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Annex to the

Proposal on the Community programme

CUSTOMS 2013

Impact Assessment

{COM(2006)XXX final}

This report only commits the Commission's services and does not prejudge the final form of any decision to be taken by the Commission.

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Executive Summary

On 6 April 2005, the Commission adopted a Communication¹ on the Community programmes Customs 2013 and Fiscalis 2013 and proposed to insert these two programmes in the Financial Perspectives 2007–2013. The customs administrations of the Member States will remain the major stakeholders of the 2013 programme. Like the 2007 programme, the 2013 programme will be opened for participation by candidate and potential candidate countries.

Recent developments have shown that European Customs organisations have to be ready to react swiftly to new security and safety threats, and changes in trade patterns. Customs also has to continuously maintain an appropriate balance between trade facilitation and controls. In the mid-term evaluation of the Customs 2007 programme stakeholders have expressed an overall satisfaction with the programme and consider the Customs programme essential to make the EU Customs Union function. The main objective of the 2013 programme will be to continue to assist the European Customs administrations to act in accordance with the joint mission statement adopted by the Customs Policy Group on 7 July 2005. The 2013 programme will support and facilitate the introduction of new trans European computerised systems that provide a secure and reliable environment for the exchange of information between Customs officials. The 2013 programme will also continue to reinforce cooperation between officials.

A first policy option, the stopping of the Customs programme, will have an immediate and devastating effect for the internal market and the implementation of the Customs Union in particular. A second policy option, setting up the 2013 programme as an extension of the 2007 programme without providing additional resources to support new policy initiatives and/or to reply to changed circumstances, would imply a progressive deterioration of the current situation. Although this option might look satisfactory in the short term, it would soon show its limitations and undesirable effects, as it would not provide customs administrations with sufficient resources to address the forthcoming challenges. A third policy option foresees that the 2013 programme is set up as an extension of the 2007 programme reinforced with additional financial resources to support new policy initiatives on the one hand and to foresee a marginal increase of the budget of all other sub-headers on the other hand. The new policy initiatives which will contribute to a large extent to the development of a fully-fledged electronic customs administration (*e-customs initiative*) will absorb the largest share of these additional resources. Additional budget is also required to upgrade the trans European IT systems to absorb the expected increase in exchange of information, while a limited share of the additional resources will be used to develop initiatives to support the promotion of knowledge sharing, in the area of e-learning and the dissemination of information.

The 2013 programme as described under option 3 has a forecasted budget of 323,8 MLN EUR and lasts for six years.

1. INTRODUCTION

From the creation of the internal market in 1993, the Custom administrations of the Member States were required to start working as if they were one. In preparation for this, in 1991, the first initiative to coordinate and stimulate

¹ COM (2005) 111 of 6 April 2005 and SEC (2005) 423.

cooperation between Customs administrations started with the Matthaueus Community Programme for the vocational training of officials². As from 1996, the Customs 2000 programme³ established a common framework of objectives as the basis of Community action on Customs matters and aimed to improve the efficiency and standardisation of Customs operations within the internal market. The consecutive programmes Customs 2002⁴ and 2007⁵ built further on these foundations. The experience of the last 14 years has shown that **embedding a culture of cooperation with standardisation of working methods and compatible IT systems is a gradual process especially in a union with 25 Member States.**

The operating environment and the role of Customs are continuously evolving. Customs continues to play a key role in the collection of customs duties and the application of tariffs. However, the actual Customs work is increasingly linked to the **security** of the Community and in particular with securing the **external border**, the prevention of money laundering and trade in counterfeit goods. Terrorist attacks, coupled with the growth in trade in unsafe or illicit goods, have recently given greater importance to the role of Customs in supporting other agencies in the **fight against terrorism**. In today's global economy Customs is looking to establish an appropriate balance between Customs controls and the need to **facilitate legitimate trade**. Customs also develops initiatives to adjust to the increasingly **electronic business environment**.

The major challenge facing the **European Union** over the next years is to create **growth and jobs**, as laid down in the re-launch of the Lisbon partnership⁶. The Customs 2013 programme⁷ will actively contribute to the realisation of this partnership by bringing a major contribution in the implementation of the right balance between trade facilitation and security. **The 2013 programme will continue to support the trans European secure IT systems that are essential to exchange information between Customs administrations.** It will ensure that Member States **learn from each another** rather than building up expertise from scratch⁸. The 2013 programme will have a **built-in flexibility** to allow Member States to develop a **tailor-made** action plan to answer their particular needs as well as their obligations at European level.

2. PROCEDURAL ISSUES AND CONSULTATION OF THIRD PARTIES

On 6 April 2005, the Commission adopted a **Communication**⁹ on the Community programmes Customs 2013 and Fiscalis 2013 and proposed to insert these two programmes in the Financial Perspectives 2007–2013¹⁰.

² COM (1991) 341, OJ L 187 (1991), p. 41

³ COM (1997) 210, OJ L 33 (1997), p. 24

⁴ COM (2002) 105, OJ L 13 (2000), p. 1

⁵ COM (2003) 253, OJ L 36 (2003), p. 1

⁶ COM(2005) 330 final of 20 July 2005 and SEC (2005)622/3 of 2 May 2005.

⁷ The wording Customs programme refers to the Customs programme as such regardless whether it was Customs 2000, 2002, 2007 or 2013. If we refer to a particular programme, we refer to it as 2007 programme or 2013 programme.

⁸ COM(2004)474 of 14 July 2004 on lifelong learning

⁹ COM (2005) 111 of 6 April 2005 and SEC (2005) 423.

¹⁰ The successor programmes will run from 1 January 2008 to 31 December 2013.

The **customs administrations of the Member States will remain the major stakeholders** of the 2013 programme. Like the 2007 programme, the 2013 programme will be **opened for participation by candidate and potential candidate countries** to further improve the functioning and efficiency of their customs administrations. At present Bulgaria, Romania and Turkey are actively participating in the 2007 programme and a number of activities are specifically targeting their needs. As for Croatia, the procedure for establishing the conditions for participating in the 2007 programme is in progress. The Customs programme will support direct interaction with administrations of third countries, international organisations, the **economic operators and their organisations** for those initiatives that concern them.

The **mid-term evaluation of the 2007 programme** has identified an overall satisfaction with the programme. Stakeholders consider the Customs programme highly relevant to the needs of administrations and consider the Customs programme to be essential to make the EU Customs Union function¹¹. Participating Countries appreciated in particular the flexibility offered by the programme and want this to be maintained in the future. They also emphasised that the programme has a key role in supporting Participating Countries to learn from each other and as such allow them to avoid costly mistakes. The mid term evaluation recommended reinforcing activities in the area of training and dissemination of information. All Participating Countries participated in the mid-term evaluation e-survey and case study visits were conducted in six of them. During these visits, in depth interviews have been organised with coordinators of the programme, users of the IT systems, participants in events, the hierarchy of the Customs administration as well as economic operators. For the mid-term evaluation, economic operators who participated in the Transit contact group and e-customs Contact Group were also interviewed. Participants in programme events are regularly asked for feedback as part of a built-in **monitoring system** for the 2007 programme. This will also be the case in the 2013 programme.

Participating Countries have also been involved from an early stage in the **preparation of the impact assessment** for the 2013 programme and had the opportunity to participate in a **project group** established for this purpose.

While the Customs administrations have the primary responsibility for making their customs system function smoothly, the actions developed under the Customs programme underpin the European dimension of Customs work. This Community role is essential to coordinate actions and to create benefits of scale. This is in line with the principle of **subsidiarity** as set out in Article 5 of the Treaty, since the objectives laid down in this Decision can be better achieved at Community level. In accordance with the principle of proportionality as set out in that Article this Decision will confine itself to the minimum required in order to achieve those objectives and does not go beyond what is necessary for that purpose.

3. **WHAT ARE THE PROBLEMS THE SUCCESSOR PROGRAMME IS EXPECTED TO TACKLE?**

Recent developments have shown that European Customs organisations have to be ready to react swiftly to new security and safety threats, and changes in trade

¹¹ Customs 2007 programme, mid-term evaluation, paragraph 1.3 general conclusions

patterns. Customs also has to continuously maintain an appropriate balance between trade facilitation and controls.

3.1 Security and safety within the Community area and at the external border

The increased **trade volume** crossing the borders, the complexity of the modern supply chain, the number of parties involved and the speed with which goods are exchanged today make the work of Customs administrations more complex. Customs administrations have to deal with **an ever larger number of control issues**, involving environmental, health protection and security issues.¹² Customs administrations have to maintain their **capacity to perform equivalent controls at** different points of the **external frontier** and to contribute in particular to assuring the **security of the international supply chain**.

The **fight against illicit trade** and in particular **counterfeiting** is high on the agenda of all Customs administrations. Customs services are the first line of defence for screening of both baggage of persons and freight of third country origin, and have an important role to play when it comes to controls on foodstuffs, animal products etc. **Real time exchange of information** will become a necessity as the latest technological changes permit economic operators to change supply channels very rapidly. Transshipment, traditionally exploited as a mechanism for facilitating duty evasion by circumventing origin/preference requirements, is also increasingly used by fraudsters to **disguise the origin** of the counterfeit goods in an attempt to avoid detection.

