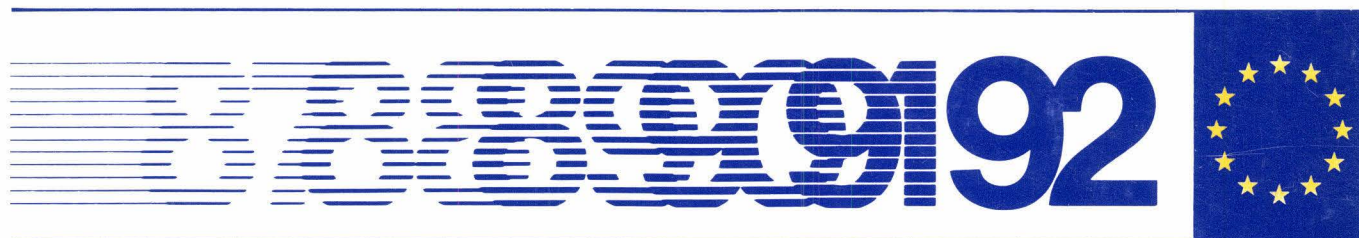


RESEARCH ON THE “COST OF NON-EUROPE”

BASIC FINDINGS

VOLUME 4



THE “COST OF NON-EUROPE”:

- BORDER-RELATED CONTROLS AND ADMINISTRATIVE FORMALITIES
- AN ILLUSTRATION IN THE ROAD HAULAGE SECTOR

Document

COMMISSION OF THE EUROPEAN COMMUNITIES

This publication was prepared outside the Commission of the European Communities.
The opinions expressed in it are those of the author alone; in no circumstances should
they be taken as an authoritative statement of the views of the Commission.

Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 1988

ISBN 92-825-8618-9

Catalogue number: CB-PP-88-E14-EN-C

© ECSC-EEC-EAEC, Brussels · Luxembourg, 1988

Printed in the FR of Germany

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THE “COST OF NON-EUROPE”:

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by

ERNST & WHINNEY

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The "Cost of Non-Europe":

Border Related Controls and Administrative Formalities

Ernst & Whinney

**BORDER RELATED CONTROLS
AND ADMINISTRATION
FORMALITIES**

EXECUTIVE SUMMARY

OPPORTUNITY COSTS

Introduction

Other studies

Mail order and express companies

Findings

COSTS TO GOVERNMENT

Introduction

Approach

Findings

CUSTOMS RELATED SECTOR

Introduction

Findings

Annex

The structure of the sample

**THE COSTS OF 'NON EUROPE': BORDER RELATED CONTROLS AND
ADMINISTRATIVE FORMALITIES**

EXECUTIVE SUMMARY

INDEX

SUMMARY OF OVERALL FINDINGS

INTRODUCTION

The 1985 white paper

Completing the market

Previous estimates of costs

The issues

The approach

The sample

Weighting the sample data

Adding import and export costs

Gross costs

COST TO FIRMS

Introduction

Overall results

Costs by country

Costs and size of firms

Existing simplified procedures

The single administrative document

Banking, Insurance and Inventory Costs

Cost of delays

Cost and means of transport

SUMMARY OF OVERALL FINDINGS

There are widely quoted estimates of the costs of customs barriers applying to trade in goods between Members of the European Community which have tended to have either little clear empirical basis or they have been extrapolated from evidence which relates to American experience several years ago in very different circumstances.

The present study, initiated by the Directorate General for the Internal Market and Industrial Affairs, is intended to provide estimates of:

- the costs to firms of compliance with customs formalities;
- the costs to government of administering the procedures;
- an estimate of the opportunity cost to the Community;
- the economic significance of services in the customs related sector.

The findings discussed below are all subject to a range of assumptions, limitations imposed by the size and coverage of the sample, and the extent of available official data, as indicated in each of the earlier sections of this report. While therefore the results need to be interpreted with caution they do represent the first attempt to obtain comprehensive empirical evidence on the customs costs of 'non Europe', which they confirm to be of considerable significance.

With these caveats in mind, the estimates presented below suggest that:

- the costs to firms of customs procedures might be in the area of:
 - 7 1/2 billion ECU for administrative costs, and a further 415-830 million ECU for delay related costs;
- costs to government might amount to 500-1000 million ECU;
- the economic significance of the customs sector in terms of its turnover might be of the order of 1 1/2 billion ECU;
- turning to lost trade, where the estimates need to be treated with particular caution, firms' opinions imply that trade could rise by in the region of 3/4 - 3%, or 3 3/4 - 15 billion ECU.

INTRODUCTION

Non-Europe: Customs

The 1985 Commission White Paper 'Completing The Internal Market' recalled that the Treaty of Rome envisaged the creation of a single integrated Community market within which there would be the free movement of goods.

Although a common external customs tariff had been adopted, the White Paper emphasised that several physical, technical and fiscal barriers remain. Physical barriers, in the form of Customs posts, are the most visible example of continued division in the Community. Frontier controls contribute to the costs and disadvantages of a divided market and the White Paper argued that their removal is essential for the completion of the internal market.

The White Paper recognised that frontier controls exist to ensure the enforcement of national policies on such matters as immigration control, health and safety regulation, the taxation of goods, the collection of trade statistics, the control of drugs and terrorism, and of the Common Agricultural Policy with respect to monetary compensation amounts. The White Paper said the "objective is not merely to simplify existing procedures, but to do away with internal controls in their entirety".

Completing the internal market: The 1992 Target

The Single European Act, which came into effect on 1 July 1987, states:

"The Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992 ... The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons and capital is ensured in accordance with the provisions of the Treaty".

By 1992 the Commission intends that Member States will agree on the abolition of barriers of all kinds, harmonisation of rules, approximation of legislation and tax structures, strengthening of monetary co-operation and the necessary measures to encourage European firms to work together.

It was against this background that the present study of the costs of customs controls was initiated by the Commission of the European Communities.

The costs may be divided into:

- the financial costs to firms of the administrative procedures and of the delays associated with compliance with customs formalities;
- the opportunity costs of lost trade; and
- the costs of administering customs controls borne by national government agencies.

Previous Estimates of costs

Previous attempts to quantify the costs of customs formalities have had to be made without the benefit of direct evidence from the firms and national administrations concerned. It is also a feature of several previously published estimates that their precise source is difficult to establish. The 1981 report from the Commission to the Council on "The State of the Internal Market" (COM (81) 313) simply states "... these procedures increase the costs of goods by around 5-10%". In 1983 Commissioner Narjes on behalf of the Commission said of customs formalities that "they are calculated in business circles to account for 5 to 7 per cent of the price of the goods traded" (Kangaroo News, February 1983). The Patterson Report to the Economic and Monetary Committee of the European Parliament (31 May 1985, Document A 2-50/85/B) quotes the estimates in the Albert and Ball Report ("Towards European Economic Recovery" European Parliament Working Document, 1983), which estimates the total costs of Non-Europe at 50 billion ECU or 2% of GNP, of which 12 billion ECU is attributed to the costs of crossing frontiers; Albert and Ball quote as their source Commission document to Council (COM (83) 80) which quotes the Economic and Monetary Affairs Committee of the Parliament as a source and states that preliminary calculations by the Commission suggest that the cost of these formalities could be equal to between 5% and 10% of the actual value of goods traded.

In short the source for each official estimate quoted above is either another official document or "business circles" or not stated, rather than a primary source such as a survey of firms.

In fact the basic source of all these estimates appears to be a 1971 study by the US National Committee on International Trade Documentation. That study suggested that the costs of exporting and importing could each amount to 7 per cent of the value of goods traded, or 14 per cent in total. Estimates of comparable EC costs of up to 10 per cent have been derived from the US figures after making certain adjustments: assuming that costs of about 4 per cent arise anyway for domestic trade. This is sometimes further reduced to 5-7 per cent in view of the greater simplification of

procedures which traders in the Community face than existed in 1971 for US firms, and because the US estimates included financing and insurance charges as well as customs compliance costs.

