

# **AISWG**

## **Automated Import System Working Group**



### **REPORT**

**18th March 2005**

Document as to be presented at the Multi Annual Strategic Plan seminar in  
Poland 6-8 of April 2005

## Introduction

In the course of the Commission's strategy for obtaining a simple and paperless environment for Customs and Trade pursuant to the Reformation of the Customs Code<sup>1</sup>, several initiatives have taken place where the Automated Import System (AIS) is one.

This document will give a description of the work done so far in describing the AIS. This document states the scope, the organization of the work and how the work will proceed and the present findings of the AIS Working Group (AISWG).

The AISWG consists of delegates from Austria, Belgium, Finland, Italy, Lithuania, Malta, The Netherlands and Sweden. The first meeting were held the 18<sup>th</sup> of November 2004.

The approach of the AISWG has been to describe the high level import processes before further exploring the functional and technical specifications.

## Background

The world of international trade is changing more and more rapidly, posing new challenges on all involved parties of the supply chain. Globalisation and Information Technology are factors that have great impact on international trade as well as Customs administrations. Customs administrations may to a high degree contribute to see prospering economies as well as to facilitate legal trade, allocate resources to high risk areas, and also opt for integrated electronic information, based on commercial systems and reuse of that information for Customs-purposes.

In this context some high level initiatives has been taken:

- The conclusions of the Lisbon European Council in March 2000 setting a *new strategic goal* for the European Union for the next decade: *to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion*
- The Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: "*eEurope 2005: An information society for all*"<sup>2</sup>;
- The Communication from the Commission concerning a strategy for the Customs Union<sup>3</sup>
- The Commission's strategy for obtaining a simple and paperless environment for Customs and Trade pursuant to the Reformation of the Customs Code<sup>4</sup>.

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<sup>1</sup> COM (2003) 452 final, 24.7.2003

<sup>2</sup> COM (2002) 263 final

<sup>3</sup> COM (2001) 51 final, 8.2.2001

<sup>4</sup> COM (2003) 452 final, 24.7.2003

In order to achieve the above goals several initiatives have taken place where the eCustoms Program including Automated Import System (AIS) is one.

## Scope

The scope of the AIS which is described in document TAXUD/461/2005<sup>5</sup> is to obtain a Community wide system aimed among others for exchange of information not only between Customs administrations but also between Customs and Trade primarily to cover transactions where more than one Member State (MS)<sup>6</sup> are involved. The system encompasses all goods subject to customs supervision which need the involvement of the customs authorities in another MS, except goods covered by the New Computerized Transit System (NCTS) or Automated Export System (AES). As stated in the document TAXUD/461/2004 the purpose of the AIS will be:

- to allow for the exchange of data between customs administrations, in particular in the case in which the office of entry and import are in different MS;
- to allow for the exchange of data between the importer and the customs administrations;
- To allow for a seamless flow of data between AIS and other systems (AES, NCTS...) allowing the importer where possible to give the data once.

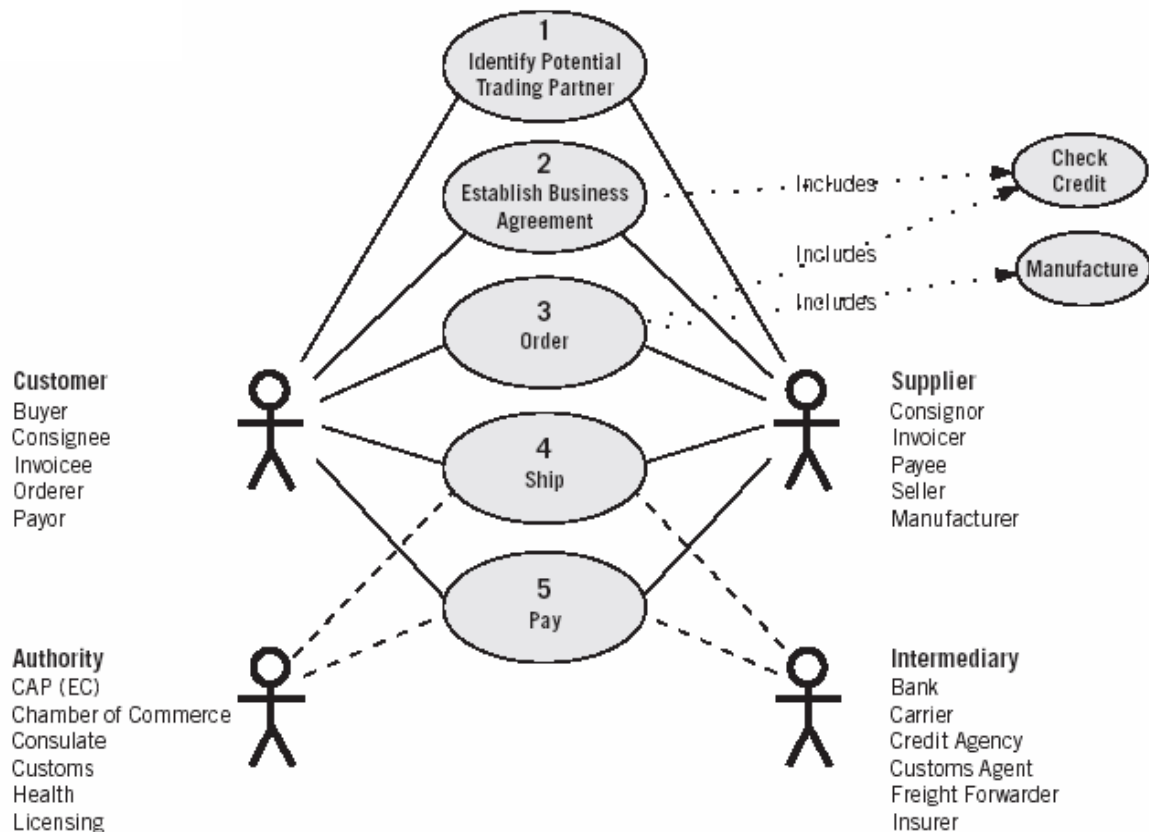
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<sup>5</sup> Latest version from the 18<sup>th</sup> of February 2005

