

SITPRO

Post-Implementation Review

The HM Customs and Excise New Export System (NES)



SITPRO

Simplifying International Trade

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1 Executive summary and recommendations

1.1 Executive summary

1.1.1. The planning and implementation of UK Customs' New Export System (NES) represented a major project for the department and had a substantial impact on all sectors of trade involved in the export of goods to destinations beyond the EU. Implementation was on a rolling basis starting in the first quarter of 2002 and running through to mid 2003, with the links to the Rural Payments Agency systems coming into operation in the second quarter of 2003. Implementation has been successful but a number of issues required resolution after implementation (and in some cases still require final resolution). There are undoubtedly lessons that can be learned for future major Customs programmes which have significant trade impact. This is particularly important in terms of the work that is now going forward to develop and implement the various elements of the Customs International Trade Blueprint.

1.1.2. A key finding from the interviews that were undertaken for this review was that traders were uncertain of the impact that NES would have on their business or when the NES changes would take place given the delays which occurred with project implementation. Whilst Customs has indicated that a communication plan existed, it would appear that it was not fully considered nor carried through. It is clear that if major change is to have the support and participation of trade then a carefully prepared and fully resourced communications plan is vital. Consideration should be given to designing and delivering such plans in partnership with trade interests. A number of complaints from some sectors of trade, for example that consultation was concentrated on freight forwarding and CSP interests rather than exporters, could have been addressed in an agreed Customs/trade communications plan.

1.1.3. Communications within Customs (in particular from the project team to local offices and other field staff) was also criticised by some trade representatives. Whilst there is no doubt that Customs put a great deal of effort into training their staff, a lack of appreciation of some major issues that arose during implementation meant that some Customs staff were not in a position to provide satisfactory support for users.

1.1.4. Some of the perceived difficulties have been beyond the direct control of Customs, for example the significant number of management changes within the project team and the decision of DTI to defer the link to electronic export licences. Nevertheless, these are issues which should be addressed in future programmes.

1.1.5. Within the constraints of this review, it has not been possible to carry out a full cost benefit analysis but there is a clear perception that most of the benefits of NES have accrued to Customs rather than to trade and that some of the benefits that were promised have not been delivered.

1.2 Recommendations

1.2.1. That for future projects, a fully considered and resourced communications plan should be developed and exposed to trade bodies for comment and input before being finalised. [HMC&E's observations about this recommendation can be found on page 23]

1.2.2. That for future major projects Customs allocate a senior member of management with responsibility for the development and delivery of a communications plan and its objectives. [HMC&E's observations about this recommendation can be found on page 23]

1.2.3. That for future projects with significant trade impact that consideration be given to the forming of Customs/trade body partnerships so that all parties can have ownership of the communications plan which would allow the proper planning and budgeting of trade group meetings, seminars, conferences, advertising, publicity and the use of other dissemination means. [HMC&E's observations about this recommendation can be found on page 23]

1.2.4. That project management teams should be seconded for the life of the project with there being a clear understanding that, in as far as it is possible, there should be continuity of management throughout the project life. This recommendation assumes that the project time frame is realistic and that adequate resources are allocated to avoid time overruns. [HMC&E's observations about this recommendation can be found on page 23]

1.2.5. That project teams should not be disbanded until implementation is complete and until such time as any issues arising out of implementation are resolved. [HMC&E's observations about this recommendation can be found on page 23]

1.2.6. That comprehensive system testing should be an integral part of project planning. [HMC&E's observations about this recommendation can be found on page 24]

1.2.7. That test systems should be made available for trade testing as soon as the system is sufficiently stable. Such availability should allow sufficient time for meaningful testing to be undertaken with test results helping to identify problems within the system. [HMC&E's observations about this recommendation can be found on page 24]

1.2.8. That whilst a "light touch" approach to strict system compliance issues is welcome in the early weeks and months of implementation, such an approach should not be allowed to disadvantage particular trade sectors. [HMC&E's observations about this recommendation can be found on page 24]

1.2.9. That Government departments work together to develop and implement a single approach to trade data and identification requirements. This "single window" approach should be based on international standards wherever possible. [HMC&E's observations about this recommendation can be found on page 24]

1.2.10. That Customs should consider allowing greater trader access to declaration information on CHIEF so that traders are able to obtain consignment status information. [HMC&E’s observations about this recommendation can be found on page 24]

1.2.11. That Government departments should be mindful of the need for full inter-departmental co-operation to ensure the achievement of the Government’s e-business objectives and of the need to manage the expectations of trading organisations in order not to undermine legitimate expectations of benefits expected to arise as a result of a commitment to change. [HMC&E’s observations about this recommendation can be found on page 24]

1.2.12. That only UCRs of the recommended format should be accepted by CHIEF and that the validation protocols should be enhanced to ensure that only correctly formatted UCRs are accepted. [HMC&E’s observations about this recommendation can be found on page 24]

1.2.13. That consideration be given to validate the TURN embedded in UCRs. [HMC&E’s observations about this recommendation can be found on page 24]

1.2.14. That a review be undertaken of the need to use UCRs to “arrive” containers at inventory controlled ports. [HMC&E’s observations about this recommendation can be found on page 24]

1.2.15. That consideration be given to increasing the minimum value of consignments above which separate declarations are required. [HMC&E’s observations about this recommendation can be found on page 24]

1.2.16. That consideration be given to removing the requirement for supplementary declarations where consignment values do not exceed £600. [HMC&E’s observations about this recommendation can be found on page 25]

2 Introduction

2.1 Terms of Reference

2.1.1. This Post Implementation Review was commissioned by SITPRO with the following Objective and Terms of Reference:

Objective

- To review the development and implementation of the Customs New Export System (NES) and complete a report that gives guidance for related future projects, specifically implementation of HM Customs Blueprint recommendations.

