Evaluation of the electronic customs implementation in the EU

Final report

21 January 2015

the evaluation partnership

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Executive Summary

i. The e-Customs initiative

The European Union's **e-Customs initiative** is a project initiated by the European Commission that aims to replace paper-format customs procedures with EU-wide electronic ones. The project's objectives are to enhance security at the EU's external borders, to ensure the proper collection of customs duties, and to facilitate trade. By establishing secure, interoperable electronic customs systems for the exchange of data, the initiative aims to facilitate import and export procedures through a reduction in compliance and administrative costs and improved clearance times.

The **e-Customs Decision** is one of the key pieces of legislation which provides a legal base for the initiative. The Decision details the interoperable systems to be introduced, deadlines for their establishment and foresees a division of tasks and human, budgetary and technical resources between the Commission and the Member States.

Crucially, the e-Customs Decision led to the generation of the electronic customs Multi-Annual Strategic Plan (MASP), a management and planning tool developed in collaboration between the Commission and Member States in order to set the strategic framework and milestones for implementation of the e-Customs initiative.

ii. The evaluation methodology

This evaluation had **two main objectives**. Firstly, it aimed to evaluate the impact of the e-Customs Decision; secondly, it is meant to prepare the ground for future initiatives to improve the e-Customs environment and further harmonise e-Customs implementation the EU. In particular, the evaluation sought to find evidence that can be used to take the situation forward depending on the priorities and needs of the many stakeholders involved. In this context, the research focused on the **observable impact of the e-Customs Decision and the identification of areas for improvement**.

In order to fulfil this dual purpose, the evaluation distinguished between two separate but closely related parts: an **impact evaluation and a process evaluation**. The first used (mostly) quantitative methods to identify, to the extent possible, measurable effects of e-Customs on economic operators, while the second used (mostly) qualitative methods to hone in on the operations and implementation of various procedures and IT systems behind that impact. Research for the two parts was undertaken in parallel, with substantial complementarity in terms of the data collection and analysis, but we found it useful to keep them conceptually separate. This helped us structure the analysis appropriately and provide a holistic view of the e-Customs implementation.

Given the plethora of studies and reports recently commissioned and completed on this or related subjects, this evaluation served to build on and complement this work rather than duplicating it. We did this principally by aiming the primary data collection at economic operators, allowing us to rely on existing sources for the views of other stakeholders (most importantly customs authorities). We also focused more on the e-Customs Decision (and how its implementation could be improved) than other studies have done.

The evaluation took place over a period of 13 months and relied on data gleaned from a number of different primary and secondary sources. These consisted of:

- **Desk research**: we used existing data to answer parts of the evaluation questions, as well as to frame the overall conclusions and recommendations. Sources included relevant policy and programming documentation, monitoring and progress reports, economic data and studies and independent evaluation studies and reports. In particular, these included the Study on the Evaluation of the Customs Union[1], the Feasibility Study for an evaluation of the Customs Union[2] and the Final Evaluation of the Customs 2013 programme[3].
- **Eurobarometer survey**: a large part of the evaluation relied on the data gathered during a large-scale consultation with economic operators as part of a statistically representative Eurobarometer study[4]. While that study was implemented by another contractor, we collaborated in the formulation of the survey questionnaire and performed our own analysis of the resultant data.
- **In-depth interview programme**: we conducted a series of interviews to provide qualitative data on key aspects of the e-Customs environment, including perceptions of recent changes and potential improvements. The interview programme consisted of nearly 50 interviews with a diverse range of stakeholders including representatives of point of entry operators, carriers (including shipping and haulage companies), customs clearance agents, economic operators (companies importing and exporting goods to and from the EU), associations representing the interests of these economic operators and customs-related service providers (such as port community systems). In addition, we conducted interviews with over 20 Commission officials.
- **Case studies**: a set of six case studies complemented the other research tools by providing a richer, holistic view of certain highly complex aspects of the e-Customs environment based on in-depth qualitative research. The 40 interviews carried out as part of the case studies allowed us to reach a wider variety of stakeholders and explore relationships and dynamics in a more detailed way than was possible through the more targeted research tools. The limited number of case studies meant we could not reach a representative sample of stakeholders or industries, but they allowed us to provide insight in areas of particular interest. These consisted of two case studies on points of entry (airports and seaports), two case studies on specific industries (pharmaceuticals and automotive) and two case studies on carriers (sea and air).

[1] "Study on the Evaluation of the EU Customs Union" by PwC, June 2013 Url: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_customs_union_en.pdf

[2] "Feasibility study on the evaluation of the state of the EU Customs Union" by Deloitte, May 2012 Url: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_customs_union_annex1_en.pdf

[3] Final Evaluation of the Customs 2013 programme Url: http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/customs_2013_final_evaluation_report.pdf

[4] Flash Eurobarometer 399 "The electronic customs implementation in the EU", conducted by TNS at the request of the European Commission, Directorate-General for Taxation and Customs Union. Url: http://ec.europa.eu/public_opinion/flash/fl_399_en.pdf

iii. Conclusions from impact evaluation

The evaluation attempted to gauge the **detectable impacts** of recent changes to the e-Customs environment on economic operators, in terms of increased competitiveness, reductions in administrative costs and benefits of harmonisation / standardisation, as well as costs associated with the status quo. All of these issues relate to the higher-level objective of facilitating import and export procedures and thereby increasing trade.

As a starting point, it is important to understand the **limited room for manoeuvre** of the Commission and Member State authorities in these respects. While there are numerous ways that customs can help (legitimate) economic operators through, for example, curtailing the trade in counterfeit goods and detecting goods that fail to meet phytosanitary standards, the need to deal with **customs is *primarily* seen as an administrative burden**. In other words, the customs environment is enabling for economic operators when it *impedes them as little as possible*, and its potential impact on European business and trade should not be considered alongside policies aimed at, say, increasing innovation.

Leading from this, the **direct impacts** of the e-Customs environment for economic operators fall mostly under the broad heading of **changes that 'made life easier'** for them, which depending on their importance were sometimes considered to have wider benefits. For example, economic operators interviewed for the evaluation found that recent changes in the e-Customs environment have delivered cost savings to their businesses through more streamlined customs processes, fewer errors when filling customs declarations and the relative ease of transmitting information.

More specifically, **centralised databases** were considered to have contributed positively to **efficiency and economies of scale**. Stakeholder satisfaction with the trans-European systems[5] was generally positive but varied according to factors like the **ease of implementation, perceived added value over existing practices** (especially when, like the introduction of the ICS[6], these comprised new requirements rather than improvements to existing processes) and user friendliness (as explained in more detail in the process conclusions below). While there were also costs associated with adopting new systems (like training and infrastructure expenditure) and complying with new requirements, standardisation and harmonisation were generally seen as net positives.

With regard to economic operators concerned with importing and exporting goods, individual circumstances and scarcity of data prevented us from drawing generalisable conclusions about the costs and benefits of e-Customs in concrete terms. Allowing for the **relatively minor role customs plays in the business models** of most economic operators, we found evidence that some (albeit a relatively small proportion) firms were able to enter new markets or lower prices for consumers due to changes in

[5] Trans-European Systems (TES) are common IT systems for which specifications are developed collaboratively at EU level that are then implemented nationally by Member State administrations such as to ensure compatibility with national infrastructure. They provide platforms for sharing various types of customs-related information between Member State administrations, the Commission and economic operators.

[6] ICS, the Import Control System, is a TES developed by the European Commission and the EU Member States aimed at ensuring that goods entering the EU are safe. To do this, it gives Member State administrations a platform for processing and sharing relevant information about the Entry Summary Declarations that carriers must lodge with customs authorities for all incoming goods.

the e-Customs environment. This can be considered a **relatively small, but positive, impact on competitiveness**.

Economic operators for whom customs occupies a more central position, such as Customs-related Service Providers (CRSPs) understandably had more pronounced views about e-Customs, and stressed the **positive impacts** for them of increased harmonisation and enhanced economic operator access to e-Customs systems. Their benefits from such changes stem from **increased commercial opportunities** from economic operators becoming active in growing numbers of Member States.

iv. Conclusions from process evaluation

Overall, the **e-Customs systems introduced in recent years have delivered administrative cost reductions** and more harmonised exchange of information among both authorities and economic operators. Our core finding is that administrative cost reductions from the EU components of e-Customs systems are driven in large part by successful implementation and the relative difference compared with the existing situation (which varied by country). The development of an e-Customs environment has helped Member States' customs administrations to perform their key tasks more effectively and efficiently. Processes are carried out faster, more efficiently, and with less scope for human error**.**

Economic operators also benefit from the improvements to the processes of the e-Customs environment (through time and costs saved related to the production and delivery of paper declarations) but continuing demands for supporting documents to be produced in paper format diminishes some of these benefits. Furthermore, the **emphasis placed on safety and security** (the main driver of the e-Customs initiative over the last decade) has imposed additional regulatory requirements on economic operators. Where systems have been introduced that did not replace paper systems but rather added to existing requirements, this imposed an additional regulatory burden on trade.

In its current form and level of implementation, **the e-Customs environment improved the flow of data between stakeholders but it cannot yet be considered 'seamless'**. Economic operators report instances of needing to submit the same data multiple times both to authorities within the same Member State and, where operating in multiple Member States, to national authorities in each of the Member States where they operate. Data sharing among Member States still has substantial potential to be increased.

Furthermore, not all Member States have fully implemented a paperless environment for customs (we are in a **situation of 'paper-less' customs, rather than paper free**). A paper-less, or partially implemented, e-Customs environment allows some of the benefits in terms of trade facilitation to accrue to economic operators, but greater benefits could be reached if supporting documents (such as air waybills, commercial contracts and invoices) did not have to be provided in paper format.

The lack of harmonisation in customs processes and national variants of TES remains a problem acting as a significant non-tariff barrier to trade. Furthermore, given the aim of the e-Customs Decision to "harmonise the exchange of information", increasing harmonisation of TES among Member States should be relatively straightforward from a policy perspective.

Common technical and functional specifications can be seen as **necessary but not sufficient to achieve a harmonised experience** of the electronic customs

environment across the EU or a common approach to risk management. In addition, there are still barriers to investment by Member States in TES, such as continued commitments to legacy systems. Looking ahead, the focus should be on substantive rather than procedural aspects of TES; namely, wherever possible removing duplication and streamlining the experience for economic operators. Given the constraints felt by Member States and investment required of all parties, it is important that planning takes place in a framework with sufficient consultation and lead-time for the roll out of future systems. The MASP continues to be crucial in this regard.

Addressing shortcomings in dialogue, consultation, and engagement is also important to ensure that stakeholders feel they are involved and are well served by the e-Customs environment and future e-Customs developments. Moreover, constructive fora for consultation and dialogue, potentially funded through the Customs 2020 programme, such as the existing Electronic Customs Group[7] should be emphasised as vital for achieving buy in for the harmonisation in customs processes. Engaging economic operators, as well as customs officials, in such fora is also important.

The area where **least progress** has been made towards the commitments set out in the e-Customs Decision is with regard to **establishing a single window environment.** In the context of the evaluation, the single window was understood as the process that aimed to simplify border formalities by arranging a single (electronic) submission of information to fulfil cross-border regulatory requirements and by fostering closer collaboration between the border agencies and trade community. None of the Member States has implemented a single window environment in full, although some are at the beginning to link up the authorities that coordinate border management. The difficulties inherent in trying to get authorities with different needs and mandates to work together should not be underestimated, especially at a European level, but coordination within the Commission (with DG MOVE's single window initiative in the maritime transport sector) should be a priority.

v. Recommendations

The evaluation drew on our findings and conclusions to present the following recommendations for the future.

The MASP

Providing a **legal base for the MASP** has been one of the main successes of the e-Customs Decision. There is no reason to put this in jeopardy by repealing the existing Decision. While the current Decision will not expire, there is scope to clarify the relationship between the MASP and the Union Customs Code (UCC) Work Programme.

Nature of successor initiatives

The relatively 'soft' nature of many of the provisions in the Decision in comparison with the detailed, prescriptive provisions of the Union Customs Code is one of its key distinguishing features and strengths. As explained by many stakeholders during the evaluation, the aspirational and flexible nature of the Decision rendered some of its

[7] The Electronic Customs Group is a joint action funded through the Customs 2020 programme that regularly convenes national officials and (sometimes) economic operators to discuss future and current collaboration and harmonisation efforts.

more ambitious provisions palatable to stakeholders who otherwise would have been prohibitively concerned with competing demands on scarce resources. This provided necessary lead-time to stakeholders, heralding the inclusion of related (but more concrete) provisions in the UCC (e.g. the obligatory use of electronic data processing techniques). In any future proposals, the Commission should take a similar approach, emphasising the **need for flexibility and complementarity** with other parts of the regulatory framework.

Interplay with centralised clearance

Economic operators engaging in customs procedures in more than one Member State consistently argued that centralised clearance would represent a major step forward that would significantly reduce their administrative burden. However, it was **not clear how plans for centralised clearance fit with those for a single window**. If a single window for customs is considered a milestone towards eventual centralised clearance, this should be communicated to stakeholders and explained in long-term planning documents.

Future of the e-Customs Decision and the single window initiative

The evaluation showed that, while certain elements of the Decision, most importantly the legal base for the MASP, remain highly relevant, other parts either have been superseded or are not concrete enough to encourage and incentivise further advances. The Commission should consider the need to supplement the Decision in the light of those objectives that remain to be achieved. Chief among these outstanding objectives is the single window initiative.

The future of the e-Customs environment is to a great extent linked to the single window concept. Although foreseen in the e-Customs Decision, in the years since its entry into force the ambitious goal of a 'framework of single window services' has yet to be achieved. With regard to any future initiative single window initiative, several issues need to be considered:

Definition of an EU single window environment for customs

As the High Level Seminar on the single window in October 2014 showed, there is not an agreed and commonly understood definition of the single window concept among the EU and Member States. **The Commission should take the opportunity to consult on and put forward an explicit definition that addresses the current confusion**. This could kick-start consultation with stakeholders about what a future single window would entail and aim to accomplish.

Relationship with DG MOVE initiative:

A **coordinated approach to the implementation of the single window concept at EU level is both desirable and necessary**. The Commission should decide which of its services will develop the single window. As DG TAXUD's Options Paper on the future of the national single window for customs recognises, much **speaks in favour of DG MOVE leading this initiative**. The national single window for customs could thus be implemented as an extension of the single window developed in the field of maritime transport. This recommendation necessarily implies an extension of the DG MOVE initiative in its current form, to cover the other forms of transport (air, road and rail) by which goods enter and leave the EU

Should the Commission instead decide to develop separate single window initiatives led by DG MOVE and DG TAXUD, we recommend that these initiatives should be complementary (particularly in terms of adding value to the services provided to economic operators, and not only imposing additional obligations on trade), and collaborative, reflecting the recent call by Member States for '[b]etter coordination between departments in the European Commission'[8].

Economic operators' needs

Economic operators voiced support for future initiatives like the single window if (and only if) they were likely to lead to **practical improvements**, like faster customs clearance and a reduced need to file duplicate information. However, they also stressed the **need to maximise continuity** with existing systems and avoid potentially costly and time-consuming transition periods. In other words, a single window is not intrinsically valuable but is seen as a means to an end of more effective and efficient customs procedures. Echoing this, some authorities and economic operators emphasised continued difficulties in implementing fully electronic systems, while others stressed the important role for Port Community Systems in improving the interface for economic operators. The Commission should **consider these issues and consult widely** when developing plans for a future single window, with a focus on improving the situation for stakeholders.

National single windows and interoperability

Leading from the above, the evaluation showed that Member States **make progress at different speeds and according to different national priorities**. Some Member States are in the advanced stages of developing national single window, whereby the various authorities requiring information can communicate with each other seamlessly. The role for the EU in this context **should not be mainly to develop new systems, but to focus on coordinated border management and interoperability**. New systems could then be considered when fitting with this broader goal. Such a focus would ensure **maximum gains for authorities** (in terms of ready access to relevant data and information) as well as for economic operators (who stand to benefit from reduced clearance times, better-targeted risk management processes etc.).

[8] As per the final declaration to the High Level Seminar on the Future of Electronic Customs, with Special Focus on Single Window Implementation in the Customs Union held in Venice, October 2014.

Glossary of terms and acronyms

€	Euro
AEO	Authorised Economic Operator. On the basis of Article 5a of the security amendment, MS can grant the AEO status to any economic operator meeting the following common criteria: customs compliance, appropriate record-keeping, financial solvency and, where relevant, security and safety standards. The status of authorised economic operator granted by one MS is recognised by the other MS. While this does not automatically allow AEOs to benefit from simplifications provided for in the customs rules in the other MS, other MS should grant the use of simplifications to authorised economic operators if they meet specific requirements. The IT system for AEO provides a platform enabling central management of AEO applications and certificates; downloadable information for national customs administrations and publication of the list of AEOs.
C2013	The Customs 2013 Programme
CA	Customs Authority
CCC	Community Customs Code. Regulation (EC) No 2913/92 established the Community Customs Code.
CCN/ CSI	Common Communication Network/Common System Interface (European network infrastructure)
CN	Combined Nomenclature. When declared to customs in the Community, goods must generally be classified according to the CN.
Council Resolution on e-Customs	Council Resolution of 5 December 2003 on creating a simple and paperless environment for customs and trade
CRMS	Community Risk Management System. Main IT system for risk management which entails sharing the information from the Risk Information Form and Common Priority Control Areas between Member State authorities and the European Commission.
CRSP	Customs Related Service Providers. Companies dealing with foreign trade operations and intercommunity transits who help to exchange customs and trade information abroad, with their partners (traders and forwarders, logistics operators and global integrators) but also with the local customs authorities, complying with their specific operational rules and established regulations.
Customs shopping	Practice by which economic operators choose certain entry points over others based on differences in administrative costs
CVED	Common Veterinary Entry Document
DG MOVE	Directorate General for Mobility and Transport
DG TAXUD	Directorate General for Taxation and Customs Union
EC	European Commission
ECS	Export Control System. ECS has been developed by the EU for the exchange of messages and data relating to the export procedure (and outward processing and re-exportation after a customs

	procedure with economic impact) between national customs administrations and between them and economic operators and with the European Commission. In effect, it provides for the control of the export procedure and as the primary means for certification of export from the EU, for VAT and other tax purposes.
e-Customs Decision	Commission Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade
e-Customs initiative	The set of regulations and other initiatives aimed at achieving a secure, integrated, interoperable and accessible set of electronic systems for the exchange of data contained in customs declarations, documents accompanying customs declarations and certificates and the exchange of other relevant information. It includes the e-Customs Decision, the IT systems and some joint actions funded through the Customs 2013 programme.
EDI	Electronic data interchange. Under the conditions and in the manner which they determine, the customs authorities may provide that customs formalities are carried out by exchanging EDI standard messages; this includes the replacement of the handwritten signature by other means and a waiver from presenting written documents when the declaration is lodged
ENS	Entry Summary Declaration. Most goods brought into the customs territory of the EC must be pre-notified in an ENS, which is submitted to the customs Office of First Entry into the European Union for safety and security risk analysis purposes. It is the carrier's responsibility to present the ENS to customs - as the person who brings the goods, or assumes responsibility for the carriage of the goods, into the customs territory of the Community.
EO	Economic operator
EORI	Economic Operators' Registration and Identification System. System aiming to establish a unique system of registration and identification for economic operators in the EU as laid down in Regulation (EC) 312/2009. This way, the systems aims to provide customs authorities in the EC with easy and reliable access to operators' registration and identification data.
EU	European Union
EU added value	Value resulting from an EU intervention which is additional to the value that would have been created by Member State action alone. In the context of the evaluation, EU added value can be defined more specifically as EU action that complements national and local initiatives; reduces administrative costs and burdens; fosters and sustains networks between national administrations; fosters uniformity in the implementation of EU legislation; leads to sustainable results.
EU Customs Union	The Customs Union which consists of all the EU Member States and several neighbouring countries. The Customs Union implies the absence of customs duties on goods crossing internal borders and a common external tariff. The Customs Union is an exclusive

	competence of the EU, with implementation of customs legislation primarily falling to Member States.
EU financial interest	Revenues, expenditures and assets covered by the budget of the EU. In the context of this evaluation, the EU financial interest refers to the effective collection of customs duties, which are mostly allocated to the EU budget.
ICS	Import Control System. Systems architecture for the lodging and processing of Entry Summary Declarations and for the exchange of messages between national customs administrations and between them and economic operators and with the European Commission.
ICT	Information and communication technologies
Impact	Change that occurred due to a specific initiative.
Interoperability	'Interoperability, within the context of European public service delivery, is the ability of disparate and diverse organisations to interact towards mutually beneficial and agreed common goals, involving the sharing of information and knowledge between the organisations, through the business processes they support, by means of the exchange of data between their respective ICT systems.' Source: European Interoperability Framework (Annex 2 of COM(2010)744)
Interoperability Decision	Commission Decision 2004/387/EC of the European Parliament and of the Council of 21 April 2004 on interoperable delivery of pan-European e-Government services to public administrations, businesses and citizens
IT	Information Technology
MASP	Multi-Annual Strategic Plan. It is a management and planning tool drawn up by the European Commission in partnership with Member States in accordance with Article 8(2) of the e-Customs decision. The MASP ensures effective and coherent management of IT projects by setting down a vision, strategic framework and milestones. It is endorsed by Member States in the Customs Policy Group (CPG).
MCC	Modernised Customs Code. Regulation (EC) No 450/2008 of the European Parliament and of the Council laying down the Community Customs Code (Modernised Customs Code)
MS	Member State
NCTS	New Computerised Transit System. Computerised transit system based on exchange of electronic messages that replace the paper documents and some formalities of the old system. The messages are sent between economic operators and customs offices; customs offices within a country; and national customs administrations themselves and the European Commission. The main messages exchange relate to: the transit declaration; the movement reference number; the transit accompanying document; the anticipated arrival record; the anticipated transit record; the notification of crossing frontier message; the arrival advice; and the destination controls

	results message.
OECD	Organisation for Economic Cooperation and Development
OLAF	European Anti-Fraud Office
PCS	Port Community Systems. A PCS is an electronic platform that connects the multiple systems operated by a variety of organisations that make up a seaport or airport community. It is shared in the sense that it is set up, organised and used by firms in the same sector.
QUOTA	Database tracking the overall EU usage of "First come first served" import quotas for certain third countries.
Security and safety amendment	Regulation (EC) No 648/2005 of the European Parliament and of the Council of 13 April 2005 amending Council Regulation (EEC) No 2913/92 establishing the Community Customs Code which provides for full computerisation of all procedures related to security and safety
Single Access Point (SAP)	A facility that will allow economic operators to lodge their electronic pre-arrival/pre-departure, summary and full customs declarations via one single interface of their choice which connects their system with all Member States' customs systems. The data is automatically made available to any customs office responsible for the place at which goods have been, or are to be, presented, irrespective of the Member State concerned.
Single Window (SW)	A facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements.
SME	Small and medium-sized enterprises
TARIC	A database integrating all measures relating to EU customs tariff, commercial and agricultural legislation. By integrating and coding these measures, the TARIC secures their uniform application by all Member States and gives all economic operators a clear view of all measures to be undertaken when importing or exporting goods. It also makes it possible to collect EU-wide statistics for the measures concerned.
TEP	The Evaluation Partnership
TES	Trans-European Systems (TES) are common IT systems for which specifications are developed collaboratively at EU level that are then implemented nationally by Member State administrations such as to ensure compatibility with national infrastructure. They provide platforms for sharing various types of customs-related information between Member State administrations, the Commission and economic operators.
UCC	Union Custom Code. The Union Customs Code (UCC) was adopted on 9 October 2013 as Regulation (EU) No 952/2013 of the European Parliament and of the Council. The UCC is part of the modernisation of customs and will serve as the new framework Regulation on the rules and procedures for customs throughout the EU.

