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# **2010 E-customs progress report**

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## **1. INTRODUCTION**

The e-customs annual progress report for 2010 is the third report prepared on the basis of Article 12 of the e-customs decision<sup>1</sup> 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. The Commission on the basis of the national e-customs progress reports establishes 'a consolidated report evaluating the progress made by Member States and the Commission'<sup>2</sup> with the e-customs initiative in the given year.

Twenty-six Member States provided the Commission with their national progress reports for 2010, based on a template agreed in the Electronic Customs Group ('ECG').

This report covers only projects active in 2010 and reported on by the Member States. As some projects were reported on only by some Member States, the consolidated report focuses only on the safety and security systems (see section 2.2) where information was provided by all the Member States. The safety and security systems are the result of major efforts undertaken by the Member States in 2008/2009 and 2010 under the implementing provisions<sup>3</sup> to the safety and security amendment to the Community Customs Code<sup>4</sup> and were influenced by the regulation<sup>5</sup> on a transitional period for the lodgement of the corresponding electronic declarations (ending on 31 December 2010) – see section 4.1.

## **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 European Union 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/EC<sup>6</sup>, requires measures to increase the efficiency of the performance of customs controls and to 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,

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<sup>1</sup> 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)

<sup>2</sup> Article 12 (2) of the e-customs decision

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

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

<sup>5</sup> Commission Regulation (EC) 273/2009 (OJ L 91, 3.4.2009, p. 14)

<sup>6</sup> OJ L 144, 30.4.2004, p. 65, as corrected by OJ L 181, 18.5.2004, p. 25

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.

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 Union, 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 current Community Customs Code as well as the modernised Customs Code<sup>7</sup> provide 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 Community Customs Code. The safety and security systems are:

- Import Control System ('ICS') – Phase 1;
- Export Control System ('ECS') – Phase 2;
- 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 the New Computerised Transit System ('NCTS') – NCTS – Phase 4, 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.

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<sup>7</sup> Regulation (EC) No 450/2008 laying down the Community Customs Code (Modernised Customs Code) (OJ L 145, 4.6.2008, p. 1)

The ultimate 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 respective IT systems. However, the date of the application of the modernised Customs Code is currently being re-considered (see more details in section 2.3).

Following from the above, and apart from the management of already operational systems and upgrade of the Tariff systems (deployment of TARIC3), the vast majority of Member States' activities in 2010 were set on finalising the launch and enhancing the stability of the safety and security systems and the related national risk analysis systems.

### **2.3. Tasks and responsibilities**

Articles 5 to 7 of the e-customs decision define the different 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 on IT and Legal Aspects and to the Customs Policy Group ('CPG') respectively, in case guidance or a decision is needed.

Currently [August 2011] a recast of the modernised Customs Code is drafted, taking into account the impact of the Lisbon Treaty, including a postponement of the date of its entry into application and a limited number of corrections. Consequently, the introduction of a mid/long term e-customs IT Implementation Strategy and Supporting Organisation would need to be envisaged. The objectives of such a strategy would be mainly to increase the overall efficiency, effectiveness and aim at the global cost reduction for the Commission and the Member States and shorter time to deliver. The proposed reference model, which should be in line with the e-Government action plan 2011-2015 (SEC(2010) 1539), could be the combination of Business Process Management, Master Data Management and Service Oriented Architecture together with the provision of some of the services centrally. Should this strategy be introduced, an amendment of the e-customs decision in respect of the tasks and responsibilities might be required.

#### *2.3.1. MASP governance and MCC IT Scoping in 2010/2011*

The MASP is, based on the Governance Scheme for the Implementation of Electronic Customs<sup>8</sup>, 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 is to be expected after the adoption of the decision concerning the modernised Customs Code (see point 2.3), to show the key milestones of the related IT projects.

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<sup>8</sup> TAXUD DOC/2005/124 – Revised – Annex 3 of the MASP rev. 9

For the consideration of the alternative options and time plans for the requested amendment of the modernised Customs Code and its implementing provisions, the Commission and the Member States meeting in the Ad hoc modernised Customs Code implementation High Level Steering Group are, taking into account the experience gained with the safety and security systems deployment, engaged in a discussion to define a realistic scope of and time plan for the IT systems to be implemented under the modernised Customs Code. As the discussion is ongoing, 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.<sup>9</sup>

### *2.3.2. European Union 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 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 European Union 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 European Union 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 campaigns for ICS which were finalised during 2010.