<sup>6</sup> The system does not cover transactions involving customs offices within the same MS, unless a MS choose to use the AIS for such cases too.

## The International Supply Chain

A very large part of the costs of trade administration procedures are generated in the actual cross border situation where governmental bodies are the main actor (Customs, health authorities, export license authorities, agriculture departments, environmental inspectors etc.) The need for facilitating Customs and other governmental agencies are great due to the administrative burdens upon the actors of the international supply chain. The central body involved is of course the Customs, which check all the documents and incoming and outgoing goods.



Yet the procedure for a trader, with regard to governmental demands, starts long before the actual border crossing, with verifying what specific information a particular country demands, followed by the process of collecting and providing the correct data and documents. At the actual border crossing all these various document might have to be presented, in many cases physically.

There will always be some administrative costs connected to trade transactions, but the goal is to keep these costs to a minimum, without exposing companies or Customs and other governmental agencies to larger risks. The main objective regarding Trade facilitation are in summary:

- To simplify (and eliminate where possible) formalities and procedures related to import and export of goods;
- To harmonise applicable laws and regulations;
- To standardise and integrate definitions and requirements of information as well as the use of information and communications technologies to obtain interoperability between parties.

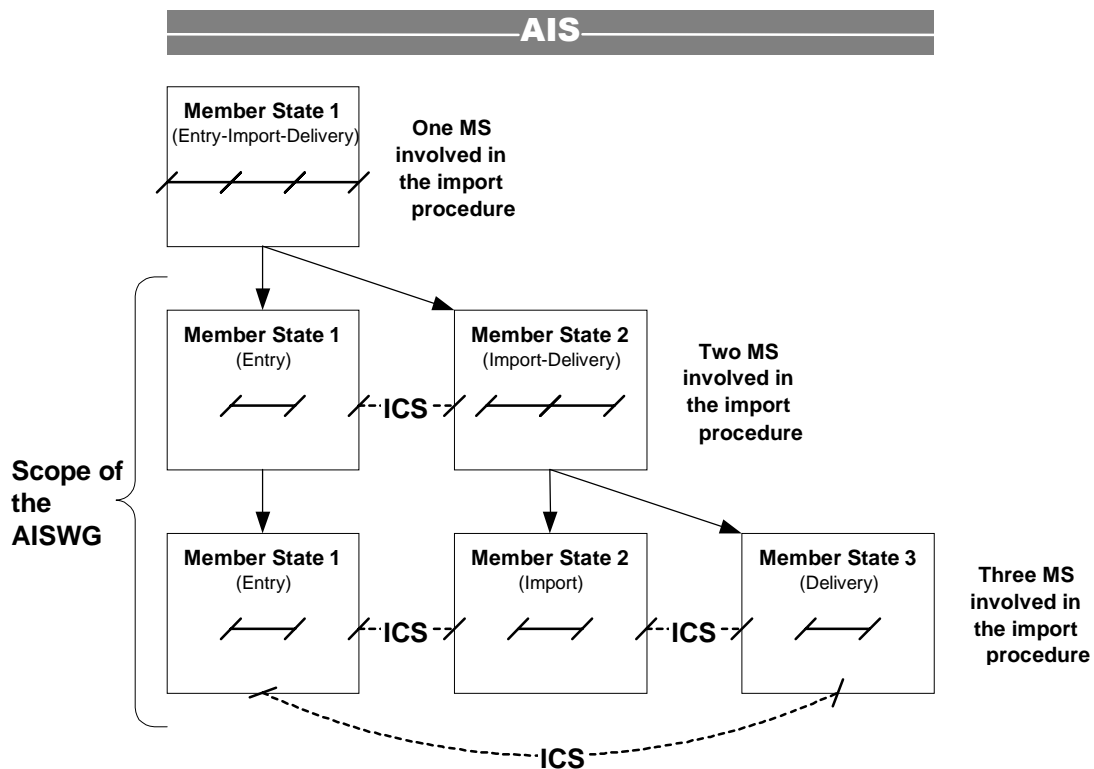
International trade includes many processes and actors. A beneficial way of identifying the key activities and relationships of the parties involved in trade is to use International Supply Chain<sup>7</sup> analysis. Even the most basic illustration of an international trade transaction includes many possible parties and actions in which some are depicted in the figure above.