A recent report to the UN Economic Commission for Europe ("Methodology for Estimating Costs and Benefits of Trade Facilitation", 31 December 1986) argued that the US figures are quoted out of context, that they are out of date, and that they were grossed up from data of variable quality supplied by a possibly unrepresentative sample of firms, by an unclear methodology. They included all documentation costs (for instance, finance and shipping as well as customs) relating to US trade with the rest of the World, with which US trading relationships can be subject to much more complex control than exist currently within the EC. In particular, EC customs authorities are more co-operative than hitherto, their inspections are more selective; techniques for document preparation and processing have improved; comprehensive, competitively priced services by agents have helped to cut costs.

The degree of seriousness of the effect of administrative formalities on trade has therefore been a matter of conjecture.

The study for the British Overseas Trade Board stated that "successful exporters - almost without exception, dismissed such matters as customs procedures and export documentation as nothing more than an administrative nuisance". However other firms find either the prospect of complying with customs formalities, or their initial attempts to comply with such formalities, off-putting.

A study carried out among a sample of firms in Germany (by DIHT) suggested, on the basis of "fragmentary and inconsistent" information there is little relationship between compliance costs and the value of goods traded. The suggestion that the compliance costs facing firms is unrelated to the value of goods traded implies that exports of small value consignments, and by smaller firms, will bear a disproportionately high cost burden. It follows that, if the above impression is correct that the deterrent effect of frontier barriers will be greater for smaller than for very large firms. But it also implies that customs costs will tend to be a small proportion of the value of large consignments and of exports by larger firms. A recent study for the British Overseas Trade Board ("Into active Exporting" 1987) says "In terms of aggregate value, exports are dominated by a small number of large firms."

It would seem to follow from the German and British studies quoted above that if customs compliance costs are a low proportion of the value of exports by large firms, then because large firms dominate trade, compliance costs will be a low proportion of the actual value of trade. Nevertheless:

- the burden on smaller firms may be such that the opportunity for potential trade by small firms is lost;
- the impact on marginal decisions by larger firms on whether or not to export will be important if customs costs are a significant proportion of profit margins;
- although customs barriers are not insurmountable they are only overcome at a cost.

It is clear from the discussion above that accurate, relevant information above the costs of 'Non Europe' customs barriers need to be established. To the extent that the costs of 'Non Europe' are passed on to consumers in the form of higher prices, the costs of consumption are raised. Furthermore, the value of trade, output and employment will be reduced both because costs of trading within the EC are higher than they need be and because at least some firms are inhibited from trading because of their perception of the barriers imposed by customs formalities. The loss of trade, output and employment does not arise solely because trade within the Community is lower than it otherwise would be; the cost-raising effect on customs formalities reduces Europe's competitiveness vis a vis the rest of the world.

Initiation of the E&W Study: The Issues

The present study was initiated by the Directorate General for the Internal Market and Industrial Affairs to estimate, with the co-operation of firms and national administrations, the costs of 'Non Europe' created by customs formalities.

The purposes of the study are to identify the barriers to intra-community trade resulting from customs formalities and to measure:

- the costs borne by firms including:
 - the administrative costs of complying with customs formalities;
 - costs associated with the delays caused by customs procedures;
- the opportunity costs, that is the foregone exports and imports for firms including the costs on entry to another Community market;
- the budgetary cost to public authorities of customs formalities;
- the economic importance of the customs-related sector.

The Approach

The information to be obtained needed to cover:

- a range of countries;
- a sample of firms, by interview;
- a range of commodities;
- imports and exports.

The countries chosen (Belgium, France, Germany, Italy, Netherlands, United Kingdom) together account for 90 per cent by value of the internal trade of the EEC.

In view of the Commission's particular interest in the problems of small and medium sized firms (SMEs) the sample was to be constructed to give particular emphasis to industries in which they are important. But to the extent that trade is dominated by large firms it needs to be borne in mind that the costs to SMEs might not be typical of trade as a whole.

Three detailed questionnaires were devised following pilot testing requesting information on:

- costs of customs procedures to firms;
- road haulage delays and restrictions on competition;
- freight forwarders/customs agents.

The sample

Over 2,500 firms were approached by Ernst & Whinney offices in the six countries concerned, over 2,000 questionnaires were sent out and our staff interviewed 467. Details of internal costings and trade values were obtained from 267 for imports and 224 for exports. The sample accounts 0.8 per cent of intra-EEC trade. Summary data on the sample are shown at Annex I.

Ernst & Whinney decided to telephone the offices of the chief executives of firms before sending them the questionnaires, to explain the importance of the survey, in order to improve the response rate.

Limitations on the response rate are attributable to the considerable degree of detail sought, which was time-consuming for the firms to provide, the fact that a number of other surveys of the same subject had already been undertaken in Italy (where response from small firms was low).

Within the time and resources available for this study we have been unable to establish how representative the sample is in terms of its size structure of firms in each sort of commodity trade in each country.

Small and medium sized firms are proportionately numerous in our sample (because of the Commission's interest in them), and probably to a greater extent than in intra-Community trade as a whole.

Weighting the Sample Data

The sample results needed to be 'grossed up' to obtain estimates of total costs in the sample countries and the EC as a whole. In order to do this the sample results were 'weighted', to take into account the share of each industry in each country's trade, each country's share in total EC trade in that industry, each country's share in all EC trade, each industry's share in total trade in the sample countries.

Adding Import and Export Costs

In order to arrive at the total costs to firms of compliance with customs controls the separate costs for importing and exporting in each firm in each country need to be established and then added. An international trading transaction involves the preparation of customs documentation in the exporting country and in the importing country, so the total cost of customs documentation compliance is the sum of these costs. For example, if someone in one country buys a car from someone in another country they each have to complete customs documents. This point needs to be stressed to avoid misunderstanding.

Gross Costs

Finally it should be noted that our remit was to establish the total costs of controls and procedures administered by customs on the assumption that they are all avoidable. To the extent that any controls remain after 1992 the actual cost saving will be lower than those estimated below, but it was not our task to analyse this (largely political) issue.

COST TO FIRMS

Introduction

The intention was to obtain as much information as possible about:

- the nature of the costs borne by firms (internal administration costs, including staff, computers, overheads, agents' fees, delay related costs, excessive inventories and any other costs regarded as significant);
- the way in which these costs varied according to:
 - firms' size;
 - commodities traded;
 - the value of consignments;
 - the means of transport used;
 - countries concerned;
- the use of simplified customs procedures;
- the expected impact on costs of the new Single Administrative Document;
- the impact on trade expected if all customs formalities were abolished within the EC;
- firm's views on the main source of difficulty posed by official procedures.

Overall results of Ernst & Whinney Survey

The average cost per consignment (including internal costs and agents fees) to firms in the sample was found to be in the region of approximately 65-85 ECU, or 0.7-0.8 per cent of value, for imports and exports respectively. In round terms the combined costs for both imports and exports could amount to 1 1/2 per cent of the value of internal Community trade, or in the region of 7 1/2 billion ECU (but see below).

To this delay related costs need to be added (see below), these might amount to 415-830 million ECU for road haulage.

As a proportion of the value of trade and as a contribution to costs and prices, the administrative costs of customs formalities are lower than those previously quoted in some other sources. This is not surprising as procedures have been streamlined, particularly through the co-operation of customers authorities and the increased use of computers. Notwithstanding this, their economic significance lies in the extent to which they reduce the incentive of firms to trade across frontiers thereby inhibiting the development of a single market. Customs related costs of 1-2 per cent may be a major consideration if expected profit margins are low.

However we are not in a position to establish the elasticity of exports with respect to profits or the extent to which customs costs are borne out of reduced profits rather than passed on to purchasers in the form of higher prices (which will depend on market structures in specific industries and countries), nor were we asked to model such macro-economic effects. But without such estimates it is difficult to establish the ultimate economic significance of the results presented here.

Grossing up: alternatives

Weighting the results by industry and country we arrive at a combined cost for imports and exports of 1 1/2 per cent of the value of the intra-EC trade, implying a total cost of around 7 1/2 billion ECU.