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 nine of them in 2010<sup>10</sup>.

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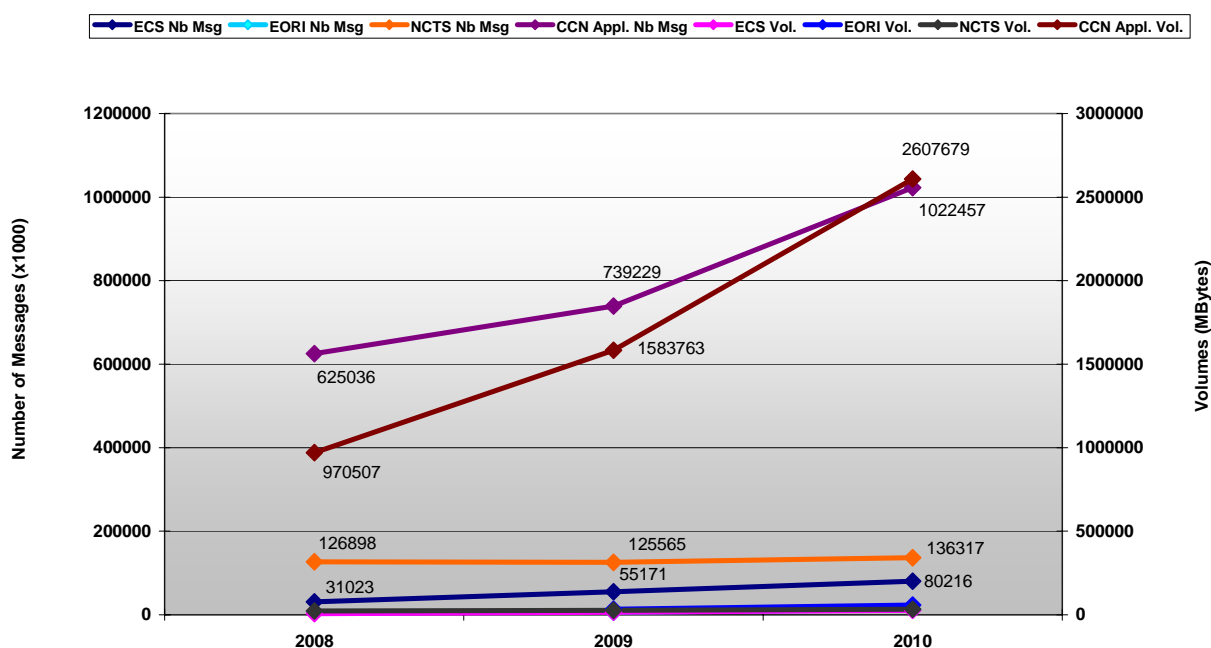
<sup>9</sup> So called 'light' revision of the MASP is available – MASP rev. 10.0 of 11 November 2009 which updated the projects' list and their milestones in the view of the systems to be introduced under the modernised Customs Code. This revision of MASP has never been formally approved by the Member States.

<sup>10</sup> IT activity report (TAXUD/R4) for 2010 – TAXUD R4/PHT Ares(2011) 80311

The traditional ECG meetings were also organised in 2010 – there were twelve ECG plenary meetings on IT and Legal Aspects (seven of them joint with either modernised Customs Code National Coordinators or Customs Code Committee representatives) and eighteen ECG – technical subgroups (on ICS, NCTS, ECS, EOS and COPIS) meetings<sup>11</sup>. These meetings mainly focussed on the whole preparation of the 1 January 2011 start of operations (conformance tests, international tests, deployment and related national project plans), business statistics and maintenance of functional and technical system specifications.

From the business perspective, the volume of trans-European transactions increased between 8% for NCTS (50.000 movements/business day) to 51% for ECS (50.000 movements/business day) compared to 2009. One billion messages were exchanged over the secured Common Communication Network/Common System Interface ('CCN/CSI') network in 2010.

### CCN Statistics : Volumes / Messages 2008 - 2010



As regards DG TAXUD internal implementation of Business Process Modelling ('BPM'), DG TAXUD undertook in 2010 to deploy the ARIS<sup>12</sup> BPM suite in order to maintain the BPM for the modernised Customs Code and to ease their diffusion in reusable form to the Member States and to the further IT technical developments. ARIS' evaluation and installation was completed in 2010. DG TAXUD foresee that ARIS will become mainstream for all BPM development and maintenance by end of 2011.

