

REPORT OF THE WCO PRIVATE SECTOR CONSULTATIVE GROUP TO THE WCO POLICY COMMISSION

Brussels; 22 June, 2009

Twenty-four members attended the 12th meeting of the Private Sector Consultative Group, held June 21-22 in Brussels. They are:

AAEI (American Association of Exporters and Importers)
BASC (Business Alliance for Secure Commerce)
BP
De La Rue
Deutsche Post DHL
FedEx
FIATA
GEA (Global Express Association)
General Motors
Hutchison Port Holdings
IAPH (International Association of Ports and Harbors)
IATA (International Air Transport Association)
IBM
ICS (International Chamber of Shipping)
IFCBA (International Federation of Customs Brokers Associations)
JMCTI (Japan Machinery Center for Trade and Investment)
Limited Brands
Microsoft
Nissan
Philips
Samsung Electronics
Siemens
SITPRO
WSC (World Shipping Council)

New Members

The PSCG welcomed new members De La Rue, Samsung Electronics and UPS (Asia Pacific Region), and looks forward to their active participation and unique contribution to our work.

The Impact of the Global Financial Crisis

In our report to you last December in Buenos Aires, the PSCG highlighted some immediate impacts from the global financial crisis. In simple terms, the fact that people were buying less had quickly created a ripple effect through the supply chain. We expressed our concern that, as

sources of financing tightened up, the world of global trade inevitably would become more difficult, and this has certainly been the case. We also were sensitive to the impacts of the financial crisis on challenges facing Customs administrations. We have been watching for examples of Customs response to the financial crisis: are there facilitation measures which can be identified as best practices, is it just "business as usual" at borders or are we seeing an increase in protectionism or enforcement?

In December, we called for implementation of AEO programmes with tangible trade facilitation benefits for business, to counter the negative effects of the financial crisis and provide much-needed support for trade. That call is even more urgent today.

We are continuing to see the negative consequences of the financial crisis, with steady month-over-month declines in trade volumes in some regions and some countries. Corporate bankruptcies are increasing, for both large business and the SME sector. Workers are being laid off in large numbers, creating a knowledge gap and increased pressure for business to do even more with less.

Business wants certainty and predictability in transacting business across borders. We are prepared to make what are often large investments in AEO programmes if they deliver benefits to us as trusted traders/operators. Business partnership with Customs in building and implementing AEO programmes is critical to their success, and critical to the recovery of trade.

The PSCG fully supports the development and sharing of best practices during these difficult times. We believe the PSCG can make a helpful and tangible contribution to trade facilitation and the recovery of trade from the financial crisis in two ways: by providing a model for standardization of AEO application, self-assessment and audit, and by articulating a list of AEO benefits. Both of these support the security and facilitation objectives of the WCO and its member administrations.

Security and Facilitation

An Approach to Standardization of AEO Programmes

The PSCG has formed a Working Group to explore ways to further standardize and increase the efficiency of the Authorised Economic Operator (AEO) approval process. The PSCG believes that global consistency of the approval process and enhanced benefits are essential to encouraging broad trader participation and realization of the mutual benefits of the SAFE Framework and AEO programmes. This is an interim report on our progress.

SAFE enhances Customs workload management by focusing limited Customs resources on shipments from less known importers or higher risk shipments and is useful to the trade by minimizing delays and examinations while increasing supply chain predictability. However, AEO programmes have been slow to attract participation because trader benefits relative to investment (e.g., administrative costs, personnel, programme management, etc.) are perceived as too limited. Consistent with Standard 6 in SAFE, facilitation needs to be a fundamental feature of any AEO programme. The needs of security must be balanced with facilitation benefits in order for traders to recognize the business value of participation.

Business is already seeing divergent AEO programmes being implemented by Customs administrations, making the process of application and approval increasingly onerous and less efficient for companies operating in multiple countries, and potentially reducing the opportunity for mutual recognition. Customs and the trade need to collaborate on how to reduce the investment required by traders and how to increase benefits to both Customs administrations and traders if the objectives of AEO programmes and the SAFE Framework are to be realized.

The initial objective of the PSCG Working Group is to design a standardized AEO application, self-assessment and audit approach that is aligned with AEO programmes currently in place, and that could be adopted by member countries that are building capacity to implement an AEO programme.

A key goal of our Working Group is to simplify and standardize AEO applications and AEO self-assessments. Also, the application should provide the opportunity for the economic operator to list all subsidiaries in a country or economic union that it wishes to include. In addition, we support the standardization of an AEO audit approach which aligns site validation procedures used by Customs administrations when approving companies for membership in their respective programmes.

This is what we see as the end result:

- AEO application and self-assessment templates, and standardized audit approach
- common information captured via a secure Internet portal that can be shared by designated Customs administrations, increasing efficiency for Customs and the trade alike.

