

# Electronic customs clearance: Keeping up to speed across Europe and beyond

By Wolfgang Schwab, Chief Strategy Officer for Customs, Kewill



A move away from paper-based processes to electronic processing has always been an essential strategy to improve efficiencies in customs clearance. Wolfgang Schwab identifies some of the challenges that exist in implementing an electronic customs strategy and recommends a pragmatic way forward.

The last few years have seen several customs procedures switch entirely from outdated paper-based processes to electronic processing. The New Computerised Transit System (NCTS), which previously processed transit operations using paper forms, was mandated in 2005 and a year later, the Export Control System/Automated Export System (ECS/AES) was launched. The latter comes into full effect in Europe on 1 July 2009, when customs authorities of all EU member states need to have adopted electronic export declarations replacing the paper-based systems.

The trend of electronically enabling customs procedures is likely to continue, as the European Commission has already laid the groundwork for the electronic processing of all European customs procedures with the Electronic Customs Multi-Annual Strategic Plan (MASP). The next stage of MASP is already on the horizon with the introduction of the Import Control System (ICS), proposed for 1 January 2011. These developments are being forced by the new customs code that makes electronic notification the norm and reserves paperwork for exceptional cases.

However, the introduction of harmonised IT processes does not mean that a single process will link up all European countries. In fact, every EU member state has created its own IT procedures and enables connections to other systems in the community in different ways in terms of both technology and content. For example, the export notification process mentioned earlier, which has been developed by European Commission workgroups, will not be uniformly implemented in all countries. This means that companies operating in several countries spend a large amount of time untangling local procedures. In Germany, for example, an export licence is granted after sending notification and only then can the shipment get rolling. In the Netherlands, however, permission to load shipments is first received and only after the transport data has been sent separately is the licence to export issued. The procedure is different again in the UK where a Movement Reference

Number (MRN) is only generated if the export is indirect, in other words if it is sent via another EU member state. In all other countries, however, the MRN is generally the main criterion for all exports – whether direct or indirect. These nuances highlight the challenges which companies operating and moving products from multiple countries in Europe must deal with.

In light of this, the European Commission has launched the Single Electronic Access Point (SEAP) project. Under the auspices of this project, companies send the export data to a local customs office that then sends it to the specified office within the European Commission. However, on closer analysis, it is apparent that the export data must then be processed for acceptance by whatever national system is due to receive it. This places a considerable extra administrative burden on local customs systems that cannot be implemented in their present form. Administrative burdens aside, there is also the question of what would happen if a transmitted notification is lost within the customs network and fails to arrive in the intended country of destination and who would be liable. As a result of these difficulties, the SEAP project has been put on hold for now and it has been left to exporting companies to ensure local link-ups.

So, is one central global customs application the answer? Whilst theoretically ideal, the cumbersome impracticalities of developing one central global customs application make it nigh on impossible. For example, there are various dates set for implementing version changes in national customs procedures. The changes to European Commission customs procedures occur almost every week. This means a central application would be subject to constant modification. Simply keeping up to speed with all the changes would be highly time-consuming, expensive, inefficient and unscalable – jeopardising the application's stability.

Indeed, as a result of the challenges, we have seen many companies utilise electronic customs

