time spent maintaining a system of compliance is changed by  $\pm 25$  per cent (equivalent to a change in time consumption by  $\pm 120$  hours), the total annual costs of the regulation will change by  $\pm \text{€} 278,993$  ( $\pm 23$  per cent).

If, on the other hand, businesses within the three sectors only account for 10% of total approvals, they will represent a total of 27 approvals, with 3 new approvals each year and around 8 renewals annually. This will reduce the total annual costs for these three sectors to  $\text{€}726,245$  (-60 per cent).

<sup>50</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

Even though there is some measure of uncertainty with the results, the costs of being under a duty relief scheme are no doubt large for the affected companies. However, as both of the companies who were interviewed about this pointed out, they only applied for the duty relief scheme because it was a net financial benefit to the company. That said it may be an area worthy of a further analysis on how to streamline and simplify the regulation, both so as to reduce the compliance costs for existing companies using the duty relief schemes, but also so as to make it more attractive for smaller companies to use these options. Revenue has informed us that all of these schemes are being considered for rationalisation under the implementing provisions of the new Modernised Customs Code.

## Annex 4 Costs of assessed EU “export” requirements

### Dangerous goods and Marine pollutants

Companies which sell chemical products that are categorised as dangerous goods or marine pollutants have to ensure that documentation is available on the hazards, treatment etc. of the product accompany the shipment. The documentation is handed over to the driver who transports the goods so that he can show it to emergency personnel etc. in the event of an accident.

The regulation related to handling of dangerous goods is administered by the Health and Safety Authority, while the regulation related to marine pollutants is handled by the Department of Transport.

#### Administrative activities in companies

In order to be able to correctly identify dangerous goods and marine pollutants, companies need to have some form of compliance system in place, which will ensure that products leaving the company are accompanied by the correct documentation. Typically, companies will employ an IT system, which will flag outgoing products, and ensure that the necessary documentation is produced. Furthermore, the company needs to ensure that the haulier transporting the goods is licensed to drive with dangerous goods.

The ongoing work of producing documentation for the individual shipments is therefore relatively straightforward. The amount of work will obviously depend upon the number of shipments, but for an average company it is estimated that producing the documentation will be done by clerical staff and require around 2 hours work per week, i.e. a total of around 100 hours per year. This will involve the following administrative activities:

- Information retrieval (30% of time);
- Assessment (30% of time);
- Checking (30% of time);
- Reporting/submitting information (10% of time).

In order to ensure that a company is constantly in compliance with the regulation on dangerous goods and marine pollutants, companies need to update their systems to reflect new products and new categorisation of products - this will be done by staff within the managerial wage category.

Moreover, the company’s staff needs to be trained in handling dangerous goods - this will mainly involve clerical staff. Additionally, they will need to allocate time to receive an appointed safety advisor, who will visit the company 4 times per year. This will require involvement from managerial staff. It is estimated that the average company will spend

around 4 hours per month maintaining a system of compliance with regulation on dangerous goods and marine pollutants. This will involve the following work:

- Internal meetings (20% of time);
- Inspection by public authorities (35% of time);
- Correction result from inspection by public authorities (10% of time);
- Training, updating on statutory requirements (35% of time).

### Number of iterations

According to the 2006 Census of Industrial Production from the Central Statistics Office, there were 62 companies within the basic chemicals sector covered by this study. This covers businesses with 3 or more employees, irrespective of whether they engage in foreign trade or not.

According to the assumptions made on the number of VAT registered businesses which import and/or export, the total number of businesses within the basic chemicals sector is 86. This figure is taken to be a more accurate figure for the number of chemical businesses affected by the regulation on dangerous goods and marine pollutants when trading internationally - hence, this study does not focus on businesses who only trade domestically, but who might also be affected by the regulation. Therefore, the figure of 86 will be applied for extrapolation.

### Administrative costs

The total administrative costs of complying with regulation on dangerous goods and marine pollutants are as follows:

- Annual costs related to producing documentation: €2,441 per company
- Annual costs related to maintaining compliance: €1,439 per company
- Total annual administrative and compliance costs of regulation: €333,709<sup>51</sup>

83 per cent of the costs are related to international requirements, while 17 per cent is of Irish origin - this relates to the quarterly visit by the appointed safety advisor.

## VAT return form - value of export to EU

When fulfilling the information obligation regarding filing of VAT return forms, businesses which have exported goods to other EU countries are faced with a data requirement regarding the total value of export to EU countries. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

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<sup>51</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

The requirement for businesses to provide data on the value of imports and exports to/from EU countries arose from the establishment of the Single Market in 1993 when Customs declarations for intra EU movements of goods were abolished. Prior to this the VAT 3 form required detailed information on all purchases and sales transacted during a VAT period; it was replaced by the current VAT 3 which is essentially an accounting document which gives a global figure for the amounts of VAT due and the amounts deductible in each taxable period and includes two statistical elements relating to the value of intra community purchases and of intra community sales. The detailed fiscal information has been required on an annual basis only on the VAT3 RTD since 1993.

#### **Administrative activities in companies**

In order to be able to deliver data on total value of export to EU countries, the businesses need to keep track of each individual export and the value of this. In the normally efficient businesses this is done in an IT-system by clerical staff. Hence, invoices relating to exported goods are entered into the IT-system as part of the normal bookkeeping conducted by businesses, and these administrative activities are therefore not included in the assessment of the administrative costs.

When filing the VAT form, businesses extract a report from the IT-system where all the relevant information is listed, including information on the total value of exports to EU countries.

Information on the value of exports from the EU will then be entered into the VAT return form, and it will be checked whether the figures are as expected. The information is then submitted along with the other VAT information.

As described in annex 2 relating to VAT information on imports from EU, the normally efficient business spends 45 minutes retrieving information for the VAT form, checking the figures, and submitting them to Revenue. This covers completion of the entire VAT form which consists of five main data requirements. Completing the requirements regarding information on value of exports to the EU is therefore estimated to take 9 minutes, which is spread evenly across the following administrative activities

- Information retrieval (25% of time);
- Checking (25% of time);
- Presentation of figures (25% of time);
- Reporting/submitting information (25% of time).

There are no external costs involved in filing this information.