An alternative method of grossing up from the sample data would be to multiply the costs per consignment (for each industry in each country) by the number of consignments.

However no data for the number of consignments is available for each category of good in each country.

Data on the number of entries (which can include more than one consignment) is available by type of good in Belgium and the UK; total number of entries for all trade, but not by commodity, is available for other countries except Italy. Applying weighted national average costs per consignment to the total number of consignments for the five countries for which we know the number of consignments and the grossing up to the level of all EEC countries a total cost to firms of 4 1/3 Billion ECU emerges from this broad brush approach.

Costs by Country

Analysis of costs per consignment after allowing for differences in the relative importance in EC trade of the commodities included, show that costs are:

- below average in Benelux;
- particularly high in Italy.

	<u>Costs per Consignment, ECU</u>	
	<u>Imports</u>	<u>Exports</u>
Belgium	26	34
France	92	87
Germany	42	79
Italy	130	205
Netherlands	46	50
United Kingdom	75	49

The existence of simplified documentation within the Benelux customs union appears to have contributed to lower customs clearance costs. In particular, the 'Benelux 50' document effectively facilitates trade within the member countries providing all the necessary information for VAT and customs statistics purposes.

More generally, differences in costs between countries reflect differences in the industrial composition of sample firms' trade, variations in agents charges across countries, and the presence of 'outliers' in the sample.

Likewise differences between costs for imports and exports largely reflect differences in the industrial composition in the sample and the presence of 'outliers'.

Agents Costs: Benelux and Italy

An analysis of agents costs per consignment, for which the basic data is probably more accurate than that for firm's internal costs and which is available by trading partner shows that:

- costs of trade between Benelux partners are lower than for trade between Benelux countries and other EC countries;
- costs of trade between EEC members are lower than for trade with Non-Members;

- that trade between Italy and other countries is more costly than between any other country and the rest of the EC.

Costs and firms' sizes

Our sample data suggests that costs per consignment are 30-45 per cent higher for firms with fewer than 250 employees than for larger firms. But larger firms account for over 65 per cent of trade (in our sample) so that their lower costs will be the more important influence on the average for firms as a whole.

Costs by industry

An analysis of costs by industry exhibits variations between industries and between imports and exports. There are a number of factors which can cause these differences:

- the sample size for petroleum products is too small to make inferences and is influenced by a French company with extremely high costs;
- cost per consignment is positively related to value per consignment although not in direct proportion;
- some industries require additional documentation for strategic reasons or because they are covered by trade agreements;
- outliers have an impact in some industries such as iron and steel where some Italian importers report very high costs;
- countries with high (or low) costs in a particular industry can distort the differences between import and export costs if their share of EEC exports and imports are significantly different.

Existing simplified procedures

A number of procedures have been developed by customs authorities to simplify formalities. They include pre-authenticated documents, local import or export control (as opposed to border control) and period entry (whereby a trader can have perhaps a month's imports/exports processed together).

Such procedures can reduce the time between the presentation of documentation to customs control offices and the release of the goods at the border transit point to a few minutes. At some stage the necessary documentation needs to be prepared and subsequently processed.

Where firms do not use simplified procedures this is mainly because either the minimum necessary loads required to qualify are not available, or the firm uses agents to complete all the formalities; in only a minority of cases we did find that firms were not sufficiently aware of the available simplified procedures.

The sample data suggests that costs per consignment are in the region of 50 per cent lower where simplified procedures are always used than where they are never used.

The Single Administrative Document

From January 1988 a new customs document, the Single Administrative Document (SAD) is to be introduced. It represents document simplification, not a simplified procedure. It will enable export, transit and certain import information to be entered on a single form, rather than on separate forms.

However, serious misunderstandings about the purpose and effects of SAD emerged from our discussions with several firms in certain countries, where the customs authorities will need to help firms to understand the changes.

Virtually all firms which commented on the anticipated impact of SAD believe it will neither accelerate nor simplify customs procedures.

Companies which do not have computerised systems are afraid that without a computer they will not be able to complete the form; those with computers need to change their programs and most do not expect a significant reduction in costs subsequently. Some fear that the replacement of text by code numbers will make documentation more difficult to complete and read. Some firms are worried that SAD will not be the only document if different documents will be needed for exporting, transit and importing, in each language of the countries concerned. Some said they still await official explanations of the changes. Some firms which have thought about 1992 see SAD as an unnecessary step, given the target of abolishing all intra-EEC formalities.

The principal conclusion to emerge from the above opinions is that SAD is not regarded as reducing the benefits to be achieved in 1992 by comparison with the current situation and that a major information and training effort is needed in certain countries to explain the nature, purposes and procedures of SAD.

Banking, Insurance and Inventory Costs

Abolition of customs barriers are not seen as reducing financial costs or inventories, which are not usually regarded as being sensitive to changes in procedures which may save minutes or hours rather than days in terms of reduced delays. It could be argued that several hours delay can effectively amount to a whole working day, but most firms interviewed have not adopted 'just-in-time' inventory control techniques this could reflect the structure of our sample which contains several small firms.

Banks and insurance companies were interviewed to establish whether the removal of customs formalities would bring any benefits to firms through the impact of swifter, more predictable transactions. Neither banks nor insurance companies saw any significant benefit arising, whether through the reduction of premiums for European traffic, through lessened possibility of consequential loss or through lower bank charges.

Cost of delay

In our survey "Cost of Non Europe: Illustrations in the road haulage sector" we include details of the work carried out to assess the cost of delay borne by road vehicles across the Community. The results of our survey were then used to estimate a cost for delay for all road haulage. The cost of delay for road traffic amounts to some 830 Million ECU. This represents a gross figure that cannot all be saved as it assumes that all delay time can be utilised. This is not necessarily the case as drivers tend to coincide rest breaks with frontiers wherever possible and cargo is not necessarily available to occupy the available capacity. To take this into account, we have assumed that a 50% saving could be achieved, thus giving a range of ECU 415-830 million ECU for the Community as a whole.

Although significant tonnage is also carried by Inland Waterway (41% of 1986 tonnage total) and rail (13%), an insufficient proportion of our sample utilised these services to provide any reliable data from which to calculate delay-related costs. This should be borne in mind when considering the cost of delay for the Community as a whole.

Costs and Means of Transport

No significant difference in customs compliance costs appear to be associated with differences in the means of transport used, although as the sample was heavily biased in favour of road traffic the reliability of data relating to the use of other modes is suspect.

OPPORTUNITY COSTS

Introduction

The second key part of the study is to examine the opportunity costs for firms, especially lost trading opportunities.

In our assessment of this cost we have concentrated on four key issues:

- the extent to which importers and exporters claim they would increase their trade within the community if customs formalities were abolished;
- the extent to which firms contend that the presence of customs regulations has prevented them from trading with partners in the European Community;
- differences in perceptions among firms of different sizes;
- particular activities likely to be hit by delays and indefinite transit times, namely:
 - express;
 - mail order.

It is important to emphasise that the data presented below, as in several other studies, is based on what firms perceive or claim to be the problems associated with customs barriers and the benefits they claim to expect from the removal of those barriers. As such they do not represent objective data about costs and benefits which can be independently tested. But as perceptions they have a reality of their own which needs to be recognised.

Other studies

The paper on "implementation of ECE/FAL recommendations methodology for estimating costs and benefits of trade facilitation" (31/12/86) for the United Nations Economic Commission for Europe Committee on the Development of Trade sees opportunity costs arising in the import and re-export of goods and consequent compliance with two sets of formalities and procedures. The time delays and consequent unpredictability of both the import and export cycle mean that "costs and so prices rise, profits tumble and customers are lost and alienated". The same study identifies "deterrent costs", (classified in this study as an opportunity cost) as the barrier to trade

represented by "a general impression of complication and difficulty" associated with "complicated procedures and documents".

A survey is currently being carried out by the Banque Nationale de Belgique involving 500 Belgian companies. We understand that initial feedback from this study has not identified customs formalities as a major barrier to trade.