In the fight against fraud, customs administrations play an important role. Effective customs controls, supported by the rapid exchange of risk information, are key weapons against organised crime, terrorists and fraudsters.

3.2 Competitiveness of EU trade

The World Bank refers to the role of Customs in the reduction of **trading costs** as one of challenges for a modernised customs¹³. Studies¹⁴ have indicated that both economic operators and Customs authorities devote considerable resources to comply with procedures and rules generating little added value. Economic operators have expressed the need for a **single entry point** for customs declarations and other formalities (instead of multiple communication channels to different authorities/agencies) related to import and/or export accompanied by short and predictable release times. They are also expecting that improved **compliance** with customs rules will result in further **simplification of procedures**.

¹² Commission Communication “Towards an integrated management of the external borders of the member states of the European union”, COM(2003) 233 final, 7.5.02, and Commission Communication on the role of customs in the integrated management of external borders, COM(2003) 452 final, 24.07.2003.

¹³ World Bank, Customs Modernisation Handbook, p. 7-11

¹⁴ Verwaal E., Compliance costs of international business transactions in the European Union, 2000
Swedish Customs, Trade and Industry's costs for the Customs procedure, 2001
Swedish Customs (University of Linköping), The Stairway, A Customs system for improved service, quality and Efficiency, 2001.

3.3 Functioning of the internal market

The Customs administrations can only operate efficiently and effectively in the internal market and ensure the **common application** of the Customs code on condition that they have access to **common electronic information systems** 24 hours a day, seven days a week. Given the volume of transactions today, these electronic systems are essential to perform effective risk management.

Customs administrations have to be able to **detect any new challenge** which could be threatening for the functioning of the internal market and to quickly formulate an **adequate response at the level of the 25 administrations**. At present the fight against fraud, for instance counterfeiting or protection of the financial interests of the European Union, is placed high on the political agenda. The Organisation for Economic Cooperation and Development (OECD) estimated job losses related to counterfeit products for the EU in 1998 at 200,000¹⁵ and estimates that there is annually a 10 % increase in counterfeit goods shipped to the EU market. Counterfeit goods sold on the black market cause major losses in tax revenue. One of the most alarming dimensions of the counterfeit phenomenon is the increased risk faced by EU citizens as a result of the growth in dangerous faked goods such as medicines, car parts and foodstuffs.

Efficient and effective operation of Customs administrations should also prevent that multinationals concentrate their customs related activities within one Member State and organise the import and export of all their goods via this branch even if the goods are subsequently transported to another Member State. Such a concentration may cause distortion of the internal market in particular business areas, extra costs to consumers and environmental damage.

3.4 Further integration of communication systems of Customs administrations

Some customs business processes **are still based on paper-based practices**, and not taking advantage of the modern ICT based trading. Although all customs authorities currently have access to the European wide secure network (CCN CSI¹⁶) interoperability and interconnectivity between Member States' systems need further improvement. Whilst Customs authorities have established electronic links with economic operators, a lack of common standards for use of IT systems in the Customs area – except the New Computerised Transit System (NCTS) – effectively prevents electronic communication between these systems. **Improving interoperability and interconnectivity** is expected to have a positive impact on the **integration of European economy in the world economy** as this would reduce the transaction costs – the cost of clearing customs, transport costs, non-customs trade documentation requirements and unenforceability of legal trade documents.

¹⁵ OECD, The economic impact of Counterfeiting, 1998, page 25.

¹⁶ CCN/CSI = Common Communication Network, Common System Interface

4. WHAT ARE THE MAIN OBJECTIVES THE NEW PROGRAMME CUSTOMS 2013 IS EXPECTED TO ACHIEVE?

The **main objective of the 2013 programme** is to assist the European Customs administrations to **act in accordance with the joint mission statement adopted by the Customs Policy Group** on 7 July 2005. The 2013 programme will support and facilitate the introduction of new trans European computerised systems that provide a secure and reliable environment for the exchange of information between Customs officials. The 2013 programme will also continue to reinforce cooperation between officials which implement the political measures described in this chapter.

Customs in the European Union – A Joint Mission Statement

Customs is responsible both for protecting society and facilitating international trade through the management of external borders and by ensuring overall supply chain security.

We are committed to:

- Ensuring the safety and security of citizens
- Protecting the financial interests of the Community and its Member States
- Protecting the Community from unfair and illegal trade while supporting legitimate business activity
- Increasing the competitiveness of European Business through modern working methods supported by an easily accessible electronic customs environment

To carry out these duties, we shall co-operate nationally and internationally to combat fraud, organised crime and terrorism in collaboration with other authorities, notably with other law and enforcement agencies. Our aim is to operate with integrity and provide the highest possible level of service.

Following the mission statement, the Customs programme will continue to underpin objectives such as those described below.

4.1 Contribute to security and safety within the Community area and at the external border

Security of the international supply chains is an important issue on the agenda of EU customs cooperation with third countries such as the USA and China. Particular initiatives are foreseen at the level of **container security** such as control standards, common risk criteria and cooperation with third country customs authorities.

The **Customs Security Program (CSP)** supports the security amendments to the Community Customs Code¹⁷. It includes the development of common electronic systems that allow economic operators to **inform Customs prior** to the import and export of products (Export Control System/ECS and Import Control System/ICS).

Customs has a role in **protecting** the EU from entry of goods that might endanger the **safety or health** of the European citizen. It concerns for instance the trade in precursors, checking of radiation levels, and importation of prohibited foodstuffs. Customs is developing a **rapid information system** to advise all Customs offices of potential high risk cargo based on the experiences of the pilot project "Risk Information System (RIF)".

¹⁷ Regulation (EC) 648 (2005) of 13 April 2005 amending Council regulation 2913/92 establishing the Community Customs Code.

4.2 Contribute to improved competitiveness of the EU

The electronic customs initiative will put customs controls into a new perspective and should be an important step in order to reduce compliance costs for economic operators. With the movement to centralised clearance, it will be essential to have common control standards in order to ensure that the level of control is sufficient whilst not being over burdensome. This will be particularly important where the physical and fiscal controls are carried out in different Member States. In overall terms Customs has to reorient from a national client service towards a European client service, from transaction oriented towards supply chain and client oriented, from place and time bound towards anytime and any place oriented.

4.3 Reinforce the functioning of the internal market

Customs plays a vital role in support of the daily functioning of the internal market. The **Common Customs Tariff** and other Community legislation applicable at the Customs border are constantly evolving. Customs has to continue to ensure the Customs offices of all 25 Member States have access to an **up to date** version 24 hours a day and 7 days a week.

Customs will continue to iron out problems in the implementation of Community Customs law to avoid **distortions of the internal market**. Continued efforts are needed to ensure that **controls** continue to be implemented with the **same effectiveness at every point at the Community's customs territory**. In this respect, Customs administrations are developing a Community **risk management system that will need to be incorporated** in all aspects of Customs work¹⁸.

Customs also plays a key role in protecting the **financial interest of the Community and Member States by strengthening the fight against fraud** like counterfeiting or origin fraud. Customs might also use the experience from the approach developed for counterfeit products for controls of goods such as endangered species, cultural goods, precursors and dual use goods.

4.4 Support the creation of a paperless electronic Customs¹⁹

The Community Customs Code has to be modernised to implement a modern electronic customs environment which will allow for making electronic declarations, risk based-controls and specific simplifications and authorisations in parallel and mandatory. Electronic customs should overall considerably reduce the number of physical controls for legitimate and known economic operators. Its Single Window will refer to a single electronic entrance point at which economic operators will supply information required by Customs and other services involved in frontier control. The operator may carry out from this single entrance point of his choice any customs transactions in the Community, even if the movement of goods involves different Member States and irrespective of the place at which their goods enter or leave the Community. Electronic customs also foresees the creation of a One Stop Shop which refers to the combined performance of customs controls and other

¹⁸ This is required by Regulation 648/2005.

¹⁹ IP/05/1501 of 30 November 2005.

controls such as veterinary and environmental controls so that the goods are controlled by all authorities in the same time and at the same place.

