



## CEO Perspective from Malcolm McKinnon

---



The Sunday Times has reported forecasters saying that, "2009 is shaping up to be the weakest year for the global economy for decades, and possibly since the Second World War." In its 2008 Pre-Budget Report, the Government set out "how it intends to support the economy, businesses and households through these uncertain times." Amongst its initiatives is the review into the cost of international trade regulation mentioned on our front page. SITPRO welcomes this review, which we believe is timely and relevant.

Business frequently mentions to us regulations or procedures that are cumbersome or unnecessary. We are already aiming to capture those related to port procedures in a report that we plan to publish in the summer, based on a consultation we are conducting right now (see page 5). The review mandated by the PBR provides a wider and more political context for this.

Over the next few months I and other SITPRO staff will be out and about all over the country asking the same basic question: What five measures or procedures you have to comply with that impose significant costs on your business would you most like to see removed? We anticipate we could produce quite a list of proposals for the Government to consider.

It is clear the Government wants to try to tackle international trade regulatory burdens, so this is a great opportunity for business. Together we can hopefully draw up proposals that will help to reduce costs to business during this difficult time.

## Finding Time

---

When it comes to problems with international trade regulations the response of business can often be summarised by the song lyric that claims, "we'd like to be unhappy but we never do have the time."

It is often hard to make time to take part in consultations and fill in questionnaires. Sometimes it is easier to work within existing constraints than to make changes, or to assume that others with more time will make the effort to raise concerns on our behalf. However, if we want the trading environment to reflect our real business needs, then we all need to stand up and be counted. The current review exercise is your opportunity to say what your business actually wants and needs the Government to do about international trade regulation. Remember (to misquote a famous phrase), the only thing necessary for the proliferation of unnecessary regulations is for good men to say nothing.

A yellow rectangular sticky note with a folded bottom-left corner. The text "Editor's Notes" is written on it in a black, sans-serif font. The note is positioned to the right of the "Finding Time" section.

Editor's  
Notes

## Financial Crisis Raises Concerns at WCO

At the World Customs Organisation Policy Commission meeting in Buenos Aires, the WCO's Private Sector Consultative Group (PSCG) was tasked to provide a business view on the impact of the global financial crisis. Its report, which was acclaimed by the Policy Commission, noted that as demand declined a ripple effect could be observed through the supply chain with companies reconsidering priorities, cancelling projects and giving increased emphasis to the returns on investment. One immediate impact would be that the benefits associated with the investment in Authorised Economic Operator and other security programmes would become vitally important.



In addition, as sources of finance tightened up, global trade would inevitably become difficult: letters of credit would become more restrictive or difficult to obtain; underwriting criteria for surety in countries with release prior to payment systems would become more stringent and the cost of surety would increase. One outcome would be that, with cash flow critical, more companies might not be able to meet their financial obligations to Customs resulting in more claims against surety and possible suspension of importing privileges.

The PSCG however recognised that it was not just businesses that were affected by the financial crisis and a downturn in trade. They expressed concern that, with the consequent reduction in government revenues, the focus of Customs would shift away from trade facilitation towards enforcement and penalty assessment. Consequently, they called on the WCO and its members to take constructive action and refrain from raising new barriers to investment or trade in goods including new customs or security measures that might serve as disguised protectionism.

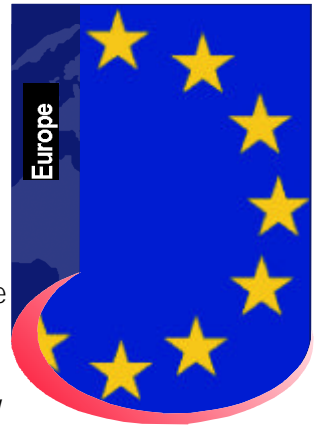
The PSCG recommended that WCO members should:

- strengthen the facilitation objectives of the SAFE Framework and the revised Kyoto Convention,
- avoid reliance on scanning technologies that are not based on risk management (the PSCG has previously spoken against US proposal for 100% scanning),
- introduce a range of meaningful, measurable and reportable trade facilitation benefits for AEOs and work to conclude mutual recognition agreements that offer direct benefits to the trade and customs alike.

This meeting marked the retirement of Secretary General Michel Danet and members of the PSCG added their thanks to those of the various Heads of Customs particularly for his vision in establishing the group and for his steadfast support of its efforts.

## Will European Control Systems Be Delayed?

The rumour mill has recently been doing overtime on the implementation status of ICS (Import Control System) and ECS (Export Control System) phase 2, the European Union's pre-arrival and pre-departure security data capture systems. These cornerstones of the EU's Customs modernisation programme, which are designed to protect the safety and security of the region, are due to come into force on 1 July. However, it has become clear that neither all of the EU's Customs administrations nor the trade will be ready by then, yet the trade is obliged to perform safety and security risk assessments from 1 July and they need the assistance of Customs to do so.