#### **Number of iterations**

For the four sectors approximately 8,990 VAT return forms were lodged in 2007 by 2,475 businesses. Depending on the size of the business, the VAT return form can be returned every 2 months or annually. The facility of filing returns every 4 months or 6 months is available to

certain small traders. This came into effect on 1 July 2007. The breakdown by sector is as follows:

**Table A9: VAT forms lodged by businesses within the four sectors**

	Number of businesses registered for VAT	Number of businesses lodging VAT form every 2 months	Number of businesses lodging VAT form annually	Total number of VAT forms lodged
NACE 15: Manufacture of food products and beverages	1,878	899	979	6,374
NACE 24.1: Manufacture of Basic chemicals	114	111	3	668
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	205	124	81	825
NACE 30: Manufacture of Office Machinery and computers	278	169	109	1,123

The above information has been provided by Revenue, although the distribution between businesses filing every 2 months and those filing annually has been calculated. However, regardless of the intervals of reporting, a business will spend the same amount of time reporting the information on total value of exports to EU countries, as the information is anyway just extracted from the IT-system. It has therefore not been necessary to segment between businesses reporting every second month and those who only report every year.

For the purpose of the extrapolation it is necessary to identify the number of businesses which include information on the value of exports when lodging the VAT return form - the above figures cover total number of VAT filings, and may include businesses which do not have exports. It has not been possible to determine the exact number of businesses which file information on exports along with the VAT return form, and in order to arrive at such figures, it is therefore necessary to make certain assumptions.

A certain number of VAT registered units within the four sectors will not be engaged in exports, either because they are dormant, holding companies, or are only part time companies. For the purpose of this study, it is assumed that 25 per cent of the VAT registered units will not be engaged in exports.

As the Irish economy is a very open economy where many businesses rely on imports and exports, it will be assumed that the remaining companies within the chemicals, pharmaceuticals and office/computer machinery sector, will all be engaged in some form of exports. The food sector is also very outward looking, but some companies (especially the smaller ones) will only be providing their goods on the domestic market. It is therefore assumed that 25 per cent of the remaining companies within the food sector will not be engaged in exports. It will furthermore be assumed that the above reductions in number of businesses who report VAT on exports will apply equally to businesses who report every 2 months and those filing annually.

Combining the available data with the above assumptions leads to the following number of iterations:

**Table A10: Number of VAT forms with information on exports**

	Number of VAT registered businesses who export	Number of businesses lodging VAT form every 2 months	Number of businesses lodging VAT form annually	Total number of VAT forms lodged
NACE 15: Manufacture of food products and beverages	1,056	506	551	3,585
NACE 24.1: Manufacture of Basic chemicals	86	83	2	502
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	154	93	61	619
NACE 30: Manufacture of Office Machinery and computers	209	127	82	842

Hence, annually a total of 5,548 VAT forms with information on exports are filed by businesses within the four sectors.

### **Administrative costs**

The total administrative costs of filing VAT forms with information on exports are as follows:

- Per filing                                    €3.66
- In total for all filings                €20,316<sup>52</sup>

All of these administrative costs are due to EU requirements.

The number of annual filings is a cost driver for this requirement, and since the total number of filings has been arrived at based on certain assumptions, it is relevant to see how the administrative costs will differ under different scenarios:

- If all businesses who reported VAT also reported information on exports, the total number of annual filings will be 8,990. In this case, the total administrative costs will be €32,920, i.e. a 62 per cent increase in administrative costs compared to costs that have been assessed.
- If all businesses who report VAT on a monthly basis are engaged in exports, but none of the businesses who report annually, the total number of annual filings will be 7,938. In this case, the total administrative costs will be €29,067, i.e. a 43 per cent increase in administrative costs compared to costs that have been assessed.

## **VAT Return of Trading Details - EU exports**

Once a year, all registered traders must give a breakdown of the supply of goods and services, imports and deductible inputs at the various VAT-rates applicable during the year. The required information includes all Irish, intra-EU and overseas trade.

Specifically in relation to exports (both to EU and non-EU countries), businesses have to supply data on Value of Supplies of Goods & Services. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

### **Administrative activities in companies**

Unlike the reporting of figures on imports, reporting figures on exports is relatively straightforward, as only a combined figure for exports to EU and non-EU countries needs to be supplied. In order to supply this information an employee within the clerical wage category will extract a report from the IT-system where the relevant information on total value of exports will be listed. Typically, this will be a figure for EU and non-EU exports, and it is therefore only necessary to sum these two figures.

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<sup>52</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

While reporting the import related information will take 4 hours and 45 minutes, the export related information only takes 15 minutes to report, and will involve fewer administrative activities:

- Familiarisation with the information obligation (50% of time);
- Information retrieval (20% of time);
- Calculation (20% of time);
- Reporting/submitting information (10% of time).

Businesses will typically not have established routines to handle the task, and will therefore have to spend a majority of the time on identifying what information is actually required of them. For analytical purposes, the time inputs needs to be split between the time that is spend handling figures on EU exports and time spend handling figures on non-EU exports. Since the majority of exports from Ireland go to the EU, 75 per cent of the time input is allocated to handling figures on EU exports, which means that around 11 minutes is spent handling figures on EU exports, while around 4 minutes is spent handling figures on non-EU exports.

#### Number of iterations

This is an annual form so there is just one return per trader per annum. For the four sectors the numbers of forms returned in 2007 was 170, comprising:

- NACE Code 15: 123 forms
- NACE Code 24.1: 7 forms
- NACE Code 24.4: 15 forms
- NACE Code 30: 25 forms

The above information has been provided by Revenue. Some of the returned forms will only contain information on imports, while others will only contain information on exports. However, it has not been possible to identify the exact figures in this respect, so for the purpose of this study it will be assumed that all returned forms contain information on both imports and exports.

As noted earlier it is compulsory for businesses to file the VAT return of trading details form once a year. Therefore according to table A10 above, there should be a total of 1,505 filings with information on EU exports.

#### Administrative costs

The total administrative costs of entering information on EU-exports on the VAT return of trading details for the four sectors are:

- Per registration €4.58

- In total for all filings €778<sup>53</sup>

The administrative costs related to information on EU-exports constitute 4 per cent of the total costs of completing the VAT Return of Trading Details form. Revenue has informed us that the Return of Trading Details is an EU requirement. While the EU requirement is set out in VAT Directive 2006/112/EC, there are options for Member States in terms of frequency. Ireland has opted to apply the minimum requirement, being a return only once a year.