UCC WP	Union Customs Code Work Programme
UNECE	United Nations Economic Commission for Europe
Uniformity	A state or condition in which the application of customs legislation is homogeneous and unvarying across the Customs Union.
VAT	Value Added Tax
WCO	World Customs Organisation

1. Introduction

This final report is the fourth of four main deliverables to be submitted to the European Commission's Directorate General for Taxations and Customs Union (DG TAXUD) by The Evaluation Partnership (TEP), Europe Economics (EE) and Ramboll in the context of the *Evaluation of the electronic customs implementation in the EU.*

The purpose of this report is to present a full set of evaluation findings, conclusions and recommendations. This final report consists of the following main sections:

- Section 2 presents a brief introduction to the subject of the evaluation, namely the e-Customs Decision, and summarises the purpose, approach and methodology for the evaluation.
- Sections 3 present the main findings of the evaluation, structured around the evaluation questions defined in the Terms of Reference and refined in the Inception Report.
- Section 4 presents overall conclusions as well as recommendations for improvements.
- Technical annexes (submitted as a separate document) contain more detailed evaluation findings, structured by data collection method.

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2. Context and approach to the evaluation

2.1. Evaluation background

2.1.1. The Customs Union and the e-Customs Decision

Customs Union

Since its realisation in 1968, the Customs Union has been at the heart of the European project. Without a uniform application of common rules at its external borders, the bloc's single market would be unable to function.

The Customs Union is founded upon **four key principles** that were agreed in 1968 and have since then guided EU customs policy[9]:

1. No customs duties at internal borders between the EU Member States;
2. Common customs duties on imports from outside the EU;
3. Common rules of origin for products from outside the EU;
4. A common definition of customs value.

Growing trade volumes and fierce global competition have driven the EU to better facilitate and encourage the flow of goods across its external borders. The impact of the financial crisis notwithstanding, the value of EU **external trade grew by almost 80%** between 2003 and 2013[10]. Customs administrations across the Member States handle approximately 17% of world trade (over 2 billion tonnes of goods a year) with a value of €3,300 billion. There are more than 1,000 customs offices of entry along the entire EU external border (land, air, sea) handling an average of 8.9 declarations per second. [11]

Thus, while the principles described above remain valid, much has been done to build on and improve the situation during the intervening years. In particular, a vast body of EU legislation has been developed and implemented, and other initiatives have sought to improve cooperation and collaboration between the European Commission and Member States, and between Member States themselves. As defined in the Strategy for the evolution of the Customs Union, published in April 2008[12], the current objectives of the Customs Union include:

- Protection of society and the financial interests of the Community;
- Support to the competitiveness of European companies;
- Facilitation of legitimate trade;

[9] For more information on its founding principles see the Commission's Customs Union website at url: http://ec.europa.eu/taxation_customs/40customs/customs_general_info/about/index_en.htm.
[10] Eurostat trade data, see url: http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tet00018&language=en.
[11] Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on the State of the Customs Union COM(2012) 791 final
[12] For more information, refer to the Strategy for the evolution of the Customs Union: COM(2008) 169, url: http://ec.europa.eu/taxation_customs/resources/documents/customs/com(2008)169_en.pdf.

- Control and management of the supply chains used for the international movement of goods;
- Better cooperation between the customs authorities of the Member States, between customs and other governmental agencies and between customs and the business communities.

The e-Customs Decision (Decision 70/2008/EC)

Under the Lisbon Agenda, the EU and its Member States committed to increasing the competitiveness of companies doing business in Europe and recognised the importance of establishing pan-European e-Government Services to strengthen the single market. In late 2003 the Council called upon the Commission to draw up, in close cooperation with the Member States, a multi-annual strategic plan for creating a coherent and interoperable electronic customs environment for the EU[13]. The 2004 interoperable delivery of pan-European e-Government services to public administrations, businesses and citizens (IDABC) Decision[14] demanded measures to ensure the seamless flow of data to make customs clearance more efficient, reduce administrative burdens and increase the security of international trade. The provision of information and communication technologies (ICT) for customs purposes was seen as crucial to meeting these challenges.

Together with the Community Customs Code[15] and the Security and Safety Amendment to the it[16] , the e-Customs Decision[17] is one of three key legislative instruments which make up the EU's existing **electronic customs initiative**.[18] According to the European Commission, the initiative aims at establishing secure, interoperable electronic customs systems for the exchange of data to[19]:

a) Facilitate import and export procedures;
b) Reduce compliance and administrative costs and improve clearance times;

[13] Council Resolution of 5 December 2003 on creating a simple and paperless environment for customs and trade
[14] Decision 2004/387/EC of the European Parliament and of the Council of 21 April 2004 on interoperable delivery of pan-European e-Government services to public administrations, businesses and citizens
[15] Regulation (EC) No 2913/92 establishing the Community Customs Code and implementing provisions contained Regulation 2594/93.
[16] Regulation (EC) No 648/2005 of the European Parliament and of the Council of 13 April 2005 amending Council Regulation (EEC) No 2913/92 establishing the Community Customs Code which provides for full computerisation of all procedures related to security and safety, for a full explanation of the Security and Safety Amendment see the Commission's e-Customs website, url:
http://ec.europa.eu/taxation_customs/customs/policy_issues/electronic_customs_initiative/electronic_customs_legislation/index_en.htm.
[17] Decision No 70/2008/EC of the European Parliament and of the Council of 15 January 2008 on a paperless environment for customs and trade
[18] While the Community Customs Code was repealed when the Union Customs Code entered into force on 30 October 2013, its substantive provisions will apply only from 1 May 2016. Much of the evaluation (particularly primary research collected from various stakeholders) focused on the situation as it existed at the time of writing, but where applicable considered the changes expected from the UCC and its Implementing and Delegated Acts (e.g. sections 3.1 and 3.8). For general information about the UCC see url:
http://ec.europa.eu/taxation_customs/customs/customs_code/union_customs_code/index_en.htm.
[19] These are the six main objectives, as set out under Article 2 of the e-Customs Decision

c) Coordinate the approach to the control of goods and application of the legislation;
d) Ensure proper collection of duties and charges;
e) Ensure the rapid provision and receipt of relevant information with regard to the international supply chain
f) Enable a seamless flow of data between the parties involved and allow re-use of data.

The **e-Customs Decision** details the interoperable systems to be introduced, deadlines for their establishment and foresees a division of tasks and human, budgetary and technical resources between the Commission and the Member States. Crucially, the e-Customs Decision led to the generation of the electronic customs Multi-Annual Strategic Plan (MASP). The MASP is a management and planning tool developed in collaboration between the Commission and Member States (normally revisited and updated yearly) in order to set the strategic framework and milestones for implementation of the e-Customs initiative.

By '**e-Customs implementation**' we understand the electronic systems which have been put in place by the EU and its Member States within the field of customs. This '**e-Customs environment'** includes trans-European systems developed at the EU level and systems introduced or developed at national level for the administration of customs processes in a paperless form.

An underlying principle is that, vis-à-vis economic operators, the 28 national customs administrations are intended to move towards a situation where they can be said to be acting as one. While this would entail some implementation costs, such as those relating to developing new IT systems and training staff, they would be more than offset by numerous benefits like reduced trading costs, reduced incentives for "customs shopping"[20] and the more efficient collection of customs duties. These issues were examined in depth throughout this study and explained in detail in section 3 on the evaluation findings.

Intervention logic

During the first weeks of the present evaluation, we sought to distil the dynamics underpinning the e-Customs initiative into a diagram in the form of an intervention logic. It should be noted that developing an intervention logic model for legislation or political initiatives requires a special approach to that typically taken when analysing a spending programme or project, as the 'cause-effect' logic needs to be conceptualised in a slightly different way. In the first instance, there are typically no specific resources (financial, human or other) that stem directly from the initiative, while the initiative's role in activities which lead to the achievement of its objectives is often inspirational and dependent on many external factors; these include but are not

Intervention logic
An intervention logic is a model that graphically illustrates the components of an evaluand – typically a programme or project – in order to clarify the causal chain, i.e. how certain inputs and activities are expected to lead to outputs, results and impacts (which are linked to objectives at different levels). In this way, an intervention logic can summarise a potentially complex theory into basic categories.

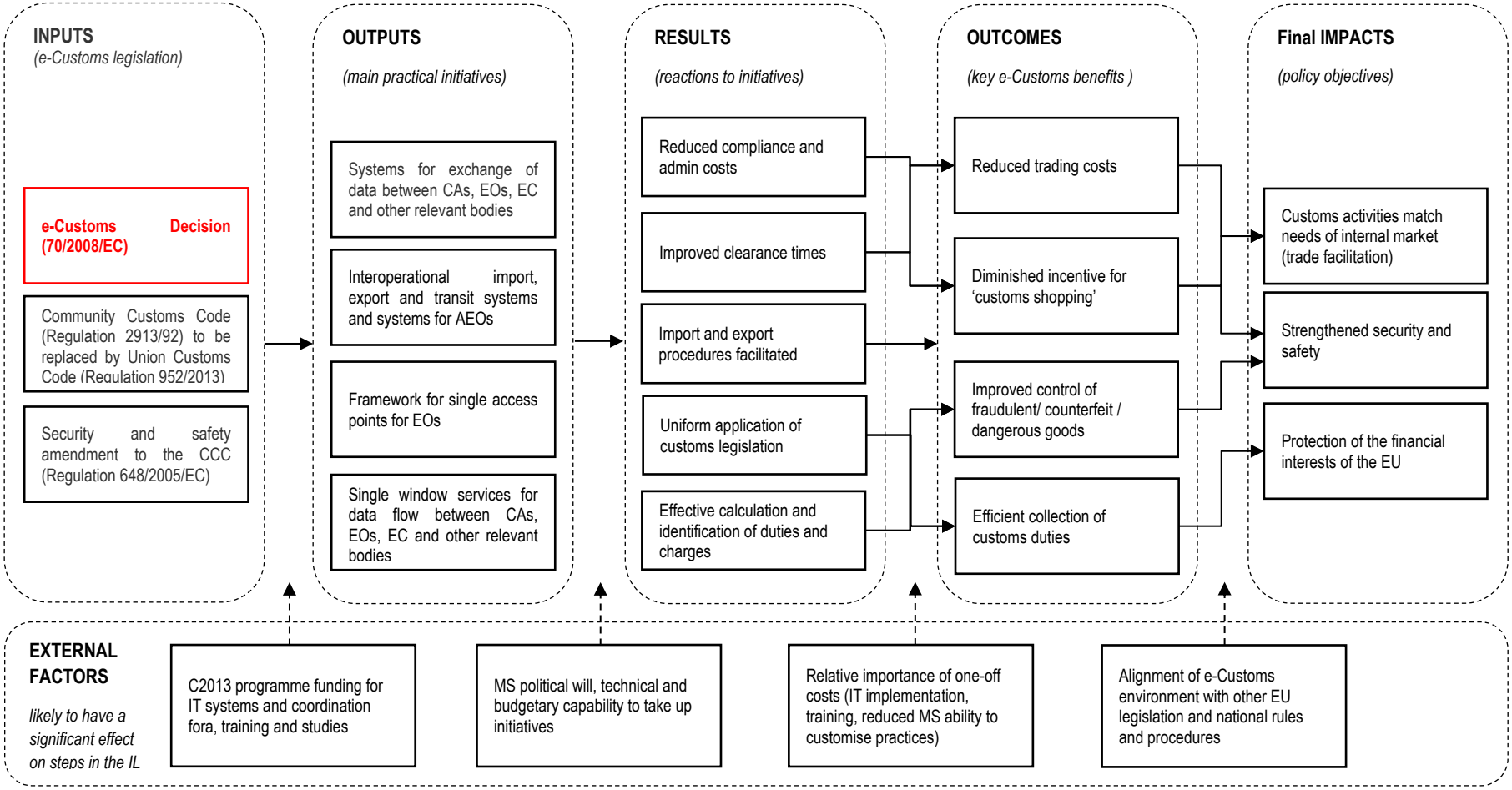
[20] Practice by which economic operators choose certain entry points over others based on differences in administrative costs

limited to other EU and national legislation and the availability of resources and political will.

Figure 1 attempts to keep a hold of both internal and external factors crucial to the implementation of e-Customs while presenting an easily understandable and testable set of assumptions. The variety and complexity of the many individual IT systems and interrelationships involved in the e-Customs environment made this an especially arduous task that risked leading to a large, messy diagram (due to the many ways in which activities / outputs / projects can potentially contribute to objectives) and considerable repetition (because the same outputs / results are relevant for so many activities). Instead, we have constructed a simpler diagram that focuses on the main effects at different levels of the causal chain that can be easily linked to the expected benefits and costs of e-Customs and therefore to indicators used to structure our research.

The intervention logic as depicted is relatively straightforward and reflects the basic concept that e-Customs is about harmonising the way Member States' customs authorities, the European Commission, economic operators and other relevant bodies collect and share information. However, there are a series of external factors (such as political will, which is crucial to the successful implementation of e-Customs initiative) that can have a potentially significant effect on the extent to which the results and impacts are achieved, and are thus an important source of complexity and uncertainty. For this reason, these external factors are also included in the intervention logic.
The purpose of the intervention logic is not to replace the detailed documentation that already exists for each of the initiatives described therein. Rather, it intends to shed light on the interrelatedness of the e-Customs Decision and other initiatives and provide insight into the main ways that harmonisation and interoperability should contribute to wider customs objectives. In other words, the intervention logic allows for an overarching view of how the electronic customs environment *ought to* work. As section 3 (evaluation results) explains, much of the evaluation consisted of assessing the extent to which this is the case in reality.

Figure 1: Intervention Logic



2.1.2. Objectives and scope of the evaluation

The present evaluation set out to meet two objectives set in the Terms of Reference. Firstly, it aimed to evaluate the impact of the e-Customs Decision; secondly, it is meant to prepare the ground for future initiatives to improve the e-Customs environment and further harmonise e-Customs implementation the EU.

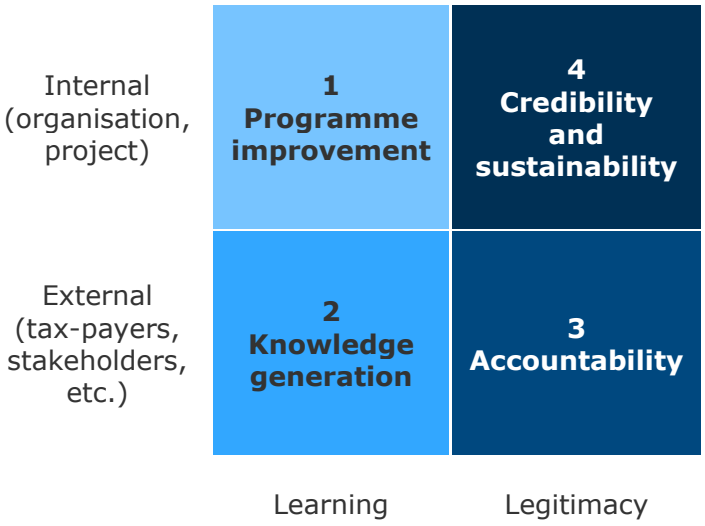
In particular, the evaluation sought to find evidence that can be used to take the situation forward depending on the priorities and needs of the stakeholders. In this context, the research focused on the observable impact of the e-Customs Decision and the identification of areas for improvement.

In addition, given the plethora of studies and reports recently commissioned and completed on this or related subjects, this evaluation served to build on and complement this work rather than duplicating it. We did this principally by aiming the primary data collection at economic operators, allowing us to rely on existing sources for the views of other stakeholders (most importantly customs authorities). We also focused more on the e-Customs Decision (and how its implementation could be improved) than other studies have done. More detail on how we incorporated the results of other studies for the evaluation is contained in section 2.2 below.

2.2. Evaluation approach

The evaluation serves both *summative* (i.e. focus on the legitimacy of the electronic customs implementation in the EU by providing an objective assessment of its quality or value) and *formative* purposes (i.e. facilitate learning in order to prepare for a new legislative proposal which could replace the current e-Customs Decision). As mentioned above, the primary research focuses on economic operators and the dynamics surrounding their engagement with the e-Customs environment.

Figure 2: the benefits of evaluation



In order to fulfil this dual purpose, and respond to the diverse set of evaluation questions posed in the Terms of Reference (and repeated in the diagram on the next

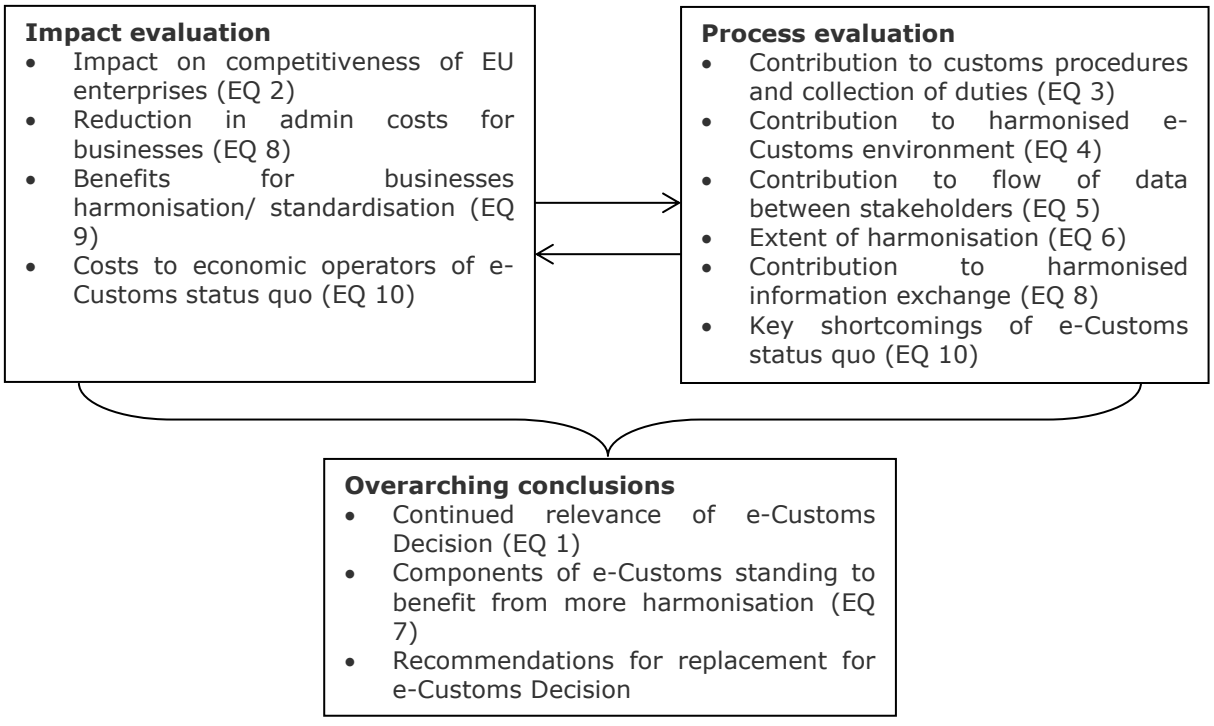
page), the approach distinguishes between two separate but closely related parts of the project: an *impact evaluation* and a *process evaluation*. Research for the two parts was undertaken in parallel, with substantial complementarity in terms of the data collection and analysis, but we found it useful to keep them conceptually separate. This helped us structure the analysis appropriately and provide a holistic view of the e-Customs implementation. The key features of both parts are summarised as follows:

- The **impact evaluation** is about the "**what**":
  - Provides an objective test of what changes have occurred, and the extent to which the e-Customs Decision contributed to them;
  - Mainly summative purpose;
  - Mainly quantitative and fact-based data.

