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2009 E-customs progress report

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1. INTRODUCTION

The annual progress report for 2009 is the second report prepared on the basis of Article 12 of the e-customs decision¹ under which the Member States are required to report on their progress with the tasks allocated to them in the Multi-Annual Strategic Plan ('MASP') – see section 2.1. The Commission on the basis of the national progress reports establishes 'a consolidated report evaluating the progress made by Member States and the Commission'² with the e-customs initiative in the given year.

Twenty-six Member States provided the Commission with their national progress reports for 2009, based on a template agreed in the Electronic Customs Group ('ECG').

This report covers only projects active in 2009 and reported on by the Member States. As some projects were reported on only by some Member States, the consolidated report focuses on the safety and security systems (see section 2.2) where information was provided by all the Member States. The safety and security systems also represented the main challenge in 2009, with the legal deadline for their deployment being 1 July 2009 under the implementing provisions³ to the safety and security amendment to the Customs Code⁴.

2. BACKGROUND

2.1. E-customs initiative

The Commission and the Member States are committed to delivering pan-European e-Government services, providing for efficient, effective and interoperable information and communication systems between public administrations, including between their front and back offices, in order to exchange and process public sector information across Europe in a secure manner. The Community and the Member States have also committed themselves, under the Lisbon Agenda, to increasing the competitiveness of companies doing business in Europe.

The pan-European e-Government action, as provided for by Decision 2004/387/EC⁵, requires measures to increase the efficiency of the performance customs controls and ensure the seamless flow of data in order to make customs clearance more efficient, reduce administrative burdens, help to combat fraud, organised crime and terrorism, serve fiscal interests, protect intellectual property and cultural heritage, increase the safety of goods and the security of international trade and enhance health and environmental protection. To that end, the use of information and communication technologies for customs purposes is of crucial interest.

¹ Decision No 70/2008/EC of 15 January 2008 on a paperless environment for customs and trade (OJ L 23, 26.1.2008, p. 21)

² Article 12 (2) of the e-customs decision

³ Commission Regulation (EC) No 1875/2006 (OJ L 360, 19.12.2006, p. 64)

⁴ Regulation (EC) No 648/2005 (OJ L 117, 4.5.2005, p. 13)

⁵ OJ L 144, 30.4.2004, p. 65, as corrected by OJ L 181, 18.5.2004, p. 25

As a part of this commitment, the Commission and the Member States have undertaken to set up and operate secure, integrated, interoperable and accessible electronic customs systems in order to facilitate end-to-end supply chain logistics and customs processes for the movement of goods into and out of the European Community, and to reduce the risks of threats to the safety and security of citizens by minimising the remaining differences between Member States' customs processes. This initiative is referred to as the 'e-customs initiative'.

The objectives to be met in creating this paperless environment for customs and trade as well as the structure, means, time limits and allocation of tasks between the Commission and the Member States are in general set in the e-customs decision. The modernised Customs Code⁶ provides the necessary legal basis for the computerisation of all customs procedures, declarations and data exchange.

Operational planning of the e-customs initiative and the allocation of the tasks to the Commission and the Member States is provided in the MASP, the overall project management tool.

2.2. Safety and security systems

Safety and security systems represented a first major step in the e-customs initiative. The systems were planned to be implemented by 1 July 2009, as provided for in the implementing provisions to the safety and security amendment to the Customs Code. The safety and security systems are:

- Import Control System ('ICS');
- Export Control System ('ECS');
- Economic Operator's Registration and Identification system ('EORI') and Authorised Economic Operator ('AEO') – EORI and AEO were merged in Economic Operators Systems ('EOS');
- Customs Risk Management System ('CRMS').

The implementation of the safety and security legislation also required amendments of the existing systems, such as NCTS, which had to be performed by 1 July 2009 as well.

Other IT systems requested by the e-customs decision have their implementation dates set in general from 2011 to 2014, depending on the positive evaluation of their functional specifications in some cases.

The legal deadline for the application of the modernised Customs Code was set on 24 June 2013. By that date, its provisions shall be fully implemented, including the deployment of the IT systems.

Following from the above, and apart from the management of already operational systems, the vast majority of activities in 2009 were focused on finalising the technical

⁶ Regulation (EC) No 450/2008 laying down the Community Customs Code (Modernised Customs Code) (OJ L 145, 4.6.2008, p. 1)

development of the safety and security systems, performing the conformance tests and ensuring the deployment of the systems by the legal deadline.

2.3. Tasks and responsibilities

Articles 5 to 7 of the e-customs decision define Community and national components of the e-customs systems and assign tasks to the Commission and the Member States to develop them. Other/more specific tasks might be assigned to both parties in the MASP which also sets milestones and deadlines for individual tasks. Although MASP is not legally binding, the deadlines of the upcoming milestones in MASP are confirmed by the Member States.