The above costs correspond to the actual compliance costs of the requirement, and not the full compliance costs of the regulation, which would be the costs if all registered traders within the four sectors filed the VAT return of trading details with information on non EU-imports. The full compliance costs of the requirement would be €6,889.

## VIIES: VAT Information Exchange System

Companies exporting to other companies in the EU can do so at a zero-rate VAT provided they can prove that the goods have been sold to a VAT-registered company in another EU country. This is done by reporting the VAT numbers of the individual companies that they have been trading with along with the total value of goods that have been sold this company. For most companies the VIIES statement is completed every quarter, but if requested by the company itself, the information can be delivered every month. Some small traders can file the information annually. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner. From 1<sup>st</sup> January 2010 VIIES goods returns will be mandatory each month for traders returning over €100,000 per quarter and from 1<sup>st</sup> January 2012 it will be mandatory for traders returning €50,000 per quarter. As regards Member States 'option on the frequency of returns regarding services, Forfás has been informed that Ireland will opt for the minimum frequency allowed thereby keeping the administrative burden as light as possible.

### Administrative activities in companies

Businesses who need to report VIIES typically keep a record of who they have been trading with and how much trade they have had with the individual company during the quarter covered by the VIIES. This is done by clerical staff either in an IT-system, or in a separate spreadsheet. The necessary information will appear on the invoice that is issued to the company the goods have been exported to.

Hence, while the value of the goods sold to that company will be recorded as part of the normal work associated with making an invoice, the VAT number of the company that the goods are sold to is only recorded in order for it to be reported at the end of the quarter when filing the VIIES form. The work it is quite straightforward, but businesses generally have to spend some time identifying the correct VAT number for the company that the goods are sold to, as the information has sometimes not been correctly picked-up, when the order was

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<sup>53</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

initially placed. This will involve contacting the company and retrieving the correct VAT number.

In theory the amount of work will depend on the number of different VAT numbers the company has been trading with. However, the interviewed companies have reported quite consistent figures on time consumption. Hence, companies who report many VAT numbers per VIES filing will typically have better mechanisms for ensuring, that the right VAT number is picked initially, when an order is placed.

Reporting can be done either manually by entering the individual VAT numbers into the VAT form or creating a file from the IT-system with the relevant information and uploading this electronically to Revenue. Therefore, reporting the data also takes roughly the same amount of time, as businesses with few VAT numbers to report will do so by manually, while businesses with many VAT numbers will find it more cost effective to upload a file.

The typical company will spend around 4 hours per quarterly filing. It will involve the following administrative activities:

- Information retrieval (10% of time);
- Calculation (10% of time);
- Presentation of figures (10% of time);
- Checking (50% of time);
- Correction (10% of time); and,
- Reporting/submitting information (10% of time).

#### Number of iterations

It has not been possible to obtain figures on the number of VIES statements filed annually by the four sectors<sup>54</sup>, but using the figures and assumptions applied in the earlier section on VAT forms with information on exports, the total number of businesses which report VIES can be estimated to total 1,505. It is assumed that all of these companies report VIES every quarter. This breaks down as follows:

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<sup>54</sup> Revenue has informed us that the number of VIES registered traders fluctuates around 9,500 in any year.

**Table A11: Annual number of VIES statements lodged**

	Businesses exporting to the EU	Annual number of VIES statements lodged
NACE 15: Manufacture of food products and beverages	1,056	4,224
NACE 24.1: Manufacture of Basic chemicals	86	344
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	154	616
NACE 30: Manufacture of Office Machinery & computers	209	836

### Administrative costs

The total administrative costs of reporting VIES are as follows:

- Per quarterly filing €97.65
- Total annual costs for all filings €587,843<sup>55</sup>

75 per cent of these costs are due to EU regulation. The remaining 25 per cent are the costs of reporting the fields that are included in the form as integrity checks by the Irish authorities.

The number of filings is a cost driver for this requirement, and since the total number of filings has been arrived at based on certain assumptions, it is relevant to see how the administrative costs will differ under different scenarios:

- If all businesses within the four sectors report VIES information, a total of 2,475 businesses will report VIES every quarter. In this case, the total administrative costs will be €966,718, i.e. a 64 per cent increase in administrative costs compared to costs that have been assessed.
- If only 50 per cent of all businesses within the four sectors report VIES information, a total of 1,238 businesses will report VIES every quarter. In this case, the total administrative costs will be €483,555, i.e. an 18 per cent decrease in administrative costs compared to costs that have been assessed.

## Intrastat - Exports

Businesses who export goods valued in excess of €635,000 annually to other EU countries have to file a monthly Intrastat return on exports. The form is identical to the form that has to be returned when reporting Intrastat on imports. Businesses are required to detail the

<sup>55</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

commodity codes of the exported goods, the value of the goods etc. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

#### **Administrative activities in companies**

Filing the monthly Intrastat return on export involves the same activities by businesses, as when filing the Intrastat return on imports. The same methodological considerations are also applicable to the return on exports, as where relevant for the return on imports. Likewise, it is also relevant to distinguish between the administrative costs for businesses who report more than 50 commodity codes, and businesses who less than 50 commodity codes.

The typical amount of time that was spent reporting Intrastat on exports for businesses with less than 50 commodity codes is 45 minutes per month (which is in line with the findings of a recent CSO report)<sup>56</sup>. Reporting exports is easier than reporting imports, as most of the necessary information is already present in company systems. At the same time, companies will generally have more precise knowledge of their own products, e.g. applicable commodity codes, value of product, weight etc. - information which is often difficult to determine for imported products.

As with the import form, 90 per cent of the time is spend fulfilling the 11 data requirements that need to be fulfilled for each type of commodity that is exported. The administrative activities that are involved in this work are as follows:

- Information retrieval (10% of total time);
- Assessment (25% of total time);
- Presentation of figures (25% of total time);
- Checking (20% of total time);
- Correction (10% of total time);
- Reporting/submitting information (10% of total time).

The typical amount of time that was spent reporting Intrastat for businesses with more than 50 commodity codes is 2 hours per month. Again, 90 per cent of the time is spent fulfilling the 11 data requirements that need to be fulfilled for each type of commodity that is imported. The administrative activities that are involved in this work are as follows:

- Information retrieval (20% of total time);
- Assessment (30% of total time);
- Checking (30% of total time);
- Correction (10% of total time);
- Reporting/submitting information (10% of total time).