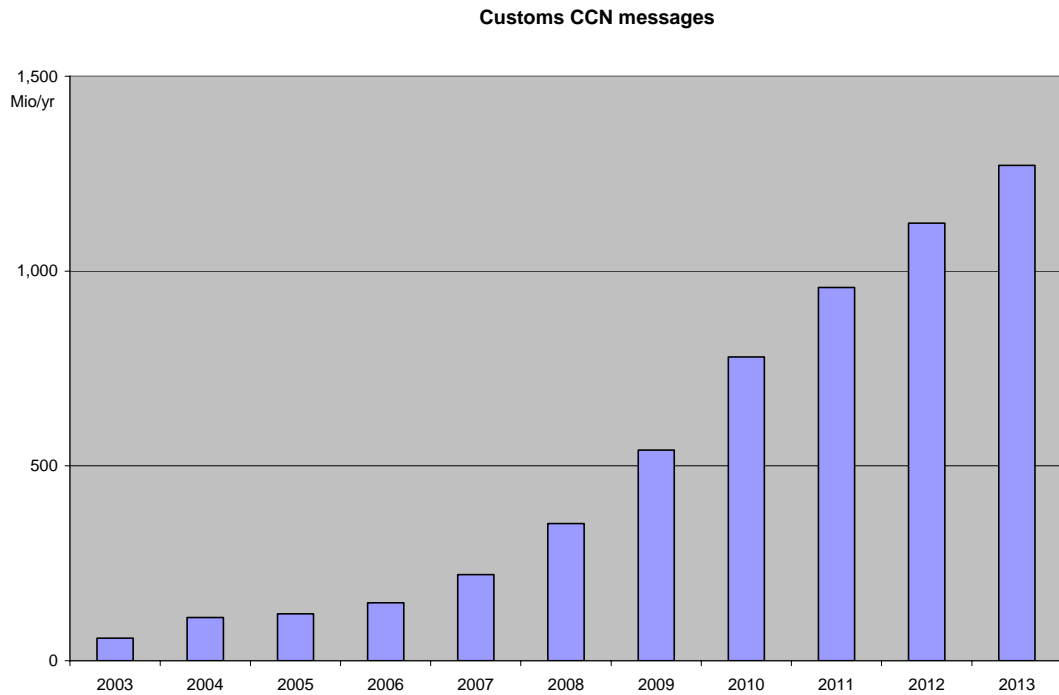
4.5 **Build secure trans European computerised systems for Customs**²⁰

Customs will continue to develop and modernise the trans-European computerised systems that underpin the implementation of Customs policy. The CCN network currently interconnects national taxation and customs Administrations from the EU Member States, Bulgaria, Romania, Norway and Switzerland and ensures the linkage of all national information systems. The CCN network has 39 sites throughout 30 national Customs administrations which are all operating their own unique IT systems, thereby creating a significant and complex interconnectivity and interoperability link within Europe.

The CCN network became operational in 1999. **One of the most striking factors currently is the rapid growth of the number of messages handled by CCN every year for Customs purposes.** It is expected that the **number of messages** handled through the secure network between Customs administrations will **multiply** rapidly until 2013 and increase from 120 million per year in 2005 to 1,27 billion in 2013. A significant share of the messages will come from e-customs. The most demanding service within electronic customs is likely to be the Single Window which could be accountable for half of the Customs messages. In the near future, for an increasing number of these CCN messages, a real time link will exist between the information exchanged and the movement of consignments, which makes it of utmost importance that the network is operational 24 hours a day, 365 days a year.

Graph1 illustrates the evolution of the number of messages since 2003 and the forecast till the end of the programme.

²⁰ Annex 2 provides an overview of the trans European computerised systems that is developed through the programme.

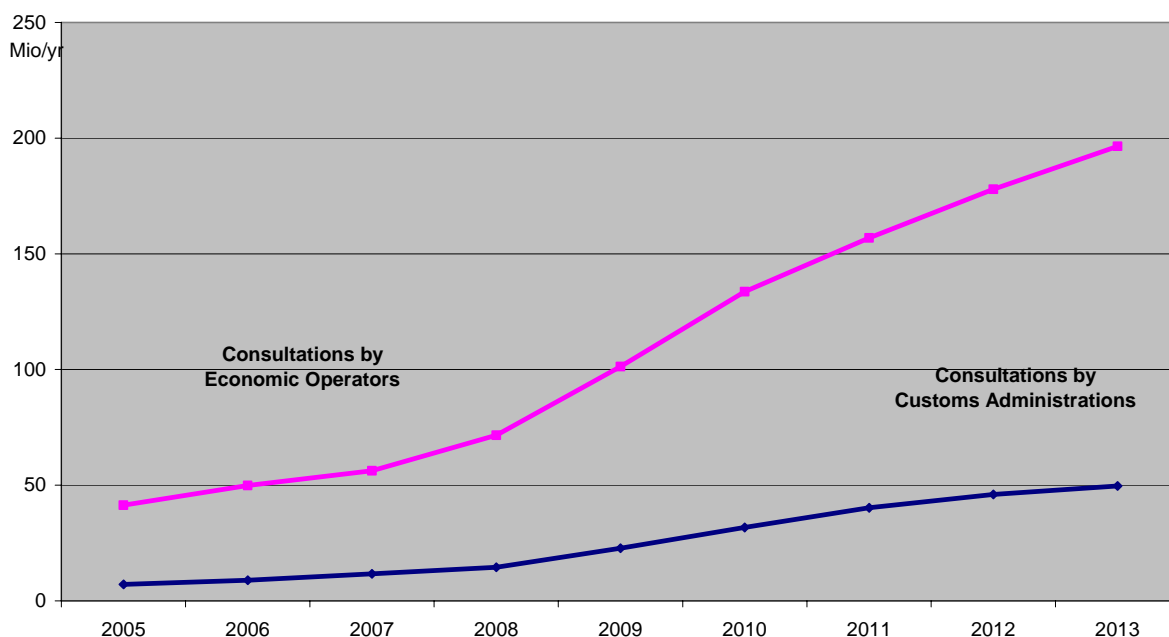


Graph 1: Exchange of Information between Customs administrations. Number of messages with information exchanged per year

Effective implementation of Customs policy requires transparent and effective information dissemination to Customs and economic operators. The Data Dissemination System (DDS) is a service providing interactive and online access to Customs information via Internet. Free access for national Customs administrations as well as economic operators is guaranteed. Information is for instance provided on customs tariff, binding tariff, tariff quotas, chemical products and transit. It is forecasted that economic operators will increasingly consult the online information provided through DDS, rising from 40 million consultations in 2005 to 200 million in 2013. The requests made by administrations are expected to rise from 7 million in 2005 to 50 million in 2013. The growth will be mainly fuelled by the start up of electronic customs.

Graph 2 illustrates the evolution of on line consultations using DDS and the forecast till the end of the programme.

Consultation of online customs information



Graph 2: Consultation of online Customs information by economic operators and administrations. Number of consultations per year

Annex 2 provides an overview of the trans European computerised systems that are developed with the support of the Customs programme.

4.6 Answer any future challenges

There is a need for a **continuous process of alignment** to ensure that Customs administrations do not develop diverging working practices. Without a Community instrument to support Member States to work as if they were one, the likelihood of the development of diverging practices would increase and without the programme Member States would lose a driving force for cooperation.

The Customs environment has changed considerably between 1992 and 2005. **More changes** will occur **by 2013** with some of them requiring a **swift and coordinated reaction** from customs administrations. **Cooperation with non-Customs authorities** is likely to become a key issue. The Single Window project foresees for instance a link between the electronic system that provides the veterinary services information on imports of animal products from third countries and intra-Community trade of live animals with the Customs systems.

Customs will also have to respond in an appropriate manner to **changes in trading patterns**. For instance, imports of large scale, low quality goods from regions where there are rapidly developing economies will demand increasingly effective controls by customs to ensure compliance with safety requirements, quotas and the rules of origin. The EU also has a responsibility to prevent the export of dangerous goods such as synthetic drugs, arms and dual use goods.

Customs will increasingly have a key role in responding to the threat of terrorism and will also increasingly be called on to play its part on the **global stage**. If the EU seeks agreements with its major trading partners that they apply export controls, then customs administrations in the EU must be prepared to apply reciprocal controls to its own exports.

As fraudsters become increasingly sophisticated, customs also has a role to play in applying controls which are effective in the fight against **revenue fraud**, such as fictitious exports in order to obtain VAT relief.

5. WHAT ARE THE MAIN POLICY OPTIONS AVAILABLE TO REACH THE OBJECTIVE?

On the basis of the problem analysis and the objectives set out above, three policy options have been identified:

- Option 1 : No Community Instrument: stop the Customs programme
- Option 2 : Community instrument – Customs 2013 programme: continue the 2007 programme without providing means to support new policy initiatives and to reply to changed circumstances
- Option 3 : Community instrument – Customs 2013 programme: extend the 2007 programme and provide means to support new policy initiatives and to reply to changed circumstances

6. WHAT POSITIVE AND NEGATIVE IMPACTS ARE EXPECTED FROM THE OPTIONS SELECTED?

6.1 Option 1: No Community instrument: stop the Customs programme

The stopping of the Customs programme will have an immediate and devastating effect for the internal market in general and for the implementation of the customs union in particular. From one day to another, all centrally coordinated information channels between the Customs administrations of the Member States as well as those between Member States and Commission and with some third countries will lose their common support framework. A complete stop of the trans-European computerised networks means that a Customs regime such as the New Computerised Transit System (NCTS), which is mainly paperless, will become completely disorganised, which would be a violation of the Transit legal basis. It would also mean to step back into the old paper procedure which caused all the fraud cases leading to the Parliament Enquiry procedure of 1997. The centrally organised updating of the Integrated Community Tariff will be stopped as well, obliging the Member States to jump back in time by more than 15 years increasing the risk for incorrect and incomplete collection of duties and making impossible the application of preventive measures. The scenario described under option 1 would have a major impact on trade. Although precise figures of the losses are not available, it would undoubtedly be in the order of billions of EUR. As described below major realisations that have been created with the support of the 2000, 2002 and 2007 programmes will vanish when there is no Customs 2013 programme

6.1.1 *Consequences for the secure network between Participating Countries*

Stopping the Customs programme will imply that the communication network (CCN/CSI) will be switched off. Since CCN/CSI is the backbone for the exchange of information in the customs sector, switching off the network will profoundly affect each national customs administration as well as the Commission services. Legal obligations such as maintaining the Integrated Community Tariff (TARIC²¹) or managing quotas will become very difficult to implement without a common network.

