



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 03.09.1997
COM(97) 433 final

97/ 0228 (COD)

Proposal for a

EUROPEAN PARLIAMENT AND COUNCIL DECISION

**amending the Decision of 19 December 1996
adopting an action programme for customs in the Community**

("Customs 2000")

(presented by the Commission)

EXPLANATORY MEMORANDUM

The Decision of the European Parliament and of the Council of 19 December 1996¹ adopting an action programme for customs in the Community ("Customs 2000") is intended to enhance the overall effectiveness of customs work in the Community by making the work of EU customs administrations more transparent and improving their cooperation with each other and with the Commission.

Priorities to be tackled under the Decision during the lifetime of the action programme (1996-2000) include the operation and coordinated development of computerised data exchange systems linking the Member States with each other and with the Commission.

Both Article 17 (Financing) and the Financial Statement of the Commission's original proposal² explicitly envisaged that other Community programmes, notably the Matthaeus and IDA programmes (for training measures and various computer projects respectively), would be used to finance Customs 2000 measures.

At the time when the Commission presented the proposal the Council had not yet adopted the IDA programme; it did so on 6 November 1995,³ setting an expiry date of 31 December 1997.

1. PURPOSE OF THE AMENDING PROPOSAL

Communication and the exchange of information between administrations hold the key to the improvements in the efficiency and coherence of customs operations which form the main objective of the Customs 2000 programme.

Coordinated progress on computerisation can also do a great deal to help simplify the Community's external trade formalities, thus making life easier for business and tightening up customs controls without hampering legitimate trade.

The Council's IDA programme is budgeted for the period 1995-97, unlike the Customs 2000 programme, which runs from 1996 to 2000.

This proposal for amendment of the Customs 2000 programme is therefore intended to make appropriate supplementary financing available for these operations for the years 1998-2000. The programmes to be financed in this way under Customs 2000 will still be able to rely on the generic services developed under IDA. The Commission departments responsible for IDA and Customs 2000 respectively will work closely together to ensure that Community telematic systems are interoperable and to maximise economies at the development stage. Any future Community decisions applying to official trans-European telematics networks generally will also cover Customs 2000 communication and information exchange systems.

¹ Decision No 210/97/EC, OJ L 33, 4.2.1997, p. 24.

² COM(95) 119 final, 95/0087 (COD).

³ Decision No 95/468/EC, OJ L 269, 11.11.1995, p. 23.

2. GROUNDS

Financing the implementation and operation of these projects from the Customs 2000 Decision is logical in view of their nature.

When the 1997 budget was adopted the Budgetary Authority, in the interests of transparency, brought all Customs 2000 measures, including those relating to the computerisation of Community customs, together under the "Customs 2000" heading (B5-303) of the Commission budget.

These sectoral projects - operation, maintenance and development of existing systems and setting up of new ones - are all intended to optimise the operation of customs in the Community and are judged necessary to ensure efficient management of the customs union in the context of the Single Market. One such is the transit computerisation project specifically mentioned in Article 8 of the Customs 2000 decision.

3. LEGAL BASIS

We have opted for Article 100a as the legal basis for this Decision given that it will be amending the Parliament/Council Customs 2000 Decision, itself adopted on that basis, and that it is directly concerned with the establishment and operation of the internal market, via effective management of the EU's external frontier.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 100a thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the Economic and Social Committee,