The Joint Textile Committee's report, "Lifting the Barriers to Trade" (June 1986) analysed the trade barriers to UK exports of textiles and clothing, and categorised the type and severity of barrier according to the country concerned. The Western European countries are categorised together as "relatively accessible" with reasonably low import duties and generous quotas. The real barriers in EEC are seen as "administrative inconveniences rather than real obstacles". The exceptions are Greece, Portugal and Spain, all new members of the EEC whose barriers are now being dismantled. The view of the Joint Textile Committee then, is that the EEC administrative formalities do not represent a major barrier to trade.

The BOTB research paper "Into Active Exporting" (April 1987) analysed the presence of untapped export potential in smaller and medium sized manufacturing companies, identifying:

- the barriers to export and their relative importance;
- how export can be encouraged.

The BOTB questionnaire based survey the problem associated with customs procedures and export documentation was seen "as nothing more than an administrative nuisance" by successful exporters, although with inevitable teething problems. Of the firms not exporting, 10 per cent mentioned lack of experience and confidence in exporting but documentation was not seen as a prime barrier to trade. The report concluded that export documentation and procedures represent no problem to professionals either internally or externally. The ten least successful firms had tried to cut corners in this area.

A Small Business Research Trust study (all firms including non manufacturing) concluded that the following were the most significant factors:

- finance/delays in payment 26.2%
- export paperwork 14.4%

- market information 14.4%
- product suitability 14.3%

This shows that the smaller firms believed export paperwork (of which about half is customs related) was a more serious problem than the larger firms but again indicates that it is one of many contributory factors.

Findings

In our discussions with trade associations and traders, we have found little empirical evidence to suggest that customs formalities represent a major barrier to trade for newcomers. Rather, these procedures are seen as an irritation or an inconvenience to be overcome by successful firms. Smaller firms which do successfully export have found customs formalities particularly worrying but have learned to cope with them, often with the advice of trade associations and quasi-official agencies intended to promote trade. As for those firms which do not export it is difficult to establish the significance of customs barriers alone, apart from all the other (languages etc) problems involved. For this reason advisory bodies who have been approached for advice by small firms from which they subsequently heard no more, are very doubtful of being able to derive valid estimates of the effect of customs formalities, even if a large sample of such firms were to be contacted; in any event a large sample of non exporters was beyond the scope of the present study.

One of the largest Chambers of Commerce in Germany emphasised to us that the reasons why SMEs do not trade across frontiers include:

- different industrial standards;
- limited knowledge of foreign markets;
- different procedures for registering and testing the design of certain goods apart from customs barriers.

Nonetheless the results of our survey shown in the table below are not insignificant.

A number of smaller companies reported to us that they are reluctant to attempt to break into new markets because small unmarketable samples and brochures may be subject to duty by Customs authorities; the duty on the despatch of several such consignments is regarded as a significant deterrent by such firms.

Mail Order and Express Companies

Most mail order firms conduct their operations within national boundaries, partly because of the cost of translating and distributing catalogues in other countries. There were mixed responses from the small sample of companies which do mail order business in other countries: some found customs regulations burdensome, others said they were not a major consideration. Little thought has been given by some to their post 1992 strategy, but in any event customs formalities are just one element of the changes they need to consider.

Express companies find customs procedures the cause of delay (up to about 1 hours per consignment). One firm reported that 8 out of 25 staff at a central European despatching point in Brussels are involved in customs procedures, (but this includes non-EEC business).

Survey Findings

The table below shows those companies indicating that the removal of customs formalities will lead to an increase in existing trading activities. It clearly shows that the smaller firms see themselves in particular benefitting from the completion of the internal market.

	Number of Employees				Average Over All Firms*
	0 - 50	51 - 250	251 - 500	More than 500	
IMPORTS					
% of sample stating increase	12	8	3	11	9
Average % increase stated	22	13	7	8	1.0*
EXPORT					
% of sample stating increase	24	22	14	22	22
Average % increase stated	26	20	8	10	3.2**

* Including firms not expecting increase.

** Weighted according to share of total imports/exports accounted for by firms in each size category in the sample.

The results suggest that exporters are more optimistic about increased opportunities than importers. In practice increased exports and imports within the EC must equal one another, but it is not logically required that this balance must apply to this particular sample.

These results take no account of possible increases in trade by firms which do not trade across frontiers at present, a large sample survey of such firms being beyond the scope of this study.

Even if firms do perceive customs formalities as being due for abolition in 1992 it does not follow that they envisage greater export activity unless the other barriers are expected to vanish, and even then the other inhibitions on trade (such as limited awareness of foreign markets) need to be overcome.

An increase in trade of the order of 1 - 3 per cent implied by the table above is by no means insignificant and, if true of the EC as a whole, could amount to 4 1/2 - 15 Billion ECU. These results need to be compared to those which can be obtained from a simulation using an econometric model of trade in Europe, on the assumption that the costs to firms fall to the extent reported in the previous part of the report, that these costs are passed on in lower prices, and taking into account the elasticity of demand for, and supply of, traded goods.

COST TO GOVERNMENT

Introduction

The third part of the study involves the calculation of the budgetary cost to the public authorities in terms of the material and human resources employed to carry out inspections. The initial assessment of this cost was to be based on publicly available data which was then to be discussed with the officials in the agencies concerned.

Approach

In each country involved in the survey responsibility for customs formalities is combined with additional duties. In order to obtain a consistent and representative cost of administration we have adopted the following approach to the assessment:

- all figures relate to the calendar year, 1986;
- trade with all member states is included (including Portugal and Spain);
- where possible, the cost associated with non-customs tasks have been deducted, for example:
 - administration and collection of domestic value-added tax (VAT);
 - compilation of trade statistics;
 - excise administration;
- the number of consignments rather than the value trade has been used as a basis for splitting the cost of customs between EEC and non-EEC trade wherever possible or at least between export and import: where this is not available we have used trade values;
- if customs officials have indicated that import consignments take more time than exports we have weighted the costs accordingly: however, where the ratio of EEC trade to non-EEC (trade in terms of consignments or alternatively value) for imports and export is similar we have not weighted the results;
- equally, if officials indicate that EEC traffic requires generally less attention than non-EEC, an adjustment has been made.

- compilation of trade statistics has been deducted wherever separate figures are available as in most countries this is not a task for customs authorities.

Findings

The table below shows estimates of the costs to government and of the staff involved. The figures for 'Total' staff and budget refer to all the operations of customs administrations as shown in official sources. The 'adjusted' figure first removes the costs of activities which are not related to customs controls for international trade, such as domestic VAT administration and car taxation which customs administrators undertake - to varying extents - in the countries concerned. The remaining costs are then adjusted according to a statistical estimate based on the percentage of international trade undertaken with partner EC countries.

It takes no account of the likelihood that costs of dealing with EEC trade are in general lower than those for a similar amount of non-EEC trade. Assuming that costs are indeed lower for EEC trade it follows that the potential savings which should arise from the abolition of customs barriers will be lower than those shown in 'adjusted' columns.

It is also the case that certain customs officials believe that feasible reductions in their function after 1992 are for discussion and do not automatically imply that they will have no role as far as EC trade is concerned. Taking these matters into account it may be that the savings to be achieved may lie in the range of 500 to 1,000 million ECU, or 15,000 - 30,000 staff, that is to say between a half and all the expenditure and staff implied by the 'adjusted' figures.

	COSTS TO GOVERNMENTS			
	<u>Total</u>		<u>Adjusted</u>	
	Staff	Costs	Staff	Costs
		ECU		ECU
	<u>000's</u>	<u>millions</u>	<u>000's</u>	<u>millions</u>
Belgium	6.4	160	4.7	75
France	21.1	470	12.3	275
Germany	8.0	487	4.0	245
Italy	6.8	240	3.3	115
Netherlands	7.0	220	2.3	67
<u>UK</u>	<u>26.1</u>	<u>660</u>	<u>4.5</u>	<u>125</u>
Total	75.4	2,237	31.1	902

CUSTOMS RELATED SECTOR

Introduction

As part of our study we were asked to calculate the economic importance of the activities directly associated with customs inspections. Such economic activity includes:

- customs clearance by agents;
- providers of customs and tax advice;
- support services at frontier points, eg. restaurants, hotels and other services catering for the drivers arriving and waiting at frontiers.