In order to get a complete picture as possible and to identify all the actors concerned, the starting point for AISWG was therefore to map the whole process supporting the International Supply Chain.

## Import Procedures

Due to decisions taken in the eCustoms Group the scope of the AISWG was to undertake the whole process of the automated import system (AIS). A part of the AIS will be the import control system (ICS) handling the exchange of information between different MS involved in the actual import procedure.

The scope of the work regarding the relations between the import procedure and the different MS are shown schematic in the diagram below.



<sup>7</sup> One example is UN/CEFACT Business Process Analysis Working Group (BPAWG) Reference Model

### One MS involved in the import procedure

This scenario is out of the scope of the AISWG. But, of course, the processes modelled for the Import Procedures will be applicable also inside a single MS.

### Two MS involved in the import procedure

This scenario will be a part of the scope for the AISWG. When two MS are involved in the process, there will be a need for communication between the two MS, we recognise this as the ICS-phase.

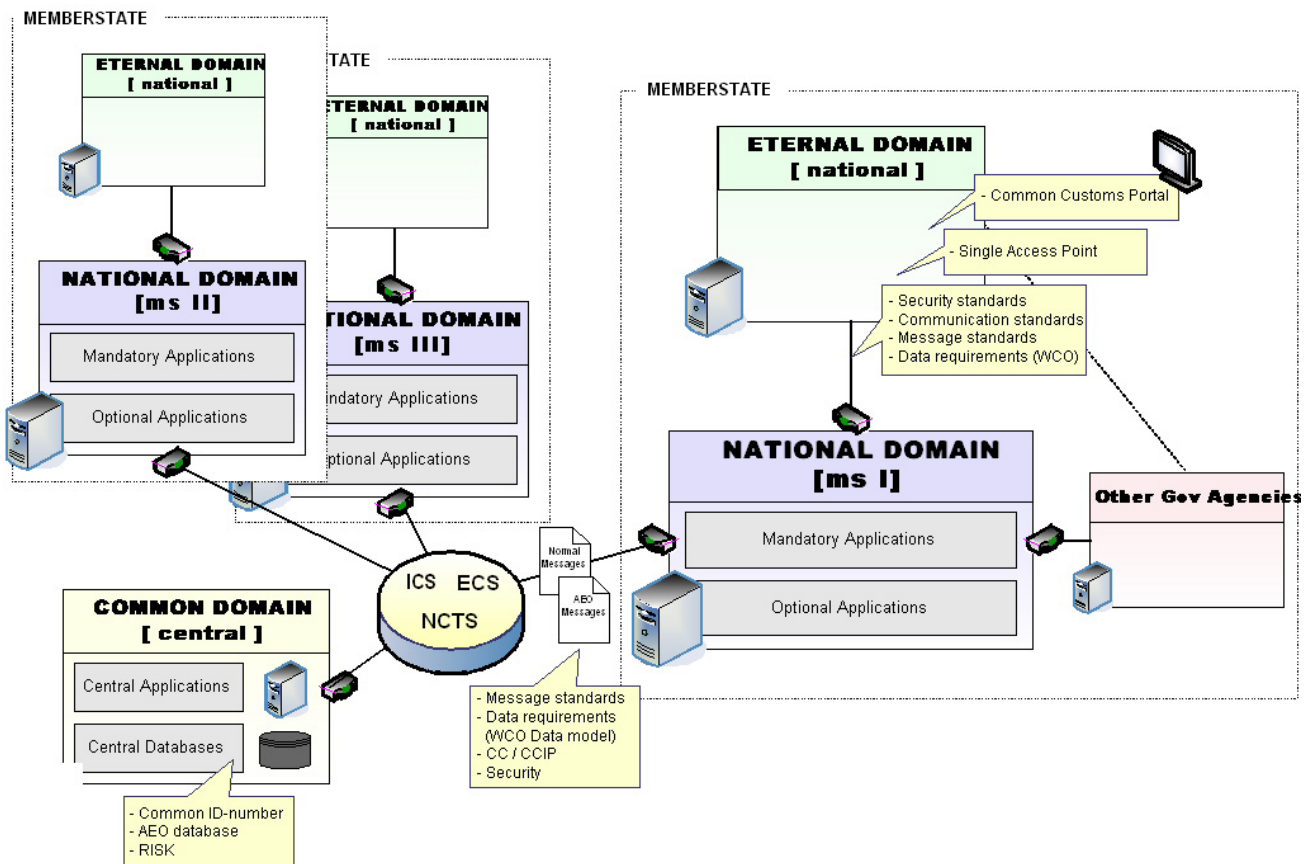
### Three MS involved in the import procedure