Terms of Reference

- Review the initial phase of development of NES and process development, taking into account the Customs objectives, business benefits and initial plans for implementation.
- Review the project development and planned implementation strategy within Customs with special consideration to costs and IT strategy.
- Review the development and implementation within business with special consideration to costs and strategy related to IT.
- Review the consultation process between HM Customs and the trading community during the design, development and delivery of NES with particular reference to the needs of specific trade sectors, such as CAP traders, motor trade, fast parcel operators, freight forwarders and carriers.
- Review the opportunities for future integrated cost beneficial developments which support customs objectives and trade facilitation.

2.2 Review methodology

2.2.1. The review was undertaken through interviews with exporters, carriers, freight forwarders, CSPs, software developers, port authorities and HM Customs and Excise. The trade interviews were conducted under conditions of confidentiality and thus the identities of individual respondents have not been given in this report.

2.3 Acknowledgements

2.3.1. SITPRO would like to record its gratitude to all those who participated in the trade interviews and also to Customs who co-operated fully and openly with the review process.

2.4 Background to the introduction of NES

2.4.1. The processing of export declarations has traditionally been a manual process. Although Customs has been a leader in the development of computer based systems for the automatic processing of declarations, their efforts have, in the main, been directed at imports. The first substantial steps in the electronic processing of declarations dates back to the 1970s when LACES was introduced for the processing of import declarations at Heathrow Airport. This was followed by the DEPS system which was rolled out to many points of entry into the UK. Finally, in the 1980s, the expanded mainframe system known as CHIEF was introduced. The emphasis on developing electronic declarations for imports was due to a recognition that it is at import that most controls are imposed both in terms of the collection of duties and taxes and the control of prohibited and restricted goods.

2.4.2. Under the system of manual export declarations, the main procedures were those known as Full Pre-Entry, under which declaration was made prior to goods crossing the UK export border and the Simplified Clearance Procedure under which minimal details had to be supplied prior to export but with a requirement that a full declaration was made within 14 days of the export taking place. In addition, there were provisions for export clearance to take place at traders' premises under LEC and for the submission of export declarations using computer media under PE(E) . All of these export declaration regimes have been replaced by electronic equivalents under NES.

2.4.3. It became clear that continuing to capture most export data manually, was wasteful of resources and was not achieving acceptable levels of compliance and accuracy. As a result, a project was set up in 1997 which would introduce a national system of electronic processing for exports using the existing Customs computer system, CHIEF. A review of exports was undertaken by Customs in 1998 in relation to both Customs and VAT procedures which was then followed by trade consultation. The review concluded that an electronic processing system was desirable and that this would be one of the key milestones towards the achievement of Customs Long Term Freight Strategy (later to become the Customs Blueprint.)

2.4.4. Customs has stated that NES has been introduced to:

- Replace the previous paper based system, which was resource intensive and prone to human error;
- Give exporters a number of low cost options for the route to make export declarations;
- Improve the level of information available to Customs. This will lead to more effective risk targeting e.g. against arms and terrorism;
- Help combat VAT and Excise diversion fraud;
- Facilitate legitimate trade by ensuring speed and predictability of movement for the ever-increasing volumes of international trade; and
- Enable exporters or agents to lodge their declarations either inland at approved premises or at the frontier, receiving fast and certain clearance for the vast majority of export traffic.

2.4.5. The original target date for the implementation of NES was 1 July 2001. Customs set up a NES Project Team to drive the project. Eventually, implementation was achieved on a phased basis with a system for Period Entry traders being the first part of NES to be introduced. This was followed by Dover and Ashford introducing NES in March 2002 and then most of the remaining maritime ports at the end of October 2002 with the airports implementing the system on a phased basis starting in October 2002 and ending in July 2003.

2.4.6. Under NES, there are four possible export declaration procedures. These are:

- Standard Export Procedure. Equivalent of the old Full Pre-Entry procedure. Declaration is made prior to goods being loaded onto a ship or aircraft for export.
- Simplified Declaration Procedure (SDP). Replacement for the old Simplified Clearance Procedure (SCP). Initial declaration made to NES prior to shipment providing minimal specified information. Full declaration made within 14 days of export. Both declarations must be made electronically. The facility under SCP which allowed certain commercial documents to be used for the pre-shipment advice is no longer available. Traders must be approved to use SDP.
- Local Clearance Procedure (LCP). Replaces Local Export Control (LEC). Allows export clearance to be given at the traders approved premises.
- Designated Export Place (DEP). Of interest mainly to consolidators who are able to obtain export clearance at their approved premises. Requires that there is an inventory control system in place.

[HMC&E's observations about this paragraph can be found on page 25]

3 The trade consultation process and trade education

3.1. The main trade consultation method initially adopted was through the Joint Customs Consultative Committee with an expectation that the trade representatives on JCCC would inform, consult and feed back views from their member companies. JCCC set up a sub group formed from a cross-section of its membership to consider NES in detail. In addition, a Trade Technical Liaison Group was set up to consider the technical IT aspects of the development.

3.2. Customs has stated that there was a communications plan but accepts that it may not have been fully thought through and that the experience to implement it in a fully effective manner was lacking. Early announcements to traders, in some cases before the project requirements had been determined, promised a range of significant benefits which, in the event, could not be fully delivered. Consequently there was a level of expectation which later had to be managed downwards leading to disappointment. Delays in implementation also caused some traders to “switch off” from the development and to adopt a “we’ll believe it when we see it” approach.

3.3. During the lead up to the completion of the single market at the end of 1992, Customs successfully informed the trade through the production of a regular newsletter which had a wide circulation amongst intra-Community traders. A similar approach or an arrangement with existing trade publications might have provided an extremely valuable communication tool for NES consultation and publicity and should be considered for future projects.