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<sup>56</sup> CSO, 2009, "Report on Response Burden placed on Irish Businesses by CSO inquiries in 2008".

Businesses with more than 50 commodity codes are assumed to report Intrastat by transferring a file to Revenue. Unlike businesses with less than 50 commodity codes, these businesses therefore don't have to spend time on presenting figures in the Intrastat form. However, they will still spend time reporting figures, as the file has to be prepared and sent to the Revenue Commissioners.

### Number of iterations

The Central Statistics Office has provided figures on the annual number of Intrastat returns within the four sectors. In 2007, 307 different businesses filed Intrastat forms on exports. It is assumed that the distribution of these 307 businesses between the four sectors corresponds to the share of businesses within the four sectors which file information on export along with the VAT form.

**Table A12: Number of businesses filing Intrastat spread across the four sectors**

	Number of VAT registered businesses who import		Number of businesses filing Intrastat
	Numbers	%	
NACE 15: Manufacture of food products and beverages	1,056	70.2%	215
NACE 24.1: Manufacture of Basic chemicals	86	5.7%	18
NACE 24.4: Manufacture of pharmaceuticals, medicinal chemicals and botanical products	154	10.2%	31
NACE 30: Manufacture of Office Machinery and computers	209	13.9%	43
<b>Total</b>	<b>1,505</b>	<b>100%</b>	<b>307</b>

It is assumed that each of the 307 businesses filed the Intrastat returns during the entire year, and a total of 3,684 Intrastat returns on exports were therefore filed in 2007. These filings contained a total of 250,973 lines of commodity codes.

Data received from the CSO shows that 98.2 per cent of all filings contained less than 50 commodity codes, while 1.8 per cent contained more than 50 commodity lines.

The Revenue Commissioners have reported that, from their experience, some companies experience problems with the identification of the correct Combined Nomenclature (CN) codes (or commodity codes as referred to here). However, while this is the case, it was pointed out that Revenue Commissioners provides advice and guidance on CN/Taric classifications to traders.

### Administrative costs

The total administrative cost of filing Intrastat return on exports is as follows:

- fewer than 50 commodity codes: €18.31 per return or €220 annually
- more than 50 commodity codes: €49.82 per return or €586 annually
- In total for all Intrastat returns on exports: €69,534 - 95 per cent of these costs are carried by companies reporting less than 50 commodity codes.

All of these administrative costs are due to EU requirements.<sup>57</sup>

As explained in the methodology section, business as usual (BAU) costs are not estimated here. It is felt that, while BAU for Intrastat imports may be negligible, this is not the case for exports. According to a recent EU Commission's report<sup>58</sup>, BAU costs for Intrastat on exports are more than 18 per cent of the total Administrative Costs. This equates to €27,317 of the total estimated administrative cost for Intrastat on exports.

Business representative groups feel that Intrastat reporting which requires businesses who export goods valued in excess of €635,000 annually to other EU countries to file monthly returns constitutes a significant administrative burden for business and it is suggested that efforts should be made to streamline the system with a view to improving its usability.

It is thought that the optimal time in terms of minimising the administrative cost and time involved in completing the Intrastat return is at the end of each month when the traders accounts are being closed off for fiscal purposes and the data relating to, an knowledge of transactions, are current. This is the case with the current format of Intrastat reporting.

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<sup>57</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

<sup>58</sup> EU Commission, 2008, "EU Project on Baseline Measurement and Reduction of Administrative costs - Priority area statistics", November 2008

## Annex 5 Costs of assessed non-EU export requirements

### Export declaration

When exporting to non-EU countries, businesses need to file an export declaration to customs detailing the recipient of the goods, the type of product being exported (commodity codes), the value etc. Customs uses this information to ensure that necessary statistics are collected, that export restrictions are enforced, that any claims for export refund areas are correct etc. The export declaration can be lodged through the Automated Entry Processing (AEP) system by using the Single Administrative Document (SAD) or a paper can be lodged for input into the AEP system by customs. The regulation related to this requirement is implemented by the Office of the Revenue Commissioners.

According to information from Revenue, 99 per cent of the export declarations are submitted electronically and processed automatically.

### Administrative activities in companies

As with import declarations, businesses typically outsource the handling of all matters relating to the export of goods to a freight forwarder. This means that a company wanting to export a cargo will inform the freight forwarder that a shipment is ready for export. The freight forwarder will pick up the goods, and will also be supplied with the commercial invoice, which will contain all of the information that is relevant for the freight forwarder when lodging the export declaration.

The necessary information is transferred from the commercial invoice to the Automated Entry Processing (AEP) system. In some cases the freight forwarder will need to spend some time correcting mistakes in the commercial invoice that has been supplied, clarify commodity codes etc. It is estimated that the freight forwarder will spend approximately 10 minutes per shipment handling this administrative work. When the information has been lodged, the goods are ready to leave Ireland. Only in rare cases will customs need to inspect goods before departure.

The freight forwarder charges an inclusive fee sum which includes transportation, handling etc. The charge will depend upon the quantity of goods being imported, size, whether they need to be transported in a special way etc.

The work is performed by a person within the clerical wage category. However, a mark-up of 50 per cent is added to the wage, meaning that companies will pay around €36.62 per hour for freight forwarding services. For the freight forwarder, the administrative activities involved in customs clearance are:

- Information retrieval (10% of time);
- Assessment (20% of time);

- Presentation of figures (30% of time);
- Checking (20% of time);
- Correction (10% of time);
- Reporting/submitting information (10% of time).

### Number of iterations

In 2007 a total of 355,953 export related SADs were submitted to customs. The four sectors covered by this study accounted for a total of 75,747 of these export related SADs - per NACE code the number of SADs were as follows:

- NACE Code 15: 28,046 export SADs
- NACE Code 24.1: 4,952 export SADs
- NACE Code 24.4: 8,065 export SADs
- NACE Code 30: 34,684 export SADs

This information has been provided by Central Statistics Office. In order to determine the number of transactions for the specific NACE codes, the CSO extracted VAT numbers for businesses within the above NACE codes. For each VAT number, trade data at transaction level was then extracted and compiled this gives the above figures.

### Administrative costs

The total administrative costs of submitting export declarations are as follows:

- Per export declaration €6.10
- In total for all export declarations €462,286<sup>59</sup>

All of these administrative costs are due to EU requirements.