- The **process evaluation** is about the "**how**" and "**why**":
  - Assesses whether the e-Customs Decision and related interventions are being implemented as intended and perceptions of what was working more or less well, and why;
  - Mainly formative purpose;
  - Mainly qualitative and perception data.

The diagram below illustrates how these concepts apply to the concrete objectives of the evaluation. The evaluation questions (numbered as per the Terms of Reference) are categorised according to their relation to either the impact or the process evaluation part. While the components of some questions touch on both the impact and process parts of the evaluation, they mostly divide neatly as shown.

Figure 3: Overall structure of the assignment



Our approach to the **impact evaluation** revolved around attempting to unpack the potential costs and benefits of recent changes to the e-Customs environment,

assessing the extent to which they have been realised and identifying areas where the replacement of the e-Customs Decision should be targeted to maximise future positive impacts.

The approach to the **process evaluation** reflected the need to understand the dynamics of those impacts. This involved frequent reference to the intervention logic diagram developed during the inception phase and use of a range of mostly qualitative techniques to investigate the causal chain and identify which ones have worked well, which have worked less well. Like this impact evaluation, we focused here on highlighting areas for future improvement.

For both parts of the evaluation we attempted to maximise the use of related and recently completed studies. These and other sources are explained in the section below.

2.3. Data collection strategy

The evaluation took place over a period of 13 months and relied on data gleaned from a number of different primary and secondary sources. These consisted of:

- Desk research: where relevant we used existing data to answer (parts of) the evaluation questions, in addition to frame the overall conclusions and recommendations. Sources included relevant policy and programming documentation, monitoring and progress reports, economic data and studies and independent evaluation studies and reports. In particular, these included the Study on the Evaluation of the Customs Union, the Feasibility Study for an evaluation of the Customs Union and the Final Evaluation of the Customs 2013 programme. The latter deserves special mention as it played a major role in informing the research. Since the programme funds the EU components of many of the IT projects forming the e-Customs environment, in addition to related collaborative fora, it collected detailed feedback from all 28 Member State customs authorities. We drew on this data extensively, which allowed us to focus our primary data collection on economic operators.

  It is also worth singling out research dedicated to the legal context in which the e-Customs Decision operates. The period subsequent to the Decision's entrance into force has seen the adoption of the Union Customs Code, creating some uncertainty about the extent of overlap and complementarity between the two pieces of legislation. To shed light on this, we conducted a comparative textual analysis, allowing us to ascertain the existence of gaps that potentially could be addressed in a successor to the e-Customs Decision. A detailed bibliography of all sources consulted during the evaluation can be found in Annex 1.

- Eurobarometer survey: a large part of the evaluation relied on the data gathered during a large-scale consultation with economic operators as part of a statistically representative Eurobarometer study. While that study was implemented by another contractor, we collaborated in the formulation of the survey questionnaire and performed our own analysis of the resultant data. The detailed methodology and results for the survey are found in Annex 2 to the present report.

- In-depth interview programme: we conducted a series of interviews to provide qualitative data on key aspects of the e-Customs environment, including

perceptions of recent changes and ways to improve it. The interview programme consisted of nearly 50 interviews with a diverse range of stakeholders including representatives of point of entry operators, carriers (including shipping and haulage companies), customs clearance agents, economic operators (companies importing and exporting goods to and from the EU), associations representing the interests of these economic operators and customs-related service providers (such as port community systems). In addition, we conducted interviews with over 20 Commission officials. Detailed methodology and findings from the interview programme can be found in Annex 3.

- Case studies: a set of six case studies complemented the other research tools by providing a richer, holistic view of certain highly complex aspects of the e-Customs environment. They allowed us to reach a wider variety of stakeholders and explore relationships and dynamics in a more detailed way than was possible through the more targeted research tools. The limited number of case studies meant we could not reach a representative sample of stakeholders or industries, but they allowed us to provide insight in areas of particular interest. These consisted of two case studies on points of entry (airports and seaports), two case studies on specific industries (pharmaceuticals and automotive) and two case studies on carriers (sea and air).

  The case study sample was derived in close consultation with DG TAXUD and each case study entailed a tailored methodology consisting of interviews and desk research. A detailed explanation of the case study methodology, in addition to individual case study reports, can be found in Annex 4. Here, it can be noted that for each of the case study subjects the sample was selected purposively based on specific criteria that attempted to balance the large number of potentially interesting cases against the limited scope of the exercise and practical expediency. For these reasons, DG TAXUD's support in deriving the sample was crucial.

  For points of entry, the criteria consisted of geographical diversity, customs traffic and trends. The pharmaceutical and automotive industries were chosen for their multifaceted supply chains and complexity in addition to diverse import and export practices dealing with both finished and intermediate goods. Sea and air carriers were allocated case studies so that we could gauge similarities and differences in the effects of recent changes in customs processes and procedures as the applied to sea and air freight.

- Consultation conference: on 14-15 October 2014, the evaluation team presented preliminary findings at the High Level Seminar on the Future of Electronic Customs, with Special Focus on Single Window Implementation in the Customs Union. The conference, jointly hosted by DG TAXUD and the Italian EU Presidency, provided a forum for consultation with about 200 stakeholders representing customs authorities and trade associations. Most importantly, the conference allowed us to gear the last phase of data collection towards issues of particular concern and shape our analysis to fit the evolving political context.

2.4. Caveats and limitations

All evaluations face issues like the representativeness of sampled populations, difficulties obtaining accurate and timely data, resource constraints and isolating the

effects of the intervention under review from those of other factors. While we are confident that the approach and methodology employed to evaluate the e-Customs Decision were appropriate, it also entailed a substantial list of challenges. The table on the next page provides an overview of the challenges and risks encountered, as well as the mitigating strategies employed to overcome or minimise their effects on the evaluation and the implications for the validity of evaluation results.

Table 1: Summary of risks identified and mitigation strategies employed

Issue	Description	Mitigating strategy employed	Implications
Difficulty in attributing impact	The many factors combining to shape the e-Customs environment are interdependent and impossible to isolate using counter-factual techniques, making it difficult to attribute changes to any one factor.	The approach based on quantitative and qualitative methods and many sources of information allowed us to explore complex dynamics and triangulate evidence to make the case for the Decision's contribution, rather than attempting to attribute impact. Importantly, we did not rely on quantitative indicators like use of specific IT systems or trade flows that depend little on the usefulness of systems under review.	While the evaluation provides for a holistic understanding of the e-Customs environment and its areas of relative effectiveness, the Decision needs to be regarded in context alongside other factors shaping its effectiveness.
Difficulty in reaching key stakeholders	While the interview programme and case studies required extensive consultation with economic operators, these groups have little incentive to participate in the evaluation, while identifying the relevant individuals at certain organisations (like economic operators) is difficult using publicly available information. For a planned case study of the textile industry, in particular, no interviews could be secured.	- Economic operators participating in the Eurobarometer study were asked about their willingness to be contacted for interview, and a substantial proportion of them agreed. - We contacted a far larger number of economic operators than the number of desired interviewees, allowing us to (nearly) reach sample targets despite low response rates. - We used relationships with stakeholder associations to reach their members. - A letter from the Commission provided to prospective interviewees testified to the official nature of the study. - A case study on the pharmaceutical industry replaced the planned one on the textile industry.	The data collection took substantially longer than originally envisaged. While we ultimately reached (nearly) the desired sample, the delays meant that the sea and air carrier case studies had not been finalised by the time of writing and will instead be incorporated into the final report. Nonetheless, the findings presented in this version include findings from the relevant sea and air carrier interviews. The replacement case study on the pharmaceutical industry allowed us to explore a similarly pertinent set of issues as envisaged for the abandoned one on the textile industry.
Survey representativeness	The statistical robustness required by the Eurobarometer methodology did not allow for the sampling of economic operators in certain Member States	- Other data collection tools attempted to gather views from stakeholders in the countries missed by the survey.	While views among survey respondents varied more per stakeholder type than by country, the countries missed need to be borne in mind when considering the results.
Reliance on perceptions	Several parts of the evaluation rely on perceptions of economic operators and other stakeholders rather than objectively verifiable data.	- Survey and interview questions worded as objectively as possible - Multiple data sources fed into responses for each evaluation question	While the large number of stakeholders engaged maximised the validity of the findings, self-reported data, especially regarding past perceptions, should not be read as objectively verifiable; where applicable caveats are included in the report text.
Difficulty assessing costs and benefits quantitatively	Costs and benefits of e-Customs initiatives are difficult to ascertain, due to multiplicity of business processes involved, problems in measuring and monetising their effects and the relatively small role of customs procedures compared with other factors affecting international trade.	- Where possible we extrapolated quantitative data on amounts of time required for certain customs processes as well as development and implementation costs for given IT systems in order to estimate costs and benefits. - We consulted studies relating to costs of doing business and monetary impacts ascribed administrative requirements. - We described many issues in qualitative terms due to the impossibility in reaching sufficiently robust quantitative estimates.	The evaluation sheds substantial insight on the costs and benefits associated with various aspects of the e-Customs environment, but cannot attribute a precise set of benefits and costs to the Decision itself or the systems and associated processes.

3. Evaluation results

The subsections below form the main content of this report and respond to the evaluation questions listed in the Terms of Reference (ToR) and expanded on in the inception report to provide our assessment of the relevance, effectiveness, efficiency, internal coherence / uniformity and EU added value of the e-Customs implementation in the EU. While we have changed the question order with regard to the narrative flow of the report, the original question numbers and evaluation criteria covered as per the ToR are listed before discussion of each evaluation question.

3.1. Relevance of the e-Customs Decision

Evaluation question 1 (relevance) To what degree do the initial objectives of the Decision 70/2008/EC still correspond to the needs of stakeholders?

The relevance of an initiative refers to the extent to which its objectives and design are consistent with the needs of beneficiaries. To ascertain the relevance of the e-Customs Decision, this section considers first its objectives, then its fit within the surrounding policy context, both at the time of its introduction and currently. We focus particularly on the views of stakeholders as expressed during interviews and case studies.

Relevance of the Decision's objectives

Although stakeholders did not disagree with any of the six objectives presented in Article 2 of the Decision, they considered those with an immediate practical application more relevant than others. For example, economic operators expressed positive views about the eventual establishment of a coordinated approach to the control of goods (objective c), the rapid provision and receipt of relevant information (objective e) and the seamless flow of data between relevant actors (objective f), but only as a means to an end. Of far greater concern were reduced compliance and administrative costs and improved clearance times (objective b) and, ultimately, facilitated import and export procedures (objective a).

Similarly, stakeholders representing national authorities supported the objectives insomuch as they helped ensure the collection of duties and other charges (objective d) and increased safety and security. Leading from this last point, some interviewees dealing with risk management at points of entry wondered why enhancing safety and security was not listed as an express aim of the Decision.

Rationale for the Decision's introduction

At the time of its introduction in 2008, the e-Customs Decision was one of three pieces of legislation that together provided the legal framework for the e-Customs environment, the others being the Community Customs Code and the Safety and Security Amendment that was later added to it. Despite other advances in the Customs Union, until the Decision there was no legislation to define the terms of future coordination and harmonisation specifically regarding electronic customs. Given the gradual migration towards electronic systems for key customs processes, this was considered by the Commission and Member States as problematic and potentially detrimental to future customs cooperation in the EU.

The e-Customs Decision filled this gap in the existing legal framework, and in particular provided the following:

- **Guiding principles for future developments in the field of e-Customs**: the quickly evolving digital environment, vast discrepancies in national approaches and continued need for flexibility prevent a single piece of legislation from defining concrete steps for harmonisation. The Decision provided an overarching framework to maintain political momentum and ensure the purposefulness of subsequent initiatives. For example, it called on the Commission and Member States to take steps towards the establishment of single window services for customs and made the first legislative mention of obligatory use of electronic data processing techniques in customs. The Decision also set timeframes for certain aspects of the e-Customs environment and requirements for reporting on progress.

- **Clarification of responsibilities**: e-Customs harmonisation relies on active collaboration between the Commission and Member State authorities and clarity about the budgetary and practical implications of new initiatives. To avoid confusion and make the impacts of future developments clearer (and therefore more palatable) to stakeholders, the Decision allocated responsibility for specific components of future initiatives to the Commission and Member States, respectively. According to stakeholders representing both administrations and economic operators, this aspect of the Decision was an important catalyst for later advances in e-Customs collaboration. More specifically, the allocation of responsibilities helped stakeholders understand how proposed initiatives would affect their organisations and plan in advance, securing resources if necessary. It also gave them more certainty when considering how to negotiate and prioritise between several potential IT projects.

- **Legal base for the MASP**: without a coordinated approach it would be difficult (if not impossible) for the Commission and Member States to develop and implement new IT projects in a coherent and effective way. The MASP, whose legal base is found in the Decision, is an annually updated management and planning tool that sets strategic steps, milestones and requirements for future e-Customs initiatives.

  For a number of reasons, most stakeholders expressing an opinion on the matter considered the MASP to be the Decision's most significant and ground-breaking feature. Crucially, it provided a basis for short-, medium-and long-term planning, leading stakeholders to allocate resources and coordinate with other interested parties. For example, national authorities might begin giving companies notice about imminent changes, or discussing local specifications with IT contractors. Just as importantly, the MASP also provided authorities and economic operators ample lead-time to voice misgivings about planned initiatives and instigate changes, either to the timing for a new system's implementation or to its specifications. While some interviewees considered this a 'double edged sword' that could result in unnecessary delays, it was more often seen to increase the ambitiousness of Commission and Member State initiatives. As one interviewee explained, if the MASP was replaced by a more binding instrument, many stakeholders would avoid committing themselves to projects for fear of unforeseen resource and other constraints. In this way, the flexibility of the MASP made stakeholders *more* likely to endorse difficult IT projects.

Continued relevance of the e-Customs Decision

None of the abovementioned reasons for introducing the Decision has become obsolete in the intervening period. Indeed, the growing role of IT in the customs environment and increasing complexity of networks of systems have increased the relevance of a framework for collaboration such as the one that the Decision put in place. There are, however, several issues treated in the Decision that subsequent initiatives have built on and superseded, or are expected to do so in the near future. The newer initiatives, which are or will be more detailed, will provide the impetus for EU action in such areas over the coming years.

Most of these relate to the Union Customs Code,[21] whose substantive provisions will apply from 1 May 2016 and its Delegating and Implementing Acts, which have 'Preliminary Draft' status at the time of writing but whose provisions will presumably take effect soon. The UCC covers some of the same ground as parts of the Decision, but building on it by using more precise language and / or providing updated deadlines, as summarised below:

- Article 6 of the UCC provides a clear, declarative stipulation that **all exchanges of information between relevant actors** should be made using electronic data-processing techniques, while Article 3 of the Decision refers more generally to **providing for the exchange of data** using electronic systems;

- Article 16 of the UCC puts the onus on Member States to cooperate with the Commission as it seeks to develop and implement systems relating to the other provisions of the legislation, while Article 4 of the Decision refers more vaguely to other legislation in force;

- The UCC Work Programme provides **precise binding deadlines** for most customs-related IT systems, while the Decision is more aspirational, referring to general deadlines expressed in other legislation.

In addition to the above, the Regulation establishing the Customs 2020 programme (Annex II)[22] provides a list of customs-related IT systems and defines Union and Member State components for them in more concrete terms than Article 6 (a) and Article 7 (a) of the e-Customs Decision. For the mentioned systems (which includes all those mentioned in the MASP), this supersedes the general allocation of responsibilities described the Decision. However, it should be noted that Article 6 (b-f) and Article 7 (b-f) remain relevant for their description of such issues as linking customs IT projects with e-Government and Community-level projects, completing tasks as per the MASP, providing for the synchronisation of projects, coordinating single window services and coordinating and providing training.

Stakeholders also helped us identify numerous issues, particularly relating to the single window, that neither the Decision nor subsequently adopted legislation address in sufficient detail. Such issues are discussed in section 3.8 on potential areas for further harmonisation.

[21] Regulation (EU) 952/2013, see DG TAXUD's dedicated site: http://ec.europa.eu/taxation_customs/customs/customs_code/union_customs_code/index_en.htm
[22] Regulation (EU) 1294/2013, see url: http://ec.europa.eu/taxation_customs/resources/documents/taxation/tax_cooperation/fiscalis_programme/legal_texts_docs/customs_2020_regulation.pdf.

Conclusion

The Decision's relevance stems from its ability to provide a regulatory framework that became necessary as electronic systems became more important to the customs environment. Existing legislation such as the Community Customs Code (and subsequently, the Union Customs Code) did not address e-Customs in detail, creating a risk that the Member States would develop systems on their own that were insufficiently interoperable. This would in turn make it difficult for customs administration to share information and work towards higher policy-level objectives like acting as one administration and protecting the EU's financial interests.

The Decision provided a framework for collaboration that has largely mitigated this risk, despite significant discrepancies in national legacy systems and administrative cultures. Leading from this, stakeholders representing both businesses and economic operators considered the MASP to be the most important of the Decision's initiatives; it has allowed various actors to develop IT projects in a coherent and effective way. The Decision's clarification of Member State and Commission responsibilities have helped stakeholders set expectations and secure funding, while its more general provisions ensured political momentum during a time of intense change.

Subsequent initiatives have fleshed out some of the more general provisions of the Decision (such as Articles 6 and 7, paragraphs a), thereby superseding them. However, the continued relevance of key components, such as the guiding principles for future developments in e-Customs, clarifications of Union and Member State responsibilities and the legal base for the MASP, mean that much of the Decision's provisions remain highly relevant.

3.2. Role of e-Customs in competitiveness

Evaluation question 2 (effectiveness / efficiency)

To what extent does the creation of a paperless environment for customs and trade contribute to increasing the competitiveness of companies doing business in Europe?

This section explores the impacts the e-Customs environment, particularly recently introduced systems, has had on the competitiveness of economic operators. We present findings from our data gathering efforts to understand the impact of the development of the e-Customs environment on conducting business in the EU. In particular, we looked at whether and how the e-Customs system was successful in:

- Lowering the costs of products offered by economic operators;
- Enabling economic operators to bring new products to market or offer a wider range of products;
- Allowing economic operators to operate in a wider geographic area; and
- Simplifying overall customs procedures.

Lower operating costs

Lower operating costs can stem from a number of different factors, which we discuss in detail in other sections of this report. Here, we set out to gauge the extent to which the migration to a paperless customs environment **lowered operating costs for economic**

operators. Lower operating costs can potentially increase competitiveness between EU and non-EU firms by giving the former greater flexibility in setting prices without harming their profitability. Alternately, the EU firms can also reinvest the cost savings to compete with non-EU firms on quality. Furthermore, lower operating costs — assuming no decrease in overall productivity — could enable investors or entrepreneurs to invest in other tradable sectors in the EU.

In our interviews, stakeholders overwhelmingly supported the view that the **electronic customs environment has lowered overall operating costs**. While the transition has demanded initial investments in IT systems, they were usually more than offset by lower administrative costs and savings on human resources. Economic operators also commented that the transition from paper to e-Customs has resulted in fewer errors on customs declarations, which has again generated administrative cost savings (e.g. not having to re-do declarations) and other benefits (e.g. better overall compliance, correct identification of duty status, etc.).

While lower costs for firms would also plausibly **benefit consumers** in terms of lower prices, we found **little evidence to suggest this was the case**. The results of the Eurobarometer survey do not suggest that the transition to e-Customs has broadly led to increased price competition among firms. Of the 2803 economic operators surveyed, 2313 (83%) reported that the e-Customs environment had not resulted in a lower cost of products offered, compared to only 250 (9%) who indicated the opposite. These results are consistent across companies regardless of the method by which customs procedures are processed.