[HMC&E's observations about this paragraph can be found on page 25]

3.4. Customs undertook meetings and discussions with specific trade sectors including the motor trade (through SMMT) and CAP traders (through RPA). There was a significant level of consultation with freight forwarders (through BIFA) since it is forwarders who produce the majority of export declarations of behalf of exporters. Customs has commented that it was very difficult to get actual exporters round the table on occasions and consequently consultation with exporters was not as comprehensive as they would have liked. Trade bodies and SITPRO have, however, managed to get good exporter commitment to being involved in specific meetings affecting the interests of the companies concerned.

[HMC&E's observations about this paragraph can be found on page 25]

3.5. In early 2001 SITPRO set up a NES Task Force which included representatives from exporting companies, carriers, freight forwarders, ports, airports, CSPs, software developers and Customs. This group met on three occasions during 2002 and was able to raise a number of issues which Customs were able to consider and seek to resolve.

3.6. When several groups are used by HM Customs to consult with the trade, a structured approach should be adopted. A hierarchy must be established that clearly identifies the roles and responsibilities of each group and the proper lines of reporting. The joint Customs/SITPRO Task Force was in existence for some time before many of the membership were aware that the TTLG was examining the technical systems aspects of NES implementation. Such a situation can result in unnecessary overlapping of tasks and duplication of effort.

3.7. Customs responded positively to ad hoc requests for many meetings with specific groups but felt that responding to these substantial and unplanned demands on resources hindered to some extent their development of the NES project.

3.8. Substantial support was given by Customs to a series of NES seminars organized by SITPRO in partnership with the Freight Transport Association and also was involved in seminars and meetings organized by BIFA and other trade bodies.

3.9. The running of the SITPRO/FTA seminars came shortly after Customs had set up a network of International Trade Development Liaison Officers (ITDLOs). Involvement with dissemination of information on NES and support for the seminars was one of the first tasks undertaken by ITDLOs. It was the case, however, that the level of knowledge within the ITDLO team and the ability of team members to make effective presentations was variable.

Recommendation one

That for future projects, a fully considered and resourced communications plan should be developed and exposed to trade bodies for comment and input before being finalised.

[HMC&E's observations about this recommendation can be found on page 23]

Recommendation two

That for future major projects Customs allocate a senior member of management with responsibility for the development and delivery of a communications plan and its objectives.

[HMC&E's observations about this recommendation can be found on page 23]

Recommendation three

That for future projects with significant trade impact that consideration be given to the forming of Customs/trade body partnerships so that all parties can have ownership of the communications plan which would allow the proper planning and budgeting of trade group meetings, seminars, conferences, advertising, publicity and the use of other dissemination means.

[HMC&E's observations about this recommendation can be found on page 23]

4 The implementation phase

4.1. Through the implementation process, there were a number of management changes within the Customs project team including at project manager level leading to a lack of continuity and some delays to the project. Under existing civil service human resource arrangements, it can be difficult to retain and adequately reward management staff of the required calibre throughout the life of a medium term project.

4.2. Possibly as a result of the significant number of management changes or of shortcomings in the consultation phase, a significant number of changes were made in the NES operational requirements in the months leading up to implementation. This was evident in the series of seminars as additional and changed information was given in the Customs presentations as the series of events proceeded. To an extent, this hindered the ability of trade interests in planning and providing training solutions to the trade.

4.3. It is important that project teams are not disbanded immediately after project implementation in order to ensure that the expertise that has built up in the project team remains available until all unforeseen problems which arise following the introduction of live running are properly resolved. More than one year after the main implementation date (end of October 2002) of NES there remain some issues for which resolution has not yet been fully achieved.

[HMC&E's observations about this paragraph can be found on page 25]

4.4. There is evidence to suggest that system testing was not sufficiently comprehensive and thorough. On many occasions users were advising Customs of errors which should have been identified though the Department's own testing regime.

Recommendation four

That project management teams should be seconded for the life of the project with there being a clear understanding that, in as far as it is possible, there should be continuity of management throughout the project life. This recommendation assumes that the project time frame is realistic and that adequate resources are allocated to avoid time overruns.

[HMC&E's observations about this recommendation can be found on page 23]

Recommendation five

That project teams should not be disbanded until implementation is complete and until such time as any issues arising out of implementation are resolved.

[HMC&E's observations about this recommendation can be found on page 23]

Recommendation six

That comprehensive system testing should be an integral part of project planning.

[HMC&E's observations about this recommendation can be found on page 24]

5 Transmission methods and outstanding issues

5.1. A number of methods for the transmission of declarations to CHIEF was included in the system design and these are now available for trader use. They are:

- The completion of a form on the Customs web site using normal internet transmission mechanisms but supported by a digital certificate
- E-mail using an EDIFACT standard attachment
- XML transmissions incorporating EDIFACT standard messages supported by a digital certificate and submitted via the Government Gateway
- Submission via a Community Systems Provider (CSP) who has direct access to CHIEF
- Submission of a paper declaration to Customs whose officers then input the data into CHIEF (CIE)

5.2. Customs has indicated that approximately 75% of declarations are being made via CSPs with about 25% using the other electronic methods. Approximately 0.5% of declarations are input using CIE. This last factor is important to Customs since resources were not in place to deal with a significant volume of CIE declarations – should a significant number of such entries have been forthcoming, there is no doubt that there would have been substantial delays to the export of the goods concerned.

5.3. One of the electronic routes for a NES declaration is through a web form offered on the Customs website. HM Customs are to be commended for offering a simple low cost solution aimed at the occasional or new exporter, especially from the small and medium sized enterprise sector. However the provision of a free of charge web form has attracted criticism from software companies and other businesses that have invested in developing web based solutions. A government funded web form is perceived as unfair competition distorting market forces. It should be noted, however, that the Customs web form does not provide any added value services (for example the archiving of data for future use) routinely offered by commercial software products.

