



CLECAT

European association for forwarding, transport, logistic and customs services

International supply chain management what is in for businesses?

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for

International Customs Conference EU-China

***"Modern Customs: Building bridges to facilitate
legitimate trade while protecting citizens"***

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CLECAT, the snapshot

■ CLECAT is

- an international non profit association, regularly registered in Belgium and the EU register of interest representatives

■ CLECAT has

- 26 MEMBERS, with EU and continental coverage
 - Freight Forwarders, Logistic & Customs service providers national federations and confederations
 - Related Interest representatives are non-voting Members
- The type of **COMPANIES**
 - Global players
 - SME's and regional operators
 - Small & family businesses
- **A policy mission:**
 - EU legislation in transport, logistics and Customs
- **NUMBERS** (Full Members only = EU only):
 - Over 19.000 companies, over 1 million direct FTE's
 - Business coverage: ≈ 90% of Customs, 70% maritime, 90% air, 50% road and rail operations in Europe



LSP as trade facilitator

- **Customs services** are one **element** of logistic services
- Freight forwarders & LSP's are "facilitators" of trade:
 - By using **all transport modes to the full of their potential**
 - By providing **direct link between production and markets**, with increased efficiency and contained costs
 - By enlarging **the commercial horizon of manufacturers**, making far away markets accessible to SME's
 - By providing **a practical "single window"** for customers who wish to use LSP's services
- LSP's services beat inflation and enhance shipper's ROI
 - Logistics costs have gone down in the last 25 year from over 13-14% of goods value to 5-7% or less depending on the service.
- These achievements are possible if **affordable costs & sufficient trade-offs** are available → LSP's are happy with **all available facilitation**

Vetting legitimate global trade

- Globalisation has made traditional compliance controls obsolete & the boundaries of **LEGITIMATE TRADE** less clear
 - Large Importing areas (EU, US) advocated for enhanced export security, with a view to mitigate the otherwise soaring cost of border surveillance cost
- The WCO drew **SAFE** Framework of standards on two key pillars: Customs-to-Customs and Customs-to-Business cooperation consisting of five core elements:
 - use of advance electronic cargo information; application of consistent risk assessment; outbound security inspections; non-intrusive inspection technologies based on risk assessment; and **benefits to businesses**.
- The SAFE second pillar recognizes the importance of trade in enhancing supply chain security and acknowledges that cooperation between governments and trade will lead to **benefits for both parties**.
- The **downsides** seem to come **before the benefits**: the private sector feel the pressure with no direct benefit in sight.
 - The real issue is **capacity building**: trade-offs should come at the same time through appropriate investments in ICT and HR in the public sector.

Taking the risk of managing risks

- In June 2008 the "Customs in the 21st Century" (C21) was adopted, drawing from both the security and facilitation objectives of SAFE Framework.
 - The "Globally Networked Customs" (GNC, one of C21 initiatives) has direct bearing to the C2C pillar: one of its goals is to provide better "capacity to collect, collate and exchange reliable data between administrations for risk management purposes."
 - G2G mutual recognition needs political agreement, it cannot be imposed, both parties should see their advantages.
- In C2B pillar the creation of Authorized Economic Operator (AEO) programmes needs Mutual Recognition arrangements to become really successful.
- Providing benefits to businesses remains a challenge, if C2C communication and mutual recognition of trusted operators' programmes are not operational.

Who gets the cake?

- *The Clecat Secretariat article for OSCE CTN special (abridged)*
 - **Security** has become **central** in the policy debate, hence in our daily business.
 - CLECAT acknowledges the importance of security programmes, with the view that the **protection of citizens** should remain their main objective.
 - The quest for citizens' protection through SC security may bring side benefits: theft prevention, smaller insurance premiums, better public image... these are valuable benefits, but they are **not the trade-off of less facilitation**.
 - Authorities ask for more information and promise faster Customs clearance, fewer inspections, smaller sets of data, less frequent scanning Single Window, etc
 - Risk assessment, to "incorporate facilitation benefits, as.....it has enabled countries to make admissibility decisions earlier in the supply chain leading to the separation of physical movement and release of goods from clearance procedures.....with **faster deliveries and cost savings**" (*Stefan Aniszewski, Technical Officer, Compliance and Facilitation Directorate, WCO for OSCE CTN special*)
 - The question is: WHEN?
 - Reciprocity is the key element to provide tangible incentives:
The mere fact of not being subject to security vetting on both sides of the SC is a priceless advantage in trade.