Finally, it may be the case that firms are reinvesting the cost savings in other aspects of their operations and competing on quality instead of price. While it is a viable possibility, due to the complexity of the dynamics of pricing and the fact that different industries might respond in different ways to the reduction in costs, we are unable to test this hypothesis robustly. Nevertheless, we note that because the costs of dealing with customs operations are relatively minor, the impact of this mechanism is most likely to be very small.

Extent to which companies have brought new products to market and offered a wider range of products

Being the first to bring new products to market and/or offering a wider range of products than rivals might provide a competitive advantage to economic operators. However, there is little evidence that the e-Customs environment has had such effects.

The Eurobarometer survey, further supported by our interviews, suggests that a majority of **economic operators are not able to sell new products** or offer a wider range of products as a direct result of the e-Customs environment. This result might stem from the fact that customs operations usually have a relatively **small impact on the corpus of economic operators' business models**. Nevertheless, we found that a sizable minority, **15% (417 out of 2803) of the firms surveyed, reported that they now offer either new products** or a broader range of products as a result of the e-Customs environment.

Extent to which companies have been able to operate in a wider geographic area

Streamlined customs operations could credibly lead to geographic expansion by firms as a result of a reduced need to adapt to the customs systems of different countries, increased confidence in other countries' procedures and / or more confidence in their ability to file declarations, track consignments through the supply chain, etc.

The Eurobarometer survey suggests that, **around 14% (401 out of 2803) respondents have been able to operate in a wider geographic area** as a result of

the e-Customs environment. Once again, 14% of respondents is a **sizable minority**, especially considering that the decision to operate in a wider range of geographic areas is typically a significant business decision that depends on several factors not directly connected to e-Customs.

This reported effect **varied little according to company size or trade flows**. Around 14% to 15% of SMEs and large firms all reported that (at least to some extent) the transition to e-Customs allowed them to operate in more markets or in a wider geographical area. The exception was with micro enterprises, among which only 11% responded in the same way. While the data do not provide much insight into this finding, it is likely that the choice of geographic areas in which micro enterprises operate depends more on their growth prospects or ability to expand internationally than customs operations.

Extent to which the overall customs procedures have been simplified

A simplification of customs procedures for economic operators is likely to improve efficiency which can in turn have an impact on their competitiveness through a more efficient use of resources.

The data suggest that recently introduced changes to the e-Customs environment have **simplified customs operations for economic operators**. The Eurobarometer survey shows that a majority of firms find the e-Customs environment simplifies custom operations. In total, **60% of respondents indicated that digitisation had made things simpler**, with little variation in the proportion of responses from large and micro businesses (each 65%) whilst small and medium enterprises were 56% and 60% respectively. Around a quarter of respondents disagreed with the statement that customs procedures had improved in terms of simplification.
Our case studies with the automotive and pharmaceutical industries provide additional evidence of the ease with which customs declarations can now be made using electronic processes which in turn lead to time saving and potential efficiency gains for the firms. For example, one stakeholder in the automotive case study suggested that customs operations are now simpler and completing customs declarations is now 'almost effortless'. The same stakeholder further described how **declarations that would previously have taken between half an hour to an hour could now be finished in a matter of minutes**. A reduction in the error rate on declarations from around 10% to virtually zero was the improvement in accuracy estimated by one of the interviewed companies. Multiple stakeholders also cited the relative simplicity of submitting declarations and tracking consignments through the supply chain, ensuring goods reach their final destinations smoothly and making it easier to identify possible efficiency gains.

The main criticism with respect to the simplification of customs operations concerned the existing differences in requirements for filing declarations among different Member States. This, according to some economic operators, significantly complicated customs operations. Those economic operators interviewed, strongly **supported a move towards greater harmonisation** of the requirements for customs declarations as well as the overall customs process in terms of time scale and enforcement across Member States.

Conclusion

The impact of e-Customs on competitiveness has been incremental. Firm-level competitiveness is an extremely complex phenomenon with numerous non-customs-related determinants. The strongest impacts have been on simplifying the day-to-day procedures of firms and in turn lowering operating costs, which is an area customs policy can affect directly. At times, this has had wider effects, such as encouraging firms to enter new markets or compete on price, but this is relatively rare. In view of

the several other big determinants of competitiveness, however, evidence presented here indicates that the impact of e-Customs has been proportionate to its role in company operations, that is to say relatively minor.

While competitiveness appears to have been improved only at the margin for the range of products offered and the markets in which products are offered, there is more decisive evidence that customs operations and the customs compliance process have become simpler following recent developments. In addition, a majority of economic operators reported that e-Customs has delivered net cost reductions for their businesses.

We interpret the evidence as indicating that there has been a positive (but again, proportionate to the relatively minor role of customs compliance in company business models) impact of e-Customs on firms' competitiveness via reduced operating costs and increased simplicity of customs operations.

Finally, stakeholders elaborated on several areas where improvements could result in further increases in competiveness. Most of all, stakeholder feedback called for more to be done on harmonising customs requirements across various Member States. Thus, while evidence suggests that e-Customs has had an impact on European firms' competitiveness, its influence – rather limited at the moment – could be greater if the difficulties resulting from heterogeneity between Member States were addressed.

3.3. Administrative cost reduction and the harmonised exchange of information

Evaluation question 8 (EU added value)

To what extent do the EU components and national components of the customs systems (for example the EORI system or ICS/ECS/NCTS) contribute to administrative cost reduction and harmonised exchange of information?

This section explores whether and to what extent the impacts of the introduction of IT systems have reduced administrative costs for economic operators and harmonised the exchange of information. This pertains to two stakeholders groups in particular: customs authorities and economic operators.

More specifically, we compare the costs incurred in implementing various IT systems with the savings generated by those systems and the requisite harmonised information exchange.[23] To the extent possible, this allows us to draw conclusions about the EU and national components of the e-Customs environment.

Customs authorities

Customs authorities might expect significant costs from the development of national specifications for new systems as well as their implementation. Ideally, these would be more than offset over the medium term by more efficient and better-targeted processes. In order to examine this, we relied principally on existing sources, namely the

[23] Thus, we examine *net* cost reductions, though it is important to note that some classes of costs (e.g. IT costs) might increase while other classes of costs (e.g. human resources costs) might decrease.

evaluation of the Customs 2013 Programme (hereinafter C2013 Evaluation)[24], which among other things gathered the experiences of customs authorities with regard to numerous IT systems with EU components. These included trans-European systems (TES) such as the New Computerised Transit System (NCTS), Import Control System (ICS), and Export Control System (ECS) as well as centralised databases, particularly TARIC (Tarif Intégré Communautaire [Integrated Tariff of the European Communities]) and Economic Operator Registration and Identification (EORI), which links to the Authorised Economic Operator (AEO) system.

A key distinction between the TES and centralised databases is the responsibility for development and maintenance of the systems. Centralised databases are developed and managed by the European Commission. Data and access portals are identical across Member States. TES, by contrast, are developed and implemented at the Member State level according to certain minimum specifications laid out at the European level. This has resulted in the development of local versions of the TES that, while functionally similar, are not identical across the Member States. Differences between the two components of the e-Customs environment has in part driven customs authorities' assessment of the systems.

Centralised databases provided significant benefits for customs authorities, including economies of scale (all Member States use the same centrally maintained databases, reducing duplication of information or errors across different databases) and the ability to interact with economic operators and other customs authorities using the same, EU-wide systems and terminology.[25] Furthermore, these databases are stored at the European Commission's expense, so the resources provided by centralised systems are pooled and come at no direct cost to national customs authorities. All of this results in lower administrative costs while harmonising the information used by customs authorities.

Custom authorities' views on the **cost effectiveness of TES are more varied**. While they have been largely positive about cost reductions and / or information harmonisation introduced by European components of the e-Customs system, they have highlighted areas in which they believe that more could be done. Unlike centralised databases, custom authorities' perceptions of TES are likely to be more driven by the development and implementation process in their Member States and the efficacy of existing systems that the TES changed or replaced. Since starting points were different depending on the Member State in question, it is perhaps unsurprising that views vary among the Member States.

Core benefits of TES are that the systems increased authorities' ability to process information electronically and **share that information with other domestic authorities as well as customs authorities in other Member States**.[26] As a result, due to the electronic systems, controls have become more targeted, facilitating trade and reducing the reliance on manual controls. Additionally, electronically-filed customs declarations are considerably easier to process and archive than paper-based declarations. Taken together, more targeted controls and electronic customs declarations have resulted in time and administrative cost savings for customs authorities, though these are not easily quantified.

[24] Coffey International Development (2014) "Final evaluation of the Customs 2013 Programme — final report". Available on the EU Bookshop at http://bookshop.europa.eu/en/final-evaluation-of-the-customs-2013-programme-pbKP0414565/
[25] Ibid, p. 78-79.
[26] Ibid. p. 134-135.

The benefits discussed above notwithstanding, stakeholders mentioned some shortcomings that, if addressed, could provide further benefits and reductions in administrative costs.[27] For centralised databases, we note that their utility comes from their use across Member States. If Member States are not using these databases as widely as they could be, this will necessarily limit their beneficial impacts. One particular centralised system, the "Community Risk Management System" (CRMS), the use of which for the exchange of risk information is a legal obligation (though it is not covered by the e-Customs decision) offered benefits to some Member States, while others found the transition to the system burdensome and of little added value.[28] As a result, its use across Member States is not as wide spread as, say, TARIC, and there are fewer network benefits, such as economies of scale, coming from CRMS.

With TES, **perceived shortcomings** often depend on Member States' experiences prior to these systems' introduction. Where Member States had well-developed IT systems, the benefit of developing and implementing TES was considered marginal or even non-existent and on the other hand where the existing IT infrastructure did not concur with the new systems requirements, the implementations were considered costly and problematic for instance the implementation of the ICS was considered difficult by some member states.[29] The benefits of TES, then, depend on how well the systems are implemented in the environment in which they are developed and on the improvements that these systems offer over existing systems or procedures.

Economic operators

From the perspective of economic operators, as with many other regulatory changes, the direct consequence of developments in the e-Customs environment was an upfront increase in expenses, which were required in order to adapt to new legal requirements. While in the short term the costs dominate the benefits, investments in internal systems are usually expected to improve efficiency and reduce costs in the medium term, and thus potentially benefit businesses.

Our research, through the analysis of the Eurobarometer survey and the case studies for the automotive and pharmaceutical industries, indicates that despite some initial costs for many firms, the **net impact of the transition to electronic systems has been positive**; savings from interacting with the e-Customs environment, over time, have or were expected to provide benefits in excess of initial costs. Alongside this, a large group of economic operators expressed their **support for further harmonisation** of key aspects of the e-Customs environment.

In terms of costs, the Eurobarometer survey, as well as our case studies, suggests that the two main drivers of costs related to the e-Customs implementation were **IT investments and training staff** on the use of new (and updated) systems.

[27] In terms of administrative costs, we note that an increasing portion of the budget for the rollout of e-Customs, such as through the Customs 2013 Programme, have been allocated to IT. During the life of the programme, IT expenditure grew by a factor of about 1.5, reflecting the increasing importance of IT to EU customs collaboration. The complex interplay of multiple factors renders quantitative calculations of the costs and benefits for administrations especially fraught, and numerous interviewees declined to provide the concrete estimates necessary for extrapolations. However, it is worth noting that the Customs 2013 Programme evaluation found that the cost effectiveness varied by Member State. The cost-benefit assessment depends critically on the starting point for the Member States in question.
[28] Ibid, p. 36-37.
[29] Ibid, p. 28-29.

According to the Eurobarometer survey, 21% of economic operators needed to develop or improve their IT systems, while 23% had to provide training to their staff.[30]

Large international firms, which rely heavily on their internal IT systems to interact with national customs authorities and third parties, frequently invested in IT, although our research did not show that the costs were always considered to have been substantial. For example, a stakeholder in a large automotive manufacturing firm indicated that his firm invested between €250,000 and €500,000 in their internal IT system for customs. Given information from a different stakeholder in the same industry, who estimated that it would cost around €50,000 per interface to upgrade internal systems, this figure would reflect an investment for connection with 5-10 interfaces.[31]

In addition to the direct compliance costs, increasing use of electronic systems and harmonised access to data for authorities could plausibly result in more frequent inspections as better access to information can prompt customs authorities to spend time saved by the introduction of new systems on more proactive inspection work rather than routine administrative work. This, while reducing the probability of errors and frauds can at times potentially lead to delays in releasing consignments at the border.[32] However, according to our assessment, **this was not the case**. Instead, the costs of implementing e-Customs were reported as **more than offset by benefits** stemming from reduced overall operating costs, more accuracy in customs compliance processes and more harmonised information exchange.[33]

Our fieldwork indicates that net operating cost reductions arise when the transition to electronic customs operations simplifies the customs compliance process, resulting in **lower overhead costs and allowing staff to be allocated to other tasks**. We illustrate the monetary operational cost savings here by way of an example of a large automotive manufacturing firm. This particular manufacturer had ten full-time staff working in the firm's customs operations, each with a salary of around €40,000 per year. The e-Customs environment has made the firm's customs operations far simpler and more streamlined, allowing the firm to go from ten full-time employees in customs operations to the equivalent of two full-time employees. That translates to a reduction in staffing costs of €320,000 per year. The **costs of training staff** on using these systems, according to the manufacturer, were **negligible**, as the internal systems were developed to be user friendly.[34] Given that some respondents to the Eurobarometer survey indicated that they did incur staff training costs in interacting with the e-Customs environment, we infer that staff training costs are in part linked to the user-friendliness of the system developed.

[30] This does not necessarily mean that 79% of firms are not using IT systems. It may be that existing internal IT systems are sufficient for engaging with e-Customs or using third-party providers of e-Customs services. Nevertheless, every firm in the automotive and pharmaceutical case study indicated that they had to make some kind of investment in IT systems. It may mean, then, that only 21% of firms invested in *internal* IT systems, whilst others contracted out an IT solution to a third-party developer. See also Eurobarometer survey analysis.

[31] These figures are intended to be indicative, given the relatively small sample size from which they are drawn.

[32] See automotive case study at annex 4 to this report

[33] This conclusion draws from the automotive and pharmaceutical industries case studies as well as the Eurobarometer survey analysis. Moreover, feedback from providers of IT services at ports / Port Community Systems reinforces this point, as they were able to reduce human resources expenditure thanks to e-Customs.

[34] This contrasts with a different stakeholder who argued that "training a member of staff would require about 5 days for NCTS and 1 day for ECS/ICS [for]... as many as 50 employees [at a large automotive manufacturer]." Assuming an annual salary of €40,000 and 250 working days in a year, training on NCTS, ECS, and ICS would cost around €48,000 for 50 employees at a large firm. Thus there would still be a net cost reduction from e-Customs. Expert opinion indicates that 50 employees is likely to represent the pan-European operations of a large automotive manufacturer.

We illustrate the net benefits for this large automotive manufacturer by combining information on IT systems development with the reduction in staffing costs. We have assumed an asset life for the IT investment of between 3-10 years, resulting in an annual equivalent expenditure of between €25,000 and €166,667 per year. We also assume that staffing costs could be reduced by €320,000 over the status quo (based on the estimate cited above). For the large automotive manufacturer in question, then, the net monetary benefit due to the transition to electronic customs would range from €153,333 to €295,000 annually.

Table 2: Illustrative annual large firm-level cost impact in the automotive sector from e-Customs systems

	For 3 year IT life		For 10 year IT life	
	Low IT cost	**High IT cost**	**Low IT cost**	**High IT cost**
IT investment	€ 83,333	€ 166,667	€ 25,000	€ 50,000
Reduction in staff costs for customs-related functions	€ 320,000	€ 320,000	€ 320,000	€ 320,000
Net benefit	€ 236,667	€ 153,333	€ 295,000	€ 270,000

Source: Extrapolations based on stakeholder interviews

Note: Due to limited data available, the figures are intended to illustrate the order of savings rather than provide precise estimates.

Other benefits of e-Customs include **information exchange impacts**. These benefits can be classified into "simplification" impacts and "accuracy" impacts. Simplification affects internal customs operations, such as completing customs declarations, communication with customs authorities, and tracking the status of consignments, making such operations cheaper and more efficient. A majority of economic operators has enjoyed such benefits, as the Eurobarometer survey found that around 60% of firms believe that e-Customs simplified customs procedures. Interviews with economic operators emphasise the significant time savings due to a simpler, more harmonised exchange of information[35]. Furthermore, stakeholders in the automotive and pharmaceutical industries noted that it was now **easier to keep track** of where shipments were in the customs process and track goods as they travel within the EU.

Finally, economic operators also believe that more harmonised information exchange capabilities have led to **more accurate customs declarations**. One of the stakeholders in the automotive sector mentioned that prior to the introduction of e-Customs processes his firm reported errors in 10% of declarations submitted, but the various components of the e-Customs environment have **reduced errors to "virtually zero"**. This view was echoed by economic operators in the pharmaceutical industry. They agreed that the accuracy of their customs declarations was a key commercial concern, since many of the finished products and raw materials they import attract a reduced or zero rate of duty. Thus, accurate customs forms are essential, as errors – particularly in the 4-digit additional TARIC code – can have significant commercial implications for the business.

[35] As mentioned in section 3.2, one stakeholder active in the automotive sector described how it previously took 30-60 minutes to complete a customs declaration, while now it takes a matter of minutes.

Conclusion

Overall, the e-Customs systems introduced in recent years have, delivered administrative cost reductions and more harmonised exchange of information among both authorities and economic operators. The picture is more nuanced, however, when looking at specific e-Customs components.

Authorities have been fairly positive about centralised databases, as these provide a common point of reference across Europe and are maintained at the Commission's expense. For trans-European systems, some Member States report that the rollout of various e-Customs components has been cost effective, while others question whether the costs involved are justified given what they see as relatively little benefit. Differences in stakeholders' views (at least to some extent) reflect national differences in the electronic customs environment at the time EU components were introduced.

Economic operators have said that the use of e-Customs systems, both at the EU-level and national level, has delivered some benefits for their customs operations. According to most economic operators, e-Customs has delivered net cost savings to their businesses through more streamlined customs processes, fewer errors when filing customs declarations, and the relative ease of transmitting harmonised information. Shortcomings identified by economic operators include continued heterogeneity of required data and declaration formats across Member States and duplication of information across different EU components. These issues relate more to TES than centralised databases. Addressing them would lead to further benefits to trade from the e-Customs environment.

In summary, our core finding is that administrative cost reductions from the EU components of e-Customs systems are driven in large part by successful implementation and the relative difference compared with the existing situation (which varied by country). Centralised databases were considered to have contributed positively to efficiency and economies of scale, while stakeholder satisfaction with the trans-European systems was generally positive but varied according to factors like the ease of implementation, perceived added value over existing practices, and user-friendliness.

3.4. Creation of a seamless flow of data

Evaluation question 5 (effectiveness / efficiency)

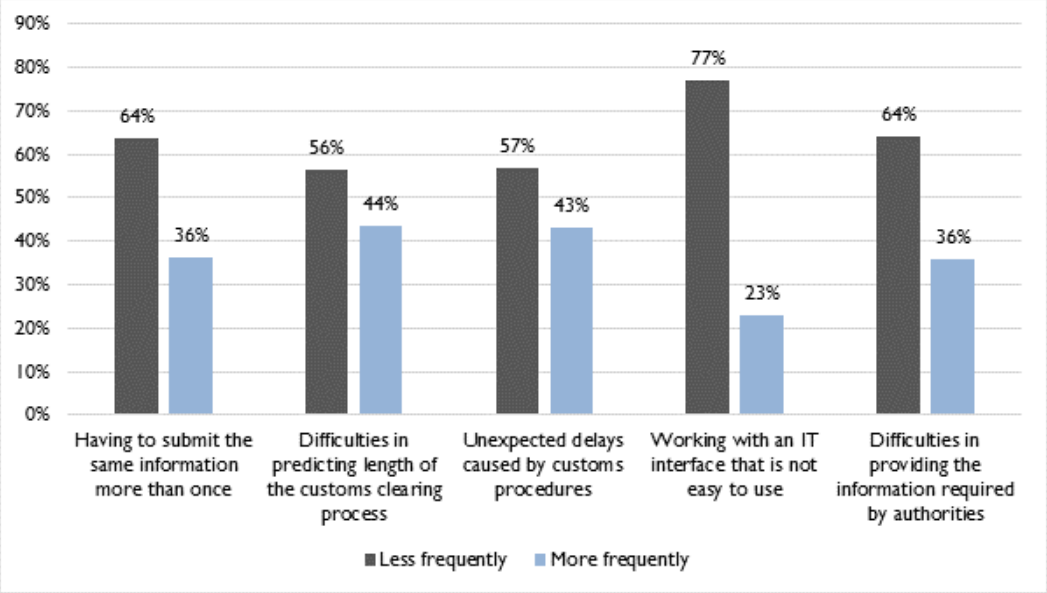
To what extent does the e-Customs environment enable a seamless flow of data between stakeholders?

Enabling 'the seamless flow of data between the administrations of exporting and importing countries, as well as between customs authorities and economic operators, allowing data entered in the system to be re-used' is one of the objectives of the e-Customs Decision. Requests to submit the same data on multiple occasions entail cost implications for economic operators paying to send messages or enter information manually. A seamless flow of data between stakeholders would entail government authorities sharing data so that it only needs to be submitted once by an economic operator to the authorities. This would produce benefits in terms of time and cost savings. The paragraphs below examine the extent to which a seamless flow of data currently exists.