5.4. The web form test site was not available until very late in the run-up to implementation which may have detracted from its early use. Customs has published on its web site a document setting out its perception of the suitability of each type of transmission method to particular types of trader exporting patterns.

5.5. One of the early problems to be identified, and which was continuing at the time that this report was written, was caused by the occasional absence of arrival and/or departure messages at the place of export. This problem has particular and severe consequences when the payment of export refunds through the RPA relies on such messages. Customs, perhaps understandably, have hitherto taken a relaxed approach to the absence of these messages in order to ensure that goods movements were not delayed. Generally the trade welcomed the 'light touch' control during the early phase on NES implementation. However, some trade sectors were disadvantaged by this approach and would have preferred a more robust application of the arrival and departure procedures from the start of NES. After the initial period of relaxed controls to support the effective and efficient introduction of NES, Customs did adopt a more rigorous control regime at the point of export. Coupled with an education programme and changes to the CHIEF system that are expected to be introduced in the first half of 2004 that will require the presence of all appropriate messages, these measures should eliminate the problems encountered by some traders.

[HMC&E's observations about this paragraph can be found on page 25]

5.6. Traders report that the manner in which CHIEF amendments are planned and introduced does not have the flexibility to meet urgent demands for change identified after implementation. An example cited was for a minor change (in computer terms) which both Customs and the trade sector concerned agreed was needed but which could take up to nine months to implement.

5.7. Further enhancements to the system include links to Customs Management Information System (affects Customs only) which it is anticipated will be implemented by the end of March 2004.

5.8. The response time standards set in the specification for CHIEF are being met but responses may be slowed due to deficiencies in Customs related IT infrastructure or within the infrastructure of CSPs. Customs is currently planning changes to its own infrastructure with the aim of improving system reliability and response times.

Recommendation seven

That test systems should be made available for trade testing as soon as the system is sufficiently stable. Such availability should allow sufficient time for meaningful testing to be undertaken with test results helping to identify problems within the system.

[HMC&E's observations about this recommendation can be found on page 24]

Recommendation eight

That whilst a "light touch" approach to strict system compliance issues is welcome in the early weeks and months of implementation, such an approach should not be allowed to disadvantage particular trade sectors.

[HMC&E's observations about this recommendation can be found on page 24]

6 Links to external agencies

6.1 Rural Payments Agency

6.1.1. Food manufacturers have reported major problems with the links from NES/CHIEF to RPA systems. As indicated above, goods departure messages are essential to trigger export refund payments from RPA since such refunds will not be made until there is positive and acceptable evidence that goods have left the EU. This also applies in respect of restitution payments in order to refund duties imposed on imports into the EU containing sugar, milk products etc. When this works properly, payments to traders can be made more quickly with NES than with the previous manual system – in some cases a reduction in payment time from 5 weeks down to 5 days. However, some departure messages were remaining within CHIEF for unexplained reasons. There were also issues in relating monthly CAP licenses to particular consignments in CHIEF, notably over month ends. Also it became more difficult to attribute licences.

6.1.2. Major food exporters report spending a great deal of time and effort in checking each payment from RPA (which sometimes is now broken down into more payments per shipment than previously) against submissions to NES. It was reported that at one point consignments which were worth millions of pounds in payments to traders were delayed in transmission from CHIEF to RPA.

6.1.3. A more recent problem related to agents at docks not "re-arriving" each container in order to allow Customs to conduct any re-inspections when goods arrive from inland depots. This can be a major problem to some exporters since the RPA say that if arrivals and re-arrivals are not done correctly, re-payments will be lost.

6.1.4. There is a facility within CHIEF which automatically "departs" goods where a departure message has not been input to the system after a pre-determined period of time. RPA does not accept this form of departure to trigger refund payments since they argue that Customs has not had the opportunity to examine the cargo for possible substitution.

6.1.5. As a result of problems experienced, some major food manufacturers have moved away or are considering moving away from LCP in order to protect their businesses. One large trader claims that it has been unable to obtain payment of £350k of refund claims as a result of these difficulties. This is not likely to be welcomed by Customs who have wished to move more of their work inland away from the ports other than that which needs to be done there for control purposes.

6.1.6. RPA is planning to make its systems more directly interactive with exporters so that exporters will be better able to monitor the progress of their shipments in order to achieve prompt re-payments.

6.1.7. Customs and RPA have different methods of identifying traders (and also recognise some countries differently in relation to EU membership). RPA is planning to introduce a new trader identity system based on the needs of farms, which are DEFRA's main interest. Again, there would be a clear benefit from having a single window approach with common identities for all of government, instead of changing data and systems when there are major departmental re-organisations, or when data has to move between two departments.

6.1.8. Customs proposed to delete non-arrived declarations after a set period of time. Customs said that declarations were not being arrived because of (i) the failure of port operators/loaders to properly input goods to CHIEF, and (ii) the failure of consolidators to associate DUCRs with MUCRs. Exporters have questioned whether all of the parties involved are properly equipped and trained to deal with the requirements of NES, particularly in respect of smaller (especially non inventory-linked) ports and smaller shipping lines.

6.1.9. Customs originally said that they would auto-arrive non-arrived declarations after 14 days, then in some cases 21 days, then 30 days, and then in some cases 60 days. This left many companies in a state of confusion. Essentially, they want to know immediately from NES/CHIEF whether a consignment that they believe is on its way has been accepted as arrived by CHIEF. The proposed enhancements to CHIEF (see section five above) should overcome this difficulty.

6.1.10. Traders need to be able to interrogate CHIEF in order to confirm the status of their consignment, particularly in respect of messages signifying arrival at and departure from the UK port. Such a facility should allow problems to be highlighted early enough for traders to be able to take remedial action.