The progress with the individual tasks is regularly followed up and reported to the ECG technical sub-groups dedicated to individual projects or groups of projects and is also reported up to the plenary ECG and to the Customs Policy Group ('CPG') respectively, in case guidance or a decision is needed.

2.3.1. MASP governance and MCC IT Scoping in 2009/2010

The MASP is, based on the Governance Scheme for the Implementation of Electronic Customs⁷, discussed in the ECG and endorsed by CPG.

As a general rule, MASP is updated every year to reflect the work progress and upcoming tasks. Another significant update of MASP was expected after the adoption of the modernised Customs Code, to show the details of the IT projects aiming at the full computerisation of customs proceedings.

The implementation process of the modernised Customs Code (with the deadline of 24 June 2013), apart from IT developments on which this report concentrates, also involves certain legal developments. The most significant one is the drafting of the modernised Customs Code implementing provisions where the details and deadlines for the IT developments will be defined, amongst others.

It is worthwhile pointing out that some legal corrections pertaining to the safety and security amendment or to areas covered by the regulations were still required and lead to publication of four regulations at the beginning of 2010.

Given the limited timeframe for the modernised Customs Code implementation and the experience with the safety and security systems deployment in similarly time-challenging conditions in the run up to July 2009 (see below), the Commission and the Member States engaged in a discussion to define a realistic scope of the IT systems to be implemented by June 2013. As the discussion is ongoing since the adoption of the modernised Customs Code in June 2008, it was not possible to provide a useful update of MASP and, as such, revision 9 of 2008 is still valid pending conclusions on the IT requirements for the modernised Customs Code.

2.3.2. Community and Member States tasks

In general, the Commission is responsible for the preparation of the common documents, products and services for each of the projects. Taxation and Customs Union Directorate

⁷ TAXUD DOC/2005/124 – Revised – Annex 3 of the MASP rev. 9

general ('DG TAXUD') is consequently responsible for the preparation of common user requirements, functional and technical specifications for the common domain and the preparation of conformance tests of the systems.

DG TAXUD also has a coordination role to play in respect of:

- the development of Community and national components with a view to a synchronised implementation of projects;
- systems and services provided for in the e-customs decision with other relevant e-Government projects at Community level;
- training needs.

The Member States should ensure the fulfilment of the similar tasks at the national level.

3. COMMISSION ANNUAL PROGRESS REPORT

The Commission fulfilled the tasks allocated to it under the e-customs decision and MASP mainly by preparing the centrally developed customs applications and technical documentation for the safety and security systems at the EU level (functional and technical specifications) and by supporting the Member States in the conformance tests leading to the deployment of the safety and security systems.

The technical documentation and the development and testing of the central applications were finalised for all the safety and security systems in the first half of 2009 and conformance tests were started then with some Member States.

The Commission applied a strict management for the launch of operations of ECS and NCTS, planned for the majority of the Member States on the same day. Daily reports were exchanged and conference calls held with Member States announcing problems with the deployment.

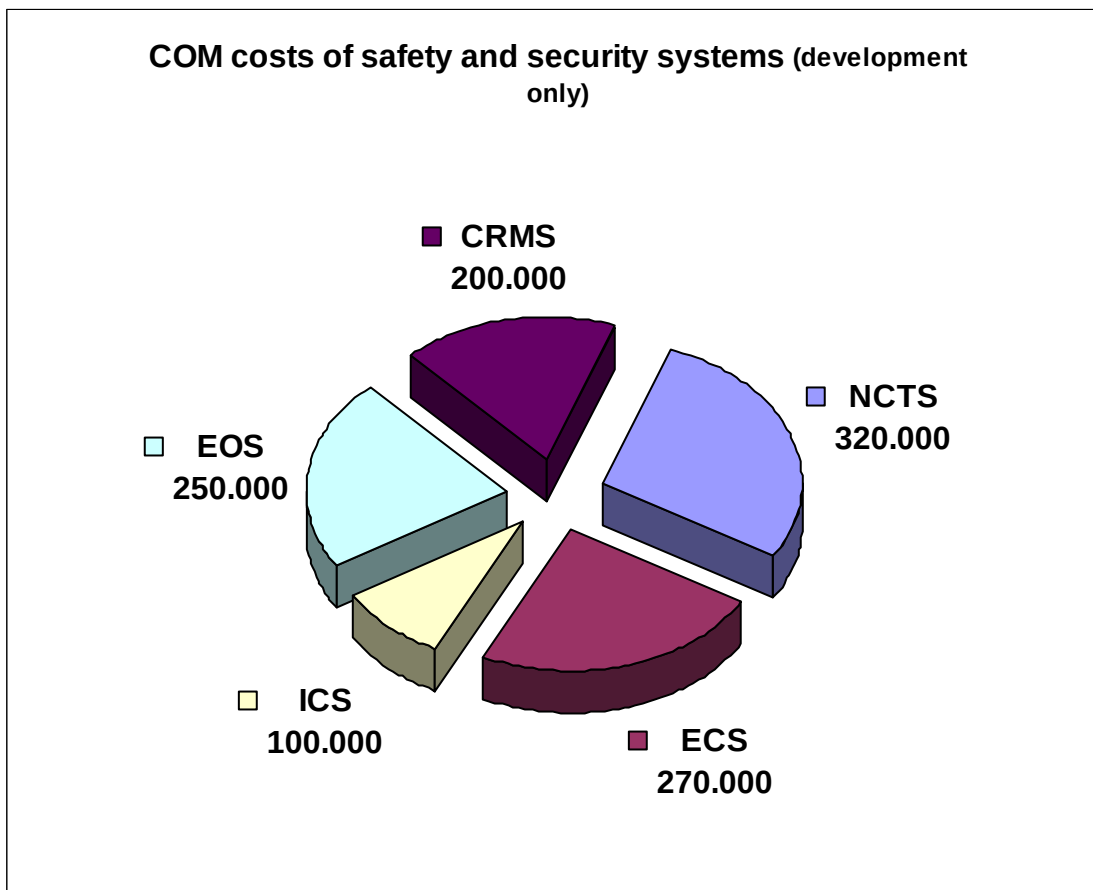
Regular updates of the national planning of IT systems deployment were provided to all the Member States and trader community to inform them of the progress, possible delays and allow for appropriate planning of the traders' connections.