Following the discussion of the BPM policy at the first ad-hoc MCC High Level Steering Group meeting of 5 July 2010, the Commission in collaboration with the Member States

<sup>11</sup> IT activity report (TAXUD/R4) for 2010 – TAXUD R4/PHT Ares(2011) 80311

<sup>12</sup> Architecture of Integrated Information Systems

embarked in the business process modelling of all processes under the modernised Customs Code. This is a very significant effort (costs of 3.400.000 EUR incurred in 2010) that will support a better completeness and quality of the implementing provisions of the modernised Customs Code and the definition of a realistic time plan of the IT systems implementation based on the necessary IT amendments identified.

### **3.1. IT systems annual progress report**

An important release of *EOS*, implementing several change requests, was deployed in September 2010.

The first phase of the *EOS – Customs Decisions* project was finalised with the production of the System Process Model and Requirements. [*The review with the Member States was conducted in 2011 after the validation of the BPM.*]

A temporary solution for the *AEO mutual recognition with Japan* was designed, enabling the implementation of this agreement by the end of 2010 as required.

The new *TARIC 3* application entered in production on 14 June 2010, delayed from the original date that was set on 1 November 2009 due to delays and quality findings in the delivered software. This new release of a business critical system for the Customs Union has been very carefully tested resulting in an entry in production without major issues. Improvements following the first experiences with the new application are implemented according to an agreed release plan.

Another activity concerned the examination of the evolutions needed to the *CCN/CSI*, in line with strategic orientations given by Member States. The exploration of this matter and the related ongoing detailed study of the main points, as seen by the Member States, guided in a conceptual paradigm shift "from exchanging to sharing" in order to allow providing the "do more for less" request.

### **3.2. Costs incurred by DG TAXUD on IT systems development in 2010**

The committed costs of safety and security systems are 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 2010 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 the specific systems.

The common costs category contains the common costs incurred by the DG TAXUD IT units on project management, workshops and infrastructure.

The costs of the e-customs Customs 2013 joint actions relate to the participation costs in the programme events – more specifically the ECG plenary IT and legal meetings as well as the technical sub-group meetings on ICS, ECS, EOS and NCTS. These costs are reported in actual amounts. The costs of other joint actions under Customs 2013 programme cover IT training sessions, project group meetings, workshops and seminars.



System/Activity		Committed budget for 2010 (EUR)	
<b>Development incl. evolutive maintenance</b>	<b>Movement systems</b>	NCTS	104.320
		ECS	104.320
		ICS	104.320
	<b>Total:</b>		<b>312.960</b>
	<b>Central applications</b>	CN	100.000
		DDS2	200.000
		EBTI3	200.000
		ECICS2	300.000
		Quota2	100.000
		Surveillance2	250.000
		CSRD-CSMIS-TTA-STTA	600.000
		Suspensions	100.000
		TARIC3	200.000
	<b>Total:</b>		<b>2.050.000</b>
	<b>Other systems</b>	EOS	500.000
		CRMS	100.000
		COPIS	400.000
		Safety and security evolutions, MCC, e-customs, common technical framework for central applications	897.733
		SEAP	31.296
	<b>Total:</b>		<b>1.929.029</b>
<b>Corrective maintenance</b>		<b>195.024</b>	
<b>Development incl. maintenance total</b>		<b>4.487.013</b>	
<b>Operations and support</b>		<b>8.797.103</b>	
<b>Communication network – Customs CCN/CSI</b>		<b>7.010.770</b>	
<b>Quality and methodology – Customs TEMPO</b>		<b>3.861.617</b>	
<b>Common costs</b>	Project management, infrastructure	<b>8.411.931</b>	
	BPM - AIS/AES	<b>2.500.000</b>	
	BPM - other	<b>900.000</b>	
	E-customs joint actions - ECG meetings	<b>1.289.000</b>	
	Other e-customs joint action costs - workshops, IT training, project groups	<b>821.329</b>	
<b>GRAND TOTAL</b>		<b>38.078.763</b>	

## **4. NATIONAL ANNUAL PROGRESS REPORTS**

### **4.1. Import Control System**

Regulation (EC) No 273/2010, declaring the lodging of the entry and exit summary declarations optional for traders until end 2010 ('transitional period') was adopted. It should be pointed out that this regulation did not provide flexibility to National Administrations in respect of the start of ICS Phase 1.

Six Member States implemented ICS by the target date of 1 July 2009. All the other Member States finalised their conformance testing campaigns in 2010 and by end December 2010, twenty-five Member States were operational. The remaining two Member States started their operations by 5 January 2011.