- (1) Whereas the Decision of the European Parliament and of the Council of 19 December 1996 adopting an action programme for customs in the Community ("Customs 2000")⁴ recognised that computerisation of customs procedures and controls was of prime importance for management of the customs union in the context of the Single Market;
- (2) Whereas the Customs 2000 Decision requires the Community and the Member States to increase the use of computer systems as rapidly as possible, including use of the most up-to-date techniques for electronic data exchange, so that the customs administrations of the Member States may operate as efficiently and effectively as a single administration
- (3) Whereas the IDA programme established by the Council Decision of 6 November 1995 on a Community contribution for telematic interchange of data between administrations in the Community⁵ provided *inter alia* for the financing of computerised data exchange programmes in the customs sector; whereas the said programme will end on 31 December 1997;
- (4) Whereas in adopting the 1997 budget the Budgetary Authority brought all Customs 2000 measures, including Community customs computerisation projects, together under heading B5-303 (Customs 2000) of the Commission budget;
- (5) Whereas the most appropriate channel for the financing of computerised data exchange systems in the customs sector is therefore the Customs 2000 programme;
- (6) Whereas the Decision of Parliament and the Council of 19 December 1996 should be amended accordingly,

⁴ Decision No 210/97/EC, OJ L 33, 4.2.1997, p. 24.

⁵ Decision No 95/468/EC, OJ L 269, 11.11.1995, p. 23.

HAVE ADOPTED THIS DECISION:

Article 1

Decision No 210/97/EC is hereby amended as follows:

1. The text of the first subparagraph of Article 18(1) is replaced by the following:

Without prejudice to actions for which funding is provided under other Community programmes, the financial framework for the implementation of this programme for the period 1 January 1996 to 31 December 2000 is hereby set at ECU 85 million in accordance with the detailed procedures annexed hereto.

2. The Annex is accordingly replaced by the following:

| <i>- Internal policies</i> | 1996 | 1997 | 1998 | 1999 | 2000 | Total |
|---|----------------|----------------|-------------|-------------|-------------|-----------|
| 1- Redeployment of internal market appropriations | 2 | 2.3 | 2.6 | 2.9 | 3.2 | 13 |
| 2- "Customs 2000" computerisation ¹ | 1 ¹ | 3 ¹ | 16.4 | 18.5 | 19.1 | 58 |
| 3- Improvement of means of combating fraud | 1 | 1.5 | 1.5 | 1.5 | 1.5 | 7 |
| Sub-total "internal policies" | 4 | 6.8 | 20.5 | 22.9 | 23.8 | 78 |
| <i>- External action</i> | 1 | 1.5 | 1.5 | 1.5 | 1.5 | 7 |
| TOTAL | 5 | 8.3 | 22 | 24.4 | 25.3 | 85 |

¹ In 1996 and 1997 the bulk of financing for computerisation projects in the customs sector came from the IDA programme.

Article 2

This Decision is addressed to the Member States.

Done at Brussels,

For the European Parliament

The President

For the Council

The President

AMENDMENTS TO THE FINANCIAL STATEMENT

1. ADDITION TO POINT 6 OF THE FINANCIAL STATEMENT

6. Type of expenditure relating to Customs 2000 - computerisation

Financing costs of studies, development, introduction and operation of common systems for the exchange of data in the customs field between the Commission and the Member States, and among Member States themselves. In keeping with the principle of subsidiarity, the Member States will be responsible for developing telecommunications systems and for financing the infrastructure and software needed to operate the systems nationally.

Operational expenditure will include contributions towards the financing of systems operation, in particular for the decentralised inputting of data; financing of information and training schemes for users; procurement and maintenance of common hardware; and financing of technical assistance measures.

2. NEW VERSION OF POINT 7.2 OF THE FINANCIAL STATEMENT

7.2 Breakdown of the action by element

The figures which differ from the December 1996 (Customs 2000) decision are those in point 2.2:

EC in ECU millions (1996 value)

| | 1996 | 1997 | 1998 | 1999 | 2000 | Total |
|--|----------------|----------------|-----------|-------------|-------------|-----------|
| <i>- Internal policies</i> | | | | | | |
| 1- Redeployment of internal market appropriations | 2 | 2.3 | 2.6 | 2.9 | 3.2 | 13 |
| 2- "Customs 2000" computerisation | | | | | | |
| 2.1- Customs 2000 ¹ | 1 | 3 | 6.5 | 6.5 | 6 | 23 |
| 2.2- Sectoral projects necessary for the operation of Community customs ² | (3) | (3) | 9.9 | 12 | 13.1 | 35 |
| Sub-total computerisation | 1 ³ | 3 ³ | 16.4 | 18.5 | 19.1 | 58 |
| 3- Improvement of means of combating fraud | 1 | 1.5 | 1.5 | 1.5 | 1.5 | 7 |
| Sub-total "internal policies" | 4 | 6.8 | 20.5 | 22.9 | 23.8 | 78 |
| <i>- External action</i> | 1 | 1.5 | 1.5 | 1.5 | 1.5 | 7 |
| TOTAL | 5 | 8.3 | 22 | 24.4 | 25.3 | 85 |

¹ Already approved by the Customs 2000 decision (Decision No 210/97/EC, 19.12.1996)

² Amounts covered by this amendment relating to the Taric, Quota, EBTI, Transit, Scent-CIS, CCN/CSI and SIGL projects financed in 1996 and 1997 under heading B5-7210 (IDA). Redeployment of IDA appropriations.

³ Token entry: these projects received ECU 10.9 million from the IDA heading (B5-7210) in the 1997 budget.

3. ADDITION TO POINT 9.2. OF THE FINANCIAL STATEMENT

It is important to quantify the requirements for each of the customs data exchange systems. The situation can be summarised broadly as follows:

- new systems at the development stage (Development);
- existing systems to be modernised by replacing obsolete development tools and bringing them into line with state-of-the-art technology (Modernisation);
- up-to-date systems which need to be extended or adapted to new management rules (Extension).

There are two major extensions to be envisaged: dissemination of central systems data to national administrations, economic operators and ultimately the public and, in all likelihood, incorporation of the Euro on 1 January 1999.

The modernisation programme also needs to address the key issue of millennium-proofing.

The systems concerned are:

Transit system (development)

This is a crucial part of the machinery of international trade. The current paper-based system is experiencing severe problems:

- Customs administrations are submerged by the volume of work. Considerable resources are needed to process some 18 million declarations a year in Europe, and to follow up approximately a million enquiries in connection with the investigation procedure.
- Although the transit regime offers considerable facilities to traders, the current manual procedures make it slow and costly to use.
- The rising incidence of transit fraud in recent years has meant not only a serious loss of national and Community revenue but also economic damage to traders as a result of illegal competition from goods effectively smuggled onto the market which have evaded payment of duty and tax and the application of Community policies.

The aims of the Transit computerisation project are:

- to make the procedure both more efficient and more effective;
- to ensure that full and reliable statistics can be compiled;
- to improve the authorities' ability to prevent and detect fraud;
- to offer economic operators more facilities and swifter processing of operations.

Computerisation should result in a number of gains:

- fraud prevention: the procedure should become a great deal more secure, making it much more difficult to exploit the loopholes; cost-benefit analysis envisages gains on this score alone of some ECU 1 200 million over five years;

- customs authorities: focusing checks on high-risk transactions (past transactions will be analysed to lay down guidelines for future targeting);
- traders: diminution of the financial risk and less work, both allowing improvements in competitiveness.

Implementation costs comprise development of the new system, coordinated development of national systems and installation in national administrations.

Quota System (modernisation)

"Quota" is the system used to manage tariff quotas and goods subject to EU surveillance. It is used:

- (a) for tariff quotas, to check that goods admitted at preferential tariffs do not exceed Community levels, and
- (b) as a surveillance tool, to monitor imports of particular goods and allow Community authorities if necessary to suspend application of a preferential tariff.

Within the Single Market, quantities subject to monitoring are set at Community level and action likewise has to be taken at Community level. Tariff quotas are administered on a daily basis (600 quotas in 1995, with drawings by 15 Member States). Surveillance is generally undertaken on the basis of monthly statistics (350 products in 1995, and communications from the fifteen Member States).