The scale of this activity is very difficult to assess as formal statistics are not kept of any of these functions.

Customs agents

There are no reliable statistics on the customs-related sectors. Customs clearance is increasingly provided as one of the services from diversified forwarding agents and is therefore difficult to analyse as it forms only part of the firm's turnover. There is no single body representing all customs agents in any country and the organisations representing freight forwarders are not subscribed to by all relevant organisations.

At the beginning of this year the European Federation of National Federations of Freight forwarders (Clecat) carried out a survey of its Members' views on the expected loss of jobs arising from the abolition of customs barriers for intra-EEC trade and estimated that 85,000 jobs could be lost. However, because of differences in the manner in which the questions appear to have been interpreted and ambiguity over the split between EEC and non-EEC work we have not felt able to rely on these figures as a means of assessing the scale of economic activity.

In order to assess the scale of agent activity in Member States we have taken the fees paid to customs and forwarded agents from the main study and have grossed these figures up to provide an indicative assessment of the scale of this activity and we have:

- calculated the number of consignments moving between member states, using either publicly available figures or extrapolating from total consignments for all trade and using the value of trade for EEC countries;
- calculated the % and number of entries prepared by agents, either using estimates from official customs statistics (United Kingdom and Belgium) or the % found in our survey;
- taken the average cost per consignment charged by agents in our survey and used this to compute total charges for the survey countries.

The resulting figures show total revenues of ECU 1,500m. The following points should be considered:

- the agent percentages, whilst drawn from a random, small sample have been found accurate when comparing our survey percentage with customs estimates in Belgium and UK;
- it is not straightforward matter to derive a related manpower figure for this activity: charges for customs clearance are often based on a standard tariff that may be influenced more by competitive pressures than by the actual cost of preparation;
- the manpower impact will vary depending on the level of diversification and the size of the organisation.

Organisations engaging in tax advice may have separate departments specialising in the provision of customs-related advice, but again, no breakdown of these revenues is available. Whilst there are some small specialised firms providing this advice there is no means of aggregating their revenues short of a detailed search.

Customs and tax advice

It is very difficult to quantify this activity, as the firm providing the services tend not to publish their turnover in a sufficiently detailed fashion and together do not form a recognisable, measurable economic sector.

Whilst we found customs tax specialists active in some countries, for instance, United Kingdom, in other countries, for example Belgium, much of this work is carried out by the agents themselves as a means of diversifying activities and providing clients with a more complete

service. When advice is provided it tends to be "one off" rather than continuous and we do not regard it as a major activity area in the context of customs related services as a whole.

Support services

Many frontier points have support services established not only to provide facilities for the passing haulier or tourist but also for the customs-related functions that have given up at these points. Without a detailed examination of this phenomenon it is difficult to assess the total scale of activity involved and the extent to which it would be effected by the abolition of customs formalities. We do not believe this is likely to be a major cost, compared to the cost of Customs agents.

ANNEX I

STRUCTURE OF SAMPLE

	Questionnaires*	<u>Replies</u>	Useful	
	<u>sent out</u>		<u>Imp</u>	<u>Exp</u>
Italy	379	73	38	41
Belgium	211	73	59	46
Netherlands	281	49	35	33
W Germany	310	93	62	63
France	514	101	25	26
UK	316	78	48	39

* After deducting companies approached by telephone who did not want to receive the questionnaire.

**BORDER RELATED CONTROLS
AND ADMINISTRATION
FORMALITIES**

FULL REPORT

THE COSTS OF 'NON EUROPE': BORDER RELATED CONTROLS AND ADMINISTRATION FORMALITIES

INDEX

SUMMARY OF OVERALL FINDINGS

INTRODUCTION

Non-Europe: Customs

Completing the Internal market : The 1992 target

Previous estimates of costs

Initiation of the E & W Study: The issues

The approach

The sample

Weighting the sample data

Adding import and export costs

Gross costs

COST TO FIRMS

Introduction

Overall results of Ernst & Whinney Survey

Grossing up: alternatives

Costs by country

Use of Agents

Costs and firms' sizes

Costs by Commodity

Imports and Exports

Simplified procedures

The single administrative document

Potential Benefit Areas

Cost of delay

Cost and means of transport

INDEX (CONTD.)

OPPORTUNITY COSTS

Introduction
Other studies
Summary
Mail order and express companies
Findings

COSTS TO GOVERNMENT

Introduction
Approach
Findings

CUSTOMS RELATED SECTOR

Introduction
Customs Agents
Customs and Tax Advice
Support Services

EMPLOYMENT EFFECTS

ANNEXES

- I SAMPLE STRUCTURE
- II WEIGHTING THE SAMPLE DATA
- III USE OF AGENTS
- IV COST BY SIZE OF FIRM
- V COST BY COMMODITY
- VI PROCEDURAL SIMPLIFICATION
- VII SINGLE ADMINISTRATIVE DOCUMENT
- VIII POTENTIAL BENEFIT AREAS
- IX COST OF DELAY
- X OPPORTUNITY COSTS
- XI CALCULATION OF ECONOMIC SIGNIFICANCE
- XII MAN DAYS ON CUSTOMS PROCEDURES

SUMMARY OF OVERALL FINDINGS

There are widely quoted estimates of the costs of customs barriers applying to trade in goods between Members of the European Community. These estimates often have either little clear empirical basis or they have been extrapolated from evidence which relates to American experience several years ago in very different circumstances.

The present study, initiated by the Directorate General for the Internal Market and Industrial Affairs, is intended to provide estimates of:

- the costs to firms of administrative formalities and controls which apply to the movement of goods between Member States;
- the costs to government of administering the procedures;
- an estimate of the opportunity cost to the Community;
- the economic significance of services in the customs related sector.

The findings discussed below are all subject to a range of assumptions, limitations imposed by the size and coverage of the sample, and the extent of available official data, as indicated in each of the earlier sections of this report. Whilst the results need to be interpreted with caution they do represent the first attempt to obtain comprehensive empirical evidence on the customs costs of 'non Europe', which they confirm to be of considerable significance.

With these caveats in mind, the estimates presented below suggest that:

- Firms believe that their costs in respect of customs procedures might be in the area of:
 - 7 1/2 billion ECU for administrative costs, and a further 415-830 million ECU for delay related costs;
- costs to government might amount to 500-1000 million ECU;
- the economic significance of the customs sector in terms of its turnover might be in the order of 1 1/2 billion ECU;
- firms believe that trade could increase by 1-3%, or 5-15 billion ECU.

INTRODUCTION

Non-Europe: Customs

The 1985 Commission White Paper 'Completing The Internal Market' recalled that the Treaty of Rome envisaged the creation of a single integrated Community market within which there would be the free movement of goods.

Although a common external customs tariff had been adopted, the White Paper emphasised that several physical, technical and fiscal barriers remain. Physical barriers, in the form of Customs posts, are the most visible example of continued division in the Community. Formalities and controls which apply to movements across internal frontiers contribute to the costs and disadvantages of a divided market and the White Paper argued that their removal is essential for the completion of the internal market.

The White Paper recognised that formalities and controls exist to ensure the enforcement of national policies on such matters as immigration control, health and safety regulation, the taxation of goods, the collection of trade statistics, the control of drugs and terrorism, and of the Common Agricultural Policy with respect to monetary compensation amounts. However, it also stated that "we are talking here not in terms of frontier facilitation, but in terms of removing the frontiers altogether, as only in this way is it possible to achieve the stated objective of free movement of goods and people".

Completing the internal market: The 1992 Target

The Single European Act, which came into effect on 1 July 1987, states:

"The Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992 ... The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons and capital is ensured in accordance with the provisions of the Treaty".