Economic operators and multiple requests for the same information

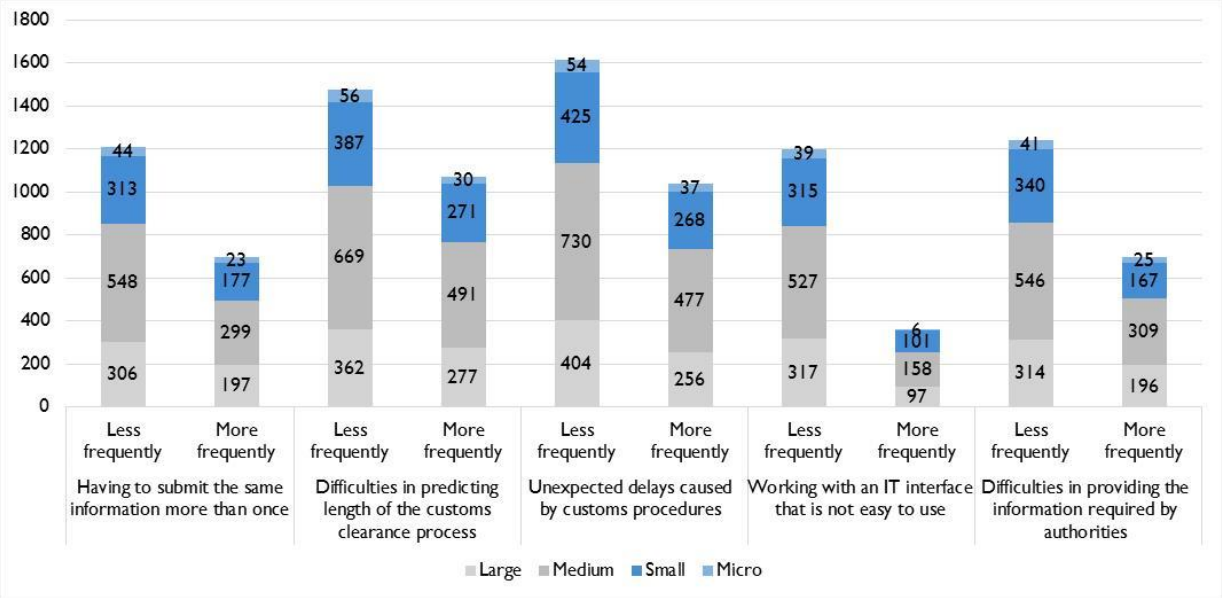
From the perspective of economic operators, Figure 4 shows that **36% of respondents to the Eurobarometer survey reported having to submit the same information more than once** when dealing with customs procedures (with 15% having to do this 'often' and a further 21% 'from time to time'). While this is a significant proportion, other issues, namely difficulties in predicting the length of the customs clearance process and unexpected delays caused by customs procedures, were more frequently reported by the economic operators surveyed. The difficulties experienced did not depend on the size of the firm, as shown in the breakdown in Figure 5.

Figure 4: Difficulties experienced by economic operators with the current e-Customs environment



Source: Analysis based on Eurobarometer 399 'The electronic customs implementation in the EU'. N = 1560 to 2651.

Figure 5: Difficulties experienced by economic operators with the current e-Customs environment by size of the firm



Source: Analysis based on Eurobarometer 399 'The electronic customs implementation in the EU'. N = 2651.

Our interviews enabled us to understand the dynamics behind requirements to submit the same information repeatedly. The picture that emerges suggests there are two situations where this occurs:

Lack of information sharing *within* Member States

Our interviews suggest economic operators are frequently called upon to supply the same information to more than one agency within a single Member State. The reason being that in the course of clearing 'customs' in the broader sense of 'the border', **multiple agencies and controls** including phyto-sanitary, veterinary and health authorities, are involved.

In some Member States, we found that the **situation is improving due to increased interagency cooperation**. Our case study on ports suggests this is increasingly the case in Italy, where the rolling out of a single window initiative, currently involving customs and the ministry of health, is built on the principle of information sharing. Economic operators we interviewed during the case studies explained that they were able to save time (and thus costs) thanks to a coordinated approach taken to carrying out controls at the border.

The text box on the next page provides a detailed explanation of the single window concept as well as the current state of discussions for taking it forward at European level.

The single window initiative

In 2003, the United Nations Economic Commission for Europe summarized the **single window** in its Recommendation 33 as a concept to simplify border formalities by arranging a single (electronic) submission of information to fulfil cross-border regulatory requirements and to collaborate among the border agencies and trade community. The UNECE recognises the role that other stakeholder platforms, including Port Community Systems have played in increasing the seamless flow of data between different stakeholders involved in international trade. It points out that 'In the very short time of their existence, these inter-organization information exchange platforms have become crucial for the competitiveness of trade in the highly developed economies of Northern Europe and other

advanced economies around the world'.

Recognising the importance of the single window concept, the EU and its Member States decided in adopting **the e-Customs Decision** to include a commitment to work towards the concept. Under Article 4 (6) of the Decision the Member States and the Commission commit to 'endeavour to establish and make operational a framework of single window services' in the field of customs. Progress towards this goal was to be tracked in the reports tracking the MASP.

According to the most recent iteration of these progress reports, **only seven Member States reported progress towards the single window initiative in 2013**[36]. One of the first areas in which progress towards a single window in the field of customs has been made at EU level relates to the Common Veterinary Entry Document project (CVED) an EU level supporting document.

The **high-level seminar** convened by DG TAXUD and the Italian presidency of the EU in Autumn 2014 addressed the issue of single window, with several Member States' speakers exhorting their counterparts to step up efforts towards introducing a single window at national level. In a final declaration, the assembled delegates resolved to prioritise the provision of 'an EU definition of a single window environment for customs and laying down its main functions and objectives, as well as the roles and responsibilities of the different stakeholders in the single window environment for customs at EU and national levels and empowering the authorities responsible for coordinating implementation and allocating appropriate resources'. In moving towards the goal of a single window, the Declaration emphasises the need for 'better coordination between departments in the European Commission'. This second point alludes to the fact that the EU has two major single window initiatives.

In parallel to DG TAXUD's single window initiative foreseen in the e-Customs Decision, DG MOVE has developed the single window concept in the maritime transport sector under the auspices of the Reporting Formalities Directive[37]. The DG MOVE national single window aims to provide electronic exchange between the operators of maritime transporters within the EU.

In its recent **Options Paper for the Implementation of the EU Single Window**, (December 2014), DG TAXUD presents five options (as well as the status quo) for the implementation of the first phase of the EU single window environment for customs. The focus of the paper is on the establishment of a connection between national customs systems and the EU certificates databases. Each of the options put forwards differs in terms of the three functionalities which they offer: connectivity, quantity management at EU level, and transformation implementation. The options are presented in brief in the table below:

• **Option 0**: Status quo	
• **Options 1A and 1B**: a direct connection between each national single window or national customs system and each EU certificate database would be established. The competent Directorates General would provide access to their databases to the Member States and the service for quantity management at EU level.	
• In option 1A the data transformations would be implemented at the EU certificate databases	• In option 1B they would be implemented at national level.
• **Option 2**: the connection between national single windows or national customs systems and the EU certificate databases would be implemented via DG TAXUD. More specifically, DG TAXUD would establish a single access point to the native services provided by the competent DGs**.** The quantity management and data transformations would be implemented at the EU certificates databases.	

[36] http://ec.europa.eu/taxation_customs/resources/documents/customs/policy_issues/e-customs_initiative/2013_progress_report.pdf

[37] Directive 2010/65/EU of the European Parliament and of the Council of 20 October 2010 on reporting formalities for ships arriving in and/or departing from ports of the Member States

• **Options 3A and 3B**: the connection between national single windows or national customs systems and the EU certificate databases would be implemented via DG TAXUD. More specifically, DG TAXUD would establish a single access point to the native services provided by the competent DGs. In addition, The European Commission would be responsible for the transformation implementation and the quantity management. This option is based on the EU SW-CVED Phase 1 pilot project.	
• In option 3A the quantity management would be implemented by DG TAXUD	• In option 3B this would be performed by the certificate databases.

Source: TEP, adapted from DG TAXUD Options Paper (2014)

The options paper also highlights **the need for a link between the DG TAXUD initiative and DG MOVE's single window plans**: 'There should be a link with the single window for Ship Reporting Formalities in order to have a coherent strategy at EU level, and as well to avoid duplication and save costs. The national customs single window could be an extension of the single window for Ship Reporting Formalities, which is at its turn related to the Port Community Systems' (section 8.2).

In conclusion:

- One of the key points which emerges from the DG TAXUD Options Paper is that **a legal base is required** to proceed with the single window key functionalities such as data transformation and quantity management for certificates. While new legislation might not be necessary, it is clear that there are some stakeholders, including certain Member States, who are in favour of having binding commitments to establish national single windows for customs which go beyond the softer provisions currently in force.
- Reflecting the call by Member States for greater coordination within the Commission, there are strong **arguments in favour of DG MOVE leading the initiative in the future**, given the progress which has already been made in the context of its single window initiative. The DG TAXUD Options Paper recognises that the national customs single window could be an extension of the single window for Ship Reporting Formalities.
- Feedback received during the evaluation, as well as the views of economic operators expressed at the high-level seminar on the single window, underlines the importance of developing any future initiative in **close consultation with economic operators** to explore the mutual intended benefits as well as to ensure that any additional obligations imposed on economic operators are minimal.

In other Member States, previous studies have suggested that the failure of different national authorities to coordinate can lead to significant delays in goods clearing the border[38]. The interviews confirm this. Economic operators active in more than one EU Member State explained that **times to clear customs could vary significantly** between the Member States largely, in their view, because of lacking coordination and the requisite need for economic operators to maintain contact with several authorities.

Lack of information sharing *between* Member States

Economic operators we spoke to that operate in more than one EU Member State suggested there was little evidence of the authorities sharing information across national boundaries and that due to this they were sometimes required to supply the same data repeatedly.

This point also emerged from the Customs 2013 Final Evaluation, where numerous **criticisms by Member State authorities were raised with regard to the Import Control System**. These centred on the issue of data quality and consistency (attributed to system specifications using free text fields rather than a list of options) for certain parts of the Entry Summary Declaration form. This undermined the

[38] Bourdet, Yves and Persson, Maria (2012) "Completion the European Union Customs Union: the effects of trade procedure harmonization", *Journal of Common Market Studies*, 50(2), p. 300-314.

perceived usefulness of the system, reducing its potential role in national risk management processes and the likelihood that it would be used to share messages between national authorities in Member States. In turn, this means that national authorities base their analyses on information collected nationally rather than pooling data collected by other countries; this makes it harder to streamline requests to economic operators and collect information from them efficiently.

The programme evaluation also raised the point that **contextual factors** preclude the easy integration of IT systems and customs processes related to risk assessment for the protection of national security. For example, national systems for risk management tend to be integrated with those of other administrations dealing with security or intelligence, while Member States are reluctant to share information that could compromise on-going criminal investigations. This speaks of the importance of trust among factors contributing to increased collaboration and the sharing of information. It also helps explain why this continues to be a difficult area to achieve the seamless flow of data.

Conclusion

In its current form and level of implementation, the e-Customs environment improved the flow of data between stakeholders but it cannot yet be considered 'seamless'. Economic operators report instances of needing to submit the same data multiple times both to authorities within the same Member State and, where operating in multiple Member States, to national authorities in each of the Member States where they operate. Data sharing among Member States still has substantial potential to be increased.

Looking at the barriers presented above, it can be inferred that the absence of national single window environments and persistent national differences (especially relating to interoperability and concerns about the validity or perceived usefulness of some datasets), make it difficult to bring in a system of coordinated border management. To improve the situation, developments in the e-Customs environment, chief among them steps towards the single window, open up further opportunities to reduce duplication, enabling the seamless flow of data.

3.5. Role of e-Customs in facilitating procedures and the collection of duties

Evaluation question 3 (effectiveness / efficiency)

To what extent does the creation of a paperless environment for customs and trade contribute to facilitating import, transit and export procedures and the proper collection of customs duties?

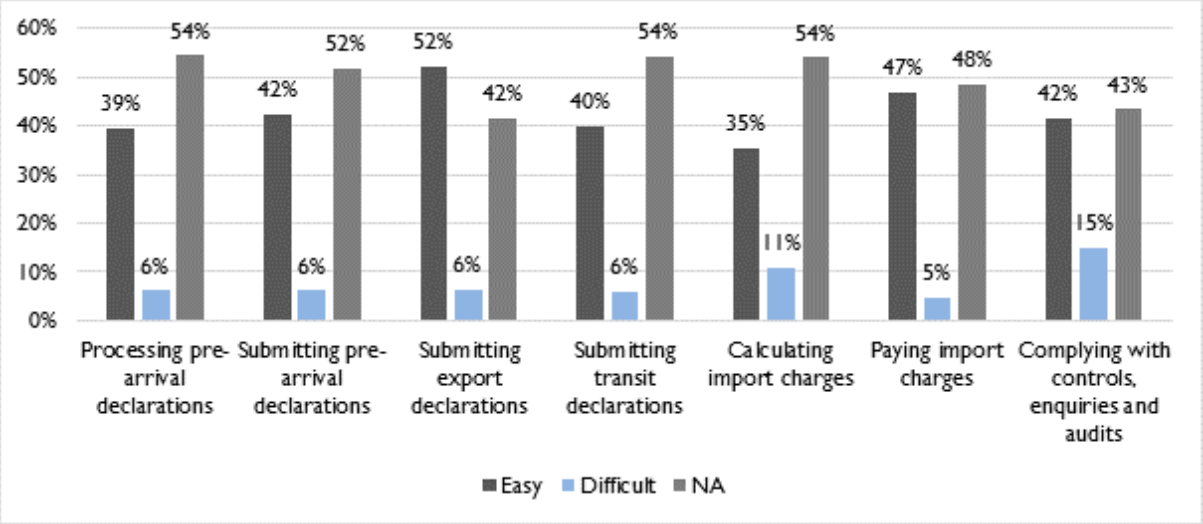
Throughout the data collection phase, interviewees spoke of the conflicting interests faced by customs authorities: on the one hand rendering customs processes as user-friendly as possible so as to facilitate trade, while on the other maintaining sufficiently rigorous controls over goods crossing the EU's external border so as to, among other things, ensure the proper collection of customs duties. We looked at how this balance is struck.

The e-Customs environment and trade facilitation

Interviewees were unanimous in their belief that the creation of an e-Customs environment had brought **benefits to trade**. Moving from a paper based system to an electronic system had reduced the time to clear customs from hours or days to a matter of minutes if not seconds. The time from goods landing to leaving a port or airport could be reduced dramatically. For example, in the case study on airports, economic operators recalled the lengthy, labour-intensive paper-based system has now been improved so that clearance has been reduced from an estimated 5 days to same-day clearance (i.e. a matter of hours/minutes in case of straightforward proceedings).

Between 45% and 58% of Eurobarometer survey respondents had a view on the ease with which certain processes could be performed by e-Customs. Of these, an overwhelming majority considered these processes to be easy to complete, compared to the minority who took a negative view. It should be noted that a high number of respondents did not express an opinion in this regard. Possible explanations include the potential difficulty for respondents to differentiate between e-Customs specifically and general changes in the customs operations.

Figure 6: e-Customs and facilitation of custom-related processes



Source: Analysis based on Eurobarometer 399 'The electronic customs implementation in the EU'

N = 2774

Our interviews support this view, suggesting that the development of the e-Customs environment has facilitated customs-related procedures for economic operators. **Economic operators find electronic systems to be efficient and cost-effective**. This is often due to the contribution made by other actors who play a role in the international supply chain. Our case studies on ports and airports highlight the importance of Port Community Systems (PCS) and customs-related service providers (CRSP). The existence of a PCS enables goods to be transferred through a port with relative ease, while CRSP can manage the task of supplying information for regulatory purposes more cost-efficiently than can be achieved in-house.

Overall, e-Customs systems introduced in recent years have delivered administrative cost reductions and more harmonised exchange of information among both customs authorities and economic operators. The Eurobarometer survey results suggest that economic operators believe procedures are easier because of the e-Customs environment.

Despite considerable progress, the flow of data from one actor to another is not entirely seamless, and not all Member States have fully implemented a paperless environment for customs (we are in a **situation of 'paper-less' customs, rather than paper free**). A paper-less, or partially implemented, e-Customs environment allows some of the benefits in terms of trade facilitation to accrue to economic operators, but greater benefits could be reached if **supporting documents** (such as air waybills, commercial contracts and invoices) did not have to be provided in paper format.

Some of the economic operators we interviewed expressed the view that given the e-Customs agenda was partly driven by efforts to increase safety and security agenda, Member States had taken the opportunity to **impose additional regulatory obligations** in terms of the data economic operators were expected to provide to comply with TES such as ICS. Where these obligations had not previously existed, they constituted an additional burden on economic operators.

As such, e-Customs as it currently stands clearly facilitates trade. However, the desired 'seamless flow of data' is **slowed down by residual bits of paper**. Integrating supporting documents into the e-Customs environment, even if required by non-customs authorities, would greatly increase the scope for efficiency gains and facilitated trade.

The e-Customs environment and the proper collection of customs duties

From the perspective of national customs administrations, the implementation of an e-Customs environment is intended to enable them to carry out their key tasks more effectively and efficiently. The C2013 Evaluation suggests that as a result of the introduction of the systems and databases introduced under the e-Customs initiatives, **processes are carried out faster, more efficiently, and with less scope for human error**. There is no doubt that the creation of a paperless environment has facilitated national administrations in carrying out their key role of collecting customs duties.

NCTS (as well as centralised databases like TARIC and QUOTA) were introduced partly to combat fraud that negatively affects the proper collection of customs duties. As per the findings of the C2013 Evaluation, NCTS "is generally regarded to have greatly reduced fraud". The Evaluation also concluded that "the enhanced effectiveness of risk management systems has contributed not only to the enhanced control of dangerous goods, but also to the **effective identification and collection of customs duties**".

As evidenced from our interviews, some Member States, however, feel the TES are not as effective as they ought to be, particularly with regard to **risk profiling**. This is because they fail to collect all the relevant information. Some national authorities we spoke with during our case studies opined that this was due to a focus on the transfer of messages, during the systems' development phase, rather than on the content of the messages.

Some carriers we spoke with (both air and sea) agreed with this view. They claimed to be **unable to provide accurate information** with regard to completing all the data fields required by ICS. The result is that certain fields are not always filled out or, where they are, the fields are completed with information which, economic operators suspect, is likely to have little value to a customs authority attempting to risk profile consignments.

Conclusion

The development of an e-Customs environment has helped Member States' customs administrations to perform their key tasks more effectively and efficiently. Processes

are carried out faster, more efficiently, and with less scope for human error.

With regard to economic operators the picture is more mixed. They also benefit from the e-Customs environment (through time and costs saved related to the production and delivery of paper declarations) but continuing demands for supporting documents to be produced in paper format diminishes some of these benefits. Furthermore, the emphasis placed on safety and security (the main driver of the e-Customs initiative over the last decade) has imposed additional regulatory requirements on economic operators. Where systems have been introduced that did not replace paper systems but rather added to existing requirements, this imposed an additional regulatory burden on trade.

3.6. Current state of harmonisation

Evaluation question 6 (internal coherence / uniformity)

Which are the areas of the e-Customs environment where harmonisation is most/least advanced? What are the driving factors behind this convergence/divergence?

This section examines a number of areas of the e-Customs environment that are mentioned as priorities in the Decision. 'Simplifying customs procedures and processes, as well as providing for interoperable customs systems, accessible to economic operators throughout the Union, are the principal objectives of the electronic customs initiative'[39]. The Decision's objectives are to be achieved by means including 'the harmonised exchange of information on the basis of internationally accepted data models and message formats'[40]. This is the sole (explicit) reference to harmonisation within the Decision itself.

At the outset, it is worth noting that all Member States had some e-Customs systems in place (and did prior to the entry into force of the e-Customs decision), with the first steps taken towards an EU-wide electronic exchange of customs declarations taken with the development of the NCTS starting in 1997. Since then, the Member States have worked together with the Commission to introduce and develop a host of systems as currently tracked by the MASP.

Creating common standards

Looking at the approach taken with trans-European systems (TES), these systems were developed centrally following a harmonised approach (in the sense of creating common standards to be applied across the Member States) albeit with some scope for national adaptation. The Customs 2013 evaluation found, with regard to the programme's contribution to policy-level objectives, that progress made towards the '**Enhancing safety and security' objective** was 'the most striking' and can be regarded as 'an important step towards the eventual harmonisation of risk management processes for customs'. Key developments included the full implementation of the Import Control System (ICS) and the Customs Risk Management System (CRMS) as well as the mainstreaming of the Authorised Economic Operator and Economic Operator Systems.