It should be pointed out that a new compulsory digital customs system will come into effect in July 2009, which may change how freight forwarders do their work. This might alter their prices and thereby the regulatory costs for businesses.

## Dual-use goods

Some companies export goods, which can be used for both civilian and military purposes, so-called dual-use goods. Dual-use goods will typically be identified through their commodity code, and if a company wishes to export a dual-use good it has to apply for an export licenses. In order to do so, the company has to file the form Export 1 (Export of Dual-Use Goods - Individual Licence Application Form). The regulation related to this requirement is handled by the Department for Enterprise, Trade and Employment.

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<sup>59</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

Non listed dual-use items are subject to control if the exporter is aware or has been advised by Department of Enterprise, Trade and Employment that these may be intended, in their entirety or in part, for use in connection with weapons of mass destruction, or the production of missiles capable of delivering such weapons, or as parts or components of military goods illegally exported, or if the purchasing country or country of final destination is subject to an arms embargo and the goods may be intended for a military end-use. In this case exporters are obliged to notify the licensing authority, which will then decide whether or not a licence is required.

If the finished product contains a controlled component that can feasibly be removed or used for other purposes it may also be necessary to apply for a licence. For the four sectors in this study, the requirements on dual use goods will typically only affect businesses within the office/computer machinery sector.

#### **Administrative activities in companies**

Businesses which need to export dual-use goods will have to fill out an application form and submit it to the Department of Enterprise, Trade and Employment. During the course of interviewing businesses it has not been possible to identify any businesses who had filed an application for export of dual-use goods. Hence, the assessment of administrative activities is based on an expert assessment.

Dual-use goods are typically identified through their commodity code, and so a company will typically have prior knowledge that its products are potentially dual-use goods. Therefore, the company will also typically have had some past experience with exporting dual-use goods. However, given the low number of total annual applications (see below) it is likely that the individual business will not be filing the application on a regular basis. They will, in other words, have to spend some time getting familiar with the regulation each time they need to apply. When filling out the form, the company is required to give detailed information on what goods are being exported, and what the exported goods will be used for.

The vast majority of dual-use licence applications do not require outside consultation.

It is estimated that it will take around 3 hours in total to fill out the form, and that this work will be performed by a person within the managerial wage category. The form consists of five main data requirements, but it is estimated that businesses will spend the majority of the time giving information on the product being exported, and the end use of the product. Filling out the form requires the following administrative activities:

- Familiarisation with the information obligation (30% of total time);
- Information retrieval (25% of total time);
- Assessment (10% of total time);
- Text description (20% of total time);

- Internal meetings (10% of total time);
- Reporting/submitting information (5% of total time).

Complying with the dual-use requirements will in theory require that businesses which export products that could potentially have dual-use will need to maintain a surveillance system which will enable them to spot whether the export of a given product to a given client will require an export license.

During interviews with businesses, one company was interviewed who exported products that could be used for dual-use purposes. The company therefore had to maintain a system of compliance, which could ensure that it did not make any unintended export of goods which required an export license. Additionally, the company was an American owned company and therefore had to conform to US export regulation, meaning it cannot trade with certain countries under US embargo, for example, Iran and Syria. Therefore, the company also had to maintain a system of compliance that would ensure it did not violate US regulation.

For this purpose, the company had established a compliance system involving first level screening by an ICT system backed up by second and third level screening conducted by various compliance experts.

The respondent was asked about the running costs of having to comply with US export restrictions and EU dual-use regulation. These can be split into the following:

- Developing IT systems to ensure compliance;
- Maintaining such systems;
- Educating first level staff in how to use these systems;
- Having a second level company screen of suspicious orders;
- The cost of having to delay orders. Most orders are handled automatically within seconds, but others need to be looked at, delaying them for up to a couple of days;
- Having staff in Ireland (2 people) assess all orders, which for some reason or another were deemed suspicious.

However, identifying the exact regulatory costs of maintaining such a system was found to be almost impossible by the respondent, as it was difficult to assess what part of the work was done for regulatory reasons (and indeed what part was caused by EU and US regulation respectively), and what part was done for normal business reasons. However, the two staff working in Dublin worked almost exclusively on ensuring that the company was in compliance with export regulation, making the costs of employing them almost entirely due to regulatory requirements.

Hence, it is extremely difficult to distinguish between the normal operating costs and the substantive compliance costs of operating a compliance system on dual-use goods. Therefore, no attempt has been made to try and assess the substantive compliance costs of this regulation.

### Number of iterations

In 2007 a total of 563 export licenses for dual-use items were issued. This information has been provided by the Department of Enterprise, Trade and Employment.

The applications fall within the following four categories:

- Category 0: Nuclear materials, facilities, and equipment 2 applications
- Category 2: Materials processing 11 applications
- Category 3: Electronics 134 applications
- Category 5: Telecommunications and information security 416 applications

For the purpose of this study it will be assumed, that applications within category 3 and 5 are all filed by companies within the office/computer machinery sector and businesses producing software. Hence, it is assumed that this sector will file around 550 applications annually.

### Administrative costs

The total administrative costs of submitting an application for export of a dual-use good is as follows:

- Per application €101.07
- In total for all applications €55,589<sup>60</sup>

All of these administrative costs are due to EU requirements.

## VAT Return of Trading Details - non EU-exports

Once a year, all registered traders must give a breakdown of the supply of goods and services, imports and deductible inputs at the various VAT-rates applicable during the year. The required information includes all Irish, Intra-EU and overseas trade.

Specifically in relation to exports (both to the EU and non-EU countries) businesses have to supply data on Value of Supplies of Goods & Services. The regulation related to this requirement is implemented by the Office of the Revenue Commissioner.

### Administrative activities in companies

As previously noted, reporting figures on exports is relatively straightforward as only a combined figure for exports to EU and non-EU countries needs to be supplied. In order to supply this information an employee within the clerical wage category will extract a report from the IT-system where the relevant information on total value of exports will be listed. Typically, this will be a figure for EU and non-EU exports respectively, and it is therefore only necessary to sum these two figures. While reporting the import related information will take

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<sup>60</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

4 hours and 45 minutes the export related information only takes 15 minutes to report, and will involve fewer administrative activities:

- Familiarisation with the information obligation (50% of time);
- Information retrieval (20% of time);
- Calculation (20% of time);
- Reporting/submitting information (10% of time).