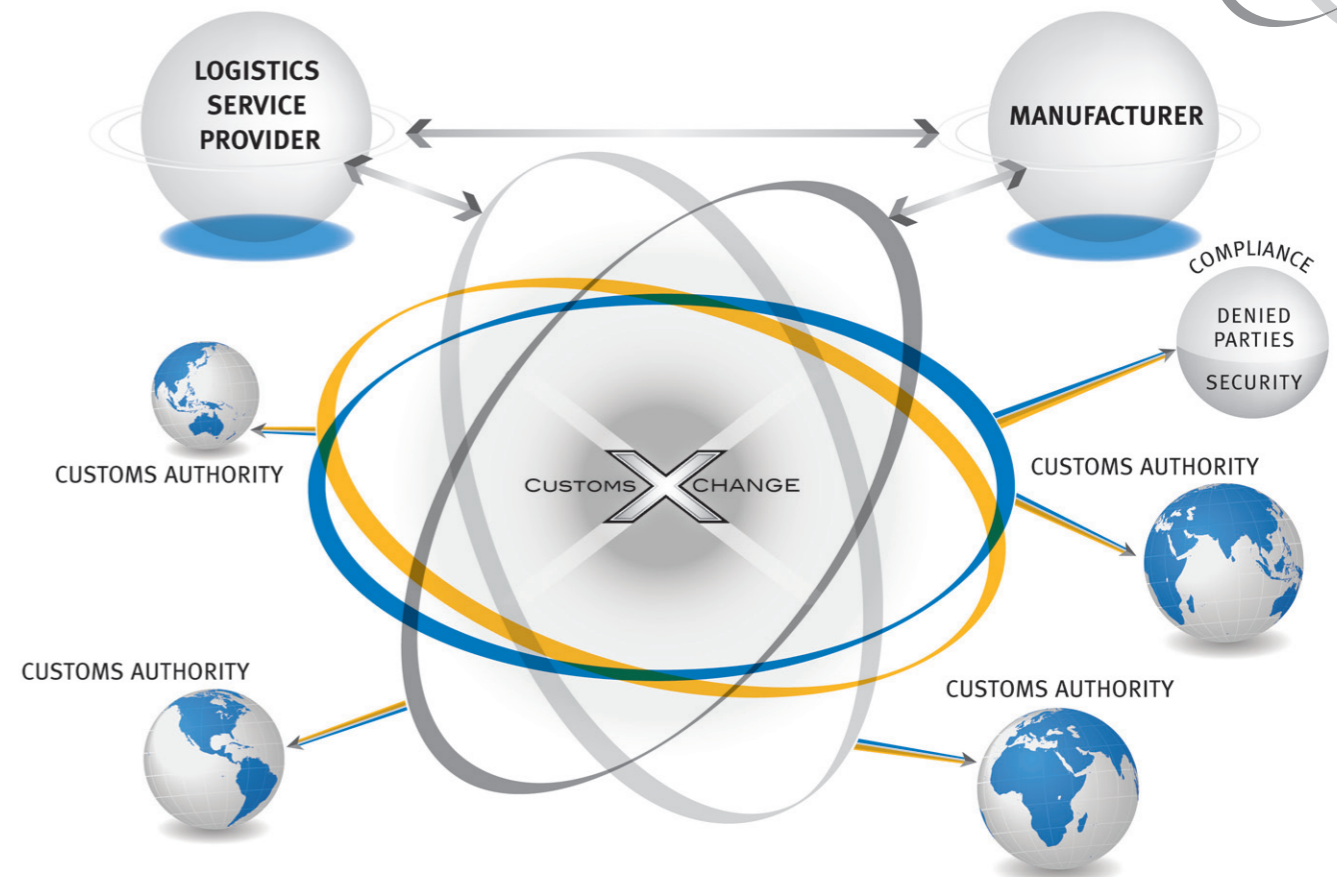


Figure 1: A central entry point gives users easy access to the 'network' solution, without the need and cost of dealing with various local requirements

clearance as an independent service on a local basis. Also, it was these issues that prompted Computersoftware für Fachanwendungen (CSF), a company acquired by Kewill, to found the EurTradeNet (ETN) network with other customs service providers in other EU member states in 2002. To this day, the aim of ETN is to ensure that participants can exchange data across national borders and develop standards for uniform connections in all participating countries. With the successful conclusion of the eTEN pilot project (co-funded by the European Commission), ETN has already become established in European Commission workgroups and the World Customs Organisation (WCO).

Kewill is currently developing Kewill CustomsXchange, a fully integrated global solution bringing simplicity, local expertise and transparency to customs compliance – which uses the standards created as part of the ETN initiative.

This 'network' solution can flexibly connect various local country customs applications via a central technical gateway, without users having to get into the detail of various local requirements. If necessary, local support is provided by the respective country partner, who is able to explicitly deal with the characteristics of the local customs administration and can draw on country-specific expertise accordingly. The global span of Kewill means that CustomsXchange is not limited simply to the European stage, it also has connectivity into customs administrations in Asia and North America.

The difficulties in operating one central global customs application, described in the above paragraphs, have led many companies to move towards the philosophy of a 'network' solution which maintains local presence and expertise – and one which looks at the challenges of a global customs network in a pragmatic way.



### About the author

Wolfgang started his career working in IT in the insurance industry. In 1986, he founded Computersoftware für Fachanwendungen (CSF), a company focused on the development of software to provide electronic customs clearance in Germany. Within 20 years, CSF became the market leader in the sector and employed 80 people across 4 offices in Germany and Switzerland. In 2006, CSF was acquired by Kewill and Wolfgang remained as the Chief Operating Officer for Kewill CSF. In April 2008, Wolfgang was appointed to his current role of Chief Strategy Officer for Customs acting as Kewill's foremost expert on customs.



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