Recommendation nine

That Government departments work together to develop and implement a single approach to trade data and identification requirements. This “single window” approach should be based on international standards wherever possible.

[HMC&E's observations about this recommendation can be found on page 24]

Recommendation ten

That Customs should consider allowing greater trader access to declaration information on CHIEF so that traders are able to obtain consignment status information.

[HMC&E's observations about this recommendation can be found on page 24]

6.2 Department of Trade and Industry

6.2.1. Early in the NES project there was a declared intention by Customs to provide a direct link from the system to the DTI export licensing regime thus allowing for the automatic checking and writing off of licences. This represented a valuable facilitation advantage for those exporters whose goods were subject to licensing. Late in the implementation planning phase, however, DTI announced that there would be a delay of at least two years due to the decision to undertake a wide-ranging review of export controls. This delay removed a significant potential benefit for the sector of trade subject to specific export licensing and brought into question DTI's commitment to providing inter-departmental co-operation to ensure the achievement of Government objectives for electronic business.

6.2.2. It is acknowledged that NES was the vehicle for making electronic links to DTI import licensing which was implemented in April 2003.

Recommendation eleven

That Government departments should be mindful of the need for full inter-departmental co-operation to ensure the achievement of the Government's e-business objectives and of the need to manage the expectations of trading organisations in order not to undermine legitimate expectations of benefits expected to arise as a result of a commitment to change.

[HMC&E's observations about this recommendation can be found on page 24]

7 Benefits and costs for traders

7.0.1. It has not been possible in the preparation of this report to undertake a full cost/benefit analysis for British industry as a whole although some anecdotal evidence has been obtained. The results are different for different sizes and types of trader and are summarised as follows:

7.1 Exporters with a low number of consignments

7.1.1. Exporters with low consignment volumes are likely to use the web form method of making NES declarations. A digital certificate is required at a cost of approximately £50 per annum. (The certificate can be used for other purposes in addition to authenticating NES declarations). In addition, the normal costs of accessing the internet apply. The most significant cost, however, will be in the use of staff time for inputting declaration data to the web form and in dealing with response messages. Against this, however, there will be a saving in not having to prepare, or pay a third party to prepare, manual declarations.

7.1.2. Overall, these exporters are likely to achieve a small net benefit from the move to NES. There is evidence to suggest that individual exporters are using indirect electronic methods of accessing CHIEF for up to 60 declarations per annum.

7.2 Exporters with a high number of consignments

7.2.1. Exporters with a significant number of export consignments are using freight forwarders or using their own shipping departments to produce and transmit export declarations. In the majority of cases, the forwarding staff are then using a CSP to make the connection to CHIEF. Thus these exporters are likely to be paying, directly or indirectly, for significant investment in IT system changes and in training to use the new system. Against that, however, there may be savings in time and also, as a result, less Customs intervention in the movement of innocent cargo since Customs are better able to target consignments likely to be of interest to them.

7.2.2. The cost/benefit balance is difficult to assess but anecdotal evidence suggests that the effect of NES on most traders in this category is broadly neutral.

7.3 Motor manufacturers

7.3.1. Customs states that consultation with the motor industry began in 1997 and continued throughout the life of the project culminating in a special scheme being put to the SMMT in October 2001. Nonetheless, representatives of motor manufacturers have said that they found the implementation of NES very expensive, with additional costs running into hundreds of thousands of pounds. (One large manufacturer has reported additional costs of \$400k) Whilst motor manufacturers say that implementation problems have now substantially diminished, they also point out that they see no net benefits from NES. They have said that insufficient time was allocated by HMC for adapting and testing user systems with too much reliance being placed on local relationships.

[HMC&E's observations about this paragraph can be found on page 25]

7.4 Port authorities

7.4.1. Many port authorities have been keen to see NES implemented at the earliest possible date since it enables them to achieve shorter cargo dwell times in the port area. In terms of costs, however, one port estimates the on-going cost of being involved in NES arrivals is in the order of £125k per annum with a one-off computer system development cost in the range £300-500k. All of these costs are being passed on to customers.

7.4.2. It should also be noted that some exporters have moved their trade away from those ports which do not provide NES departure messages.

7.5 Textile exporters

7.5.1. Textile companies who send semi-finished garments and components abroad for completion and then return to the UK have reported that they are finding it onerous to complete the classification of items now required by Customs on NES. They say that the detailed data which is now required is not needed until or if the finished goods are finally exported.

7.6 Food exporters

7.6.1. The difficulties experienced by food exporters have been dealt with in some detail in section 5 above but Customs believes that, once all of the initial problems have been resolved, there will be cash flow benefits accruing to these traders.

Customs cite a major manufacturer which has stated that use of the XML route to CHIEF is producing savings in the range of £100-350k per annum.

7.7 Shipping lines

7.7.1. Some smaller shipping lines report problems in completing inputs to NES because they do not have the necessary resources or facilities (or have not had the necessary training and support) to ensure that data are always entered correctly and promptly into the system and that any problems are effectively solved.

7.7.2. Larger shipping companies have said that their major problems relate to validating consignments. The Unique Consignment Reference is up to 35 characters long (plus a possible additional three characters as a part number), which makes it easy for re-keying errors to occur. Furthermore, NES/CHIEF validation routines are seen as inadequate since the system may accept invalid numbers because the complete number is not validated. Some companies have developed their own internal computer validation routines for the UCR.

7.7.3. Shipping companies have also had considerable problems with arrival messages. This arises from difficulties in matching the UCR in a goods arrival message with the UCR previously entered by the shipper or forwarder. Whilst the length of the UCR is seen as the root cause of this problem, the lines nonetheless believe that the problem would be eased by insisting on and validating the recommended UCR format. The validation could include checking that the TURN embedded in the UCR is valid.