As a part of the initiative and of its risk management, in order to assist the Member States reporting problems with meeting the deadlines, series of multi-/bi- lateral meetings and consultations were carried out in the respective Member States – there were about 16 of them in 2009⁸.

Furthermore, the maintenance of other already operational systems and the preparation for the launching of TARIC 3 were also covered.

⁸ IT activity report (TAXUD/A3) for 2009 – TAXUD A3/PHT Ares(2010) 27958

3.1. Costs incurred by DG TAXUD on IT systems development in 2009



The costs of safety and security systems in the graph above (in EUR) are also included in the table summarizing the costs of DG TAXUD on IT system development and coordination role below. The graph only depicts costs committed in 2009 budget for the development of the respective systems. Other more significant costs, such as corrective maintenance and operational costs could not have been assigned to specific systems.

The common costs category contains the common costs incurred in respect of IT contracts, Customs 2013 joint action costs, costs of the communication activities associated with the launch of a new generation of online services (DDS2, mock-up portal, e-learning modules, etc.) and training costs (EOS e-learning course development/localisation and CRMS development).

The costs of the e-customs Customs 2013 joint actions relate to the participation costs in the programme events such as the ECG plenary IT and legal meetings as well as the technical sub-group meetings on ICS, ECS, EOS and NCTS. They also cover costs of IT training sessions, project group meetings, workshops and seminars. The costs for joint actions are actual 2009 expenditures, not the committed amounts.

System/Activity			Committed budget for 2009 (EUR)
Development incl. evolutive maintenance	Movement systems	NCTS	320.000
		ECS	270.000
		ICS	100.000
	Total:		690.000
	Tariff systems	CN	50.000
		DDS	50.000
		DDS2	850.000
		EBTI3	50.000
		ECICS2	150.000
		Quota2	100.000
		REX	310.000
		SMS	0
		Surveillanve2	200.000
		Suspensions	50.000
		TARIC2	0
		TARIC3	200.000
	Total:		2.010.000
	Electronic customs	EOS	250.000
		AES	0
		AIS	0
		CRMS	200.000
		ECIP	394.165
		COPIs	400.000
		Safety and security evolutions, MCC	2.350.000
		SASP	400.000
		SEAP	60.000
		Single Window	0
		SPEED	390.000
	Total:		4.444.165
Corrective maintenance		397.611	
Development incl. maintenance total		7.541.776	
Operations		11.289.591	
Communication network – Customs	CCN/CSI	7.835.821	
Quality and methodology – Customs	TEMPO	3.842.476	
Common costs - project management, workshops, communication activities, ECG meetings, training costs		3.570.306	
GRAND TOTAL		34.079.970	

4. NATIONAL ANNUAL PROGRESS REPORTS

As mentioned above, the implementation of the safety and security systems represented the major task during 2009. Given the delays in the adoption/amendments of the legal basis and the respective technical documentation, some Member States had announced delays in the deployment of the systems, mainly ICS. As of 1 July 2009:

- six Member States started ICS Phase 1 operations;
- twenty Member States started ECS Phase 2 operations;
- twenty Member States started the NCTS Phase 4 operations;
- all Member States were connected to the operational environment of EOS.