By 1992 the Commission intends that Member States will agree on the abolition of barriers of all kinds, harmonisation of rules, approximation of legislation and tax structures, strengthening of monetary co-operation and the necessary measures to encourage European firms to work together.

It was against this background that the present study of the costs of customs controls was initiated by the Commission of the European Communities.

The costs may be divided into:

- the financial costs to firms of the administrative procedures and of the delays associated with compliance with customs formalities;
- the opportunity costs of lost trade; and
- the costs of administering customs controls borne by national government agencies.

Previous Estimates of costs

Previous attempts to quantify the costs of customs formalities have had to be made without the benefit of direct evidence from the firms and national administrations concerned. It is also a feature of several previously published estimates that their precise source is difficult to establish. The 1981 report from the Commission to the Council on "The State of the Internal Market" (COM (81) 313) simply states "... these procedures increase the costs of goods by around 5-10%". In 1983 Commissioner Narjes on behalf of the Commission said of customs formalities that "they are calculated in business circles to account for 5 to 7 per cent of the price of the goods traded" (Kangaroo News, February 1983). The Patterson Report to the Economic and Monetary Committee of the European Parliament (31 May 1985, Document A 2-50/85/B) quotes the estimates in the Albert and Ball Report ("Towards European Economic Recovery" European Parliament Working Document, 1983), which estimates the total costs of Non-Europe at 50 billion ECU or 2% of GNP, of which 12 billion ECU is attributed to the costs of crossing frontiers; Albert and Ball quote as their source Commission document to Council (COM (83) 80) which quotes the Economic and Monetary Affairs Committee of the Parliament as a source and states that preliminary calculations by the Commission suggest that the cost of these formalities could be equal to between 5% and 10% of the actual value of goods traded.

In short the source for each official estimate quoted above is either another official document or "business circles" or not stated, rather than a primary source such as a survey of firms.

In fact the basic source of all these estimates appears to be a 1971 study by the US National Committee on International Trade Documentation. That study suggested that the costs of exporting and importing could each amount to 7 per cent of the value of goods traded, or 14 per cent in total. Estimates of comparable EC costs of up to 10 per cent have been derived from the US figures after making certain adjustments: assuming that costs of about 4 per cent arise anyway for domestic

trade. This is sometimes further reduced to 5-7 per cent in view of the greater simplification of procedures which traders in the Community face than existed in 1971 for US firms, and because the US estimates included financing and insurance charges as well as customs compliance costs.

A recent report to the UN Economic Commission for Europe ("Methodology for Estimating Costs and Benefits of Trade Facilitation", 31 December 1986) argued that the US figures are quoted out of context, that they are out of date, and that they were grossed up from data of variable quality supplied by a possibly unrepresentative sample of firms, by an unclear methodology. They included all documentation costs (for instance, finance and shipping as well as customs) relating to US trade with the rest of the World, with which US trading relationships can be subject to much more complex control than exist currently within the EC. In particular, EC customs authorities are more co-operative than hitherto, their inspections are more selective; techniques for document preparation and processing have improved; comprehensive, competitively priced services by agents have helped to cut costs.

The degree of seriousness of the effect of administrative formalities on trade has therefore been a matter of conjecture.

The study for the British Overseas Trade Board stated that "successful exporters - almost without exception, dismissed such matters as customs procedures and export documentation as nothing more than an administrative nuisance". However other firms find either the prospect of complying with customs formalities, or their initial attempts to comply with such formalities, off-putting.

A study carried out among a sample of firms in Germany (by DIHT) suggested, on the basis of "fragmentary and inconsistent" information there is little relationship between compliance costs and the value of goods traded. The suggestion that the compliance costs facing firms is unrelated to the value of goods traded implies that exports of small value consignments, and by smaller firms, will bear a disproportionately high cost burden. It follows that, if the above impression is correct that the deterrent effect of frontier barriers will be greater for smaller than for very large firms. But it also implies that customs costs will tend to be a small proportion of the value of large consignments and of exports by larger firms. A recent study for the British Overseas Trade Board ("Into active Exporting" 1987) says "In terms of aggregate value, exports are dominated by a small number of large firms."

It would seem to follow from the German and British studies quoted above that if customs compliance costs are a low proportion of the value of exports by large firms, then because large firms dominate trade, compliance costs will be a low proportion of the actual value of trade. Nevertheless:

- the burden on smaller firms may be such that the opportunity for potential trade by small firms is lost;
- the impact on marginal decisions by larger firms on whether or not to export will be important if customs costs are a significant proportion of profit margins;
- although customs barriers are not insurmountable they are only overcome at a cost.

It is clear from the discussion above that accurate, relevant information above the costs of 'Non Europe' customs barriers need to be established. To the extent that the costs of 'Non Europe' are passed on to consumers in the form of higher prices, the costs of consumption are raised. Furthermore, the value of trade, output and employment will be reduced both because costs of trading within the EC are higher than they need be and because at least some firms are inhibited from trading because of their perception of the barriers imposed by customs formalities. The loss of trade, output and employment does not arise solely because trade within the Community is lower than it otherwise would be; the cost-raising effect on customs formalities reduces Europe's competitiveness vis a vis the rest of the world.

Initiation of the E&W Study: The Issues

The present study was initiated by the Directorate General for the Internal Market and Industrial Affairs to estimate, with the co-operation of firms and national administrations, the costs of 'Non Europe' created by customs formalities.

The purposes of the study are to identify the barriers to intra-community trade resulting from customs formalities and to measure:

- the costs borne by firms including:
 - the administrative costs of complying with customs formalities;
 - costs associated with the delays caused by customs procedures;
- the opportunity costs, that is the foregone exports and imports for firms including the costs on entry to another Community market;
- the budgetary cost to public authorities of customs formalities;
- the economic importance of the customs-related sector.

The Approach

The information to be obtained needed to cover:

- a range of countries;
- a sample of firms, by interview;
- a range of commodities;
- imports and exports.

The countries chosen (Belgium, France, Germany, Italy, Netherlands, United Kingdom) together account for 90 per cent by value of the internal trade of the EEC.

In view of the Commission's particular interest in the problems of small and medium sized firms (SMEs) the sample was to be constructed to give particular emphasis to industries in which they are important. But to the extent that trade is dominated by large firms it needs to be borne in mind that the costs to SMEs might not be typical of trade as a whole.

Three detailed questionnaires were devised following pilot testing requesting information on:

- costs of customs procedures to firms;
- road haulage delays and restrictions on competition;
- freight forwarders/customs agents.

The sample

Over 2,500 firms were approached by Ernst & Whinney offices in the six countries concerned, over 2,000 questionnaires were sent out and our staff interviewed 467. Details of internal costings and trade values were obtained from 267 for imports and 224 for exports. The sample accounts 0.8 per cent of intra-EEC trade. Summary data on the sample are shown at Annex I.

Ernst & Whinney decided to telephone the offices of the chief executives of firms before sending them the questionnaires, to explain the importance of the survey, in order to improve the response rate.

Limitations on the response rate are attributable to the considerable degree of detail sought, which was time-consuming for the firms to provide, the fact that a number of other surveys of the same subject had already been undertaken in Italy (where response from small firms was low, and because we were unable to launch pre-survey publicity in the absence of a written contract in time).

We quote from a letter received from the Association of Independent Business in the UK which is indicative:

"Thank you for your letter of 15 July and the relevant enclosures which I have read with interest. While I would like to help there are several serious problems. The first is the complexity of the documents. The major complaint from our members is the amount of time they have to spend on conforming with Government regulations and the completion of statistics and forms. While we do, from time to time, issue simple questionnaires I believe that a member looking at these EEC forms would be very reluctant to complete them. The second point is that having completed them he or she will have to devote more time to an interview with your staff and finally the form asks for the name and address of the firm and for turnover. While I appreciate that this information is confidential I doubt if many smaller businesses would answer this."

Within the time and resources available for this study it was not possible to establish how representative the sample is in terms of firms' size or in terms of the use of simplified procedures.