As a result, the European Commission has proposed transitional measures, to be voted on by the Member States at the end of February. Currently, these measures would create an extended period until 1 January 2011 before full implementation of the legislation. Until this date, there would in effect be a situation where two systems operate concurrently, as while lodgement of entry and exit summary declarations is not mandatory, current procedures remain available.

For ICS, it should be noted that although the transition legislation would remove the legal obligation on the trader to supply an ENS (entry summary declaration) it does not mean that they cannot submit one if the Member State is ready. Nor does it mean that Member States will not be undertaking safety and security risk assessments (as per their legal requirement) from July this year. It is the current intention of the UK to implement ICS on 9 May 2010, providing traders with the option to use HMRC's system for over seven months before it becomes mandatory.

In relation to ECS, the situation is even more confusing due to parts of the system already being in place. The Combined Declaration containing safety and security data elements is still legally required as of 1 July; it is only the EXS (pure exit summary declaration) that is currently under discussion as part of transition legislation. In essence this means that there will be little real change, as the combined declaration including safety and security data (approximately 4 items) is expected to be used in 99+% of export declarations. In the UK, phases 1B and 2 will be implemented on 1 July this year. If a decision is taken at the European level to create a transitional period for EXS, HMRC could turn off the CHIEF Transaction for it during this period.

SITPRO continues to support the adoption of effective transitional measures. Unfortunately, with only 5 months to go until implementation of ECS phase 2 and ICS is legally required across the European Union, both the trade and Member States remain uncertain about their respective positions and hopes are pinned on legislation being agreed and finalised by the end of February.

## Ports Review Gets Under Way

At the beginning of January, SITPRO published the consultation document for its review of procedures at UK ports. Intended to update the landmark SITPRO Ports Report of 1997, which led to many positive developments in the trading community, it is intended that the findings of the new review will be pursued not only by SITPRO and its stakeholders, but also through the action plan being submitted for the next Pre-Budget Report (see pages 1-2).

Traders have already started to return their responses to this consultation, which can be downloaded from [www.sitpro.org.uk/questionnaires/ports09.html](http://www.sitpro.org.uk/questionnaires/ports09.html). The deadline for responses is 31 March 2009.

## New System to Simplify Licence Procedures

The International Trade Single Window (ITSW) Project continues to make progress with the development of the Automatic Licence Verification System (ALV) for the imports of plants, flowers, fruit and vegetables into England & Wales. When it is live, ALV will link the "PEACH" system at Defra/RPA directly to HMRC's "CHIEF" system enabling Plant Health & Seeds Inspectorate (PHSI) & Horticultural Marketing Inspectorate (HMI) consignment release decisions to be passed electronically into CHIEF. This will remove the need for importers or agents to fax release certificates to the National Clearance Hub at Salford and hasten the clearance of consignments.

Defra's ITSW Project Manager, Mike Peters, said, "ALV testing is complex. We're linking several back office systems from two separate government departments, but we are making good progress." He told SITPRO that many tests, including how the system operates under heavy volumes or if connected systems were to become unavailable, had already taken place. Following a final set of tests in February Defra hopes to announce plans to launch an ALV pilot.

Mike advised that when ALV is live, the key to its success will be ensuring that importers and agents submit accurate data to both PHSI/HMI and to HMRC with particular emphasis on the same DUCR (Declaration Unique Consignment Reference Number) being used. He explained, "If the same DUCR is not used, then consignments will not be released. Ensuring that other data entered onto PEACH, such as commodity, weight etc..., also exactly match what is entered onto CHIEF will ensure that the release process is not unduly delayed."

Ports and Borders



International Trade  
Single Window



## **Roadmap Towards Mutual Recognition**

Over the past few years US Customs and Border Protection and DG TAXUD (the European Commission's Directorate-General for Customs matters) have been working together to establish a joint roadmap towards mutual recognition of their trade partnership programmes. Through such an arrangement, the companies in the EU's supply chain security (AEO) programme would be able to receive benefits similar to those conferred on companies participating in the US programme (C-TPAT) and vice-versa.



Very little has been made public about developments in the negotiations, but just before we went to press an abridged version of the roadmap was made available to "external partners". It is meant to provide some background as to the purpose of the roadmap as well as an insight into the identified and agreed tasks needed to reach this year's deadline for an agreement.

## **Brazil Learns from UK Security Experiences**

At the invitation of the Brazilian National Confederation of Industry (CNI) SITPRO's Policy Director, Graham Bartlett, addressed a seminar on Secure Logistics Chains and Competitiveness held in Sao Paulo in December. It attracted an audience of Brazilian business representatives both in the room and across the country via a simultaneous internet broadcast.

Brazil is in the process of developing its existing Blue Line security programme and the business community wanted to learn more about the international security environment, the WCO's SAFE Framework of Standards and in particular the European Union's Authorised Economic Operator (AEO) Scheme and the UK's experience of implementing it. In a wide ranging presentation, Graham referred to the spaghetti of existing security measures identified by SITPRO, the move away from trade facilitation post 9/11 and the uneven application of the SAFE standards. Lack of consistency was, he said, likely to be a main stumbling block to achieving mutual recognition of AEO schemes.