7.7.4. The Chamber of Shipping, representing shipping lines, has said that it sees no reason for a requirement to use a UCR to match a container arriving at an inventory controlled port with its CHIEF record.

Recommendation twelve

That only UCRs of the recommended format should be accepted by CHIEF and that the validation protocols should be enhanced to ensure that only correctly formatted UCRs are accepted.

[HMC&E's observations about this recommendation can be found on page 24]

Recommendation thirteen

That consideration be given to validate the TURN embedded in UCRs.

[HMC&E's observations about this recommendation can be found on page 24]

Recommendation fourteen

That a review be undertaken of the need to use UCRs to "arrive" containers at inventory controlled ports.

[HMC&E's observations about this recommendation can be found on page 24]

7.8 Fast parcels and air freight

7.8.1. 43 companies, including DHL, FEDEX, TNT, and UPS, cover 95% of all UK courier and express shipments, and represent 33% of total UK import/export clearances.

7.8.2. This industry says that the early years of NES development negotiations were "fraught" and that much work had to be done in order to arrive at acceptable procedures. Although relations with Customs are much improved, changes are still sought by the industry to increase the minimum value of shipments requiring separate declarations, and also to scrap the NES supplementary declaration for exports valued under £600. The UCR is also an issue, especially given that many individual consignments can be part of a single bill of lading or air waybill.

7.8.3. The NES procedures replaced the Simplified Clearance Procedures which the industry believed worked well and facilitated trade. The perception of the industry is that NES works but is slower and more costly for themselves and ultimately for exporters. However, it can be argued that NES imposes more discipline in this arena, which has sometimes been lacking with last minute shipments having poor provision of Customs required information and requiring documents to be sent by courier to Customs from the airlines. The airlines no longer have to do this as a result of NES, although a bigger share of a smaller burden can now fall on the freight forwarders.

[HMC&E's observations about this paragraph can be found on page 25]

7.8.4. The industry claims that specifications were agreed late in the day, resulting in difficulties with testing, training and with initial implementation.

Recommendation fifteen

That consideration be given to increasing the minimum value of consignments above which separate declarations are required.

[HMC&E's observations about this recommendation can be found on page 24]

Recommendation sixteen

That consideration be given to removing the requirement for supplementary declarations where consignment values do not exceed £600.

[HMC&E's observations about this recommendation can be found on page 24]

7.9 Community System Providers and related intermediaries

7.9.1. At the larger export locations, CSPs are an essential part of the export value chain, because ports generally use CSPs to provide the port inventory system used by traders to enter arrivals and departures of consignments. As a consequence, the chain of communications links can be complex involving the passing of information from exporter to forwarder to CSP to NES to CHIEF (to RPA etc) to CSP to forwarder and back to the exporter.

7.9.2. CSPs varied in their preparedness for NES, in the stability of their systems, and in their readiness to conduct effective testing and implementation. Major changes have now been made to CSP systems at substantial cost. CSPs expect to receive a fair return on their investments. CSPs charge users widely different sums, which comprise a transaction fee plus an annual/monthly charge. Charges vary both in relation to the nature of the service and also the value of work generated by the customer.

7.9.3. Some intermediaries buy “badges” from CSPs to access CHIEF directly and sell services to exporters, possibly at a lower cost than the CSP. Such operators (and CSPs) have stated that they feel directly threatened by direct web access by exporters (currently the smaller companies) to NES/CHIEF. It is claimed that web access makes some CSP and other offerings uncompetitive and some businesses feel that they are being "disintermediated" by Customs. This matter is also dealt with at section 5 above.

7.9.4. Some larger exporters, who can afford the sums involved, have bought badges from CSPs in order to gain direct access to NES/CHIEF so that they can better monitor the progress of their consignments through CHIEF.

7.9.5. It is felt that a traders ability to interface/interrogate quickly, inexpensively and well, with Customs' systems should not depend on the size of the company, the type of communication employed, the port chosen, or the use of a particular third party.

7.9.6. CSPs would like Consignment Reference Numbers to be re-designed and properly validated within an integrated process. UCRs are often supplied to the CSP by shipping lines who, in turn, obtain them from exporters or consolidators, resulting on occasion in the transposition of digits, false hyphens and slashes, and part numbers in the body of the UCR. As a consequence, cargo can sit in the port because of "No CHIEF entry". (see recommendations 9 and 10 in section 7.7 above).

7.9.7. CSPs are concerned about how to deal with unauthorised loading of containers. They would like to have more consistency by Customs at a local level. They are critical of the strategy on communication protocols and of the Government Gateway because it does not recognise existing links from them to Customs. They too would have preferred more and better consultation prior to NES implementation since they perceived that they would bear the brunt of the trade effort required for system development and for managing implementation.

[HMC&E's observations about this Section 7.9 can be found on page 26]

7.10 Freight forwarders

7.10.1. Freight forwarders claim that NES has increased their workload with more procedures to follow prior to shipment. The UCR has created problems, and there is a preference for using transport references. Some have criticised the use of the Airline Delivery Schedule.

7.10.2. It is recognised that export procedures needed to be tightened, but the industry claims that there has been insufficient consultation and joined-up action by the various government departments. The relationships between freight forwarders, CSPs, airlines and software houses etc are difficult to disentangle, and do not always result in a true meeting of minds.

7.10.3. The freight forwarders trade association, BIFA, wants to see a "secure supply chain", with compliant goods and consignments flowing rapidly through it and non-compliant shipments or traders being subject to appropriate checks. They believe that overall objectives and associated processes need re-examination, and that systems require building to support them.