National authorities interviewed as part of the Customs 2013 programme evaluation generally agreed that the introduction of the EU-wide risk management framework was a valuable and even necessary addition to EU customs legislation. Being part of the risk management framework, the interviewees recognised ICS' first steps towards a **more harmonised advance risk analysis** of goods entering the EU territory. Interviewees explained that the fact that the customs offices had details about goods at an early stage allowed them to select high-risk consignments in a timely manner. This contributed to a faster and more efficient selection and control process.

Not all Member States agreed on the effectiveness of ICS, particularly those countries which distinguish themselves for their **large volumes of customs traffic** and **advanced legacy systems** put in place to manage them. Feedback from officials in these countries indicated that their national risk management systems are generally

[39] Electronic Customs Multi-Annual Strategic Plan 2013 Yearly revision (MASP Rev 12)
[40] Article 2(2)

considered highly effective. In simple terms, these two factors make European systems related to safety and security a (slightly) harder sell. While customs officials in some Member States were generally receptive to harmonisation and the incorporation of European systems into their existing processes, the drawbacks in the short term of implementing these systems loomed larger in the interviews.

Economic operators we interviewed who operate in more than one of the EU's Member States commented that the **implementation of TES such as ICS and even NCTS was still 'very much localised'**. The degree of difference even among these centrally developed systems may be explained by the fact that over 40 years since the 'creation of the customs union'[41] Member States' priorities continue to vary with regard to what customs is there to do, and this means that the data sets collected from one MS to another are not uniform. What is more, economic operators have argued that more could be done with respect to harmonisation of ICS and the Export Control System (ECS), as they contend that current arrangements sometimes involve inefficient duplication of data across systems. This stems, in part, from heterogeneity in systems and implementation, which is in turn driven by Member States' willingness or ability to invest in new IT systems where legacy systems are sufficient.

The Customs 2013 evaluation discovered some **problems that 'inhibited the full implementation of some IT systems and / or slowed the harmonisation process**. These included relatively minor functional problems and meant that, in some cases, key pieces of information remain disjointed. In addition, some Member State administrations found the costs associated with implementing and maintaining national versions of the systems funded through the programme to be difficult to bear'. The programme evaluation also found that 'though further progress will doubtless be realised through continued steps towards a harmonised system for risk management, CRMS, ICS and NCTS are clearly contributing to facilitating trade by reducing delays and increasing the ability of customs authorities to target controls'.

Areas where there is least convergence

The question of where there is least harmonisation is linked to a separate but closely related question: in which of the areas touched on by the e-Customs Decision has there been least progress to date? The answer to this second question is clear: **The single window initiative is an area where the MS, rather than the EC, have taken the lead**.

The lack of progress towards the goal of establishing a single window for customs was recognised by the high-level seminar on e-Customs held in Venice in October 2014. The **seminar's closing declaration** highlighted the 'need to adapt the e-Customs Decision to the evolutions in global trade, in technology, in risk management requirements and techniques, and in customs control methods and to define the roles of stakeholders involved in e-Customs. This includes the identification of possible gains from collaboration between Member States and required support and coordination by the Commission'. In the view of the attending delegates, mostly drawn from national customs administrations, **priority should be given to: 'Providing an EU definition of a single window environment for customs and** laying down its main functions and objectives, as well as the roles and responsibilities of the different stakeholders in the single window environment for customs at EU and national levels and empowering the

[41] Note that not everyone considers the EU is indeed a customs union: 'significant disparities in trade procedures noted among the European countries suggest that the European Union is not a customs union in the strict economic sense of the term'. Completing the EU Customs Union. The Effects of Trade Procedure Harmonization Yves Bourdet and Maria Persson August 2010

authorities responsible for coordinating implementation and allocating appropriate resources'.

Economic operators, while supporting the idea of the single window, tend to call for more to be done in harmonising customs procedures — chiefly the customs declaration process and the fields and formats required in customs declarations — across Member States. Economic operators have identified existing differences among Member States as a key factor in complicating their customs operations and generating additional costs.

Conclusion

With regard to the systems introduced under the auspices of the e-Customs Decision and tracked by the MASP, these were mostly new systems (that replaced older electronic systems rather than paper-based ones), creating the potential for substantial harmonisation. The EC led the introduction of these TES which in many cases responded to the safety and security agenda.

The area where the e-Customs environment is least harmonised, i.e. where least progress has been made towards the commitments set out in the e-Customs Decision, is with regard to Article 4(6), whereby the Commission and Member States shall 'endeavour to establish and make operational a framework of single window services' or, in other words, to put in place a single window environment. None of the Member States have implemented a single window environment in full[42], although some are at the beginning of the process of linking up the authorities which coordinate border management (e.g. Italy) and others link several of the authorities which are involved in this process (e.g. Netherlands).

There are several reasons why the Member States have so far failed to converge around the single window initiative. It is clear that the EC has not developed its own definition of a 'SW environment for customs', relying instead on the UNECE's Recommendation 33. More important, perhaps, is the fact that a single window is not a single *system* which can be developed centrally and implemented by each Member State in parallel to its existing e-Customs systems. Instead, the SW *environment for customs* ambitiously aims at enabling customs authorities within each Member State (as well as between the Member States) to work together, sharing information which should be collected only once from an economic operator. The difficulties inherent in trying to get authorities with different needs and mandates to work together should not be underestimated, especially at a European level. That the EU, led by DG TAXUD, may not be best placed to ensure this happens, may help to explain the failure of this vaguely worded commitment to lead to significant progress towards a framework of single window services.

With that said, economic operators have expressed support for more to be done to eliminate differences among Member States in the customs declaration process. Economic operators tend to support a single window, but interview evidence indicates that they are more concerned with practicalities, especially process heterogeneity among Member States. This may be because heterogeneity is a cost-driver that they experience on a day-to-day basis, while the gains of an eventual single window are still somewhat abstract.

[42] According to the 2013 progress report, 7 Member States (BE, EE, ES, FR, IT, LT and SI) reported activities on the EU single window programme during 2013 http://ec.europa.eu/taxation_customs/resources/documents/customs/policy_issues/e-customs_initiative/2013_progress_report.pdf)

3.7. Role of common specifications

Evaluation question 4 (effectiveness / efficiency)

How did the EU common specifications contribute to the development of a harmonised e-Customs environment?

Following on from the previous section regarding the *state* of harmonisation, this section seeks to uncover the *role of common specifications* in contributing to the state of harmonisation as it currently stands. More specifically, how have the common (technical and functional) specifications for trans-European systems contributed to a uniform experience for economic operators trading in Europe, as well as the consistent application of a standard risk management framework for goods entering the EU?

As first called for in the Council Resolution of 5 December 2003, on creating a simple and paperless environment for customs and trade, a **Multi-Annual Strategic Plan (MASP)** tracks developments towards a fully paperless environment for customs and trade but importantly also provides the structure for the technical and functional specifications for the development of new systems[43]. It also offers a useful planning tool for all parties as they seek to make effective use of limited resources.

As such, in assessing the **role of common specifications we are concerned with those relating to the Trans-European Systems (TES)**. TES are tools to control the movement of goods into, out of and within the EU through systems developed centrally but with multiple owners. Essentially this means national administrations communicating with each other and the Commission through a central 'information broker' known as the Common Communication Network (CCN/CSI), which is maintained by the Commission.

Presently, the most important TES comprise: the New Computerised Transit System (NCTS), the Export Control System (ECS) and the Import Control System (ICS). Member States have all developed and introduced **national versions of the TES[44]**. Importantly, while the Commission issues guidelines for how the systems may be set up, "the guidelines are not legal obligations"[45]. Hence, Member States are able to set the parameters for the information that is required.

Positive contribution of common specifications

The European Commission has consistently applied **global standards for data transmission**, as outlined by the World Customs Organisation (WCO). For instance, as described by one interviewee, 'the European Commission uses the WCO data sets; they stick to the approved messaging requirements set down and everything they do is in compliance with the WCO's data model.' Applying global standards for data transmission in TES is a crucial building block for a harmonised e-Customs environment.

[43] The Electronic Customs MASP 2013 states that "The (trans-European and central) IT systems which are in operation to date have been removed from the MASP annexes 1 and 2 in order to focus fully on the new developments".

[44] Regulation (EC) 648/2005 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32005R0648:en:HTML)

[45] CUSTOMS CODE COMMITTEE; Section for General Customs Rules; Nature and legal value of guidelines, TAXUD/1406/2006, Brussels, 05/04/2006, Para 8. Url: http://ec.europa.eu/taxation_customs/resources/documents/customs/procedural_aspects/general/community_code/1406-en-lignes_directrices.pdf

In terms of the implementation of TES, the very fact that these systems have been rolled out to the extent they have is proof of the **importance of the common specifications**. Even the ICS, which has been widely criticised (see below for more discussion on why and how) represents a positive step towards a harmonised process for risk management. It is worth mentioning that **NCTS in particular stands out** as being the system where the broad consensus is that it has been a success. As well as being in place the longest (the first pilots were launched in 2005, in the Czech Republic for example); it is currently one of the few fully electronic customs systems operational across the EU[46]. Part of the reason it has been so successful is laid out in the C2013 Evaluation: "The procedures for Community transit are nearly identical to Common transit, which has been in place since 1987. This implies that, rather than introducing new documents or burdens, the NCTS represented a natural step in the progression from paper-based to electronic customs and a streamlining of existing procedures."[47] This goes some way to explaining the relative ease of implementation. Nevertheless, as described below, there are important caveats to its success in creating a common experience for economic operators trading in the EU.

Limitations

With regard to the experience of economic operators trading in the EU, the single most significant problem reported is the need to interface with **28 MS which have different requirements**. This has been emphasised in numerous previous studies, including the C2013 Evaluation and the PwC Study on the Evaluation of the EU Customs Union (2013)[48] (hereinafter "PwC Study"), as well as by numerous economic operators interviewed for this evaluation. For instance, some economic operators who operate in more than one of the EU's Member States commented that the implementation of TES such as ICS and even NCTS was still 'very much localised'.

The differences may be explained in part by the fact that the **guidelines for common specifications are not binding**, and MS maintain the option of making additional requirements. In addition, the degree of difference even among these centrally developed systems should be understood in the context of the fact that over 40 years since the 'creation of the Customs Union'[49] Member States' priorities continue to vary with regard to what customs is there to do, and this means that the data sets collected from one MS to another are not uniform. What is more, economic operators have argued that **more could be done with respect to harmonisation of the ICS and the ECS**, as they contend that current arrangements sometimes involve inefficient duplication of data across systems. This stems, in part, from heterogeneity in systems and implementation, which is in turn driven by Member States' unwillingness or inability to invest in new IT systems where legacy systems are deemed sufficient.

In the context of the **application of the standard risk management framework** for goods entering the EU, the experience concerning the ICS should be discussed. To achieve a harmonised approach to risk management, the information supplied through the ICS should be taken into account for risk analysis across the EU. However, this is not currently the case. We found that in some Member States, the ICS was not integrated

[46] The Excise Movement and Control System (EMCS) is another electronic customs system operation across the EU (http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm)

[47] Coffey International Development (2014) "Final evaluation of the Customs 2013 Programme — final report". p.29

[48] http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/evaluation_customs_union_en.pdf

[49] Note that not everyone considers the EU is indeed a customs union: 'significant disparities in trade procedures noted among the European countries suggest that the European Union is not a customs union in the strict economic sense of the term'. Completing the EU Customs Union. The Effects of Trade Procedure Harmonization Yves Bourdet and Maria Persson August 2010

with existing systems for risk management. Similarly, the C2013 Evaluation found that "the results of pre-clearance analysis were taken into account for later risk management on an ad hoc basis, rather than systematically"[50]. The PwC Study also found that the "common risk-selection criteria are not applied uniformly"[51]. According to some interviewees, the system's main drawback is that in the run-up to implementation too much focus was placed on process (i.e. the technical compatibility of messaging) and **not enough focus was placed on the content** of the risk management systems that were in use in the Member States. As such, there remains a lack of confidence in the data quality available through the ICS.

Conclusion

In sum, the common technical and functional specifications for TES have contributed to a limited extent to creating a harmonised e-Customs environment. The very fact that NCTS, the ICS and the ECS have been rolled out to the extent that they have is facilitated by these common specifications. Nonetheless, there are important limits to how far the common specifications (which are non-binding in nature) have succeeded in harmonising the e-Customs environment, namely economic operators still interact with (up to) 28 different systems across the EU.

Given their non-binding nature, the common technical and functional specifications can be seen as necessary but not sufficient to achieve a harmonised experience of the electronic customs environment across the EU or a common approach to risk management. In addition, there are still barriers to investment by Member States in TES, such as continued commitments to legacy systems.

The success of the common specifications is that they have established the mechanisms needed for a harmonised environment. Even though it has been criticised, ICS provides a positive step towards harmonised processes for risk management.

Looking ahead, it is important that the focus is on the substantive rather than the procedural aspects of TES; namely, wherever possible removing duplication and streamlining the experience for economic operators. Given the constraints felt by MS and investment required of all parties, it is important that planning takes place in a framework with sufficient consultation and lead-time for the roll out of future systems. The MASP continues to be crucial in this regard.

3.8. Potential areas for further harmonisation

Evaluation question 7 (internal coherence / uniformity)

What other components of the e-Customs environment that could benefit from harmonisation could be identified?

This section focuses on components that are currently missing from the Decision. It is important to note that the e-Customs Decisions mentions three target groups, namely

[50] Coffey International Development (2014) "Final evaluation of the Customs 2013 Programme — final report". p.28
[51] PwC (2013) "The Evaluation of the EU Customs Union" p.8

the EC, customs authorities and economic operators. While all of these groups have benefited (and stand to benefit further) from harmonisation efforts, their needs do not always coincide. The ensuing subsections therefore treat economic operators and authorities separately, with a view to identifying where further harmonisation would benefit them most.

Benefit to economic operators

In general, the benefits of e-Customs harmonisation accrue mainly to those economic operators capable of operating across the EU's borders. For such businesses**, the concepts behind harmonisation mattered less than practical consequences,** like ways of dealing with various national authorities and ensuring the interoperability of their own IT systems. Many of the economic operators we spoke to were able to reflect on their experience of doing business and clearing customs in more than one EU Member State and highlighted differences in terms of the data sets required from one Member State to another - and the resulting expense of providing different scripts to different national customs authorities. Since the national versions and requisite requirements for businesses differ even for trans-European systems (TES), increasing their scope would not prevent economic operators from incurring continued costs where they conduct import-export activities in more than one MS.

The representatives of the **automotive industry** with whom we spoke expressed considerable concerns about the issue of inconsistent filing formats through our case study[52]. Economic operators we interviewed also made related **requests for greater interoperability of systems**, both within Member States (between different agencies) and from one Member State to another.

Leading from this, one of the primary motivations for **outsourcing** aspects of customs operations, such as submission of customs declarations, was **complexity** resulting from differing practices among Member States. Some stakeholders handled customs declarations in their Member States in-house, but an overwhelming majority of economic operators outsourced the submission of all non-domestic customs declarations due to the relative complexity of submitting declarations outside their home Member State.

For example, one large **automotive manufacturer** pays third-party service providers around €10,000 per month per Member State to handle aspects of their customs operations (primarily the submission of customs declarations) in other Member States.[53] He was of the opinion that these **functions could be brought in house at a negligible cost if differences among Member States were eliminated**.

Another group of businesses we looked at, **customs-related service providers or CRSPs**. As intermediaries specialised in customs requirements and processes, they might be expected to benefit from the fragmentation of EU markets, with 28 different regulatory regimes for customs clearance acting as barriers to entry and discouraging competition. Interviewees from this group insisted that this was not in fact the case. Instead, CRSPs pointed to numerous benefits that they could reap if more customs procedures were to be harmonised across the Member States, i.e. these businesses could enter more national markets, offering their services to a greater number of clients, thus increasing competition in the EU for customs-related IT solutions. That contrasts

[52] Existing differences among Member States in the requirements for filing customs declarations was a chief complaint from economic operators. Interviewees expressed a positive view towards initiatives that provide a unified interface to prepare customs procedures in all Member States avoiding submitting duplicate information, such as the Cassandra project (url: http://www.cassandra-project.eu/)

[53] The operator in question imported to / exported from four Member States in addition to the home Member State, implying that their total monthly expenditure for outsourcing certain customs operations was around €40,000.

with the view expressed by some economic operators that more harmonisation would lead to less reliance on CRSPs.

The Customs 2013 evaluation suggests the **driving factors behind this divergence are the existing 'legacy systems'** in operation by customs authorities in the Member States and the **financial constraints** of these administrations. Moreover, as we have highlighted in section 3.6 (above) it is the safety and security agenda that has been the main driver for e-Customs systems during the period under evaluation, and it is in the implementation of the TES where the greatest level of harmonisation can be observed.

Economic operators had plenty of ideas for future innovations in the field of e-Customs, including the idea of **centralised clearance**. While some trade association interviewees knew their members stood to benefit were customs clearance to be centralised within the EU, they also **thought it unlikely to happen in the near future** given the importance Member States attached to customs as one of the core prerogatives of the state and its relationship with tax. As one interviewee put it: 'We're in favour of creating a super-hub for clearance all over the EU – we cannot do this because we have on-going delivery issues with VAT – if you clear goods in the Netherlands and send them to Austria, for example, then you can fulfil the customs requirements in an easy way in Rotterdam but a tax burden on intra-community deliveries will occur from a tax point of view'.

Further harmonisation and the authorities

The **impact of harmonisation efforts on national standards varies**, depending on the nature of existing systems and procedures in individual Member States. While the benefits to economic operators of further harmonisation are set out above, the Customs 2013 evaluation examined the extent to which harmonisation could be disadvantageous to some Member States through reducing standards of national customs processes:

[A] few administrations with large volumes of customs traffic expressed some concerns that further harmonisation could lead to a risk of lower standards in future. They indicated that given the considerable differences between Member States, further harmonisation could lead to a reduced effectiveness of national processes.[54] *More concretely, this was mentioned in relation to setting European targets for the proportion of controls of incoming goods. Interviewees explained that there had been some discussion about whether it would be feasible and desirable to define a set proportion of incoming goods for controls in all the Member States. Some felt that such common targets would fail to account for large discrepancies between countries in relation to both the volume of customs traffic and the quality of existing risk management procedures.*

Even within the Commission, different services will see the benefits that harmonisation and closer cooperation within the EU can bring through the **prism of their own policy field**. At an early stage of the present evaluation, OLAF made clear its view that any successor legislation to the e-Customs Decision should formalise information sharing between Member States and the Commission for the purposes of fraud investigation. Several of the economic operators we spoke to called for greater coordination at EU level. With regard to the **single window initiative**, for example, interviewees were frequently baffled by the idea the EU might wish to introduce multiple 'single' windows (and that DG MOVE's single window for the purposes of the maritime reporting directive was a separate initiative from the single window for customs).

'Gap' analysis of the e-Customs decision

[54] An economic operator in the automotive sector mentioned something similar, observing that harmonised rules could eliminate the flexibility to adapt national rules to national circumstances.

To prepare the ground for the revision of the e-Customs decision we attempted to identify which elements from the current e-Customs decision have been taken up by subsequent legislation or are related to the Union Customs Code (UCC)[55] and to the new Customs 2020 programme[56]. The following paragraphs:

- Set out the existing EU legislation relating to e-Customs; and
- Explain current thinking with regard to policy in this area, as expressed at the high-level seminar on e-Customs in Venice.

This is followed by a table highlighting the main legal requirements for future electronic customs and the 'gaps' which would need to be 'plugged' by successor legislation to the e-Customs Decision.

Current legal environment

The current regulatory framework for the e-Customs initiative is underpinned by the following pieces of legislation:

e-Customs Decision Decision 70/2008/EC of the European Parliament and the Council of 15 January 2008 on paperless environment for customs and trade.
Union Customs Code (UCC) Regulation 952/2013 of the European Parliament and the Council of 09 October 2013 laying down the Union Customs Code. Art. 6: *"All exchanges of information, … , as required under the customs legislation, shall be made using electronic data-processing techniques."*
UCC WP Commission Implementing Decision (2014/255/EU) establishing a Work Programme for the UCC. The Work Programme, a planning instrument, represents a subset of the initiatives covered by the MASP[57]. The WP does not replace the MASP which needs a continuing legal base. The WP lays down a time schedule for the update and creation of electronic customs systems until end 2020.
Customs 2020 Regulation (EU) No 1294/2013 of the European Parliament and the Council of 11 December 2013 establishing an action programme for customs in the European Union 2014-2020 (Customs 2020).

[55] The UCC is part of the modernisation of the rules and procedures for customs throughout the EU and will serve as the new framework Regulation in the customs field. Although it was adopted on 9 October 2013 as Regulation (EU) No 952/2013 of the European Parliament and of the Council, its substantive provisions will apply only on 1 May 2016.
[56] Customs 2020 is an EU cooperation programme with a budget of € 547.3 million which will run for 7 years from January 1 2014. It is intended to assist national customs administrations to create and exchange information and expertise, including through the development and operation of trans-European systems.
[57] MASP, with its legal basis in the e-Customs Decision, contains more detailed information about projects and covers non-UCC projects such as COPIS, infrastructure projects, international projects etc.