Graham noted that take up of the EU AEO scheme in the UK had been cautious and that many traders wanted to see evidence of real benefits before investing in securing AEO status. However, the problem was that mutual recognition would not be possible without AEOs to recognise! Despite this, the first authorised traders had been keen to point out that the status gave them a marketing advantage. They also felt the compliance health check was useful and the opportunity to mitigate a potential disruption of trade was an equally important benefit. These advantages were immediate and more realistic at this early stage of development.

## Self Assessment: A Step Into The Future?

The concept of Self Assessment for Customs activities was introduced as part of the Modernised Customs Code and during November 2008, a joint trade and Member States seminar was held to "pave the way" for future legal discussions on the subject.

The first objective of the seminar was to obtain a high level definition of Self Assessment, which was agreed as, "Authorisation by Customs for economic operators to take responsibility for and perform Customs formalities and controls normally undertaken by Customs as specified." A basic set of principles were also agreed, stating that the trade would:

- manage and monitor their customs activities (formalities) through their own business accounts and financial administration and its supporting IT-systems;
- determine the amount of import/export duty payable; and
- notify customs periodically of the amount of duty payable for the defined period.

SITPRO, in common with all the participants, sees the concept of Self Assessment as a stepping stone for the future relationship between trade and Customs authorities, moving away from transactional processes to risk based assurance. Given the similarities between the criteria for AEO Customs Simplification and Self Assessment, which itself is a Customs simplification, it was recommended that the two initiatives should have a close link particularly with Customs assurance audits.

However, there is no doubt that one of the integral elements to ensuring that a first-class Self Assessment scheme is developed is harmonisation. Without consistent applicability criteria, audits, skills and IT tools there is danger that the European Union will have 27 different systems with slightly varying levels of Customs activity covered by Self Assessment.

## E-Commerce Expert Joins SITPRO Board

SITPRO has welcomed the arrival of Åke Nilson, who has been appointed to the Board, replacing Catherine Truel who stepped down earlier this year.

Åke is a highly respected member of the international trade community who started his career in the London marine insurance market. He has since started and participated in commercial projects on a European and global level, including Bolero, the first system to use digital signatures to replicate the functionality of a negotiable Bill of Lading. He also chaired the ICC's cross-disciplinary e-commerce project.





In this issue, SITPRO's helpdesk advisors explain commodity codes.

- Q.** I am a first-time exporter and have been asked to supply a commodity code. Can you tell me what it is and how I can get one?
- A.** Commodity codes are numeric codes which classify goods for Customs purposes. Countries may extend the commodity code (also sometimes known as the Harmonised System (HS) number) to eight or ten digits for Customs purposes and to eight or ten digits for export purposes.

HMRC's Tariff Classification Service (telephone: 01702 366077) can provide non legally binding codes for up to 3 items per call. Additionally, commodity codes can now be found online, via the Business Link website. For further details, please see <http://www.businesslink.gov.uk/bdotg/action/tariff>.

If you wish to apply for a 'BTI' (Binding Tariff Information) which is a written tariff classification decision, given upon request (and which is legally binding on all Customs administrations within the EU for up to six years from the date of issue) you should, in the first instance, contact the Tariff Classification Service on the above number.

Obtaining a BTI for the correct tariff classification for your goods is beneficial for your business in that it provides the utmost certainty that you are declaring the correct commodity code for your goods on the Customs entry and helps you to meet your legal obligations in respect of correct tariff classification ensuring that your liability for duties, VAT and other charges or your eligibility for certain refunds (such as CAP), are known in advance.

If you need help with a trade procedures query, call the Helpdesk on 020 7215 8150 or email [helpdesk@sitpro.org.uk](mailto:helpdesk@sitpro.org.uk).

**Editor:**

Paul Hiscock  
[paul.hiscock@sitpro.org.uk](mailto:paul.hiscock@sitpro.org.uk)

**With assistance from:**

The SITPRO staff and CSG

**Printing and Distribution:**

Four Colour Print Services Limited

### The Staff @ SITPRO

Malcolm McKinnon	Chief Executive
Graham Bartlett	Director, Policy
Sue Bravery	Deputy Director, e-Business & Technical Standards
Peter Kenton	Deputy Director, Trade Practices
Sanjay Sharma	Accountant
Shondeep Banerji	Senior Policy Adviser
Paul Hiscock	Head of Communications
Aileen Prendergast	International Trade Adviser
Nina Wilkins	International Trade Adviser
Siobhan Aarons	Policy and Research Manager

**Disclaimer**

Whilst every effort is made to ensure that the information given herein is accurate, SITPRO Ltd. accepts no legal responsibility for any views expressed or implied or for any errors, omissions or misleading statements in that information caused by negligence or otherwise.