The system was set up in response to a ruling by the Court of Justice in a case brought by a trader, in which the Court criticised the Commission's lack of centralised management. It is used by DGs XXI, I, III and VI and the Member States (customs administrations, economic affairs and industry departments).

The system needs to be modernised by introducing the latest development tools and making it more compatible with other tariff applications.

Taric System (modernisation)

Taric is designed to help Member States apply legislation correctly, simultaneously and in a uniform manner, and is thus crucial to the operation of the internal market. It is also used to help combat fraud (UCLAF, DG VI, risk analysis) and collect own resources (customs duties estimated at ECU 13 500 million a year).

The commodities database contains 800 000 active entries. Constant updating and daily transmission of changes to Community legislation provide customs in the Member States with information in eleven languages on all Community measures affecting imports and exports. Taric is currently the mainstay of member States' customs clearance work; their own computerised systems would collapse if Taric were not kept properly maintained.

The data dissemination system will allow the Taric database to be accessed by the private sector, international organisations, and the administrations of non-member or prospective member countries (including customs union partners such as Turkey). The aim is to provide user-friendly access to EU customs and trade legislation and improve its transparency.

Taric was introduced in 1994 after three years of development. It now needs to be modernised to take advantage of new development tools which will make life easier for users responsible for keeping the database up to date. A new system is to be developed and installed, with the aim of improving flexibility (adapting to future changes), user-friendliness and performance (responding to the needs of users).

Linked to the Taric system, the Combined Nomenclature project is currently being developed. When it gets under way in 1998 it will replace the current manual operation and simplify the work of the Taric system managers.

EBTI System (modernisation)

The Binding Tariff Information (BTI) system allows tariff decisions issued to economic operators in all Member States to be entered in a central on-line database which currently contains 80 000 BTIs, with an average of a further 25 000 decisions a year requested by traders. The decisions are applicable throughout the Community for six years.

The system enables the Commission to ensure EU commercial policies are properly applied and to smooth out anomalies arising from faulty interpretation of the Common Customs Tariff, which provide a loophole for fraud. BTIs allow the Commission to eliminate problems due to divergent classification, prevent distortions of trade and competition and ensure fair and even-handed treatment of traders throughout the Community. It is estimated that several hundred tariff anomalies a year are corrected by means of the BTI system.

The system is currently being redeveloped to replace the old environment with up-to-date modern tools.

The Classification project currently being developed and due to enter production in 1998 is aimed at traders and national customs; by facilitating access to this information it is expected to cut down the number of BTI requests.

CCN/CSI System

The Common Communication Network/Common Systems Interface project aims to provide a common platform among Member States themselves and between them and the Commission for fast, low-cost, secure transfer of a large volume of information. It is being financed jointly by the Customs 2000 programme and Fiscalis, with the cost breakdown reflecting the customs and tax systems supported by the project.

The project is a response to the need to harmonise data-exchange facilities. It should:

- reduce the plethora of skills needed to develop, maintain and use applications;
- cut down on the range of exchange services run by the applications, thus making for easier use and management;
- standardise access to data exchange services;
- optimise use of telecommunications lines to cut associated costs;
- reduce the number of direct access points in each Member State;
- create a common management structure to improve the quality of service to applications and users;

- make it easier to introduce new technology to operate applications;
- increase the capacity of the systems to respond to new needs.

Within the CCN/CSI project it is proposed to create a subproject ("Applications Migration Project" or AMP), with the aim of planning and coordinating migration of the applications to the CCN/CSI environment.

This project has the further advantage of speeding up and cutting the cost of introducing new systems. It is planned to make partial use of the CCN/CSI platform during a pilot phase at the end of the 1997 financial year and then, from the end of the second quarter of 1998, to use it for the transit system.