The common information which is provided and available electronically provides the foundation for mutual recognition between Customs administrations (a priority highlighted in our December report). The standardized approach will facilitate the implementation of AEO programmes in developing countries, and potentially facilitate adoption of AEO programmes by SMEs.

The entire PSCG looks forward to moving ahead with this standardized AEO project, in collaboration with the SAFE Working Group, the WCO Secretariat and member Customs administrations.

AEO Benefits

Since the adoption of the SAFE Framework in June 2005, several countries have already introduced AEO or AEO-type programmes and in all cases certain benefits are being offered to accredited AEOs. While the PSCG fully accepts that, for a variety of reasons, it is not possible for all Customs administrations to offer exactly the same benefits, it nevertheless believes that it is imperative to establish a core set of internationally accepted trade facilitation benefits that should be provided to AEOs under all relevant national programmes. Such benefits should be transparent and meaningful to the extent that they not only justify the additional costs sustained by economic operators in meeting prescribed AEO requirements but also bring those operators real improvements and facilitation gains, above and beyond the normal procedures enjoyed by non-Authorized Economic Operators.

In December, the PSCG presented some preliminary comments on AEO benefits, and we have continued to develop this work. We believe that, as stated in Chapter 5.3 of the SAFE Framework, benefits for AEOs should be “meaningful, measurable and reportable”. Indeed, not only should those measurable benefits be reportable, they should be reported to the AEO, in each country, on a regular basis.

In addition, accredited AEOs should enjoy the following trade facilitation benefits:

- mutual recognition of AEO status by Customs administrations
- expedited processing and release of shipments, supported by regular “time required for release” studies
- financial guarantee waivers
- notification of intention to release prior to goods’ arrival i.e. pre-clearance

- pre-qualification for simplified procedures, including possibilities for a single-step process, or a two-step process for release/clearance purposes, according to the importer's preference
- establishment of economic operator based profiles, so far as possible, as opposed to transaction-based controls
- priority of inspection and use of non-intrusive inspection equipment whenever physical examination is required
- priority Customs' processing during a period of elevated threat conditions
- priority treatment in post-incident resumptions and trade recovery programmes
- favourable mitigation/relief from administrative penalties
- self-assessment when Customs automated systems are not functioning
- an option to provide a reduced standard data-set for security risk assessment purposes, as follows:
 - (i) transport document number
 - (ii) conveyance reference number e.g. flight number, voyage number
 - (iii) consignor name
 - (iv) consignee name
 - (v) carrier name
 - (vi) notify party
 - (vii) place of loading
 - (viii) Customs office of exit
 - (ix) first place of arrival
 - (x) date and time of arrival at first place of arrival
 - (xi) goods description or brief cargo description
 - (xii) number of packages or number of pieces
 - (xiii) total gross weight

We are hoping that this list of AEO benefits will provide useful guidance to Customs administrations as they implement AEO programmes, and will be considered as part of the WCO AEO Implementation Guidelines.

Report of the SAFE Working Group Revised Kyoto Convention

We have greatly appreciated the work of the WCO in developing AEO Implementation Guidelines and we support the principle that AEO programmes should be implemented in such a way that associated application, validation and authorization processes are standardized, transparent, efficient and non-discriminatory in nature. In particular, the PSCG endorses the following principles relating to the implementation of AEO programmes:

- accredited service providers may use expedited AEO release procedures on behalf of their customers, irrespective of whether those customers are accredited AEOs or not
- corporate or single-entity registration
- recognition by the authorities of verifiable compliance with other 'identical or comparable standards' as conferring AEO status automatically e.g. "regulated agent" status
- AEO applicants must have the option to request that validations be carried out by Customs administrations directly, although third parties may also be designated as AEO validators
- a legal right of appeal must exist in cases of denial, suspension or withdrawal of an AEO authorization.

To further support the implementation of standardized procedures, the PSCG looks forward to receiving copies of the WCO Data Model V3, at no cost, as soon as it is finalized. We will also be reviewing the definitions of “scanning” and “screening” at our next meeting in October.

In recognition of the trade facilitation aspects of the Revised Kyoto Convention, and the PSCG’s commitment to encourage implementation of standardized, streamlined processes, we will be further exploring issues relating to the implementation and administration of the RKC at our next meeting. We welcome input from the WCO Secretariat and from member administrations as we do this.

Capacity Building and Pilot Projects

The PSCG would like to assure the Policy Commission that our members, through their local organizations, are willing to participate in pilot projects in member countries which have determined the feasibility and desirability of such pilot projects. We suggest that, at our next meeting in October, a half-day session be dedicated to a strategic discussion of possibilities, with the WCO Secretariat and possible interested WCO members. This could include work on integrity, in the broader context of Customs modernization and reform, as well as implementation of the SAFE Framework and AEO programmes.

Respectfully submitted,

Carol West

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