Other Commission services and corresponding organisations in Member States will equally be affected. Stopping the CCN network will deeply affect the fight against fraud activities, as most Member States use the CCN network to implement the communication systems of the European Anti-Fraud Office (OLAF).

Under these circumstances, all the international paperless procedures will become unavailable, which will have an equally profound impact on trade. To compensate for this situation, the Commission and the Member States will have to incur high administrative and human costs without the guarantee that the same level of security and performance is available as when the CCN/CSI network was functioning.

6.1.2 *Weaken the common information basis*

Operational officials use TARIC on a daily basis as a supporting instrument for the customs clearance of imported and exported goods. **If the Customs programme did not exist, the TARIC database would no longer be maintained and updated centrally. Customs officials would no longer have access to uniform information on tariff duties.** The absence of TARIC would also make the TARIC Web system unavailable to economic operators. This would be a huge step backwards in the service-oriented approach of customs administrations. Given the present legal requirements, customs clearances would not be administered within one week and it would be difficult to implement the provisions concerning centralised update of the EU tariff rules, the automated distribution of quotas and the common interpretation of other commercial policy legislation and measures.

The **electronic control of Customs declarations and the common application of the tariff would no longer be possible** unless each Member State invests separately in additional human resources (for the daily follow-up of legal and tariff modifications) and technical resources (for the development of national databases, including training, operation and maintenance, and/or the production and distribution of paper based documents). All national administrations would need many more staff to edit TARIC information at national level which, in turn, would put the accuracy of the information and reciprocal treatment at risk. Exact calculation, and therefore appropriate collection, of customs duties would no longer be assured given the dependency on the correct functioning of tariff services in all Member States. In the end, a new monitoring mechanism might be needed at Community level.

²¹ The TARIC is a multilingual database which integrates all measures relating to tariff, commercial and agricultural legislation.

Besides the cost implications for national and Community budgets, the non-existence of TARIC would imply that **the immediate application and enforcement of sanctions, embargos, sanitary and security alerts, etc would probably be delayed** since all Member States would have to take measures on an individual basis.

6.1.3. *Loss of impetus for knowledge sharing between Customs administrations*

The Customs programme has established structures to share knowledge and experiences between Customs officials in an organised way. Thanks to these structures, **the Customs programme has become a reference for cooperation in the area of implementation of the Custom policy of the European Union.** The Customs programme supports **a wide range of activities:**

- sharing of working practices such as technical procedures in a laboratory
- spreading expertise, for instance on how to recognise counterfeit or pirated products
- preparation of legislation through a consultation of the stakeholders
- follow up of policy implementation through monitoring of performance
- establishing instruments required for the exchange of information
- training officials on how to use the trans European IT systems.

The programme has a **built in flexibility** which gives Member State administrations the opportunity to develop a **tailor-made reply** to their particular needs. For this purpose each administration has a Customs programme contact point which assists the Commission with the implementation of the Customs programme. In the mid-term evaluation, stakeholders have referred to **added values** like:

- The creation of a **network** that facilitates contact taking and therefore solution building at working level,
- The programme has contributed to **confidence building** between administrations,
- The programme motivates countries that have an advantage in a particular area to further develop their expertise, to **maintain** their expert and **leading position** and further train the others,
- The programme prevents making costly mistakes, **to save time and resources** by learning from experiences of others,
- The programme contributes to establishing **links** between different Customs policy initiatives,
- The programme makes officials aware there is a **European dimension to their work.**

Without the 2013 programme, it will not be possible to organise the **information and knowledge sharing** between all Customs administrations and in all Customs policy areas in a systematic way. If the Customs programme is stopped, the

established structures and contacts will fall apart as the binding force between them will fall away. Customs administrations may as consequence become more inward looking rather than promote knowledge sharing and learning from each other.

6.1.4. *Reduction of cooperation with third countries*

The 2007 programme has been a vital instrument in assisting the customs administrations of the 10 new Member States and the current candidate countries in their preparations for accession. The external actions of the programme use this experience to improve the working of Customs administrations of third countries and in particular the Western Balkans and the partner countries of the European Neighbourhood Policy. Bringing the Customs programme to an end would not only hamper the remaining candidate countries in their preparation for the accession process. The support and assistance to third countries in the framework of the reinforcement of the security and external border policy would end and as such have a negative impact on security of the EU and the protection of its external border.

6.2. **Option 2: Community instrument – Customs 2013 programme: continue the 2007 programme without providing means to support new policy initiatives and/or to reply to changed circumstances**

Setting up the 2013 programme as an extension of the 2007 programme without providing additional resources²² to support new policy initiatives and/or to reply to changed circumstances, would imply a **progressive deterioration of the current situation**. Although this option might appear satisfactory in the short term, it would soon show its limitations and undesirable effects, as it would not provide Customs administrations with sufficient resources to address the objectives enumerated in chapter 4. In the next decade, Customs will have to adapt to changing trade patterns, develop new fraud prevention techniques, increase security, manage increasing volumes of information on the trans European networks and prepare them for new political initiatives. Continuing the Customs programme without any scope for replying to these evolutions will even fail to preserve the current situation. The most visible consequence would be the overloaded information infrastructure. These blockages would become synonymous for stepping back in time, reducing security, losing the fight against fraudsters and not creating an optimal reduction of compliance costs for the economic operators.

Under the second option, the **electronic customs initiative**, with all its advantages described earlier **will not at all be realised** due to the unavailability of financial means. The same applies to the changes that will have to be made to the trans European IT systems regarding the security amendments to the customs code. This implies that the expected return on investment of the electronic customs initiative will not come into effect²³.

The following paragraphs describe the consequences if the Customs programme is rolled out as option 2.

²² In this option the budget is frozen at 2007 level.

²³ See Impact Assessment of the electronic customs initiative.

6.2.1. Weaken security and safety within the Community area and at the external border

It will not be possible to support to their full extent all new initiatives to reinforce the security of the supply chain, risk management and safety.

(1) Customs Security programme

Continuation, extension and further intensification of the international security aspects will not be supported in all customs and trade related areas. A Customs 2007 action provided the basis for the EU position in the negotiations in the framework of the EU-US Customs cooperation Initiative, while another action resulted in the creation of a list of generic risk criteria for the selection of containers suspected of containing terrorist related materials.

(2) Safety

The objective to create an integrated Network of European Customs Laboratories equipped to meet tomorrow's challenges will not be supported.

Other areas will also be affected. This would mainly concern:

- The **European Customs Inventory of Chemical Substances (ECICS)**²⁴ a database of approximately 7 million chemical substances. It provides information of scientific and statistical nature and product identification on the basis of the Combined Nomenclature. ECICS is used by national Customs Administrations, economic operators and other stakeholders. Amongst others, it also **provides scientific support in monitoring the application of Community law and trade agreements.**
- The Group of European Customs Laboratories (GCL) will provide the structure for the co-ordination of the Member States' Customs Laboratories. This includes among others a database, called ILIAD (Intra Laboratory Inventory of Analytical Determination), which is a shared directory of the analytical methods and procedures needed to apply customs legislation. Testing organised under the programme further harmonises EU-wide analytical methods and as such maintains the basis for a uniform classification of goods in Europe on a permanent basis. **The guidelines for the use of freight scanners** are based on practical experience and expertise in the procurement and use of scanners and identify best practice for the use of scanners in an enlarged Community.²⁵ Support of the 2013 programme will be needed for the updating of these guidelines taking into account greater

²⁴ A uniform and centrally run database like ECICS is essential in order to avoid a lack of common understanding and differing interpretations of health and security standards for chemical substances and precursors, which would represent a threat to the security of EU-Citizens. The diversity of national analysis results would have a direct negative impact on Tariff classifications and Customs control results in Europe.

²⁵ **Freight scanners** may have a key role in controlling the external frontier of the Community. See Communication from the Commission to the Council, European Parliament and the Economic and Social Committee concerning a strategy for the Customs Union (COM(2001)51) and the Communication from the Commission to the Council, European Parliament and the European Economic and Social Committee on the role of customs in the integrated management of external borders (COM (2003) 452)

experience in the use of scanners, the advancement of technology, the importance of scanners as a non intrusive examination which can facilitate the speedy flow of goods and not least the Container Security Initiative (CSI).

6.2.2. *Decrease competitiveness of the EU*

It will not be possible to further organise the legally obligatory updating and further upgrading of EBTI in order to permanently guarantee the uniform classification of goods and thus the uniform application of the Customs Tariff.

The 2007 programme supports the central management of the **European Binding Tariff information database (EBTI)** on which all legally binding decisions on the classification of goods (Binding Tariff Information- BTIs) issued by Member States are stored. The 2007 programme also organises the necessary up-dating and will provide for a multi-annual monitoring of its application in the Member States (year 2005 – 2007) to ensure a most harmonised use of the system by all stakeholders and to detect at the same time weaknesses of the system which need to be addressed in the future. The 2007 programme already prepared acceding countries for consulting and applying for BTI's from the date of accession.