- ANNEX II: European Information Systems[58] and their Union and non-Union components
- The list of European Information Systems
- The Union components of the European Information Systems

Priorities as per the closing Declaration of the Venice seminar

The Venice seminar (convened jointly by DG TAXUD and the Italian EU Presidency) highlighted the '*need to adapt the e-Customs Decision to the evolutions in global trade, in technology, in risk management requirements and techniques, and in customs control methods and to define the roles of stakeholders involved in e-Customs; this includes the identification of possible gains from collaboration between Member States and required support and coordination by the Commission'*.

In accordance with the seminar's concluding declaration, **priority should be given to:**

- *Providing an EU definition of a single window environment for customs and laying down its main functions and objectives, as well as the roles and responsibilities of the different stakeholders in the single window environment for customs at EU and national levels and empowering the authorities responsible for coordinating implementation and allocating appropriate resources;*
- *Better coordination between departments in the European Commission;*
- *Accelerating the harmonisation of required data by different authorities at the EU and national level, building on existing international standards and proceeding with the digitalisation agenda;*

The assembled delegates from national customs administrations **invited the European Commission and the Member States to consider**:

- *Preparing a work plan in cooperation with the involved stakeholders in accordance with MASP and UCC Work Programme to enable starting soon the progressive implementation of the EU single window environment for customs that will cover the scope of the functionalities offered, the content of the information exchanges and the time plan;*
- *As part of the work plan, providing standardised access to EU certificates for national customs administrations, for their management (e.g. application, quantity management, etc.) and their automated acceptance;*
- *Revising the e-Customs Decision on the basis of the outcome of the on-going evaluation and on the basis of costs and benefits analysis, in particular to provide a legal framework for the development of the EU single window environment for customs with definition of scope, objectives and roles and responsibilities for the relevant stakeholders and target deadlines.*

[58] Referred to throughout this report as 'TES' (trans-European systems)

Legal requirements for the future e-Customs environment

The following table sets out the main legal requirements for the future of electronic customs[59] in the EU in accordance with the policy priorities and considerations highlighted above. These requirements focus on:

- **The MASP** *(*a revised e-Customs decision should clarify **the link between the MASP and the UCC Work Programme**); and
- **The commitment to establish a framework of single window services** as defined in the e-Customs decision, which is not covered by the UCC legal framework.

[59] As highlighted by DG TAXUD (F Janssens) at the high-level seminar

Table 3: main legal requirements for the future of electronic customs

Requirements already covered by legislation created after January 2008	Requirements still valid in the e-Customs Decision (and to be taken over by its successor legislation)	New requirements (for the future e-Customs environment)
✓ Obligatory use of electronic data processing techniques in Customs (**UCC Art 6**); ✓ Definition of EU systems and Union Components (**C2020 Annex II**); ✓ Legal deadlines for most Customs systems (**UCC WP**); ✓ MS - COM cooperation on establishment and operation of systems (**UCC Art 16**).	✓ Purpose and objectives; ✓ Time limits for non-UCC systems; ✓ Need for reporting; (new definition of e-Customs annual report?) ✓ Fine tuning of responsibilities. (alignment with C2020 Reg., new developments such as collaborative initiatives, etc.). ✓ Article 5 of the e-Customs decision on 'Components and responsibilities'. [In the case of the Customs2020 programme, the concept of Union components and non-Union components has been introduced which deals with the distribution of duties between the Commission and the Member States] **MASP** ✓ Provide a continued legal basis for the MASP ✓ clarify the link between the MASP and the UCC Work Programme (Do we need a Multi Annual Strategic Plan? Is an overlap with UCC WP useful?)	**Single window** ✓ Define the scope of the single window (SW) environment and the roles and responsibilities of the different stakeholders in the SW environment (EU and MS level); ✓ Identification and empowerment of the relevant authorities responsible for the coordination of the SW implementation; ✓ Regulate the digitalisation of information and harmonisation of data at EU and national level. ✓ Allocate the appropriate resources to services responsible for the coordination, specification and development of the single window environment; ✓ Regulate a time plan to achieve the SW environment in a coordinated way; ✓ Ensure the legal obligation to allocate the appropriate resources for the coordination, specification and development of the single window environment at EU and MS level.

Conclusion

Harmonisation necessarily implies curtailing national discretion, in the hope that there will be economic benefits (for both authorities and economic operators) if economic operators are able to operate in a market that minimises the differences between national regulations. Customs, however, is closely bound up with national sovereignty (collecting taxes, safety and security), and this may explain why the Member States have insisted that TES, including safety and security systems such as ICS and ECS, should be adapted to national priorities in terms of the information they collect.

Member States, as expressed in the Venice Declaration and interviews, consider that while existing processes could be further harmonised, there are risks to further harmonisation in terms of reduced flexibility and scope for Member States to adapt the rules to their own needs. Businesses see opportunities for harmonisation, which, depending on their ability to operate across the EU's national boundaries, could bring rewards in terms of cost and time savings. They suggest numerous areas for development that relate to electronic customs, notably the introduction of centralised clearance. The Commission needs to work with economic operators (as well as national authorities) to decide how these potentially competing interests can be reconciled.

3.9. Benefits of harmonisation and standardisation

Evaluation question 9 (EU added value)

How can harmonisation and standardisation of economic operator access to customs systems in the EU benefit the stakeholders?

In sections 3.6 and 3.8, we discussed which components of the e-Customs environment are most/least harmonised and what components could benefit from more harmonisation. In this section, we discuss how harmonisation and standardisation of economic operator access to customs systems in the EU could benefit stakeholders. We focus primarily on two stakeholder groups — authorities (including customs and other government authorities) and economic operators. We also highlight some of the potential risks involved in increased standardisation and harmonisation.

In order to avoid confusion, it is important to **define "standardisation" and "harmonisation**". For our purposes, standardisation is defined as a common minimum set of rules that applies in all Member States. Member States are then free to go beyond this standard according to national priorities and prerogatives. Harmonisation requires a greater degree of uniformity and is defined as the use by all Member States of the same or very similar systems and processes, with little scope for deviation.

At the time of writing, several aspects of the e-Customs environment are standardised in that there are minimum requirements that Member States must meet. However, there is little harmonisation, as Member States have implemented e-Customs systems at the national level in different ways.

Customs authorities and other authorities

Customs authorities stand to benefit from efforts to harmonise and standardise economic operator access to customs systems. Our analysis reveals **four core benefit areas** from increased standardisation and harmonisation for customs authorities: better rates of economic operator compliance; improved cross-border coordination for risk management and customs enforcement; streamlined processes among different authorities within a Member State; and less scope for "customs shopping"[60] leading to a more unified application of customs procedures. Since all of these benefits are, at least to a certain extent, already being realised due to the current level of standardisation and harmonisation, the existing evidence on the impact of common standards provide a basis for the analysis below.

Most immediately, harmonisation in economic operator access to customs system is likely to improve economic operator **compliance** through a reduction in the scope for errors in customs declarations or other aspects of the customs process. Customs authorities, in the Customs 2013 evaluation, commented that harmonisation via TES "reduced corruption and human error", thereby improving economic operator compliance. Economic operators themselves echoed this view, saying that the **error rate on customs declarations had fallen significantly** with the introduction of harmonised systems. Errors that still occur, according to economic operators, are minor and largely due to differences in Member States' e-Customs systems. Improved compliance ensures economic operators obey their financial (e.g. customs duties) and non-financial (e.g. safety and security) obligations when trading, which make up the core aims of customs authorities.

Harmonised economic operator access to systems would also facilitate more effective cross-border coordination and customs enforcement. As discussed in section 3.6, the Customs 2013 evaluation detailed the ways in which **harmonisation can improve risk analysis**. Further harmonisation of economic operator access would ensure the presence of catalysts of effective collaboration, such as mutually accessible and intelligible information. Moreover, the Customs 2013 evaluation noted that harmonisation requires trust in the validity of information provided by foreign customs authorities, which is crucial for cross-border collaboration.[61] Increased trust is likely to feed back into more harmonisation, as customs authorities become increasingly familiar with cross-border collaboration and use or develop common standards for interaction.

Although not yet realised, stakeholders favoured the development of a single window for several reasons.[62] One of the reasons, expressed by both economic operators, their associations and participants in the high-level seminar on e-Customs in Venice

[60] "Customs shopping" is the standard jargon used in regulatory analysis to refer to economic operators operating at points of entry with the perceived lowest clearance times or least restrictive customs policies. If there were clear incentives for customs authorities to attract business by being efficient and timely whilst still achieving a required robust standard of checking and clearing, "customs shopping" would be a mechanism for promoting administrative efficiency. However, if customs authorities had incentives to divert responsibility (and hence cost) for customs checking to authorities in other Member States or if the means of achieving low cost and rapid customs clearance created incentives to reduce the robustness of customs checks below the required standard, "customs shopping" could have perverse consequences and become a policy concern.

[61] Coffey International Development (2014) "Final evaluation of the Customs 2013 Programme — final report", p. 45-46.

[62] This is discussed in more detail in section 3.6 on "Current state of harmonisation"

2014, was that a **single window could streamline the various processes** an economic operator must go through to get a consignment through the border. If an "EU definition of a single window" was applied in a harmonised or at least standardised fashion across the Member States, the opportunity for cross-border collaboration via the single window would also be greater.

Finally, more harmonisation would reduce the scope for "customs shopping". Evidence from interviews with trade associations and other organisations suggests that customs shopping is, to their knowledge, not a material concern, but OECD research has found that time at the border is a key determinant of the decision to trade, where to trade, and trade volumes.[63] Where **customs shopping within the EU does exist, harmonisation would reduce its benefits**, making the practice less attractive to economic operators. This would thereby help to ensure that more economically efficient criteria, such as economic cost, proximity to destination or effective transport links, determine the decisions on point of entry. Less choice for customs shopping would also mean that a harmonised robust process is followed when goods enter or exit the EU.

Economic operators (traders)

Increased harmonisation and standardisation of economic operator access to customs systems is — perhaps unsurprisingly — of considerable benefit to the economic operators themselves. We found that there are two main categories of benefits to economic operators that stem from harmonisation and standardisation of access: **economic benefits related to lower operational costs and broader benefits** resulting from changes in firms' awareness of and interaction with the e-Customs environment.

First, increased harmonisation and standardisation of access is expected to generate considerable economic benefits for economic operators through a number of different channels. Most straightforwardly, economic operators have argued that more harmonisation of e-Customs systems — particularly the TES — across Member States would **lower their cost base**.[64] Information from the Eurobarometer survey and interviews with economic operators have shown that this is because economic operators are less familiar with the information requirements for customs operations in other Member States. The qualitative evidence gathered through case studies in the pharmaceutical and automotive industries suggests that if these aspects were harmonised across the EU, economic operators would spend fewer resources on outsourcing.[65]

Moreover, the economic benefits could also include **improvement in operational efficiency**. Interviewees, whether they handled customs operations in-house or outsourced operations, noted how further harmonisation could streamline their operations. For economic operators conducting customs operations in-house, harmonisation would **reduce the need for gaining expertise in customs** documents (i.e. information requirements), and Member State-specific IT systems. Economic operators that outsource operations would be able to oversee their

[63] Nordås, Hildegunn Kyvik, Pinali, Enrico, and Grosso, Massimo Geloso (2006) "Logistics and time as a trade barrier", OECD Trade Policy Working Paper No. 35.
[64] Based on interviews of automotive industries. For more information, see section on "Potential areas for further harmonisation.
[65] Information from stakeholders in the pharmaceutical and automotive industries. At the moment, economic operators often outsource customs operations, such as the submission of customs declarations, when trading outside of their home Member State.

operations more efficiently and curtail their due diligence and monitoring of third-party suppliers. In either case, due to harmonised procedures, firms could devote less time and resources to customs operations. Improved operational efficiency can also provide economic benefits when streamlined operations generate lower costs.

The economic benefits discussed above might also, to some extent, contribute to a possible broader consequence of further harmonisation in e-Customs systems; namely, a **boost in the amount of trade**.[66] According to DG Internal Policies (2012) "Implementation of the Modernised Customs Code", 16 out of 19 European and national business organisations and 19 out of 26 multinational corporations and SMEs agreed that harmonisation of interfaces to access e-Customs IT systems was a key facilitator of trade.[67] As well facilitating trade amongst existing export markets, e-Customs may also allow and expansion of the number of export markets sold to — around 401 of the 2803 firms surveyed in the Eurobarometer survey said that e-Customs allowed their firms to operate in more markets. Thus, in addition to positive internal economic impacts such as lower operating costs, economic operators would also realise externally-oriented economic benefits like more trade and trade over more markets.

Finally, we point out one more, general benefit that might feed into the two categories of benefits discussed above. As case study evidence indicates, **improved access could generate more awareness among economic operators and particularly SMEs** of the state-of-play in EU e-Customs efforts and the general customs policy environment. Interviewees were of the opinion that SMEs were less involved with policy development and knew less about the general priorities and trajectory of e-Customs. This is partly due to resource constraints, but it also stems from less interaction with e-Customs systems. The reason given for the latter was that SMEs often did not have resources to perform customs operations in-house and so outsourced them.[68] This being the case, economic operators argued that SMEs depended on national trade associations and their CRSPs to inform them of policy developments, but that there was a time lag in receiving relevant information. Harmonisation could lower costs and complexity, encouraging economic operators to bring customs operations in-house, thereby giving them more day-to-day experience with the e-Customs environment and a stronger perceived stake in e-Customs policy. This could then result in SMEs being more actively involved in e-Customs policy development and being able to use the e-Customs environment more efficiently. Improved economic operator awareness of and engagement with the broader e-Customs environment will increase the likelihood that they will actively use the e-Customs components and be able to realise the economic benefits discussed above.

CRSPs

We have previously mentioned that CRSPs argued that they would largely stand to benefit, rather than lose, from increasing harmonisation or standardisation of economic operator access to e-Customs (see section 3.8 on "Potential areas for further harmonisation"). **Harmonisation creates a commercial opportunity for CRSPs**. Economic operators currently using a domestic system would need to purchase

[66] One economic operator in the pharmaceuticals sector commented that central clearance would also achieve this.
[67] DG Internal Policies (2012) "Implementation of the Modernised Customs Code", p. 59-60.
[68] Eurobarometer data confirm this conclusion to some degree, as the percent of SMEs that outsource operations to a third party was around 6 percentage points than the percent of large companies that outsource.

additional services from CRSPs to operate in other Member States. This contrasts with the current arrangement in which economic operators outsource their customs operations entirely. Furthermore, CRSPs argue[69] that they would be able to enter new markets, potentially achieving economies of scale and scope and thus lower marginal costs.[70]

[69] Economic operators invest in a system in their home Member State which they cannot use to carry out almost identical operations in other Member States and so either have to invest in a completely new system in other Member States or outsource. If systems were harmonised, CRSPs would be able to offer a cheaper electronic customs solution, by upgrading systems to add additional markets when required. CRSPs could, for example, provide the commercial systems for economic operators operating customs procedures with economic impact in more than one Member State which would provide better data capture, easier visibility for audit and improve compliance.

[70] Although this section has focused upon the benefits of harmonisation and standardisation to trade access systems, it is also important to recognise that there are also potential risks associated with harmonisation and standardisation. For example:

- Some customs authorities are satisfied with their legacy systems, viewing these as effective if somewhat dated and idiosyncratic. One risk of increased harmonisation or standardisation, then, is that customs authorities' expenditure on new systems could add little additional value, in the authorities' view, relative to existing systems. As a result, authorities who are satisfied with their legacy systems might feel they hold less of a stake in the overall e-Customs environment relative to authorities who were more willing to invest in new systems.
- Standardisation and especially harmonisation removes some of the flexibility to adapt a Member State's customs regime to its own unique circumstances. As said previously, harmonisation necessarily implies curtailing national discretion, but the risk is that the benefits of harmonisation are less than its economic and opportunity costs. Stakeholders are aware of those risks. One automotive manufacturer, for instance, recognised that harmonisation would undoubtedly bring benefits, but felt that for his firm it would create some uncertainty in their local markets and perhaps not deliver the benefits envisaged.
- As highlighted by some stakeholders at the High Level Seminar in Venice, harmonisation could lead to convergence to the least restrictive standards. This could compromise financial and non-financial compliance at the border.

Conclusion

In light of the discussion above, it is clear that some additional harmonisation and standardisation of economic operator access to customs systems would be beneficial to economic operators leading to lower operational costs and greater operational efficiency. Slightly less pronounced, but still plausible, are the benefits accruing to customs authorities and CRSPs from additional harmonisation and standardisation of economic operator access to customs systems. For Customs authorities, these include better rates of economic operator compliance; improved cross-border coordination for risk management and customs enforcement; streamlined processes among different authorities within a Member State; and less scope for "customs shopping" whereas the CRSPs would benefit via increased commercial opportunity where some economic operators, using domestic systems would be required to purchase additional services to operate in different member states.

We also note that the benefits of various stakeholder groups are often interlinked. For instance, most of the consequences directly related to economic operators would also be important for authorities, e.g. the more straightforward the procedures are for economic operators, easier the oversight of economic operators' activity is for authorities. Linked to this point, the lower the cost of compliance, the fewer incentives economic operators have to avoid compliance. Increased harmonisation of economic operator access systems would also increase trade volumes, as customs process heterogeneity is a non-tariff barrier to trade. This would generate more revenue from trade-related taxation, improve economic operator access to non-European markets, and generate more service revenue for CRSPs.

3.10. Key shortcomings and costs of the current state of affairs

Evaluation question 10 (EU added value)

What are the key problems and shortcomings with the current state of implementation of the e-Customs environment in the EU? What is the (economic) cost of these problems for economic operators and other key stakeholders?

Several sections in this report have been dedicated to describing the state-of-play in e-Customs (e.g. section 3.6) or identifying areas for development of the e-Customs environment and the benefits that further development might bring (e.g. sections 3.8 and 3.9). Building on the analyses in those sections, here we highlight some of the **key problems and shortcomings** with the current state of implementation of the e-Customs environment in the EU and the economic costs of those problems.

We focus on shortcomings in two broad areas that emerged during the research: harmonisation of customs processes and IT systems; dialogue, consultation, and engagement. We attempt, where possible and appropriate, to provide a high-level quantification of the economic costs of these shortcomings.

These quantitative costs are indicative and based on the tools that were at our disposal for the evaluation. A full quantitative cost assessment of problems and

shortcomings of the e-Customs environment would have required a more focused scope and methodology than the present study. Furthermore, while we provide data and analysis that will help with future policy making, the need to focus on the e-Customs implementation up to this point has excluded a *prospective* cost-benefit analysis of future interventions or policy options. Instead, we have compared the data collected through interviews and the Eurobarometer survey against authoritative third-party evidence from academic studies and policy research from various public bodies to inform our cost estimates.

Level of harmonisation

The shortcoming of the current EU e-Customs environment raised most consistently by stakeholders is the **incomplete harmonisation of customs processes and features of IT systems**, such as the various aspects of TES. As outlined in section 3.9, this is a problem because customs authorities and other border authorities, economic operators, and CRSPs stand to benefit from increased harmonisation of the e-Customs environment in Europe.

The specific harmonisation-related shortcomings are three-fold. First, **fields and formats** required for various customs declarations or used in different IT systems differ between Member States. For instance, some fields in the Entry Summary Declaration form have free text rather than a list of finite options, which create inconsistencies and hamper data quality. Similarly, the ICS system uses open electronic fields rather than CN coded fields for example for the description of goods which causes problems for the administration to automate the analysis of information and causes delays in the pre clearance process. These operational issues related to fields and formats of the various declaration forms render the sharing of information between Member States inefficient as well as take more of economic operators' time to complete forms. Next, while customs operations (as narrowly defined) are electronic throughout the EU, **substantial information required by other authorities at the border remains paper-based** in some Member States and is highly variable.[71] The upshot is that economic operators using points of entry in several Member States are faced with numerous and differing obligations. Finally, this **lacking harmonisation imposes economic costs on** economic operators, leading them to outsource certain customs operations to deal with the regulatory complexity or to erect complicated and costly internal operations and processes.

A common measure of harmonisation (or lack thereof) in the academic literature is the average number of days it takes an economic operator to conduct the necessary compliance procedures to import or export a well-defined and standardised good.[72] Using this empirical measure of harmonisation, World Bank data drawn from the June 2014 edition of "Trading across Borders" section of the Doing Business Database shows that there still is **considerable variation in the time required to complete trading procedures at the border among EU Member States**.[73] Denmark, Estonia, and Cyprus are among the quickest in clearing goods for release, with around six to eight days to comply with export requirements and four to five days for import requirements. By contrast, Italy, Bulgaria, and the Czech Republic take around 3.5

[71] Reference automotive and pharmaceuticals case study.