ORNET System (development)

This will coordinate the issuing of Binding Origin Information notes and enable the Commission to perform a centralising function to ensure that Community customs legislation is uniformly applied by Member States.

The project arises from an obligation entered into by the Community under the 1994 Marrakesh Agreement setting up the WTO, which *inter alia* contains commitments on rules of origin intended to establish disciplines conducive to greater streamlining and certainty in international trade.

The system is being developed; it is due to be installed by the end of the year.

TCO System (Extension)

This system for the transmission of origin stamps is intended to ensure that specimens of the stamps which authenticate origin certificates accompanying goods imported under preferential agreements can be transmitted faster and better. It will thus be a weapon in the fight against customs fraud using false origin stamps.

ECICS System (Extension)

This inventory of chemical substances contains some 35 000 chemical names in the eleven Community languages and gives their tariff classification in the Combined Nomenclature of the European Community.

IPR System (Extension)

This system for the electronic transmission of information regarding inward processing authorisations issued and applications rejected is a means of ensuring that the economic conditions governing the procedure are complied with at Community level. The current manual exchange of information is to be replaced by a computer system which should not only make for more efficient management but should serve to analyse and identify Community industries which might suffer damage.

AFIS (Anti-Fraud Information System) (modernisation and development)

The abolition of customs controls at the Union's internal frontiers has inevitably changed the nature of fraud, not only on the purely customs side but VAT and excise fraud as well. To help stamp out such irregularities, two computer systems using the same infrastructure

were set up: Scent (System for Customs Enforcement Network) and CIS (Customs Information System). The combined systems are generally referred to as Scent/CIS.

Scent provides secure, efficient electronic mailing services for the rapid exchange of sensitive information. It also allows access to external databases which offer the customs authorities information useful in fraud investigations.

CIS gives national customs administrations a swift and secure method of exchanging full particulars of fraud cases. Descriptions are entered and exchanged via structured messages which can then be translated into the various Community languages.

In the new CIS due to become operational next year, information of use to operational anti-fraud services will be stored in a central data base at the Commission, in accordance with the relevant legislation. Member States' investigators will thus be able to search for such information, which should increase the effectiveness of efforts to combat fraud and irregularities.

Scent/CIS is used by customs and agriculture departments (Regulation (EC) No 515/97) and tax (VAT and excise) authorities (Regulation (EEC) No 218/92 and amended Directive 799/77).

Now that the fight against fraud and irregularities is an increasingly horizontal concern, the AFIS concept (Anti-Fraud Information System) has been introduced. Using the same communications infrastructure and software architecture as Scent/CIS, AFIS enables national administrations and the Commission (mainly UCLAF) to operate a multilingual exchange of information using standard forms displayed on screen, each screen type representing an application corresponding to a specific field. One such application is the Prior Information System, an early warning system that enables Scent users to exchange messages and track transit movements.

A further application is being developed as a tool in the fight against fraud and irregularities. This is Marinfo (Maritime Information); its purpose is to help the customs authorities monitor shipping movements.

The Community customs side of Scent/CIS is financed from Customs 2000 (heading B5-303) and the tax side from "Fiscalis" (heading B5-305).

SIGL System (development)

Surveillance networks for imports and exports subject to quantitative restrictions in the Community.

This system was set up to manage, at Community level, the issuing of licences for products subject to EU import quotas or export controls. Prior to 1993, quantitative restrictions, essentially on textile products, were managed by the individual Member States. From 1 January 1993 these regional controls were considered incompatible with the existence of the Single Market and quota administration became the joint responsibility of the Commission and the Member States. Since 1995, it has been possible to present an import licence issued by a Member State to any customs authority in the Community to import the goods, so national administrations have to share responsibility for the control of individual licences as well as quota management.

An information system which enables the Commission and the Member States jointly to manage import licences for textile and steel products is already operational, but it needs to be updated constantly to include new products.

To improve the efficiency of quota management, a system for exchanging licence data will be set up with a number of countries outside the Community; this will also help combat fraud.