By the end of 2009, all Member States deployed NCTS Phase 4 system. ECS Phase 2 was operational in all Member States by 31 January 2010. Six Member States postponed the deployment of ICS till the second half of 2010. For more details, please refer to the sections on the respective systems below.

4.1. Import Control System

Following the delays in the development of ICS and the strong requests from the trade community, the Commission adopted a Regulation, declaring the lodging of the entry and exit summary declarations voluntary for traders until end 2010⁹ ('transitional period'). Moreover, a Business continuity plan¹⁰ was adopted at the ECG meeting of 12 May 2009, defining the procedures to be followed during the possible unavailability of the safety and security systems.

Six Member States implemented ICS by the target date of 1 July 2009. By 31 December 2009, twelve Member States had their ICS systems in operation. For the remaining fifteen Member States, ICS deployment remains a priority in 2010.

Given the transitional period for the use of ICS, the use of ICS was very limited in 2009.

4.2. Export Control System – Phase 2

ECS Phase 2 was deployed in twenty Member States according to the plan, three more Member States were operational by September 2009. All Member States had ECS Phase 2 operational by January 2010.

The start-up operational problems in Belgium and the United Kingdom were solved by the end of the year. A discussion on the validation of rules and conditions only at the Member State sending the message is ongoing.

The transitional period described in the first paragraph of section 4.1 applies also to the exit summary declarations.

⁹ Commission Regulation (EC) No 273/2009 (OJ L91, 3.4.2009, p. 14)

¹⁰ Doc. TAXUD/1609/2008

4.3. Economic Operators' Systems

All Member States were connected to the central EOS web light client by the legal deadline of 1 July 2009. Several practical problems appeared with the use of the data (Germany and Austria experienced problems with the upload of their traders' data into the EORI database; a number of traders from 3rd countries were not registered in time; mistakes and omissions in the EOS database) which led to the introduction of a flexibility period during which the validation checks at the national level against the EOS database were suspended. *[The flexibility period ended on 1 June 2010].*

4.4. NCTS Phase 4

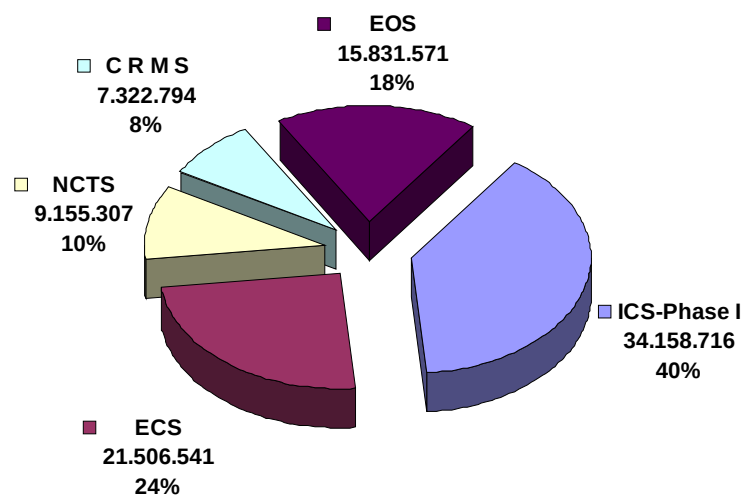
NCTS Phase 4 was deployed in twenty Member States as of 1 July 2009 (Phase 4 covers safety and security amendments as well as the ATIS amendment, the upgrade of the enquiry procedure and the introduction of an electronic recovery procedure). The remaining Member States started the operation within days (maximum 2 months) of the legal date.

4.5. Other projects - European Information and Communication Portal

In 2009, a Project Group for the preparatory phase of the European Information and Communication Portal ('ECIP') with the participation of Member States and traders was launched. The ECIP was deployed in April 2010. This portal is, opposite to the current websites, based on the explanation of the processes and ensures the availability of the national information of Member States through RSS-Feeds technique.

4.6. Costs incurred by the Member States on IT systems development

Member States costs for safety and security systems*



* Percentage relates to the total of these 5 systems only

The above graph illustrates the amount spent by the respective Member States on the individual safety and security systems in 2009, as reported (in EUR). As costs incurred

were not reported for all the projects and not by all the Member States, only costs of the safety and security systems are shown. Please note that:

- not all the Member States provided information on their costs of safety and security systems development;
- in general, the costs reported include neither the internal staffing costs of the national administrations, nor the operational costs;
- some Member States reported an amount contracted for the whole development of the systems – in those cases, the amount was split into individual years proportionally;
- given differing methodologies in the Member States, different phases of projects and/or costs (e.g. project management costs) might be reported under the headings;
- given differing reference basis in the Member States, systems might be built on common platforms and costs of the platform assigned to one system only, which results in the distortion of the data.

The total costs incurred by the Member States in 2009 on all IT projects (as reported by some of the Member States) amount to approximately 133 million EUR. The above disclaimers apply to this figure as well.