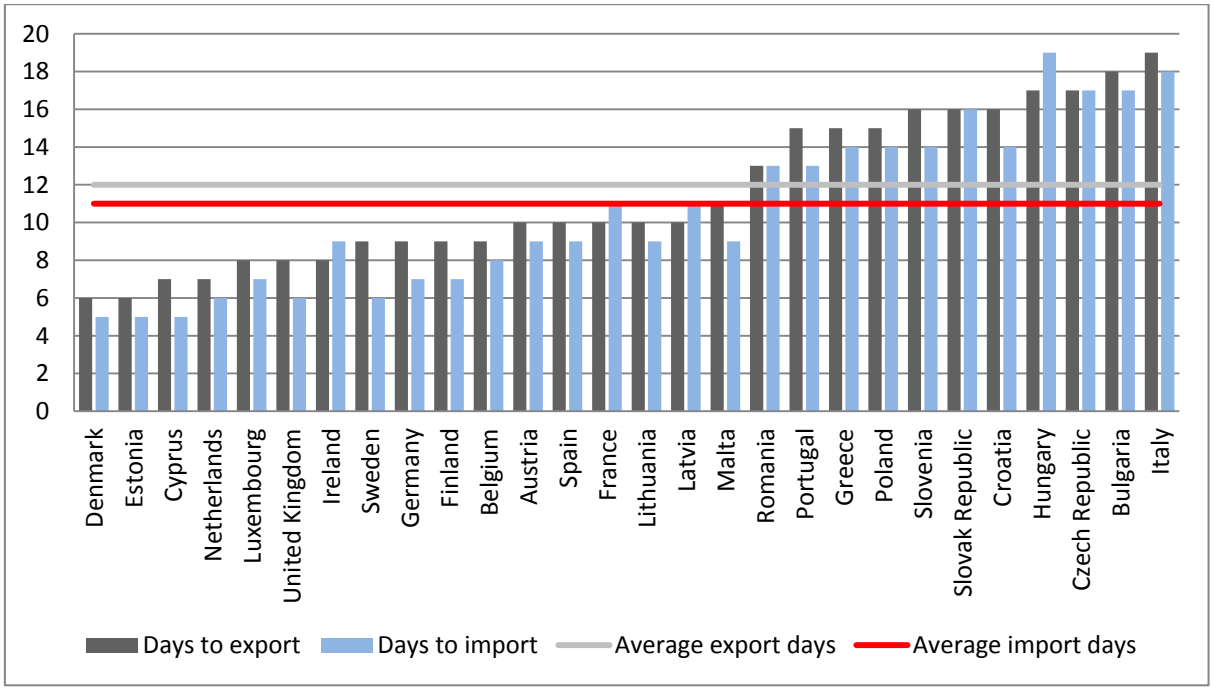
[72] As examples, see: Djankov, S., Simeon, Freund, Caroline, and Pham, Cong S. (2010) "Trading on time", *The Review of Economics and Statistics*, 92(1), p. 166-173; Martínez-Zarzoso, Inma, and Márquez-Ramos, Laura (2008) "The effect of trade facilitation on sectoral trade" *The B.E. Journal of Economic Analysis and Policy*, 8(1).

[73] For more information, see: http://www.doingbusiness.org/data/exploretopics/trading-across-borders/what-measured.

times longer to release imports and exports. On average, it takes around eleven days to comply with import procedures and twelve days for export procedures. It is important to keep in mind, however, that these data refer to *total* days, not only customs-related days let alone e-customs-related days. The data do not allow for separation of delays due to customs-related procedures and delays for other trade compliance procedures (economic operators are required to conduct compliance processes for other, non-customs border management authorities). Therefore, delays should not be attributed wholly to customs procedures or to e-customs procedures. They do, nonetheless, indicate that there remains material scope both to reduce and to harmonise the compliance aspect of import and export procedures.

As discussed in more detail below, overall delays at the border could be addressed through developing and implementing an EU-defined single window.

Figure 7: Days to comply with procedures for importing and exporting by EU Member State



Source: World Bank; TEP analysis

The days required to clear borders represent **significant monetary and opportunity costs to economic operators**. Goods held at the border can depreciate or may need to be held in special, sometimes costly storage containers (e.g. for perishable goods). By way of illustration, one stakeholder in the pharmaceuticals sector noted that timeliness of shipment and delivery is a key concern across the sector, since a number of products require refrigerated shipping. In addition to these direct monetary costs, the uncertainty over when a consignment will be released is costly, as delays can have ripple effects down the supply chain or prevent consignments from being sold, resulting in cash flow issues.[74]

At the macro-level, lack of harmonisation in general and differences in time to release goods at the border can have significant impacts on trade. Bourdet and Persson

[74] See automotive case study and pharmaceutical case study.

(2012) estimate that every 1% decrease in the number of days it takes to satisfy with trade-related compliance obligations increases import volumes into the EU by around 0.44%.[75] With an average of eleven days to satisfy import procedures and EU-28 imports from outside of the EU at €1.68 trillion in trade value in 2013[76], Bourdet and Persson's results imply that a **decrease from eleven to ten days to release imports** — a decrease of around 10% — **would have resulted in around €73.9 billion more imports** to the EU-28.[77] Although this study focuses on imports only and does not consider the effects of customs-related delays separately from other import delays, it is clear that reducing the days required for trade-related compliance would facilitate trade.

Available data do not allow us to calculate robustly the impact on stakeholders from reduced trade in monetary terms. In qualitative terms, we found **several stakeholder groups to be adversely affected by the trade impacts of lack of harmonisation**. Due to a larger number of errors, greater scope for fraud, and a reduction in the taxable base due to less overall trade, Member State fiscal authorities collect less customs and other revenue (e.g. excise duties). Furthermore, since operating in Member States with different customs regulations, in terms of information requirements and IT complexity, requires obtaining expertise or outsourcing customs operations, lack of harmonisation elevates the documentation costs and increases the time of customs processes. Economic operators face higher barriers to trade, impeding access to both import and export markets, while CRPSs realise less demand for their services, since overall trade is lower.

Dialogue, consultation, and engagement

A second important shortcoming of the e-Customs environment in the EU surrounds dialogue, consultation, and engagement. While the costs associated with such shortcomings, are difficult to quantify, they relate to the fact that economic operators sometimes do not buy into customs policies objectives and are unaware of the possible benefits of those policies. This, in turn, may result in the lack of willingness to engage with the e-Customs environment and acts as an impediment to successful policy implementation. These shortcomings are not in themselves directly quantifiable. Nevertheless, there are two key indirect costs associated with them.

First, we have found that some **economic operators feel that the dialogue with customs authorities or the European Commission has not been effective**.[78] What is more, sometimes they have not felt that the authorities effectively engaged them through outreach and stakeholder consultations.[79] Instead, economic operators who offered such views relied on the local industry associations or CRSPs to keep them abreast of customs policy developments. Information through these sources often came after consultations had already taken place, **leaving economic operators without an opportunity to make their voice heard**. This highlights the importance of constructive fora for consultation and dialogue, potentially funded

[75] Bourdet, Yves and Persson, Maria (2012) "Completion the European Union customs union: the effects of trade procedure harmonization", *Journal of Common Market Studies*, 50(2), p. 300-314.
[76] Source: Eurostat.
[77] Furthermore, Bourdet and Persson estimate considerable gains from harmonisation. If trade procedures are harmonised to the best practices across the EU, according to the authors, import volumes into the EU would rise by around 19.7% on average.
[78] See automotive case study at annex 4 to this report.
[79] See pharmaceutical case study at annex 4 to this report.

through the Customs 2020 programme, such as the existing Electronic Customs Group.[80]

Interviewees in case studies argued that SMEs were most likely to depend on private sector sources for information on customs policy developments, as they do not have the internal resources to keep themselves updated and (therefore) often outsource many of their customs operations. The risk, then, is that some economic operators in general and SME economic operators in particular are not actively engaged with e-Customs policy development and, as a result, do not feel as if they hold a stake in the e-Customs environment. This results in economic operators taking a less active role in e-Customs policy development (e.g. giving input at the systems development stage) and policy transmission (e.g. working to ensure that their internal processes are as electronic as possible). We note that Article 13 of the e-Customs Decision states:

> *The Commission and the Member States shall regularly consult economic operators at all stages of the preparation, development and deployment of the systems and services provided for in Article 4 ["Systems, services and time limits"].*
>
> *The Commission and the Member States shall each set up a consultation mechanism bringing together a representative selection of economic operators on a regular basis.*

Second, economic operators felt the **effectiveness of dialogue with customs authorities varied depending on the Member State in question**. Economic operators in countries with a longer history of electronic customs generally viewed customs authorities' efforts to engage them as beneficial and effective.[81] This led to IT systems that fit their needs and priorities. For instance, an interviewee in the automotive sector commented that his domestic customs authority proactively engaged economic operators at the development stage of local TES and demonstrably incorporated industry feedback into future iterations of the systems.[82] Other stakeholders, however, argued that consultation, when it happened, did not result in IT systems that incorporated their feedback.[83] This occurred in a context where the move to e-Customs stemmed from legislation but was, according to some stakeholders, rushed to meet the legislative deadline. In other words, poor communication and untimely consultation with economic operators was found to result in IT systems that do not meet stakeholders' needs. This, in turn, generates a sense that the systems do not serve them as well as they could, further reducing buy-in to the e-Customs policy environment as well as producing IT systems that are not as efficient and user-friendly as they could have been had consultation been better.

However, in order to improve the standard of organisational performance of the customs procedure, a Customs Competency Framework (EU Customs CFW) is now available for use by national customs services and businesses having to deal with customs in the EU. It has been developed in collaboration with public and private

[80] The Electronic Customs Group is a joint action funded through the Customs 2020 programme that regularly convenes national officials and (sometimes) economic operators to discuss future and current collaboration and harmonisation efforts.
[81] See automotive case study at annex 4 to this report.
[82] See automotive case study at annex 4 to this report.
[83] See pharmaceutical case study at annex 4 to this report.

experts from the Member States, the World Customs Organisation (WCO) and other international sources.[84]

Conclusion

Of the key problems and shortcomings with the current state of implementation of the e-Customs environment in the EU, we find that the shortcoming most frequently mentioned by customs authorities and economic operators is the lack of harmonisation in customs processes and national variants of TES. It is also the shortcoming that is most directly quantifiable, and numerous academic studies have highlighted how a lack of harmonisation acts as a significant non-tariff barrier to trade. Furthermore, given the aim of the e-Customs Decision to "harmonise the exchange of information", increasing harmonisation of TES among Member States should be relatively straightforward from a policy perspective (in comparison with other barriers to harmonisation).

Addressing shortcomings in dialogue, consultation, and engagement may not bring immediate or even quantifiable benefits, but we find that it is crucial for ensuring that stakeholders feel they are involved and are well served by the e-Customs environment and future e-Customs developments. Moreover, constructive fora for consultation and dialogue, potentially funded through the Customs 2020 programme, could be seen as a necessary step towards broader harmonisation in customs processes. Improving engagement with SMEs is especially important, as evidence indicates that they are currently less likely to engage with e-Customs policy efforts.

4. Conclusions and recommendations

This section builds on the findings presented throughout the report to produce a set of overarching conclusions and recommendations for the future. In keeping with the thematic structure of the research, the conclusions are structured according to impact and process evaluation parts.

4.1. Conclusions

4.1.1. Impact evaluation

The evaluation attempted to gauge the **detectable impacts** of recent changes to the e-Customs environment on economic operators, in terms of increased competitiveness, reductions in administrative costs and benefits of harmonisation / standardisation, as well as costs associated with the status quo. All of these issues relate to the higher-level objective of facilitating import and export procedures and thereby increasing trade.

As a starting point, it is important to understand the **limited room for manoeuvre** of the Commission and Member State authorities in these respects. While there are numerous ways that customs can help (legitimate) economic operators through, for example, curtailing the trade in counterfeit goods and detecting goods that fail to meet phytosanitary standards, the need to deal with **customs is *primarily* seen as an administrative burden**. In other words, the customs environment is enabling for

[84] http://ec.europa.eu/taxation_customs/common/eu_training/competency/index_en.htm

economic operators when it *impedes them as little as possible*, and its potential impact on European business and trade should not be considered alongside policies aimed at, say, increasing innovation.

Leading from this, the **direct impacts** of the e-Customs environment for economic operators fall mostly under the broad heading of **changes that 'made life easier'** for them, which depending on their importance were sometimes considered to have wider benefits. For example, economic operators interviewed for the evaluation found that recent changes in the e-Customs environment have delivered cost savings to their businesses through more streamlined customs processes, fewer errors when filling customs declarations and the relative ease of transmitting information.

More specifically, **centralised databases** were considered to have contributed positively to **efficiency and economies of scale**. Stakeholder satisfaction with the trans-European systems was generally positive but varied according to factors like the **ease of implementation, perceived added value over existing practices** (especially when, like the introduction of the ICS, these comprised new requirements rather than improvements to existing processes) and user friendliness (as explained in more detail in the process conclusions below). While there were also costs associated with adopting new systems (like training and infrastructure expenditure) and complying with new requirements, standardisation and harmonisation were generally seen as net positives.

With regard to economic operators concerned with importing and exporting goods, individual circumstances and scarcity of data prevented us from drawing generalisable conclusions about the costs and benefits of e-Customs in concrete terms. Allowing for the **relatively minor role customs plays in the business models** of most economic operators, we found evidence that some (albeit a relatively small proportion) firms were able to enter new markets or lower prices for consumers due to changes in the e-Customs environment. This can be considered a **relatively small, but positive, impact on competitiveness**.

Economic operators for whom customs occupies a more central position, such as Customs-related Service Providers (CRSPs) understandably had more pronounced views about e-Customs, and stressed the **positive impacts** for them of increased harmonisation and enhanced economic operator access to e-Customs systems. Their benefits from such changes stem from **increased commercial opportunities** from economic operators becoming active in growing numbers of Member States.

4.1.2. Process evaluation

Overall, the **e-Customs systems introduced in recent years have delivered administrative cost reductions** and more harmonised exchange of information among both authorities and economic operators. Our core finding is that administrative cost reductions from the EU components of e-Customs systems are driven in large part by successful implementation and the relative difference compared with the existing situation (which varied by country). The development of an e-Customs environment has helped Member States' customs administrations to perform their key tasks more effectively and efficiently. **Processes are carried out faster, more efficiently, and with less scope for human error.**

Economic operators also benefit from the improvements to the processes of the e-Customs environment (through time and costs saved related to the production and delivery of paper declarations) but continuing demands for supporting documents to be produced in paper format diminishes some of these benefits. Furthermore, the

emphasis placed on safety and security (the main driver of the e-Customs initiative over the last decade) has imposed additional regulatory requirements on economic operators. Where systems have been introduced that did not replace paper systems but rather added to existing requirements, this imposed an additional regulatory burden on trade.

In its current form and level of implementation, **the e-Customs environment improved the flow of data between stakeholders but it cannot yet be considered 'seamless'.** Economic operators report instances of needing to submit the same data multiple times both to authorities within the same Member State and, where operating in multiple Member States, to national authorities in each of the Member States where they operate. Data sharing among Member States still has substantial potential to be increased.

The lack of harmonisation in customs processes and national variants of TES remains a problem acting as a significant non-tariff barrier to trade. Furthermore, given the aim of the e-Customs Decision to "harmonise the exchange of information", increasing harmonisation of TES among Member States should be relatively straightforward from a policy perspective.

Common technical and functional specifications can be seen as necessary but not sufficient to achieve a harmonised experience of the electronic customs environment across the EU or a common approach to risk management. In addition, there are still barriers to investment by Member States in TES, such as continued commitments to legacy systems. **Looking ahead, it is important that the focus is on the substantive rather than the procedural aspects of TES**; namely, wherever possible removing duplication and streamlining the experience for economic operators. Given the constraints felt by Member States and investment required of all parties, it is important that planning takes place in a framework with sufficient consultation and lead-time for the roll out of future systems. The MASP continues to be crucial in this regard.

Addressing shortcomings in dialogue, consultation, and engagement is also important to ensure that stakeholders feel they are involved and are well served by the e-Customs environment and future e-Customs developments. Moreover, constructive fora for consultation and dialogue, potentially funded through the Customs 2020 programme, such as the existing Electronic Customs Group[85] should be emphasised as vital for achieving buy in for the harmonisation in customs processes. Engaging economic operators, as well as customs officials, in such fora is also important.

The area where least progress has been made towards the commitments set out in the e-Customs Decision is with regard to establishing a single window environment. None of the Member States has implemented a single window environment in full, although some are at the beginning of the process of linking up the authorities which coordinate border management. The difficulties inherent in trying to get authorities with different needs and mandates to work together should not be underestimated, especially at a European level, but coordination within the Commission (with DG MOVE's single window initiative in the maritime transport sector) should be a priority.

[85] The Electronic Customs Group is a joint action funded through the Customs 2020 programme that regularly convenes national officials and (sometimes) economic operators to discuss future and current collaboration and harmonisation efforts.

4.2. Recommendations

The following paragraphs build on the findings and conclusions to present a set of recommendations for the future.

4.2.1. The MASP

Providing a legal base for the MASP has been one of the main successes of the e-Customs Decision. There is no reason to put this in jeopardy by repealing the existing Decision. While the current Decision will not expire, there is scope to clarify the relationship between the MASP and the UCC Work Programme.

4.2.2. Nature of successor legislation

The relatively 'soft' nature of many of the provisions in the Decision in comparison with the detailed, prescriptive provisions of the Union Customs Code is one of its key distinguishing features and strengths. As explained by many stakeholders during the evaluation, the aspirational and flexible nature of the Decision rendered some of its more ambitious provisions palatable to stakeholders who otherwise would have been prohibitively concerned with competing demands on scarce resources. This provided necessary lead-time to stakeholders, heralding the inclusion of related (but more concrete) provisions in the UCC (e.g. the obligatory use of electronic data processing techniques). In any proposal for successor legislation, the Commission should take a similar approach, emphasising the need for flexibility and complementarity with other parts of the regulatory framework.

4.2.3. Interplay with centralised clearance

Economic operators engaging in customs procedures in more than one Member State consistently argued that centralised clearance would represent a major step forward that would significantly reduce their administrative burden. However, it was not clear how plans for centralised clearance fit with those for a single window. If a single window for customs is considered a milestone towards eventual centralised clearance, this should be communicated to stakeholders and explained in long-term planning documents.

4.2.4. Future of the e-Customs Decision and the single window initiative

The evaluation showed that, while certain elements of the Decision, most importantly the legal base for the MASP, remain highly relevant, other parts either have been superseded or are not concrete enough to encourage and incentivise further advances. The Commission should consider the need to replace or supplement the Decision in the light of those objectives that remain to be achieved. Chief among these outstanding objectives is the single window initiative.

The future of the e-Customs environment is to a great extent linked to the single window concept. Although foreseen in the e-Customs Decision, in the years since its entry into force the ambitious goal of a 'framework of single window services' has yet to be achieved. With regard to any future initiative single window initiative, several issues need to be considered:

Definition of an EU single window environment for customs

As the High Level Seminar on the single window in October 2014 showed, there is not an agreed and commonly understood definition of the single window concept among the EU and Member States. **The Commission should take the opportunity of developing new legislation to consult on and put forward an explicit definition that addresses the current confusion**. This could kick-start consultation with stakeholders about what a future single window would entail and aim to accomplish.

Relationship with DG MOVE initiative:

A coordinated approach to the implementation of the single window concept at EU level is both desirable and necessary. The Commission should decide which of its services will develop the single window. As DG TAXUD's Options Paper on the future of the national single window for customs recognises, **there is much that speaks in favour of this initiative being led by DG MOVE**. The national single window for customs could thus be implemented as an extension of the single window developed in the field of maritime transport. This recommendation necessarily implies an extension of the DG MOVE initiative in its current form, to cover the other forms of transport (air, road and rail) by which goods enter and leave the EU

Should the Commission instead decide to develop separate single window initiatives led by DG MOVE and DG TAXUD, we recommend that these initiatives should be complementary (particularly in terms of adding value to the services provided to economic operators, and not only imposing additional obligations on trade), and collaborative, reflecting the recent call by Member States for '[b]etter coordination between departments in the European Commission'[86].

Economic operators' needs

Economic operators voiced support for future initiatives like the single window if (and only if) they were likely to lead to practical improvements, like faster customs clearance and a reduced need to file duplicate information. However, they also stressed the need to maximise continuity with existing systems and avoid potentially costly and time-consuming transition periods. In other words, a single window is not intrinsically valuable but is seen as a means to an end of more effective and efficient customs procedures. Echoing this, some authorities and economic operators emphasised continued difficulties in implementing fully electronic systems, while others stressed the important role for Port Community Systems in improving the interface for economic operators. **The Commission should consider these issues and consult widely when developing plans for a future single window**, with a focus on improving the situation for stakeholders.

National single windows and interoperability

Leading from the above, the evaluation showed that Member States **make progress at different speeds and according to different national priorities**. Some Member States are in the advanced stages of developing national single window, whereby the various authorities requiring information can communicate with each other seamlessly. The role for the EU in this context **should not be mainly to develop new systems, but to focus on coordinated border management and interoperability**. New systems could then be considered when fitting with this broader goal. Such a focus

[86] As per the final declaration to the high-level seminar on e-Customs held in Venice, October 2014.

would ensure **maximum gains for authorities** (in terms of ready access to relevant data and information) as well as for economic operators (who stand to benefit from reduced clearance times, better-targeted risk management processes etc.).

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