At the moment the Commission is less involved on the export control side, but a network will need to be established for exports of dual-use goods to facilitate mutual cooperation; this is scheduled for 1997/1998.

Data Dissemination System - DDS (development)

Most DG XXI tariff systems are used to prepare and produce information required by customs administrations and traders for the implementation of customs procedures. This information is generally circulated either in paper form or on diskette or CD-ROM. These methods are unsuitable for information which has to be updated daily, however. New Internet/Intranet technology can fill the gap.

The fairly recent DDS project will establish architecture for the circulation of DG XXI tariff information to other Commission departments, Member State administrations, non-member countries (e.g. the candidates for accession) and traders - importers and exporters. Ultimately it will be possible to disseminate data on tariff measures, classification of chemicals, binding tariff information, binding information on origin and the latest state of quota/ceiling levels, etc.

Intranet applications based on proprietary communications networks (e.g. CCN/CSI, Testa) will be usable by Member State administrations. Traders can get the information via the Internet. This technology will also allow the data distributed (national data in the Member States and central data at the Commission) to be presented in integrated form.

The system will be undergo development in 1997/1998 and is due to be operational in 1998 for the Commission and national administrations. It will be made accessible to the public at a later stage.

Other systems

- Existing systems

In addition to those listed above, other systems including PC Surveillance and those dealing with tariff suspensions, transit stamps (TCT) and unit values (for perishable goods) involve adaptation of existing systems to meet users' requirements.

- New systems

Studies are under way in other areas, viz. simplified procedures, TIR, and risk analysis and selection criteria. Decisions will be taken at the study stage on the desirability of developing new computerised systems in these areas.

- EDI in electronic trading

EDI (Electronic Data Interchange) is increasingly used as the basis for computerised procedures to facilitate international trade and improve the efficiency of Community customs applications. The Commission will be focusing in this context on the specification of the Single Administrative Message (SAM), the electronic equivalent of the SAD. The SAM will be used for import/export procedures and the New Computerised Transit System (NCTS). The Commission will be taking measures to help the Member States with the coordinated introduction of the SAM throughout the Community. Community customs-related applications will be gradually brought into line with the UN/EDIFACT standard. At the same time, work will proceed jointly with national administrations on analysing and developing the potential of electronic trading for customs procedures. The Commission will play a part in the standardisation of customs information, particularly in the context of the UN/EDIFACT process.

- Central support

Technical infrastructure is of crucial importance to all these computer systems and projects. Central support functions such as the Project Support Office, Methodology, Quality Assurance, Data Modelling and Security have been installed and need to be maintained.

Indicative breakdown of Customs 2000 computerisation projects

| | 1998 | 1999 | 2000 |
|-------------------------------|---------------|---------------|---------------|
| TRANSIT | 5.500 | 4.000 | 3.000 |
| QUOTA | 0.200 | 0.150 | 0.150 |
| TARIC | 1.300 | 1.000 | 0.500 |
| EBTI | 1.400 | 1.400 | 1.000 |
| CCN/CSI | 2.700 | 4.800 | 4.200 |
| ORNET/TCO | 0.200 | 0.200 | 0.200 |
| ECICS | 0.170 | 0.170 | 0.170 |
| IPR | 0.200 | 0.200 | 0.200 |
| Scent (AFIS) | 1.400 | 1.000 | 1.000 |
| SIGL | 0.900 | 0.900 | 1.100 |
| DDS | 0.500 | 1.300 | 2.300 |
| OTHER SYSTEMS: | | | |
| - Existing systems | 0.130 | 0.430 | 0.780 |
| - New systems | - | 0.450 | 2.200 |
| - Electronic Data Interchange | 0.900 | 1.500 | 1.500 |
| - Central Support | 0.900 | 0.900 | 0.900 |
| | 16.400 | 18.500 | 19.100 |

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