Benefits listed in EU legislation

- Benefits that help authorities most:
 - 1) If an AEOC or AEOF applies for Customs simplifications or any decision subject to art 14 criteria Customs shall not re-examine the conditions granting the AEO status;
 - downside: all simplification will be reviewed on 1.1.2011 to match the new criteria, possibly more stringent;
- Benefits that may affect logistics performance:
 - 2) In principle... AEOC or AEOF receive notice of cargo selected for inspection;
 - 7) in principle... less controls, priority when controlled and choice of control location
 - 8) In principle... faster lane after disruption
- Would-be benefits of uncertain avail:
 - 3) & 4) reduced set of data, if not affecting mutual recognition requirements (6)
 - 5) exporters with stand alone export declaration may drop exit summary declaration data if AEOC or AEOF

Hot food to go!

- Benefits, alleviating traders' burden:
 - Guarantee waivers for all AEO's, who already comply with stringent criteria
 - Abatement of Customs guarantees, if security compliance record is good
 - Re-use of publicly available information, in GNC (globally networked Customs) why not exchanging full sets of data or even risk scores?
 - Re-use of existing export information (both for security and Customs purposes) on the import side;
 - Single Window: local, national, international?
- Tools to provide framework simplification:
 - *Dual filing*
 - *WCO rules to achieve mutual recognition (further expanding the scope of chapter 5.7 of the SAFE)*

*This may not be entirely new, but it is **what we need**:*

The international trade community looks for uniformity, predictability, transparency and efficiency in their dealings with Customs. (*Stefan Aniszewski, Technical Officer, Compliance and Facilitation Directorate World Customs Organization (WCO) for OSCE CTN special*)

Dual Filing, oh, dear...

- Dual filing is not in the scope of EU rules, contrary to what trade habits would suggest:
 - The person responsible for lodging the declaration is the carrier, at master bill of lading level, often not contain all the elements required
 - The declaration may be lodged by another party without relieving the carrier's responsibility to ensure that all the incoming goods are covered, hence it needs the carrier's "knowledge and consent"
 - Article 9 (2) MCC: *"The lodging of a summary declaration..... shall render the person concerned responsible for.....the accuracy and completeness of the information given in the declaration, notification or application."*
- With Dual filing, different parties provide data they already know:
 - Transport related information proper to the carrier submitted by the carrier
 - Trade related information by the importer or its representative (LSP or freight forwarder)
- Why others want to lodge the summary declaration?
 - To receive more benefits than a master level declaration would ensure
 - To ensure commercially sensitive information remains confidential
 - To ensure the accuracy of the declaration and avoid fines
- House bill of lading level data are often commercially sensitive, but interesting for risk analysis (may give the consignment a lower risk score), dual filing resolves this dilemma and would ensure both accuracy and confidentiality without encroaching on trade habits
- → We vote for dual filing!!

Conclusions

- Protecting the citizen and supporting legitimate trade through risk assessment and facilitation is in the interest of both Customs and private sector, both in savings and efficiency gains
- Burden and benefit must travel side by side if trade is to thrive, hence investments are required both in equipment and in HR's
- The concept of reliable trader is valuable if a reliable trader enjoys tangible benefits
- Best practice (such as the **Clecat Best practice handbook**) is helpful when the framework conditions are clear and trade friendly
- Benefits for enterprises must be clear, predictable, transparent and should be given "whenever possible", not "whenever impossible to avoid".

Thank you!

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