A relevant scenario will be that more than two MS are involved in the process. Entry can take place in one MS, Import formalities in a second MS, and the goods are delivered in a third MS.

The AISWG will handle the two latter scenarios from a custom point of view, but there are important issues to consider such as VAT and Trade statistic matters but also for example harmonisation of risk assessments that have to be tackled to make the import procedure optimal.

## Domains

As a way of dividing responsibility and define clear interfaces between the actors involved in the customs processes, the MS and the Commission work with autonomous domain. The domains defined are the external domain, the national domain, the common domain and the domain of other governmental agencies on a national level.



## External domain

The external domain is the interface to the traders. There are a lot of issues to consider regarding this interface such as: security standards, communication standards, message standards, harmonised data requirements. For traders operating in more than one MS it is very important that all this standards are 100% harmonised so they do not have to maintain more than one system for customs procedures. Relevant in this context are the use of *Single Access Point* or *Centralised Clearance* concept that will be described later in the document.

## National domain

The national domain is each customs authority autonomous domain and the interfaces to other parties. To reach the objectives set out for the eCustoms programme the opinion of the AISWG, at this stage, is that it might be needed with some standardisation in the national domain. This will be discussed more in detail in later phases of the work to be done by the AISWG.

## Common domain

The common domain is the domain containing common databases and application by the commission, as well as the communication between the member states. The Import Control System Phase (ICS) will use the common domain. For the AIS, using the concept of Authorised Economic Operator (AEO) a database in the common domain containing information of the traders, and in particular the AEO will be a necessity.

## Domain of other governmental agencies

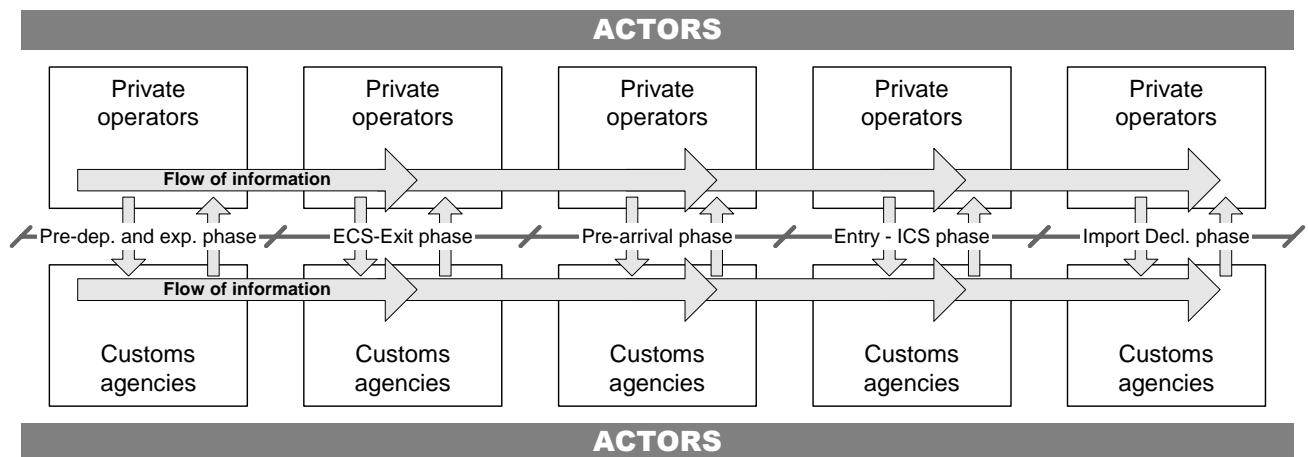
The domain of other governmental agencies is a very important part of the AIS-scope, this due to the fact that Customs being the "Border Champion". This requires electronic integrated processes with other governmental agencies involved in the entry- and import formalities. If not achieved we will not be able to deliver a seamless, predictable import process to the trade. This is something that has to be taken into account and addressed in due time.