6.2.3. *Endanger the functioning of the internal market*

(1) New Computerised Transit System (NCTS)

Further NCTS evolutions will be slowed down or stopped.

The NCTS System is now compulsorily applied for all transit declarations in all EU Member States.

A pilot exercise using the NCTS to facilitate the termination and discharge of International Road Transport (TIR) carnet movements within the Community was launched in July 2005. About half the Member States are participating in the pilot exercise. The pilot exercise will be evaluated in the near future and it is expected that the use of NCTS to terminate TIR carnet movements within the Community will be adopted as the norm. The implementation at EU level should occur under the 2013 programme.

(2) Fight against fraud

The Customs programme has supported the development of the **Tariff Quota and Surveillance (TQS) System which has a day-to-day impact on the functioning of the internal market.** This system has for instance been used to install surveillance measures upon abolition of the import restrictions for certain Chinese products on 1 January 2005. Information of TQS was therefore instrumental in detecting the sharp rise in export of Chinese textile and shoes in the spring of 2005. Confidential surveillance measures have also been in place for several years now in order to follow up imports of sugar from the Balkans. TQS is also used by the economic operators. An importer of perishable products may for instance check if the tariff quota of his product risks to be depleted by the time his products are declared for release for free circulation.

The 2013 programme will be needed to finance further developments to allow integration of these systems into the integrated tariff environment and to provide TQS with greater flexibility to incorporate constantly changing situations.

(3) Counterfeiting

Neither the exchange of real time risk information between officials through a **Risk management system** **nor** the development of an **operational control plan** incorporating risk management and Member States expertise with a systematic spreading of newly acquired best practices will be implemented.

The 2007 programme supports the exchange of product information between customs authorities and economic operators (right holders) and the development of common risk indicators which play a vital role in **optimising the fight against counterfeit and piracy**. The success of these 2007 programme activities could be directly measured by the rise in seizures of counterfeit goods in the products targeted during these activities.

(4) Cash control regulation

An important part of the Community's actions to cut off terrorist financing and to combat money laundering, the Cash Control regulation²⁶ will come into effect at the beginning of 2007. Under this Regulation Customs authorities will be empowered to undertake controls on people and their baggage and detain cash that has not been declared. Member States will be required to initiate proceedings against people who fail to declare cash over €10,000. The support of the 2013 programmes will be instrumental to pass on experience and best practices between customs administrations to align the implementation of this regulation.

6.3. Option 3: Community instrument – Customs 2013 programme: extend the 2007 programme and provide means to support new policy initiatives and to reply to changed circumstances

- The third policy option foresees that the 2013 programme is set up as an extension of the 2007 programme and reinforced with resources to account for new policy initiatives. The paragraphs below describe how the programme will support these new initiatives.

6.3.1. Support the creation of a paperless Electronic Customs

The reform towards an electronic customs environment, which is not a case of "one size fits all, is essential. As the experience with the New Community Transit System (NCTS) has shown, The **organisational, management and financial frame** of the 2007 Programme has been instrumental in the sound development of the system. The experience from NCTS is that the implementation of electronic customs will need to be designed encompassing the revamp of import clearance declaration and other procedures involved, the redefinition of responsibilities, the reallocation of human resources, the provision of adequate professional hands-on training courses and

²⁶ Cash Control Regulation has been adopted on 26 October 2005 by Council and EP and is awaiting publication.

information sharing, etc. The 2013 programme will coordinate and support these activities by providing a well prepared consultation process, good diagnostic work, a common sound methodology and flexible and tailor-made approaches and implementation instruments

6.3.1.1 Authorised economic operator (AEO)

The 2013 programme will further support the cooperation started under the 2007 programme in order to ensure an EU-wide harmonised application of an AEO. An EU wide database, supported by the Customs programme will underpin the AEO concept.

The concept of Authorised Economic Operators is introduced in the Customs code security amendment to the Community Customs Code. This legislation allows customs authorities to grant reliable economic operators established in the European Community the status of "authorised economic operators". This specific status will identify the selected economic operators as most reliable trading partners of the supply chain and thus not only support security requirements but also facilitate and simplify legitimate trade.

6.3.1.2 Centralised clearance

A key element in the process to simplify and harmonise customs business processes is the promotion of central customs clearance where two or more Member States are involved in customs clearance operations or procedures. The 2007 programme supports the highly sensitive pre-cooperation process between customs and economic operators and between national Customs administrations, which should soon be seen in the form of Commission proposals for the amendment to the Implementing Provisions of the Customs Code. The 2013 programme will continue and intensify this cooperation process through monitoring and problem-solving European initiatives that will ensure the efficient functioning of centralised clearance.

6.3.1.3 Risk Management and audit

A 2007 programme project group has developed **common risk criteria and organised the exchange of high risk information between all Member States based on a standardised Risk Information Form (RIF)**. This way it supported the development and integration of a more efficient approach to risk management and risk based controls throughout the Community. The sharing and distribution of risk information via RIF among customs control offices at airports, ports and land frontier posts, developed under the umbrella of Customs 2007, have already generated some significant results with the detection of cargoes containing undeclared poultry and meat products, unsafe toys, fake medicines as well as financial irregularities. All Member States are actively using the system with in excess of 800 cases of information exchange registered to date.

For risk management and audit an organised exchange of information is vital between customs administrations of all Member States and, where appropriate, between customs administrations and other administrations and law enforcement bodies (veterinary and phyto-sanitary authorities, etc) or between customs and economic operators and their organisations (right holders defending their products against counterfeiting). The 2007 programme has supported the development of an

electronic Community risk management system. The 2013 programme will be needed to continue this development and ensure the effective operation of the system including **integration with IT systems developed in the area of electronic Customs and, in the medium to long term, appropriate linkages to Customs clearance systems.** The establishment of project groups will ensure that knowledge and expertise are shared and benchmarked between countries and that the overall conclusions are presented in common guidelines. The 2013 programme will also enable the continuation and further development of the messaging platform for communications in the framework of the Anti-Fraud Information System (AFIS) and the Customs Information System (CIS) both managed by the European Anti-Fraud Office (OLAF).

6.3.2. *Improve and structure knowledge sharing*

The 2013 programme will further **develop the management framework developed under the 2007 programme by taking into account the recommendations made in the mid-term evaluation.** Stakeholders are for instance of the opinion that the Customs programme should put more emphasis on strategically developing the operational integration of the administrations and organise the dissemination of results more systematically.

6.3.2.1 Development of common training facilities

All the predecessors of the 2013 programme have contributed to the development of **common training and common training tools** for Customs officials, drafting for instance a number of traditional handbooks and guides. The developments in e-learning have opened up new opportunities for the creation of **e-learning modules** and their systematic use for training of Customs officials. The 2007 programme has set up a first pilot project tool for e-learning on Car Search which will be used to train Customs officials of the 25 Member States on how to search a car, the main hiding spots, etc. In the future common e-learning modules will play a key role in the organised spreading of best practices in the area of European Customs policy among Customs administrations.

The mid-term evaluation of the Customs 2007 programme has recommended that e-learning activities should be leveraged to maximum effect to achieve training for customs officers and economic operators in future roll outs of electronic customs applications.

6.3.2.2 Establishment of information sharing structure

The mid-term evaluation report has identified that considerable improvement is still possible in the dissemination of information on programme outputs within the national administrations. Currently, the knowledge shared and generated during 2007 programme activities is only directly accessible to a limited number of people, mainly the participants in an event. The 2013 programme will develop and implement the structures and procedures required to make information available in a systematic way to the officials concerned. The 2013 programme will especially work on the development the establishment of an information sharing structure in order to improve the dissemination of information among and between customs administrations.

6.3.3 Other areas

Option 3 will be able to implement those initiatives for which option 2 will fall short of resources.

7. COMPARING THE OPTIONS?

Impact Areas	Option 1 No programme	Option 2 Extension without means for new policy and changed circumstances	Option 3 Extension with means for new policy and changed circumstances
Security and safety within Community area and at external border	---	+	+++
Fight against fraud	---	+	+++
Competitiveness of the EU	--	+	++
Functioning of the internal market	--	+	++
Paperless electronic customs	---	+	+++
Secure network between Member States	---	+	+++
The common information basis	---	+	+++
Common training facilities	--	+	++
Information sharing infrastructure	0	+	++
Promotion of knowledge sharing	---	+	+++

Impact scale

- highly negative
- very negative
- slightly negative
- 0 neutral
- + slightly positive
- ++ very positive
- +++ highly positive

Considering the highly to very negative impact of pursuing options 1 and 2, it is recommended to maintain option 3 as best policy option.

The screening within paragraph 6 does not amount to an analysis of impacts on the economy, the environment and the society. This is considered legitimate as the Customs programme, by its specific nature, cannot have a direct, measurable and quantifiable impact on the functioning of the internal market, the competitiveness of enterprises or the fight against fraud. The programme is rather an instrument to achieve these objectives by promoting administrative cooperation, exchange of best practices, staff training as well as supporting the functioning of IT systems to enhance information exchange between customs officials. Therefore it would be not proportionate to identify and measure economic, social and environmental direct impacts.