Small and medium sized firms are proportionately numerous in our sample (because of the Commission's interest in them), and probably to a greater extent than in intra-Community trade as a whole. There is no data on this, but some indirect indications are available in the British Overseas Trade Board's report "Into Active Exporting" which suggests that whereas only about 4 per cent of firms with turnover below £1 million are engaged in exporting, the proportion is 27 per cent for firms with turnover of £1-10 million, and 43 per cent for firms with a turnover above £100 million.

Weighting the Sample Data

The sample results needed to be 'grossed up' to obtain estimates of total costs in the sample countries and the EC as a whole. In order to do this the sample results were 'weighted', to take into account the share of each industry in each country's trade, each country's share in total EC trade in that industry, each country's share in all EC trade, each industry's share in total trade in the sample countries. Annex II outlines the methodology more fully.

Adding Import and Export Costs

In order to arrive at the total costs to firms of compliance with customs controls the separate costs for importing and exporting in each firm in each country need to be established and then added. An international trading transaction involves the preparation of customs documentation in the exporting country and in the importing country, so the total cost of customs documentation compliance is the sum of these costs. For example if someone in one country buys a car from someone in another country they each have to complete customs documents. This point needs to be stressed to avoid misunderstanding.

Gross Costs

Finally it should be noted that our remit was to establish the total costs of controls and procedures administered by customs on the assumption that they are all avoidable. To the extent that any controls remain after 1992 the actual cost saving will be lower than those estimated below, but it was not our task to analyse this (largely political) issue.

COST TO FIRMS

Introduction

The intention was to obtain as much information as possible about:

- the nature of the costs borne by firms (internal administration costs, including staff, computers, overheads, agents' fees, delay related costs, excessive inventories and any other costs regarded as significant);
- the way in which these costs varied according to:
 - firms' size;
 - commodities traded;
 - the value of consignments;
 - the means of transport used;
 - countries concerned;
- the use of simplified customs procedures;
- the expected impact on costs of the new Single Administrative Document;
- the impact on trade expected if all customs formalities were abolished within the EC;
- firm's views on the main source of difficulty posed by official procedures.

In our discussions with firms we were intent on determining not only the cost of the customs formalities themselves but also, as far as possible, the cost of formalities administered by customs authorities, for example VAT (other than domestic) and health regulations. Thus, for exporters we were concerned with:

- licenses;
- agricultural licenses and payments;
- health regulations;
- customs entries;

- community transit documentation;
- controls, prohibitions and restrictions on the movement of various commodities;
- VAT on exported goods, including obtaining proof of export.

This does not cover the entire documentary and administrative burden in that it does not include:

- trade payment and financing;
- commercial documents;
- insurance;

For importers the list is similar to that above with the addition of:

- payment of duties and levies;
- VAT payment on imported goods.

Overall results of Ernst & Whinney Survey

We were told that the average cost per consignment (including internal costs and agents fees) to firms in the sample was found to be in the region of approximately 65-85 ECU, or 0.7-0.8 per cent of value, for imports and exports respectively. In round terms firms believe their combined costs for both imports and exports could amount to 1 1/2 per cent of the value of internal Community trade, or in the region of 7 1/2 billion ECU (but see below).

To this delay related costs need to be added (see below), these might amount to 415-830 million ECU for road haulage.

As a proportion of the value of trade and as a contribution to costs and prices, the administrative costs of customs formalities are lower than those previously quoted in some other sources. This is not surprising as procedures have been streamlined, particularly through the co-operation of customers authorities and the increased use of computers. Notwithstanding this, their economic significance lies in the extent to which they reduce the incentive of firms to trade across frontiers thereby inhibiting the development of a single market. Customs related costs of 1-2 per cent may be a major consideration if expected profit margins are low.

However we are not in a position to establish the elasticity of exports with respect to profits or the extent to which customs costs are borne out of reduced profits rather than passed on to purchasers in the form of higher prices (which will depend on market structures in specific industries and countries), nor were we asked to model such macro-economic effects. But without such estimates it is difficult to establish the ultimate economic significance of the results presented here.

Grossing up: alternatives

Weighting the results by industry and country we arrive at a combined cost for imports and exports of 1 1/2 per cent of the value of the intra-EC trade, implying a total cost of around 7 1/2 billion ECU.

An alternative method of grossing up from the sample data would be to multiply the costs per consignment (for each industry in each country) by the number of consignments.

However no data for the number of consignments is available for each category of good in each country.

Data on the number of entries (which can include more than one consignment) is available by type of good in Belgium and the UK; total number of entries for all trade, but not by commodity, is available for other countries except Italy. Applying weighted national average costs per consignment to the total number of consignments for the five countries for which we know the number of consignments and the grossing up to the level of all EEC countries a total cost to firms of 4 1/3 Billion ECU emerges from this broad brush approach.

Costs by Country

Introduction

We set out below the summary of findings for:

- the EEC as whole,
- a comparison of Member States;
- the individual countries;

Summary

Analysis of costs per consignment after allowing for differences in the relative importance in EC trade of the commodities included, show that costs are:

- below average in Benelux;
- particularly high in Italy.

	<u>Costs per Consignment, ECU</u>	
	<u>Imports</u>	<u>Exports</u>
Belgium	26	34
France	92	87
Germany	42	79
Italy	130	205
Netherlands	46	50
United Kingdom	75	49

Several factors appear to have contributed to lower costs in Benelux: customs agents in Belgium and the Netherlands are charging substantially lower prices than their counterparts in other Member States (see pages 14-18 and Annex III); the 'Benelux 50' document reduces costs in the Benelux customs union by providing all the necessary information for VAT and customs statistics, and Belgian companies in our sample use simplified procedures much more extensively than any other country apart from Germany (see pages 29-33 and Annex VI).

More generally, differences in costs between countries reflect differences in the industrial composition of sample firms' trade, variations in agents charges across countries, and the presence of 'outliers' in the sample.

Likewise differences between costs for imports and exports largely reflect differences in the industrial composition in the sample and the presence of 'outliers'. In Germany, for example, the unweighted costs per consignment for imports and exports are 43 ECU and 52 ECU respectively. However, due to the composition at the German sample, the weighted figures exhibit a greater difference. One specific reason for this is that electronic office equipment, which is weighted much more heavily for exports than for imports, appears to have high export costs (see Annexes II and V).

Detailed Analysis

Having described the overall findings of the study, we now turn to a more detailed examination of costs within each of the surveyed countries. Where unweighted costs have been used, this is either because there was no basis upon which to weight costs, for example, agents, or because we are discussing the actual survey observations.

For each country, where data is available, we have considered the following factors in interpreting the cost per consignment:

- use of customs agents and freight forwarders:
 - pattern of use for country;
 - representativeness of our sample
 - comparative costs per consignment;
 - whether agent costs act as substitute for internal cost;

- size of the firm:
 - comparison of costs per consignment;
 - structure of our sample by company size;

- commodity:
 - structure of trade by commodity;
 - representativeness of our sample;
 - cost comparison by commodity;

- imports and exports:
 - structure of our sample.
 - differences in costs between importers and exporters;
 - significance of a single firm both exporting and importing;
- simplified procedures:
 - procedures available;
 - extent of use in country concerned;
 - representation of our sample;
 - costs for those using and not using;

Use of Agents

Summary

An analysis of agents costs per consignment, for which the basic data is probably more accurate than that for firms' internal costs and which is available by trading partner shows that:

- costs of trade between Benelux partners are lower than for trade between Benelux countries and other EC countries;
- costs of trade between EEC Members are lower than for trade with Non-Members;
- that trade between Italy and other countries is more costly than between any other country and the rest of the EC.