[HMC&E's observations about this Section 7.10 can be found on page 26]

[HMC&E's observations about Section 7 can be found on page 25]

8 Future developments

8.1. NES represents a first but extremely important step along the road to realising the objectives outlined in Customs International Trade Blueprint. The Blueprint sets out the future development of Customs policy in respect of international trade over the next five or more years. Published in May, 2002, the Blueprint has the endorsement of Government and is taking account of the views of trade. A joint Customs/trade task force has been established in partnership with SITPRO. Essentially, the Blueprint proposes a model for international trade which operates within an electronic environment.

8.2. NES has proved that it is possible to successfully link computer processing across departments (vide the NES/RPA link). This success now needs to be used as a model for the "single window" concept of trader interface with Government departments.

8.3. Throughout the interviews that were undertaken as part of this review, trade representatives expressed enthusiasm for the Blueprint concept but with some concerns that the promised benefits should not be eroded and that consultation and education on the changes that it will bring about should be properly planned and implemented and that the programme should be properly resourced both in human and financial terms.

8.4. This review seeks to identify lessons that can be learned from the implementation of NES that can be applied to Blueprint project implementation and other Customs changes that have an impact on trade.

Glossary

BIFA	British International Freight Association. The trade association for freight forwarders
CAP	Common Agricultural Policy. Affects exporters and importers of food products through a system of agricultural levies and refunds
CHIEF	Customs Handling of Import and Export Freight. The current Customs system for the electronic handling of declarations
CIE	Customs Input of Entries. The input of declaration data to CHIEF by Customs officers
CSP	Community System Provider. An organisation providing a direct link to Customs computer system
DEPS	Departmental Entry Processing System. An electronic declaration processing system. Successor to LACES and predecessor to CHIEF
DTI	Department of Trade and Industry
DUCR	Declaration UCR. An UCR relating to a single declaration normally generated by the exporter or his representative
EDIFACT	Electronic Data Interchange For Administration, Commerce and Transport. A United Nations standard for electronic messages
FTA	Freight Transport Association
ITDLO	International Trade Development Liaison Officers. Appointed by Customs to liaise with individual traders on international trade developments as they affect Customs matters
JCCC	Joint Customs Consultative Committee. The main Customs/trade consultation forum
LACES	London Airport Cargo EDP System. The first electronic declaration processing system. Used at Heathrow airport.
LCP	Local Clearance Procedure. A procedure under NES that allows export clearance to take place at a trader's premises
LEC	Local Export Control. A procedure allowing the clearance of consignments at a trader's premises. Now replaced by LCP.
MUCR	Master UCR. A UCR under which a number of DUCRs may be grouped
NES	New Export System

PE(E)	Period Entry Exports. A system for submitting declarations on computer media. Now replaced by NES.
RPA	Rural Payments Agency
SITPRO	SITPRO Limited. A non-departmental public body reporting to the DTI. Dedicated to helping business trade more effectively and to simplify the international trading process
SMMT	Society of Motor Manufacturers and Traders
SCP	Simplified Clearance Procedure. A declaration method that allowed traders to declare minimal information at the time of export, followed by a full declaration within 14 days of export. Now superseded by SDP
SDP	Simplified Declaration Procedure. An NES procedure. Successor to SCP (<i>supra.</i>)
TURN	Trader Unique Reference Number. A number which uniquely identifies a trader. Traders must register for the number which is based on the trader's VAT number
UCR	Unique Consignment Reference. A unique reference for a consignment. There is a specific format recommended for the UCR

Appendix: HM Customs & Excise response to the SITPRO's Post Implementation Review of the New Export System

HM Customs would like to extend their thanks for the recent Review of the PIR of the New Export System (NES). The opportunity to comment on the findings of the Review, by both the department and associated trade bodies, we hope, will present a more balanced view of the implementation procedures adopted and give clearer direction to future initiatives undertaken.

NES implementation is a significant achievement for both the trade and Customs. Over 99.5% of export declarations are submitted electronically and approximately 500,000 declarations are processed every month.

However, the move from a largely manual system to an electronic system of control was never going to be straightforward. The early decision to implement over 18 months we feel has been justified. The fact that Customs has also addressed specific areas of the trade, either in person or at trade events has also added to the successful implementation.

We are, however, grateful of the comments held within the Review and we will take onboard details of the comments made. We were pleased to receive early feedback on improvements and progress being made with the Blueprint initiative.

In addressing the recommendations made in the report we would like to make the following observations to each recommendation in turn: -

Recommendation 1.2.1 – We agreed that for future projects, improved communication channels and the availability of plans to the trade should be established. This recommendation, along with 1.2.2, is being taken forward with the Blueprint.

Recommendation 1.2.2 – Agreed and this is being progressed in future projects.

Recommendation 1.2.3 – In acknowledging the comments contained in this recommendation, we would highlight that much effort was made to meet with the trade prior to implementation and that specific bodies were addressed such as the SMMT, FPOs and Excise groups. The creation of the JCCC Export sub group was seen as a major step forward. We will however reflect on methods of advertising and publicising in the future and would look to our established trade links to further this recommendation.

Recommendation 1.2.4 – This issue we regard generally as a result of Civil Service recruitment and retention policy rather than a departmental issue. Career paths within the Civil Service structure and HR considerations dictate the departments approach to retaining staff on projects. However, for future projects operational and policy staff have greater involvement in the early stages of trade consultation to ensure continuity once the project is implemented.

Recommendation 1.2.5 – The NES Project Team was not disbanded until the final stage of implementation had been completed. Ownership had passed to Customs International Trade Operations (CITOps) at the beginning of August 2003, though the phased handover of any ongoing issues had been carried out prior to this date. We

acknowledge that better visibility of handover issues could have been made and this will be taken forward in future initiatives.

Recommendation 1.2.6 – The testing of electronic services (internally) was comprehensive, with access to the HMUT service being available to the trade in advance of implementation. We are making plans for comprehensive trade testing for all trade services.