7.1 The budget of the 2013 programme²⁷

The planned budget for the 2013 programme as described under option 3 is **323,8 MLN EUR**. In comparison, the 2007 programme has a budget of 157,4 MLN EUR and covers 5 years. The difference in budget terms between the 2007 and 2013 programmes is justified by the following elements:

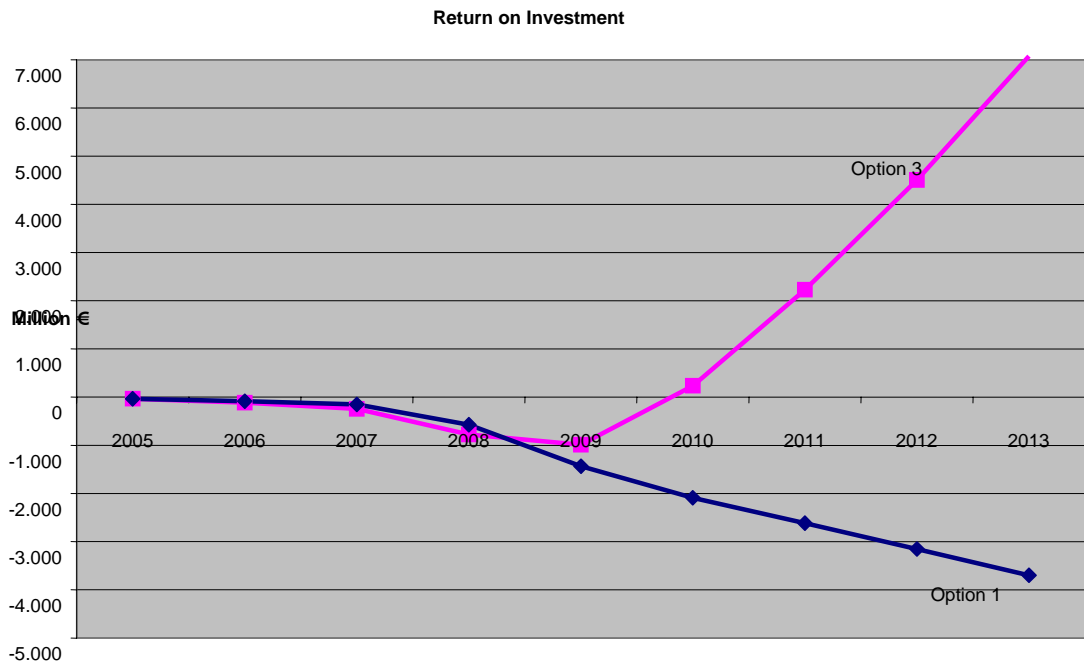
- **Duration of the programme**, 6 years compared to 5
- **The support of two new political initiatives**. The first one, the **electronic customs initiative** will be completely financed by the Customs 2013 programme. The electronic customs initiative should come to its full development at the start of the 2013 programme which is the reason why the budget will rise from 2,4 MLN EUR in 2007 to 10 MLN EUR in 2008. The second one, the development of the **new security amendments** to the Customs Code will start with an initial budget of 5 MLN EUR in 2008 which will increase up to 6,8 MLN EUR in 2013. These two initiatives account for 100% of the budget increase for the IT systems.
- **A clear political commitment to invest in common training tools** in line with the Lifelong training initiative and the recommendation of the mid-term evaluation.

The electronic customs initiative is expected to have an important impact on the trade flows which should rise significantly in the second half of the 2013 programme. The following graph simulates the return on investment of the electronic customs initiative when applying option 3 identified in the impact assessment²⁸. The return on investment is calculated by deducting the costs incurred by the Member States, the Commission and traders from the savings generated for traders in the EU. As this graph is based on cost and benefit estimates, it is to be considered as an indication of trends and not as a calculation of actual costs and benefits. The graph suggests that the electronic customs initiative will deliver a positive return on investment as from 2010 onwards. This option can only be realised if the electronic customs initiative is financed from the Customs programme, only possible under its third option. In

²⁷ Annex 1 provides an overview of the budget of the Customs 2007 and the Customs 2013 programmes specified per year and per topic.

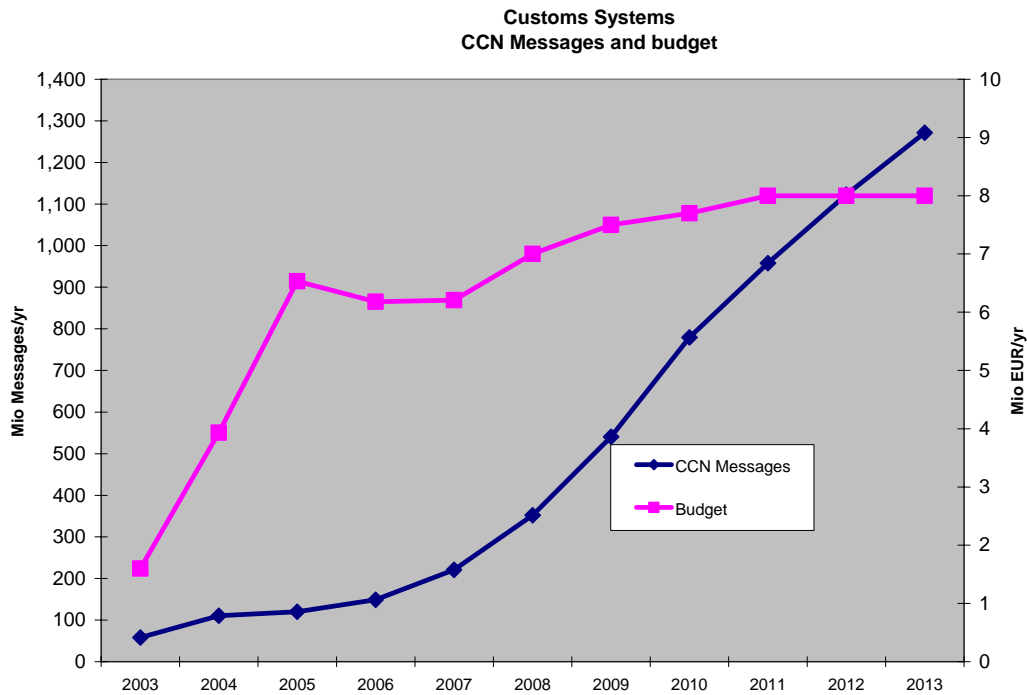
²⁸ The impact assessment of the electronic customs initiative describes four possible policy options and identified the third option as the most favourable. For more details see Impact Assessment of the electronic customs proposal, SEC(2006) xxx.

absence of such investment (options 1 and 2 of the programme) the graph clearly shows a negative return on investment.



Graph 3: Return on investment of the electronic customs initiative.

In order to absorb the increase in the exchange of information related to the connection of 10 new Member States, the **budget for the CCN network is much higher than budget year 2005**. As from that year, the CCN budget shows a flattened increase to support the further upgrading of the network which is necessary to ensure **interoperability and permanent availability** (24 hours a day and 7 days a week) and to absorb the expected increase in the number of messages exchanged by Customs administrations. This upgrading also includes setting up of fall-back architectures and associated services. Currently most of the services offered through the applications have no **real time dependencies** and can be interrupted between 1 and 4 hours without major damage. However, the single access point and single window options will require the upgrade to a continuous service 24 hours a day 365 days a year. The CCN network will require a budget of 46,2 million EUR over the six years of the 2013 programme compared to 24,45 million EUR over the five years of the 2007 programme. Through the 2013 programme, it will be ensured that the applications and network are available on a continuous basis.



Graph 4: Expected increase in messages between Customs administrations and increase of CCN budget

The budget for maintaining the **existing systems**, which provide **daily updated information for some 100,000 customs officials**, will remain stable at 6 MLN EUR a year for the different tariff systems while the budget for transit system will **stabilise** around 6 MLN EUR in 2013, and show a considerably decrease compared to the 2007 programme where 12,3 MLN EUR is still budgeted in 2006 for the final developments.

The **Joint Actions** are budgeted at annually 5,5 MLN EUR. For the development of **common training tools** a budget of 10,7 MLN EUR is foreseen as a new header in the 2013 programme budget. The budget increases gradually from 1,5 MLN EUR in 2008 to 2,2 MLN EUR in 2013.

Summarised, the total budget of the 2013 programme is higher than the budget of the 2007 programme. The increase is mainly due to the new electronic customs initiative while the expected increase in messages necessitates an upgrade of the CCN/CSI network. Finally, running the programme over 6 years instead of 5 years has also an impact on the budget which may not be neglected.

8. HOW TO MONITOR AND EVALUATE THE PROPOSAL AFTER IMPLEMENTATION

8.1. Monitoring

During the lifespan of the programme, the Commission and Member States will continuously monitor progress made in reaching the objectives. The mid-term evaluation of the Customs 2007 programme recommended that the monitoring indicators, which were specifically developed for the Customs 2007 programme

,should continue to be used. The evaluation nevertheless advised to further fine-tune the criteria and to prioritize them in a comprehensive monitoring system.

8.2 Evaluation

The mid-term and final evaluations of the programme shall be carried out under the Commission's responsibility using the follow-up reports and the reports drawn up by the participating countries and, if necessary, the assistance of external experts. The evaluation will examine, inter alia, the relevance, effectiveness and efficiency of the programme with regard to the objectives set out in Article 3 of the Customs 2013 decision.