## Processes

The approach of the AISWG has been to outline the processes applicable on the import procedures. This is to get a clear understanding of how to approach the further work with detailed specifications.

## Phases

To analyse the different actions needed through the international supply chain we have divided the flow into phases as shown in the picture below.



- 1) Pre-departure and export phase
- 2) Export Control System - Exit phase
- 3) Pre-arrival phase
- 4) Entry – ICS phase
- 5) Import Declaration phase

## Vertical information flow

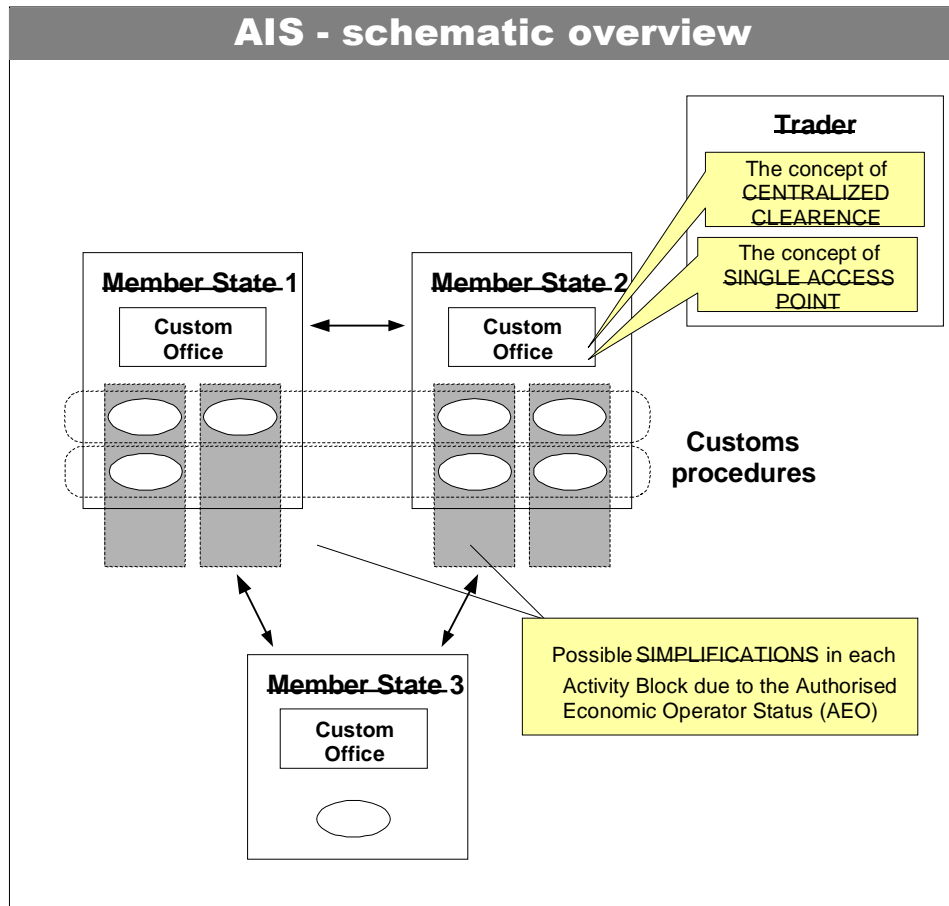
The vertical flow of information is the information flow that goes between the private actors in the international supply chain and Customs in different MS through out the different phases of the export and import process. This is the traditional way of communicating between the traders "external domain" and Customs "national domain". This is the way we have been working for many years, the new aspects are the requirements for harmonisation to make it possible to operate in the same way in the different MS.

## Horizontal information flow

The horizontal information flow has also traditionally been in place between the private actors in the international supply chain. But, a lot of this communication has been carried out manually and paper based. To reach the highest levels of simplification in the future AIS will be necessary and required to have electronic quality assured communication between the actors. All through the process the shipments will be monitored via some kind of unique reference number. (A customs reference number or a number already in use by trade). For

Customs and other governmental agencies electronic horizontal information flow also will be a necessity. Between the Customs Organisation, this will be the ICS-phase.

## A schematic overview of the Automated Import System



### Centralised Clearance<sup>8</sup>

"Centralised clearance" is a method that puts into practice the concept that a trader can lodge his summary and/or customs declaration in electronic form from his premises, irrespective of the MS in which the goods are entering into or leaving the Community. As regards *imports*, centralized clearance, also allowing payment of import duties at the customs office responsible for the place where the trader is established.

The rules relating to the lodgement and acceptance of a customs declaration will also be changed, disassociating the place of declaration from the place where the goods are presented. This will allow an authorized economic operator to lodge a customs entry at the office responsible for the place where he is established for goods presented elsewhere, even in another MS.