Given the trader's transitional period, the use of ICS was very limited in 2010 (600 messages exchanged on the Common Domain at the end of December 2010), preventing full-fledged testing of the systems in real life in majority of the Member States.

### **4.2. Export Control System – Phase 2**

The migration to ECS Phase 2 was completed at the end of January 2010 with the migration of the last Member State.

A discussion on the validation of rules and conditions only by the Member State of the Customs Office of Export is ongoing. In addition to the direct rejection of messages, the quality of operations was impacted by the stable percentage of 'open' movements, for which the exit confirmation is never transmitted by the Customs Office of Exit to the Customs Office of Export.

The transitional period described in the first paragraph of section 4.1 applied also to the exit summary declarations. Consequently, the number of corresponding messages was very low in 2010.

### **4.3. Economic Operators' Systems**

The flexibility period during which the validation checks at the national level against the EOS database were suspended until 1 June 2010 was terminated and the use of the system for the validation checks is operational.

The Member States took the necessary steps in order to allow the implementation of the agreed temporary solution for the AEO mutual recognition with Japan.

### **4.4. NCTS Phase 4**

The migration from NCTS Phase 3.2 to NCTS Phase 4 continued in 2010 with the remaining two Member States being able to send safety and security data in NCTS in 2010, even if they were already able to receive such data before.

### **4.5. CRMS**

Significant effort was put by the Member States to launching new functionalities related to the application of the common safety and security risk criteria in the national declaration systems.

#### 4.6. Other projects

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. 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.

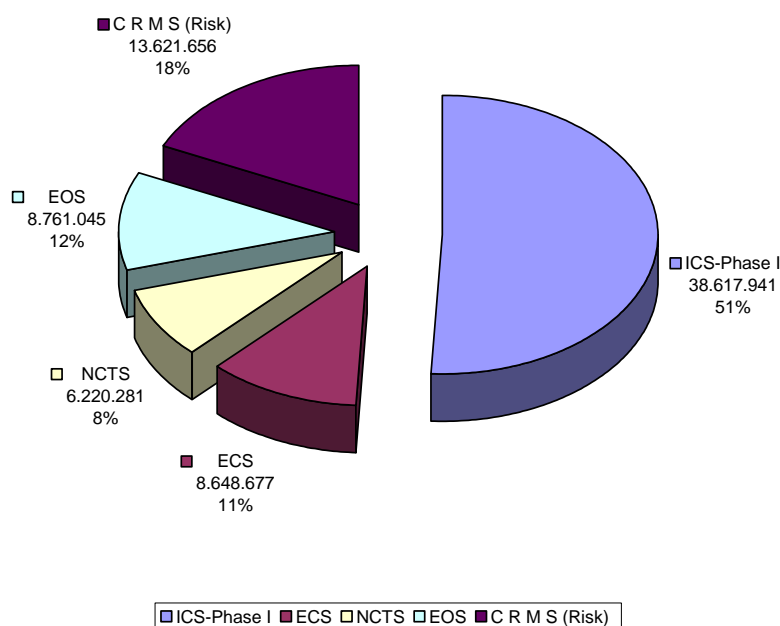
The new *TARIC3* interface was available to the Member States from 14 June 2010 onwards. The Commission agreed with the Member States on a transition period until 1 June 2012 during which the Commission will support a TARIC2-like format (EDIFACT syntax notation).

ICS light *business statistics* were collected via XLS file exchanged via e-mail in 2010. [The full business statistic data will be collected using one central application (valid also for NCTS and ECS) from April 2011 (as agreed by the ECG IT & Legal in September 2009).]

The *Single Window* Project Group prepared, during its work throughout 2010, common functional specifications for the preparatory phase of Single Window services. The specifications were endorsed by the Member States in December 2010 in the CPG meeting and a request to continue the follow-up of this project was considered by CPG as a priority. (The preparatory phase focuses on the automated validation of the customs declaration's supporting documentation.)

#### 4.7. Costs incurred by the Member States on IT systems development in 2010

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 2010, 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 cover operation and maintenance but do not include the internal staffing costs of the national administrations, the operational costs, nor VAT;
- given differing methodologies in the Member States, different phases of projects and/or costs (e.g. project management and hardware costs) might be reported under the specific 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 2010 on all IT projects (as reported by some of the Member States) amount to approximately **124 million EUR**. The above disclaimers apply to this figure as well.