Businesses will typically not have established routines to handle the task, and will therefore have to spend a majority of the time on identifying what information is actually required of them.

For analytical purposes, the time consumption is split between the time that is spent handling figures on EU exports and time spent handling figures on non-EU exports. Since the majority of exports from Ireland go to the EU, 75 per cent of the time consumption is allocated to handling figures on EU exports, which means that around 11 minutes is spent handling figures on EU exports, while around 4 minutes is spent handling figures on non-EU exports.

#### Number of iterations

This is an annual form so there is just one return per trader per annum. For the four sectors the numbers of forms returned in 2007 were:

- NACE Code 15: 123 forms
- NACE Code 24.1: 7 forms
- NACE Code 24.4: 15 forms
- NACE Code 30: 25 forms

The above information has been provided by Revenue. Some of the returned forms will only contain information on imports, while others will only contain information on exports. However, it has not been possible to identify the exact figures in this respect, so for the purpose of this study it will be assumed that all returned forms contain information on both imports and exports.

As noted earlier it is compulsory for businesses to file the VAT return of trading details form once a year. Assuming that businesses who export to the EU also export to non-EU countries there should be a total of 1,505 filings with information on exports to non-EU countries.

#### Administrative costs

The total administrative costs of entering information on non EU-exports imports on the VAT return of trading details are:

- Per registration €1.53

- In total for all filings €259<sup>61</sup>

The administrative costs related to information on non EU-exports constitute 1 per cent of the total costs of completing the VAT Return of Trading Details form. Revenue has informed us that the Return of Trading Details is an EU requirement. While the EU requirement is set out in VAT Directive 2006/112/EC, there are options for Member States in terms of frequency. Ireland has opted to apply the minimum requirement, being a return only once a year.

The above costs correspond to the actual compliance costs of the requirement, and not the full compliance costs of the regulation, which would be the costs if all registered traders within the four sectors filed the VAT return of trading details with information on non EU-imports. The full compliance costs of the requirement would be €2,296.

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<sup>61</sup> Please note that there may be discrepancies in the total administrative costs figure for all filings. This is due to the rounding that has been applied in this text on the per registration/filing figure.

## Annex 6 Qualitative description of import and export requirements which are not covered by the measurement

This study is an attempt to identify import and export requirements within the Irish sphere of influence, which are faced by Irish businesses within four sectors of the economy. However, the requirements that have been identified and described above are not an exhaustive list of requirements that a businesses within one of these four sectors may be faced with when importing or exporting. Hence, a number of requirements were identified during the study, which can affect businesses within one of the four sectors. However, for various reasons these requirements have not been quantified.

### Non-regulatory requirements

When importing and exporting, businesses will experience a number of related costs. Some of these costs will be due to regulatory requirements, while others will be due to requirements set out by private parties whom the company engages with when importing and exporting. Hence, the companies may have to spend time organising the shipment with the freight forwarder, interact with the bank, suppliers, customers etc.

It is beyond the scope of this study to assess the costs businesses have when faced with these non-regulatory requirements, and they have therefore not been included in the measurement. To include them would give a comprehensive picture of the costs businesses have when importing and exporting, but it would also turn the focus of the study away from identifying what government can directly do to lessen the costs of complying with government regulation.

### Third country requirements

A number of trade related requirements were identified during interviews, which are third country requirements and therefore beyond the scope of this study.

For example, companies exporting food products to the Middle East will often be faced with having to provide health certificates or certificates of origin. Specifically the certificate of origin was viewed as an irritant for these companies, as it required a lot of paperwork, and made very little sense to the companies. In order to obtain a certificate of origin, a copy of the order placed by the Middle Eastern company has to be presented to the Dublin Chamber of Commerce, which will then certify that the products intended for shipment are of Irish origin.

This certified statement then has to be presented to the Arab-Irish Chamber of Commerce, who will stamp the order, making it possible for the order to be shipped. In some cases, the documents will also have to be presented to the embassy of that country for further verification. The certificate of origin is almost always issued, so export is not hindered, but

the process can cause considerable delays in shipment (from a couple of days up to weeks in worst cases), and thus lead to increased costs.

The affected companies were arguing that when trade agreements are negotiated with these countries, the EU needs to stress that such certificates - and especially the certificate of origin - are in fact just trade barriers, which need to be removed.

## Commercial invoice

For all products which are exported to non-EU countries, a commercial invoice needs to accompany the shipment. The commercial invoice details the name and address of the sender and recipient, country of origin, description and value of goods etc.

The commercial invoice is used by customs in the receiving country to determine the amount of duty that needs to be paid for the shipment, before it can be released from customs.

Issuing commercial invoices is highly automated in the normally efficient company. The information needed to complete the commercial invoice is entered into the company's IT-system when the order is received from the buyer - in some companies it is even entirely automated as the buyer places its order online.

Hence, the only administrative activity involved in issuing the commercial invoice (other than printing it) is an assessment on the part of the company in order to ensure that the information on the commercial invoice is correct. This takes a very short time for the business.

It has not been possible to obtain a figure on the total number of commercial invoices that are issued by Irish companies. However, in 2007 approximately 300,000 export SADs were lodged with Customs in respect of goods exported from Ireland to countries outside the EU. Assuming there is a one-to-one relationship between the number of export SADs lodged and the number of commercial invoices issued by companies (each shipment that goes through customs will be accompanied by a commercial invoice), Irish companies will have issued approximately 300,000 commercial invoices in 2007.

Issuing commercial invoices is carried out in order to satisfy requirements in the country of the recipient company. Hence, the marginal administrative costs of issuing the commercial invoice are not included in the assessment of total trade related administrative costs, as this study only deals with administrative costs arising from Irish or EU requirements.

## Export refunds

Certain agricultural products are entitled to export refunds, when being exported from the EU. Export refunds are a mechanism whereby exporters of agricultural products are provided with a subsidy which compensates for the difference between world prices and EU prices. The

‘internal’ EU prices for products are usually higher than prices on world markets. This allows EU producers compete on world markets.

The absolute value of the export refund is varied, depending on EU and world prices at that time. Currency exchange rates also have an effect as world trade is conducted in US\$, whilst EU prices are in Euros.

Applications for export refunds are made by the exporter to the Department of Agriculture and Food which acts as the agents for the EU Commission.