<sup>8</sup> Described in document 2004/TAXUD/DOC-3420

## Process flowcharts

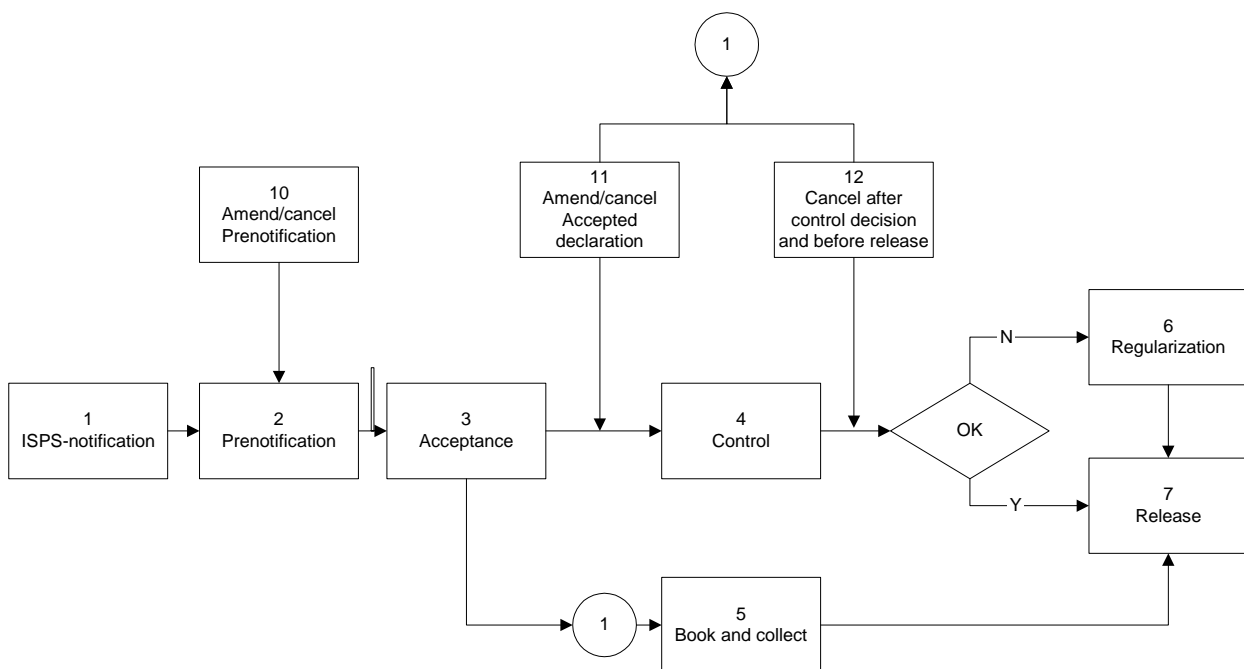
To present the view of the complete import process, we chose to use process flowcharts. The process flowchart will outline the different sub-processes that has to be taken care of during the import process and which actors who will be responsible for realizing the process. There will be a "swim lane" in the flowchart for every actor. The complete detailed flowcharts will be the foundation for creating the functional specifications.

The AISWG are at the moment working with the detailed specifications of the process flowcharts. An example of a process flowchart and its activity blocks are presented in Appendix A. The described process is supporting the concept of Centralised Clearance. We will stress that the flowchart in the Appendix is an example just to show how we are working still under construction, which means that there will be changes.

## Activity Blocks

A complete detailed process flowchart will not be very clear and easy to grasp. To get a high level overview of the processes the AISWG have developed a generic chart of Activity Blocks for the import process. Together with underlying detailed descriptions the Activity Block chart gives a useful ground for analysis of the different steps in the process.

The figure below shows the set of Activity Blocks the AISWG are working with at the time of publishing this report (050318)