The Commission shall present to the European Parliament and the Council as well as to the Economic and Social Committee and the Committee of the Regions:

- (a) By 30 September 2011 at the latest a mid-term evaluation report. The aim of this report is to provide a first evaluation of the results obtained from mid-realisation of the programme in terms of effectiveness and efficiency. The relevance of the programme's initial objectives will also be evaluated in order to check if changes or adjustments for the second phase of carrying out of the programme must be envisaged. The mid-term evaluation report will be based on the reports sent to the Commission by the participating countries by 31 March 2011.
- (b) By 30 September 2014 at the latest a final evaluation report. This report will provide a final evaluation on the programme's effectiveness and efficiency by comparing the results obtained with the objectives of the programme. Other evaluation criteria, such as utility and sustainability may be envisaged. The final evaluation report will be based on the reports sent to the Commission by the participating countries by 31 March 2014.

8.3 Indicators

The Customs 2013 programme has no direct impact on the functioning of the internal market, competitiveness or the security at the external border. The activities of the programme are only one element contributing to the streamlined organisation of the Customs policy objectives. Measuring the impact of the programme on the above Customs policy objectives is therefore considered outside the scope of the programme and out of proportion. Indicators will as such focus on areas where the programme has a direct impact

A number of indicators were developed in the framework of the ex-post evaluation of the 2002 programme as well as by the Measurement of Results Project Group which was established by the 2007 programme. The mid-term evaluation of the 2007 programme has shown that these indicators should be kept in the future. As already mentioned, further fine tuning is needed. The indicators will be measured at different time intervals involving national customs administrations, economic operators and possibly other parties concerned.

ANNEX 1: OVERVIEW BUDGET CUSTOMS 2007 AND CUSTOMS 2013 PROGRAMMES (MILLION EUR)

Topic / Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003-2007	2008-2013
IT Systems													
CCN Network	1,600	3,930	6,530	6,180	6,210	6,500	7,000	7,700	8,000	8,000	9,000	24,450	46,200
Transit	7,600	11,200	12,400	12,300	12,585	6,500	7,500	7,000	7,000	7,000	6,000	56,085	41,000
Tariff Applications	4,000	5,300	6,100	6,000	6,120	6,000	6,000	6,000	6,000	6,000	6,000	27,520	36,000
Electronic Customs	1,200	1,800	2,200	2,200	2,400	8,868	12,868	13,868	16,868	21,368	23,868	9,800	97,708
Security Aspects	-	-	-	-	-	5,000	6,000	6,500	7,200	7,200	6,800	0,000	38,700
AFIS	2,565	-	-	-	-	-	-	-	-	-	-	2,565	0,000
Total IT Systems	16,965	22,230	27,230	26,680	27,315	32,868	39,368	41,068	45,068	49,568	51,668	120,420	259,608
Joint and other Actions													
Joint Actions	2,445	5,075	6,435	6,495	6,495	7,500	7,500	7,500	7,700	7,800	8,000	26,945	46,000
Other Actions	0,735	1,145	1,395	1,395	1,045	-	-	-	-	-	-	5,715	-
Common Training Tools	-	-	-	-	-	1,500	1,500	1,750	2,000	2,200	2,450	-	11,400
Total Joint and other Actions	3,180	6,220	7,830	7,890	7,540	9,000	9,000	9,250	9,700	10,000	10,450	32,660	57,400
Enlargement	4,055	-	-	-	-	-	-	-	-	-	-	4,055	-
Total All Actions	24,200	28,450	35,060	34,570	34,855	41,868	48,368	50,318	54,768	59,568	62,118	157,135	317,008
Intramuros e-customs	-	-	-	-	-	1,132	1,132	1,132	1,132	1,132	1,132		6,792
Total IT + JA + intra-muros	-	-	-	-	-	43,000	49,500	51,450	55,900	60,700	63,250		323,800

OPERATIONAL SYSTEMS

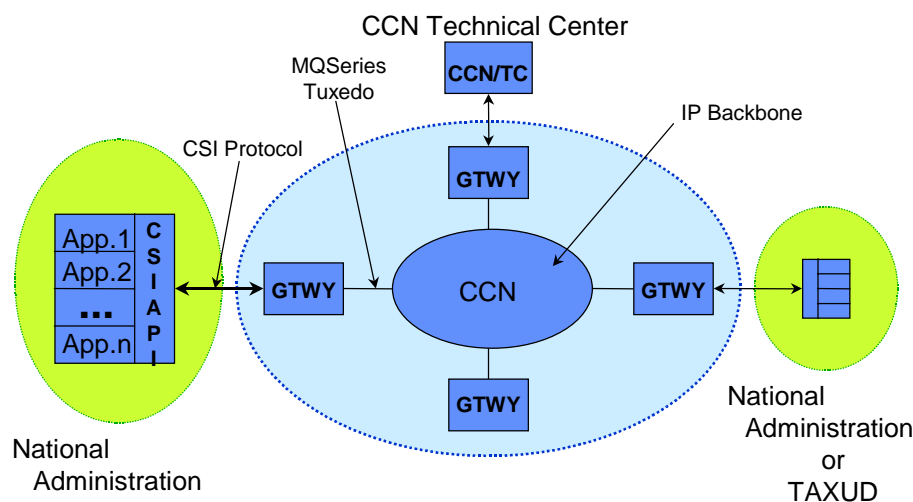
I. Common Communications Network / Common Systems Interface (CCN/CSI)

The Common Communications Network (CCN) and the Common Systems Interface (CSI) have been in production since 1999 and rely on:

- The Common Communications Network (CCN), which is composed of a series of physical gateways located either in the National Administration or in DG Taxation and Customs Union premises. These gateways are interconnected in a secure way through communications services and locally connected to the application platforms provided by the local site within the national administration;
- The Common Systems Interface (CSI), which is a set of protocol and application programming interfaces allowing the above mentioned application platforms to exchange information through the CCN backbone. It ensures the interoperability between the relevant heterogeneous systems in the National Administration.

The main characteristic of CCN/CSI is that it provides a network which is:

- *Confidential and Secure:*
- *Accessible:*
- *Reliable:*



The main technical objectives of the CCN/CSI system can be summarised as follows:

- Ensure the interconnectivity between the CCN/CSI sites,
- Ensure the interoperability in a heterogeneous environment, and
- Ensure the continuity of the services.

As of today, the CCN/CSI network interconnects national Customs and Taxation Administrations at 39 sites in 29 countries (all the Member States plus Romania, Bulgaria,

Switzerland and Norway). It allows national administrations to exchange data in a large number of Customs and Taxation domains.

II. New Computerized Transit System (NCTS)

The Transit Computerisation Project (TCP) aims at deploying the New Computerised Transit System (NCTS) across the EU, the EFTA and all the accession countries. The NCTS project covers those transit procedures carried out hitherto on the basis of the SAD (Single Administrative Document) – independently of the mode of transport used - including the simplified procedures applied at the offices of departure and destination. This means that, for the time being, the NCTS project mainly concerns road transports.

The objective of the NCTS is to optimise the management of the Transit system by using modern technology that will enable an efficient prevention/detection of fraud in the transit regime. There are approximately 20 million Transit movements per year.

The Transit Computerisation Project is mandated to put in place a system based on the electronic exchange of the transit data between the National Customs administrations in parallel and in anticipation of the movement of the goods.

TCP sets up the following instruments to support the NCTS :

- The legal base, valid in the EU and in the EFTA countries;
- The telecommunication network between all the Customs administrations involved ;
- The central databases to distribute the common information to all National Administrations and to test the national systems;
- A set of information technology applications to assist the National Applications to join NCTS ;
- A Central Help Desk and a technical centre to monitor and to support the operation of the NCTS.

Central Databases and services have been put in place to allow Phase 3.1 of the project to start as planned on 03.12.01 with an operational system in 6 countries (CH, DE, ES, IT, NL and NO). Geographic expansion to include all EU15 and EFTA Customs Offices has been achieved by 01.07.2003. Since 01.05.2004 all 25 EU countries and EFTA are connected.

III. Integrated Community Tariff (TARIC)

According to the EC Treaty, the European Community is a Customs Union. One of the main characteristics of a Customs Union is the application of a common external customs tariff. Besides the tariff measures laid down in Regulation (EEC) No 2658/87, the Customs administrations have been entrusted with the application of the international trade aspects of the agricultural and commercial policy of the Community, such as preferential agreements, anti-dumping duties and agricultural licences. This has resulted in an ever-rising number of legal acts to be applied, from which came the risk that their application would be wrong, incomplete or even be omitted in practice. This was the reason for the creation of so-called

working tariffs in the Member States. These tariffs contained Community and national legislation on trade and presented it in an integrated form for daily use by the national customs services.

The maintenance of such a national approach by each individual Member State would still lead to divergent application of Community trade policy measures and would also involve the same costs in each of our Member States. The solution to this problem was to give the task of interpretation, integration and codification to the Commission. The main purposes of the TARIC are to provide to the Member States the Community data needed for automated customs clearance and to provide to business society the up-to-date tariff and commercial legislation applicable at Community level.