The table below shows the number of Export Refund Single Administrative Documents (SADs) by Commodity Type.

**Table A13: Export refunds**

	Declarations Paid (2007)	Companies	Declarations Paid 1. half 2008	Companies
Beef	541	9	327	8
Milk	2,893	11	114	8
Processed Products	10,052	26	4,169	19
Pig Meat	-	-	91	3

Source: Department of Agriculture, Fisheries and Food.

Export refunds used to apply to a wide range of agricultural products, but the range - and the refund - has been gradually narrowed. Currently there are refund rates on a number of products, including, milk, milk products, beef, the sugar element of processed products and pigmeat.

Companies have the option of drawing down export refund in advance of completing the transaction by lodging a guarantee with the Department of Agriculture, Fisheries and Food. Guarantees are usually provided by a bank or insurance company and the cost of the guarantee is related to the funding provided.

In order to claim the export refund an EUR.1 certificate will typically have to be presented to customs. Two of the interviewed businesses had experience with filling out and filing the EUR.1 form. One company used it to claim preferential origin for its products. Hence, in order to help the export trade of the EU, trading agreements with certain countries have been set

in place. These allow originating exports from the EU to enter these countries at a reduced or nil rate of duty. The other company used the EUR.1 to claim export refunds on the sugar element of its products. The companies spent between 15-30 minutes on filling out the form.

Companies claiming export refund for beef will have to file approximately eight additional forms to the Department of Agriculture per consignment, and these forms have to be completed manually. These are known as HR and FR forms and are all based on EU requirements. No companies claiming export refund on beef were interviewed as part of the study, but it is assumed that they will spend between 2-4 hours completing all of the necessary paperwork.

Using the data on the number of declarations paid in 2007, the estimated time to complete the paperwork, and assuming that the work is conducted by a person within the clerical wage category, the administrative costs of claiming export refunds amounts to between €105.000 and €211.000.

The scheme of export refunds is based on direct working EU regulation and is therefore not an administrative cost under Irish influence. Likewise, the advance payment of export refunds is based on EU regulations and is not an administrative burden imposed under Irish influence. For these reasons, the administrative costs have not been included in the quantitative part of the study.

## Export control on military goods

A business might come into a situation where it is exporting military goods that will require an export license. The regulation related to this requirement is handled by the Department of Enterprise, Trade and Employment.

For businesses within the four sectors of this study, it will most likely only be relevant for the office/computer machinery sector and businesses producing software - a software company exporting software used within the defence industry could thus be faced with such a requirement. However, it has not been possible to interview any businesses from any of the four sectors, who have had concrete experience with obtaining export licenses for military products.

In 2007 the Department of Enterprise, Trade and Employment issued a total of 75 export licenses for military goods. These licenses fall within the following categories:

**Table A14: Number and categories of licences for military use**

ML1 Small arms, automatic weapons and accessories, and specially designed components	11 applications
ML4 Bombs, torpedoes, mines, rockets, missiles, other explosive devices and charges and related equipment and accessories, and specially designed components	10 applications
ML5 Fire control, and related alerting and warning equipment, and related systems, test and alignment and countermeasure equipment, specially designed for military use, and specially designed components and accessories	33 applications
ML6 Ground vehicles and components	9 applications
ML8 Energetic materials and related substances	1 applications
ML10 "Aircraft", "lighter than air vehicles", unmanned airborne vehicles, aero-engines and "aircraft" equipment, related equipment and components, specially designed or modified for military use	1 applications
ML22 Software	5 applications
ML23 Technology	5 applications

Some of the applications filed under ML5 are likely to be filed by businesses within the office/computer machinery sector and by businesses producing software. Likewise all of the applications within ML22 are likely to be filed by businesses within the office/computer machinery sector and by businesses producing software.

However, given the low number of applications and the lack of data on filing the application, no attempt has been made to quantify administrative costs of obtaining an export licenses for military goods.

## Reporting medical statistics

A pharmaceutical company that was interviewed spent a considerable amount of time reporting statistics to medical authorities in the individual member states of the EU. The authorities use this information to assess the risks associated with the given pharmaceutical. According to the company there had been a steady increase in the amount of information the medical authorities in the individual member states required, to the point where the company now had a highly qualified person spending around ½ of her time on sorting out the different requests and reporting the correct data to the different authorities.

While the company fully understood the need to have a comprehensive picture of the risks associated with a specific drug, they were arguing that data could ideally be collected in a

more suitable way. Today, country A might come in January and ask for information on sales and side-effects of a given drug from the month of December and five years back. Then three months later, country B would come asking for sales and side-effects for the same pharmaceutical from the month of March and five years back. However, data delivered to country A could not be reused, because it did not span the same timeframe as the data required by country B. To complete the picture, country C might come in June asking for information on the same pharmaceutical, but this time only for a four year period. In this way, all the different member states to which the country sold pharmaceuticals would come at different points of time to ask for what was essentially the same information.

Hence, the company was arguing that data could conveniently be delivered to all member states at the same time of the year, covering the same period of years, or that data could be fed into a common system, and then extracted from here by the individual member states. Such simplifications would significantly reduce the administrative costs of the affected companies.

As the requirements on reporting medical statistics are of individual member state origin they are not in scope for this study. Moreover, it would also be extremely difficult to assess the amount of statistical reporting that Irish companies were faced with, as it would require some knowledge on the number of Irish medical companies trading in EU, how many EU countries they traded with, and how many different products they sold in the individual member states and the incidence of statistical requests from each country.

## Air Cargo Security Programme

As part of the development of Irish aviation security measures and in line with international developments in relation to aviation security, the Department of Transport introduced a new Air Cargo Security Programme on 1st January 2003.

To comply fully with the regulation, freight forwarders, handling agents, international express and courier companies have to decide if they wish to become a “Regulated Agent” and consignors will have to decide if they want to become a “Known Consignor” when presenting their cargo, express courier or mail shipments to an airline or regulated agent for carriage on an aircraft.

Regulated Agents can be airlines, airline handling agents or freight forwarders who have implemented a security programme acceptable to the Department of Transport. Firms wishing to become Regulated Agents must submit a copy of their security programme for examination and approval by the Department along with an inspection of the premises. Inspections will continue on an ongoing basis in order to ensure that they continue to comply with the necessary security procedures.