## Activity Blocks breakdown structure

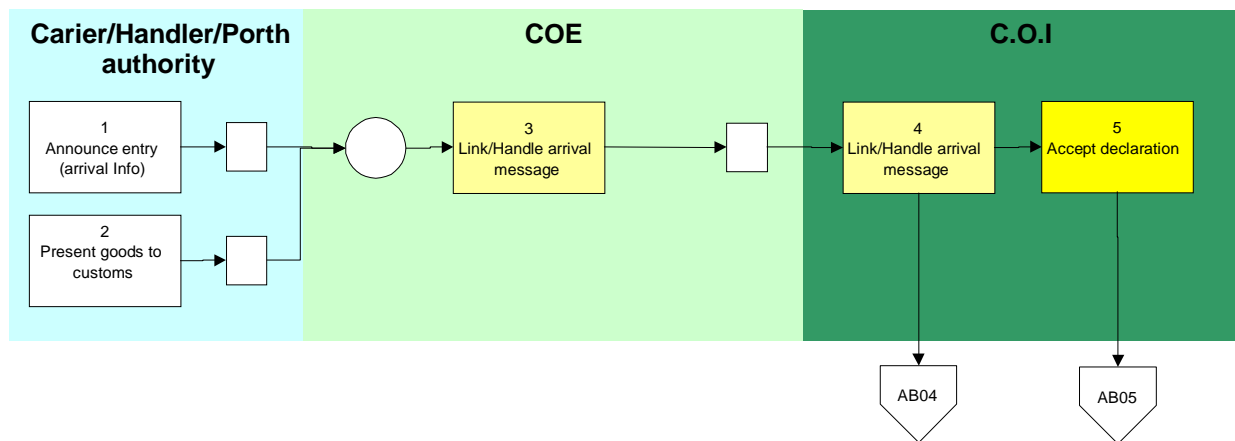
The Activity Blocks gives us an overview of the process. To get all the details, we use a breakdown structure. This shows all dependencies and relations between the processes and the actors.

An example of the break down of the Activity Block: Acceptance is shown below.

COE – Customs office of entry

COI – Customs office of Import

### Activity Block 3: Acceptance



## Partnership with trade

During the last years customs and trade has approached each other in a positive way. Nowadays the traders are not just providers of information to the Customs administration they are also partners in the Customs processes. These relations are a suitable environment for the development of new working methods.

Through a partnership-approach Customs and other governmental agencies will not only receive traditional information regarding the physical movement of goods. Partnership gives the opportunity to receive information regarding underlying structure etc. This will enable better controls, improved quality and better performance for all actors in the International Supply Chain.

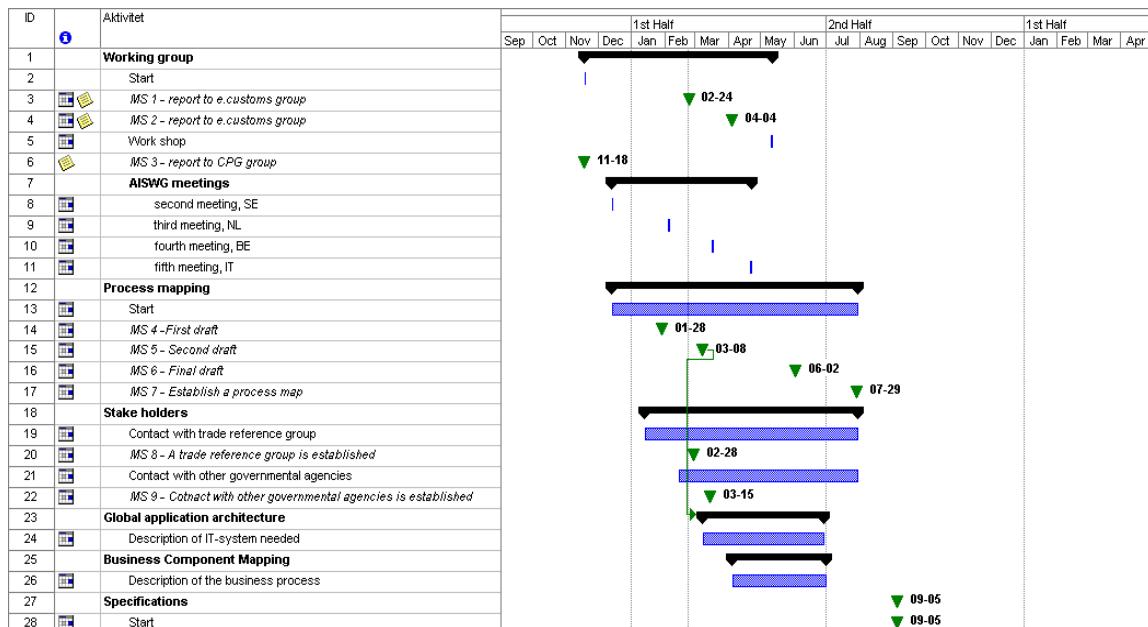
Considering the advantage of co-operation to both Customs administration and Trade AISWG at an early stage stated the importance to involve trade in the process to develop AIS. For this reason a Trade Reference Group are under establishment. This group will participate in the AISWG meetings and have the responsibility to distribute the findings through out the channels – organisation of the traders.

The Trade Contact Group shared by the Commission containing of the international organisation of the traders will also be a point of references for the AISWG. The AISWG will in the near future provide a website with the result of the work so that the traders can follow the work.

## Milestones and Timetable

The work of the AIS follows the timetable set up by the European Commission in the Multi-annual strategic plan. The following milestones were identified at an early stage in the AISWG.