All tariff related legislation for industrial and agricultural products is integrated into the TARIC system, including the totality of preferential measures. Furthermore all commercial policy to be applied to imports or exports is included in the system (for instance, surveillance, quantitative restrictions, prohibition and anti-dumping measures).

IV. Tariff Quota and Surveillance System (TQS)

The customs tariff of the EU includes conventional and autonomous preferential tariff measures which take the form of customs duty reductions or exemptions on release for free circulation. Some of these measures are limited by quantity, in the form of tariff quotas or tariff ceilings. The Commission controls that the total quantity for all applications made by traders in the Member States does not exceed the limit for quota, and records when the limit for ceilings is reached.

The surveillance of the quantities imported is a monitoring activity, which serves as input to trade and tariff negotiations.

V. European Customs Inventory of Chemical Substances (ECICS)

The ECICS database provides customs, other administrations and economic operators with the right Common Nomenclature (CN) code for their products and enables them to access the right information contained in the tariff (TARIC) and to legislation related to the control of the movement of chemicals.

In this context, ECICS is also used for the preparation of chemical trade agreements and EU regulations to be implemented by customs. Furthermore, since it is translated into all the languages of the European Union, it is a valuable dictionary for translators and interpreters.

ECICS contributes to better trade facilitation, fight against illicit traffics and protection of health, environment and society. ECICS is being revised in order to support automated customs clearance and risk management systems.

VI. European Binding Tariff Information (EBTI)

A Binding Tariff Information (BTI) is a tariff ruling by one Member State, applicable EU-wide, that provides legal certainty to the trade as to the classification of specific goods, and therefore their tariff treatment and other customs measures for external commerce.

The EBTI system supports the exchange and consultation of classification decisions by the Member States, in order to have a uniform application of tariff classification against the customs nomenclature.

The system stores details of all BTIs issued, it allows therefore checks at frontiers, anti-fraud checks, and a common policy for issuing BTIs. It provides multi-lingual support through the inclusion of images and multi-lingual index of keyword.

Since 1/1/2001, the exchange of BTI application information is integrated in the system.

FUTURE SYSTEMS

I. Automated Export System (AES)

The purpose of the ECS/AES project is to provide a solution that will allow the customs offices involved in export procedures (export, re-export, outward processing) to exchange electronic messages in order to automate the administrative flow of the operation, to enhance the effectiveness of controls against VAT and other fraud, to expedite the flow of goods and to contribute to better supply chain security.

The ECS/AES will apply to the movement of goods released for export and exported via another Member State (indirect exportation), either covered by declarations made under the normal export procedure, i.e. where a full declaration is submitted to the office of export, or by incomplete or simplified declarations made under simplified procedures (including the local clearance procedure). The Member States may also apply this system to cases of direct exportation (optional).

The ECS/AES project will be based on the technological achievements of NCTS and the experience during the life-cycle of the transit project. The messages used in NCTS for the exchange of data between the office of departure and the office of destination will be the basis for the exchange of data between the customs office of export and the customs office of exit. As soon as the safety and security related data prescribed by Article 182d CC have been fixed, they will be incorporated in the system.

Additional functions required (such as the control copy T5) and the necessary elements of the external domain, which will ensure a level playing field for economic operators throughout the European Community, will subsequently be added. The system is anticipated to be operational in 2009.

II. Automated Import System (AIS)

The purpose of the AIS will be to allow for the exchange of data (pre-arrival and arrival notices as well as initial declarations under a simplified customs declaration or notifications under the local clearance procedure) between customs administrations, in particular in the case in which the office of entry and import are in different MS, and between economic

operators and customs administrations. By enabling the customs authorities to perform effective risk management and track the goods during their movement within the EU customs territory, AIS will contribute to combat fraud and to better supply chain security. The AIS also aims at ensuring a seamless flow of data between AIS and other customs systems.

The AIS will, in principle, apply to the movement of goods entering the Community customs territory and released for free circulation or another customs procedure in another Member State, except goods covered by NCTS or AES.

AIS will support the concept of centralized clearance. Authorized economic operators will be able to declare electronically goods for import with a set of core data and have the goods released for the procedure at the customs office of entry on the basis of such data, without transit to the place where the trader is established. They will subsequently lodge, within regular periods, complete customs declarations electronically to the customs office responsible for the place where they are established (alternatively, they can grant this customs office access to the required declaration data and documents in his electronic system).

These operators will also be able to declare goods electronically for release for free circulation, on a consignment by consignment basis and with a complete declaration, always to the customs office at the place where they are established, irrespective of the office of entry or Member State through which the goods will be brought into the customs territory of the Community.

Processing of the declaration and the payment of any debt will take place at the supervising customs office, but, via electronic exchange of a reduced data set between the offices, release will be granted, after physical controls on an exceptional base, at the office of entry.

Under this arrangement the goods need not be moved to the office of import but can be delivered directly to the importer's customer or point of sale, including in another Member State. This will provide for multi-national companies to conduct all of their EU business with one office.

III. Risk Management Framework

The first phase of developing a common risk framework, the electronic Risk Information Form (RIF) system, was launched in April 2005. RIF allows the rapid, direct and secure exchange of information relating to customs controls and, furthermore, the Commission is also able to disseminate information concerning Community-wide threats via RIF.

The next phase will involve enhancing the RIF system to permit the secure electronic transmission and management of common Community risk profiles which will require mandatory control action by Member States. These risk profiles will, eventually, include both fiscal and security related information as required under the new rules concerning a Community Risk Management Framework (RMF) laid down in Regulation (EC) 648/2005 and the corresponding implementing provisions.

IV. Registration system for traders

Economic operators who are involved in the movement of goods across Community customs borders, including those established outside the EU, must be registered, particularly for the

purposes of electronic declarations, identification and of risk management. Interoperable customs systems should enable them to register only once instead of having to register in each Member State where they conduct their business. Such a registration number can serve as a common reference for the exchange of data between Member States' customs administrations.

The structure of trader registration numbers for traders established in the Community has been defined to be the following: country code – VAT identification number – additional (maximum 3) digits. For third countries there are two possible technical solutions: either using their national registration numbers or providing them with Community registration numbers.

The recognition of AEOs and the facilitations granted to them require that every EU customs administration has access to this information on AEOs, even if they are established in another Member State. An AEO database system would have to contain information relating to the status of authorized economic operators (information prior to the granting, amending or withdrawal of an authorisation) as well as the simplifications granted to them.

These systems may be combined or interlinked. Furthermore, information relating to import/export licences, to facilitate Member States' access to such information, could be integrated.

The registration system will either consist of a central database (possibly aligned to the SEED system, a list of Excise Authorised Economic Operators which is currently under development) or of decentralized, interoperable national databases (possibly aligned to the VIES and NCTS systems). For a number of reasons, the de-centralized option seems to be preferable:

- Member States have to register economic operators anyway;
- they link these systems to VAT, excise and other registration systems;
- lack of resources at Community level.

V. Common Customs Information Portal

The Customs information portal will allow standardizing and bundling all information of the Member States and the Community which is needed for import or export transactions and make it accessible to traders at the same website. Traders will not have to use printed information which is subject to different standards in the Member States anymore. This is in line with commitments which have been taken under the e-government initiative.

VI. Single Access Point

The purpose of the Single Access Point is that traders can lodge their electronic summary, simplified, initial and customs declarations including local clearance notifications via one single interface of their choice which connects their system to all Member States' customs systems. This data is automatically made available to any customs office responsible for the place at which goods have been, or are to be, presented, irrespective of the Member State concerned.

Such access points would either be provided by private companies or by Member State's customs services. The service of 'access point' providers is limited to a 'passing on' the customs declaration and other required electronic attachments (e.g. electronic certificates) to the competent customs administration where the declaration will be accepted and further processed.

The single access point concept has no influence on the customs procedure as such. Processing of the declaration, any physical control of the goods, and payment of any debt and release of the goods will be carried out solely at the customs office to which the customs declaration is presented. Contrary to the central clearance, there is no task sharing between the customs office at the place where the importer is established and the customs office at which the goods are presented at import.

Economic operators would only need one access point to lodge customs declarations, independently of the Member State of destination. From the perspective of the customs authorities there would be 'multiple access points'. With this approach, existing electronic connections between traders and customs administrations could be maintained and new electronic connections with the customs administration of their choice could be established. Specifications would be based on formats which are accepted by the Member States.

VII. Single Window and One-Stop Shop

The concepts of the Single Window and the One-Stop Shop describe the prospective cooperation of all the authorities and agencies involved in the cross-border movement of goods. In order to achieve this objective, the respective entities must be able to exchange the necessary information in electronic form.

Traders submit all data required for the customs procedure to customs, even if they are required by non-customs legislation and need to be submitted to health, environment, police and other authorities and agencies (e.g. electronic certificates). They may, for instance, apply for various authorizations which are required in the context of an envisaged release into free circulation to customs which will function as a single window.

All physical controls would be carried out at the same time and at the same place (one-stop shop), either at the competent border customs office or at the competent inland customs office.

Based on international agreements, interoperability and accessibility of European customs systems with third countries' customs systems and economic operators is fostered in order to allow for a seamless flow of data.