Recommendation 1.2.7 – Agreed as per 1.2.6

Recommendation 1.2.8 – The “light touch” approach was decided upon at an early stage and has allowed trade to keep moving throughout the transition period. Some sectors though have now criticised the continuation of this policy as it affected their operations, causing financial problems. A balance has to be struck between compliance and “UK plc” trade needs. We feel that the rationale behind this “light touch” approach has been justified.

Recommendation 1.2.9 – Prior to, and throughout implementation, HMC made efforts to include Other Government Departments (OGDs). The decision by the DoTI to defer the implementation export licensing was a disappointment. The Single Window viewpoint was dependent on the co-operation of all OGD’s across the Civil Service. We would recommend that SITPRO take up issues with individual OGDs as identified.

Recommendation 1.2.10 – Greater access to screens for audit purposes is a recommendation that we support, though this access could be only given once the necessary funding was available to further develop CHIEF. Commercial systems are also able to exchange data so this is viewed as a possible avenue to consider further.

Recommendation 1.2.11 – As per 1.2.9

Recommendation 1.2.12 and Recommendation 1.2.13 – We were pleased to announce to the meeting that the changes outlined in the two recommendations had been part of the recent CHIEF changes on 28th March 2004. Details can be found at the following link: -

<http://www.hmce.gov.uk/business/importing/newexpsys/chief-changes-28-03-04.pdf>

Recommendation 1.2.14 – There are a series of proposed changes that are being considered for future CHIEF enhancement. Amongst these are proposals from the trade for additional criteria to be included under which goods may be arrived.

Recommendation 1.2.15 – We were not clear on the origin of this recommendation yet we believe the reference was to operations such as FPOs. An agreement with the FPOs has been formulated into a temporary Memorandum of Understanding (MOU). This MOU is subject to revision though this is subject to gaining a guaranteed level of compliance within the industry. A dedicated team in Cardiff is monitoring the MOU along with the NBMs for the FPOs.

Recommendation 1.2.16 – This recommendation is to be confirmed internally by CITOps yet the use of the Low Value CPC should negate the need for any Supplementary Declarations for goods below £600 in value.

Further comments on the Review are referred to under their references.

Under paragraph 2.4.6 - reference is made to the Designated Export Place. This is a new initiative under NES though the inclusion of the DEP as a procedure is incorrect. The DEP is a facility / location, not a procedure.

Paragraph 3.3 - refers to the issue of publicity and we feel that comprehensive information was to hand and was publicised and disseminated through JCCC papers and trade events.

Paragraph 3.3 - supports our comments made under Recommendation 1.2.1 in that a great deal of effort was made by the department that, in fairness, was not always greeted with enthusiasm by certain trade bodies. This *ad hoc* approach by certain sectors of the trade had not helped progress NES as we would have wished.

Under paragraph 4.3 - we can confirm that some issues were handed over to CITOps yet the issues they are now dealing with are seen as enhancements in order to gain improved compliance and not part of the implementation phase. Operational managers were involved with implementation matters and we are ensuring that they are involved with future initiatives.

Paragraph 5.5 – This refers to Recommendation 1.2.8. and we can confirm that CITOps have met on a number of occasions with FDF members to address ongoing issues of Export Refunds. The most recent meeting held on 13 April 2004 involved the RPA and was chaired by Maurice Kingdon. It is the intention that most residual matters will be rectified in the near future.

The comments made under section 7 concerned the apparent increased costs to the trade. Some analysis had been undertaken though the Review did not address one of the main drivers behind NES development.

Prior to NES implementation, the options were to present a paper document or ask the CSPs to make declarations electronically. The expenditure of signing up to a CSP was not always practical for the smaller trader so Customs offered routes into CHIEF that allowed the trade to choose their method of declaring their exports. Whilst there is an annual outlay for a digital certificate this cost is comparatively less than routinely subscribing to CSPs. One important point to note is that although the Web, Email and XML channels (WEX) were created primarily for SME traders we now find that larger traders are also using the WEX routes. NES offers the trade a better choice of products and routes into CHIEF.

Paragraph 7.3 - refers to the introduction of the SMMT arrangements. Generally most areas underwent implementation concerns and the SMMT was not exempt. CITOps will be continually liaising with SMMT traders through the NBMs to ensure the benefits of NES are not lost to this trade sector.

Paragraph 7.8.3 – refers to the replacement of the Simplified Clearance Procedures. NES has not replaced the simplifications previously offered and the EU legislation has not changed. We have ensured that simplified entries are processed electronically under the NES and that the definition falls in line with EU Regulations.

Paragraphs 7.9.1 to 7.9.7 - highlighted the knock-on effects of the NES on CSPs.

Prior to NES the CSPs were the only electronic route into CHIEF. Customs decided to offer alternatives for the trade so that a range of choice was available for each trader in turn. By offering alternatives we feel exporters have been encouraged to try out alternative routes where cost is of primary concern. The WEX routes have not always proven to be as robust as the CSP routes and this is why a large percentage of the trade continue to operate through CSPs.

We acknowledge the pro-active support given to the NES project by all CSPs. Their systems have proven to be a reliable route into CHIEF.

Paragraph 7.10 - refers to the use of Airline Delivery Schedules. This was commercial decision by the airlines to meet the completion of the arrival message within the CCS UK environment.

Conclusion

Customs acknowledge the work that has gone into the PIR review and accept the complexity of the various issues identified within NES. Developing electronic systems and improved methods of communication we hope to take onboard the recommendations made in the Review and implement in conjunction with future development such as the Blueprint and other projects.

Customs will be seeking the full support of the trade and Other Government Departments to deliver future initiatives. By working together we can learn from lessons (both positive and negative) from the NES project.