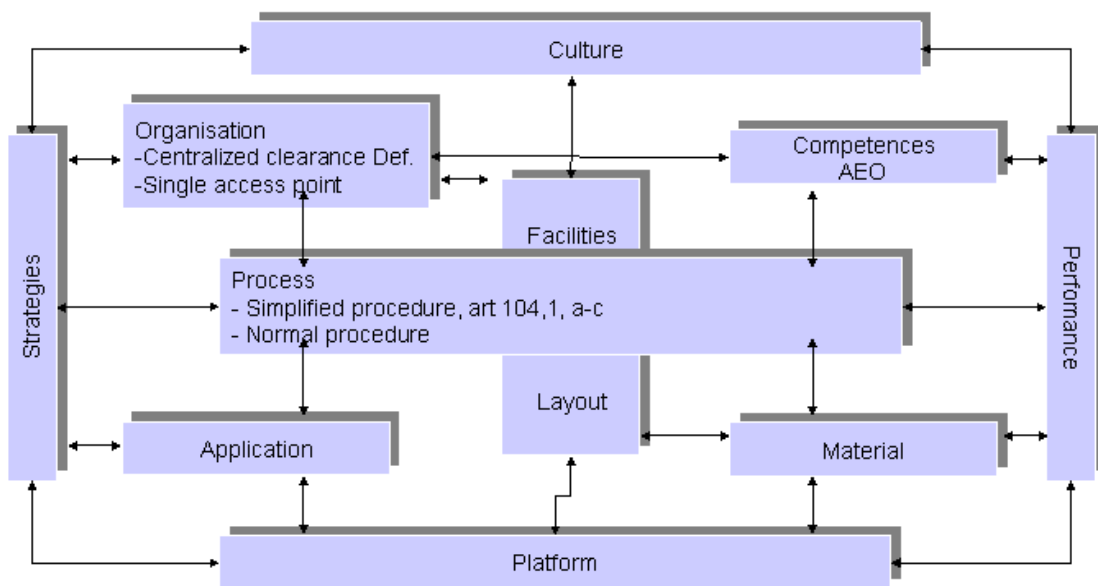
- 2<sup>nd</sup> draft of processes – Middle of March 2005
- Presentation for the Trade Contact Group – Beginning of March 2005
- Trade reference group is established – Late March 2005
- Final version of the processes with detailed descriptions for the AIS - Late July 2005
- Start specify Functional and Technical requirements – Beginning of September 2005



## Reflections

The Modernized Customs Code will offer a totally new arena for doing customs business. This applies to the customs administrations of the EU MS as well as to the traders operating in the environment of the European Union. In fact the new regulation may have impact on every part of the business. The impact will strike straight through the business from a strategic level to the measurements of the performance.

One approach to analyse this challenge is shown below in the generic "Blueprint" of an organisation dealing with customs matters.



## Strategies

In the future every customs administration must have a clear vision about who they want to be and how they will act on the new arena. Strategies for all enablers of the business will be needed and it will require purposeful efforts to take the administration towards the vision. From the traders point of view they have to have strategies of how they want to utilize the new possibilities to benefit their core business.

## Processes

Harmonisation of processes for the import procedures is an important part of creating a level playing field all over the European Union. The aim is to create a few generic processes for the declaration processes and to give simplifications based upon the competences of both the customs administrations and the traders. The fact that different parts of the customs processes will be executed in different MS, will probably create new trading patterns and flow of goods. This trade patterns will be based upon the optimal logistic chain and not only upon requirements from the customs authorities.

## Organisation

The modernized Customs Code provides the foundation for new ways to organise your customs work. The concepts of Centralized Clearance and the Single Access Point will give the traders the possibility to simplify their processes and to save costs on duplications of IT-systems and competences. For the Customs administrations there probably will be a change in tasks and workload, we have to have organisational strategies how to meet this.

## Competencies

It is not a too wild guess that in some years quite a lot of the goods flow goes in the supply chain of Authorised Economic Operators, AEOs. If the companies of the European Union are going to keep up their competitiveness, this will be a necessity. Both for Customs and for trade, this will require new skills. Skills gained through learning by doing – tacit knowledge.

## Culture

The business of customs has traditionally been based on controls of transactions and the whole process taking place in one MS. To enter into the concepts of eCustoms will require new mental pictures among all of us.

## Facilities – Material – Application – Platforms

As a result of the changes described above we also have to foresee changes in how we locate our business, which material it will require, the supporting IT-applications and the IT-infrastructure. These issues must not be underestimated, because lead time for changes in these areas often is very long.

There are a lot of challenges out there, there is a lot of work to do and investments to make, but to our opinion the advantages are even greater.

Welcome to the exiting world of eCustoms!

March, 2005.

Automated Import System Working Group