Consignors of air cargo can be designated as Known Consignors on the basis of certain criteria. Such a designation will facilitate speedier processing of air cargo consigned by such Known Consignors through the security controls applied by Regulated Agents/handling agents and airlines. In order to be designated as a Known Consignor, the company has to be examined by an independent validator who will examine applications from companies and undertake an inspection of the premises and procedures in place to protect air cargo from interference.

If a company does not wish to become a Known Consignor, shipments will be categorized as ‘unknown cargo’ and will be required to undergo 100 per cent screening either via x-ray, or hand-search by handling agents or airlines, which will result in extra costs and potential delays in outward transportation.

Regulated Agents are obliged to check a central the website each time they have a shipment from a Known Consignor to ensure that their status as a Known Consignor is still valid.

The Air Cargo Security Programme applies to all Air Freight Traffic regardless of destination. For USA bound cargo there are a number of additional requirements including AMS - Advanced Manifest Screening, whereby freight forwarders etc. have to capture 10 fields of information on each shipment and transmit this data electronically to the Airline up to 6 hours in advance of the flight departure. This data is then transmitted by the Airline to The Department of Homeland Security in the USA and it's then a matter of their discretion to decide if any given shipment can be loaded on the intended departing flight to the USA.

The Air Cargo Security Programme carries a number of compliance costs for freight forwarders etc. in terms of establishing and maintaining security programmes, which are partly or entirely transferred to their customers. Hence, the Air Cargo Security Programme has an indirect impact on businesses within the four sectors of this study. However, to them it is not a trade related requirement, but rather it is part of the general fee that they pay to the freight forwarder etc. Therefore, the costs of establishing and maintaining security programmes are not included in this study.

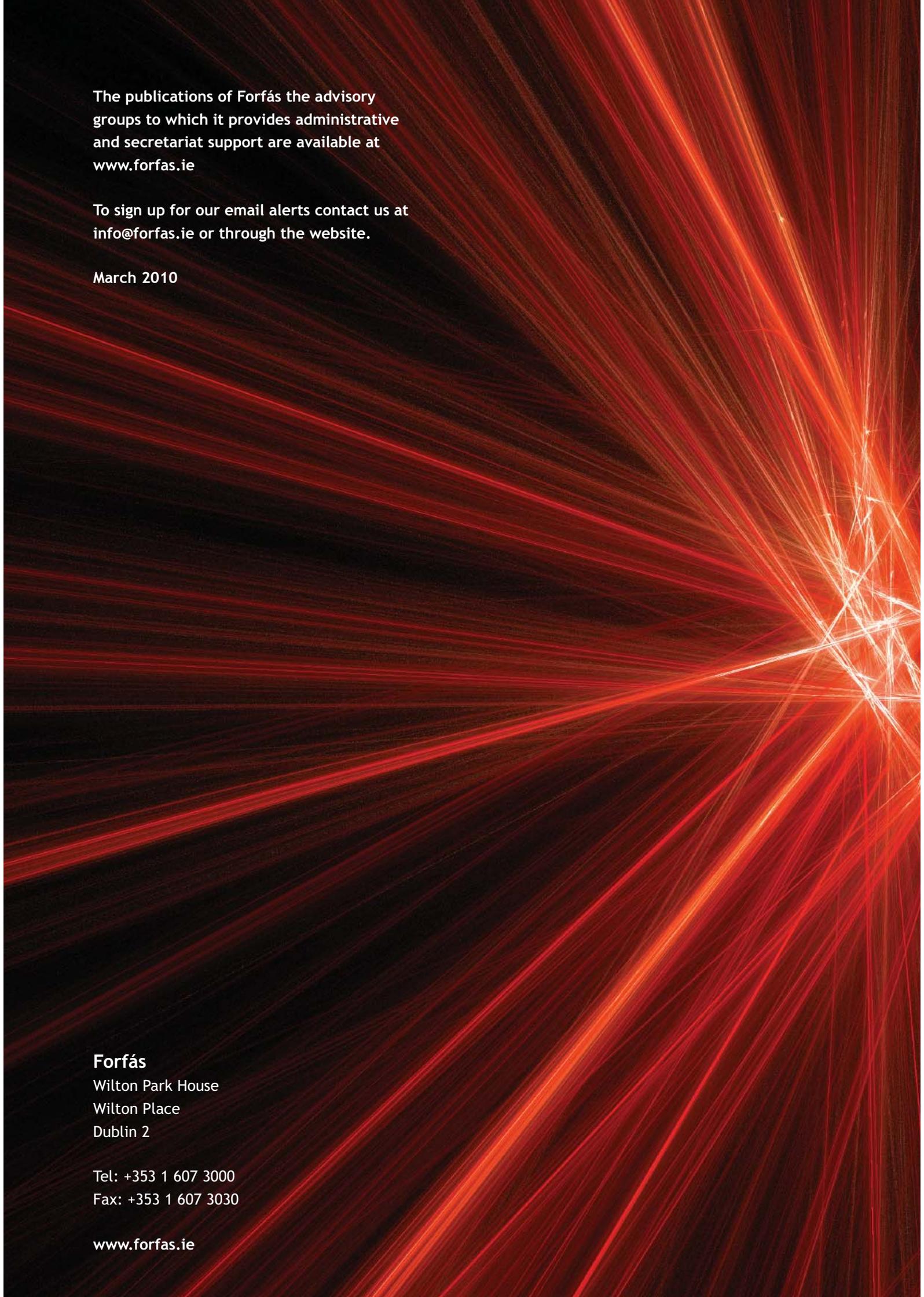
## Annex 7 Consultations

The views of the following agencies and organisations were sought during the course of the study:

- The Revenue Commissioners;
- Department of Enterprise, Trade and Employment;
- Department of Agriculture, Fisheries and Food;
- Central Statistics Office;
- University College Dublin;
- Irish Exporters Association;
- IBEC;
- Customs Consultative Committee;
- Trade Facilitation Ireland;
- ICT Ireland;
- American Chamber of Commerce;
- Irish International Freight Association;
- UN/CEFACT Techniques and Methodologies Group (TMG);
- ASEAN Secretariat;
- ITAIDE;
- APEC;
- Peruvian Tax Collection and Customs Administration;
- Mauritius Network Services Ltd;
- Swedish Trade Council;
- European Commission;
- European Commission Taxation and Customs Union;
- SITPRO;
- Finnish Maritime Administration;
- US Customs and Border Protection;
- UNECE.

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