AGENTS COST PER CONSIGNMENT BY TRADING PARTNER
EXPORTS-IMPORTS
FROM

TO	<u>Belgium</u>	<u>France</u>	<u>Germany</u>	<u>Italy</u>	<u>Nether lands</u>	<u>UK</u>	<u>Other EEC</u>	<u>Non EEC</u>
Belgium		27-22	19-21	20-30	12-16	19-28	23-36	28-46
France	33-73		32-59	47-52	40-58	40-48	40-52	36-57
Germany	35-36	49-23		35-35	31-20	32-38	44-25	43-49
Italy	83-81	103-108	81-117		65-153	95-126	84-118	126-184
Netherlands	24-18	21-27	19-22	20-26		38-25	24-28	26-36
UK	31-49	35-61	35-54	36-45	31-51		31-44	42-71

Note: Costs for exports are in italics

Annex III illustrates the degree to which agents are used in our sample and the average fees charged in each country, by trading partner. The figures shown are unweighted because we have no basis on which to weight agents costs. These results are discussed below.

Belgium

In our sample, 53% of consignments imported into Belgium are cleared by agents, compared to 71% for Belgian exports. In both instances, industrial machinery and road vehicle components have a very much lower use of agents than the other commodities. According to customs authorities, 85% of Belgian imports and 60% of exports are actually cleared by agents.

The average fees charged to Belgian companies in our sample are 21 ECU for imports and 20 ECU for exports. The lowest charges reported for both imports and exports are about 3 ECU per consignment and the highest are 89 ECU. However, these instances are exceptions and the vast majority of companies in Belgium are paying between 10 ECU and 30 ECU per consignment for imports and exports.

The above table shows that imports from and exports to the Netherlands incur a lower fee than for any other trading partner. It also demonstrates that charges are higher than average for the 'other EEC' category and higher still for non-EEC countries. Charges for these two groups are significantly higher on imports than on exports.

France

In our sample, 72% of the consignments imported into France are cleared by agents, as compared to 69% of French exports. Six of the ten importing industries use agents at least 98% of the time, as do four of the exporting industries. Excluding the petroleum company, (which only has a few consignments and does not use agents at all), chemicals and china, pottery and glassware show a relatively low use of agents on imports.

For exports, china, pottery and glassware is exceptionally low at around 4%. The actual proportion of French imports and exports that are cleared by agents is estimated by the French customs authority to be about 50% in both cases.

The average fees charged to French companies in our sample are 54 ECU for imports and 41 ECU for exports. However, charges vary considerably for importers and exporters.

Viewed by trading partner it appears that imports from Belgium incur a significantly higher charge than any other trading partner, whilst exports to Belgium receive the second lowest charge. At 32 ECU, exports to Germany have the lowest charge.

West Germany

58% of consignments imported into Germany by companies in our sample are cleared by agents, compared to just 29% for exports. Only petroleum clears less than 10% of imports through agents. Five commodity groups (agriculture, petroleum, precision instruments and electronic office equipment) clear 10% or less of export consignments through agents. West German customs authorities were unable to provide information regarding the proportion of entries lodged by agents. They did however, indicate that agent use was low.

Average agents charges for imports and exports are not significantly different, at 39 ECU and 38 ECU respectively. They range from 3 ECU to 234 ECU per consignment, but over 80% of those using agents for imports fall between 10 ECU and 90 ECU. Over 50% of exporters in our sample do not use agents at all, and 60% of those that do use agents incur costs in the range of 10 ECU to 49 ECU.

The highest average fee charged to a trading partner, excluding non-EEC countries, is 40 ECU per consignment on imports from the United Kingdom. The average for imports from the Netherlands is just 20 ECU. Exports to France incur a charge of 49 ECU, which is significantly higher than any other trading partner, including 'other EEC' and non-EEC countries.

Italy

44% of consignments imported into Italy by companies in our sample are cleared by customs agents. Eight of the ten commodities for which we have information use agents all of the time. The overall average for imports is heavily influenced by the electronic office equipment category which almost never uses agents, but accounts for 55% of total consignments.

All companies in six of the ten commodity group have 100% of their exports cleared by agents. Electronic office equipment is relatively low, but textiles has the biggest influence on the country average. Textiles represent over half of the exports in our sample, and help reduce the average percentage of Italian consignments cleared by agents to 59%. We have no information from Italian customs regarding the overall percentage of consignments cleared by agents.

Average agents fees charged to Italian companies are 125 ECU for imports and 90 ECU for exports. Import costs range from 15 ECU to 635 ECU and 76% of those using agents lie between

40 ECU and 200 ECU. Export costs range from 5 ECU per consignment to 336 ECU per consignment. 63% of companies using agents for export clearance report agents charges between 20 ECU and 102 ECU.

Viewed by trading partner, the highest average charge for imports is on goods from non-EEC countries, followed by the Netherlands and the United Kingdom. The non-EEC category also has the highest cost for exports from Italy, but exports to the Netherlands receive the lowest average charge.

Netherlands

In our sample 85% of Dutch imports are cleared by agents, compared to 76% of Dutch exports. We have no information regarding the overall percentage of agent entries. Importers of alcoholic beverages and china, pottery and glassware use agents considerably less of the time than do firms in other industries. None of the agricultural exporters in our sample use agents.

The average costs charged to Dutch firms by customs agents for imports and exports are 23 ECU and 25 ECU respectively. Unlike some of the other countries in our sample, the spread of agents fees does not vary greatly. Over 80% of companies incur costs in the range of 10 ECU to 40 ECU. This picture is similar for imports and exports.

Imports from Belgium are charged an average fee of 18 ECU, which substantially lower than any other trading partner inside the EEC. The fee charged to Dutch exporters does not vary greatly by trading partner, with the exception of the United Kingdom, which is twice that of West Germany.

United Kingdom

According to customs authorities in the United Kingdom, around 90% of imports and just 10% of exports are cleared by agents. However, whilst 97% of consignments imported into the United Kingdom by companies in our sample are cleared by customs agents, the figure for export clearances is 53%. Electronic office equipment, chemicals and alcoholic beverages report a low use of agents for exports.

Average agents fees for the United Kingdom are 51 ECU for imports and 34 ECU for exports. Three companies reported fees in excess of 100 ECU for imports, but 74% of importers in our sample are paying between 30 ECU and 60 ECU per consignment.

On the export side, a number of companies commented that they had been able to negotiate a reduced fee. Only two companies reported fees of more than 100 ECU, and 70% of the companies using agents are charged between 10 ECU and 60 ECU per consignment.

The breakdown of charges by trading partner shows no significant variation for exporters to EEC countries, although exports to non-EEC countries incur a substantially higher fee. However, there are differences with regard to imports. Imports from France have the highest average fee (61 ECU) of the EEC countries and Italian imports have the lowest charge (45 ECU). Non-EEC imports have an average charge of 71 ECU.

Costs and firms' sizes

Summary

Our sample data suggests that costs per consignment are 30-45 per cent higher for firms with fewer than 250 employees than for larger firms. However, larger firms account for over 65 per cent of trade in our sample, so that their lower costs have a greater influence on the average for firms as a whole.

COSTS PER CONSIGNMENT, ECU

	<u>Imports</u>	<u>Exports</u>
< 250 employees	85	95
> 250 employees	47	75

In this section we describe, for each country, the variation in unweighted cost per consignment with the size of firms. Although the structure of our sample in terms of the number of firms within each size category is discussed, it has not been possible to draw comparisons with the EEC as a whole. This is due to the lack of information concerning the size of firms within each country in the EEC. More detailed tables are shown in Annex IV.

Belgium

Our import sample contained similar numbers of firms in each size category. The smallest category is 251-500 employees with 12 companies whilst the largest was the over 500 employees category with 17 firms.

The average unweighted cost per consignment for all Belgian importers is 17 ECU. Companies in the smallest size category reported substantially higher costs with an average of 48 ECU. The majority of firms of this size have costs in the 12 to 50 ECU range and it is possible that the average figure is biased due to one firm with costs of 283 ECU per consignment. The remaining size categories all have average costs quite close to the overall average. The figure for the 251-500 employee category is low and it is possible that the two firms with costs of less than 5 ECU have influenced this average.

Our export sample again has similar numbers of firms in each category. However, the cost per consignment figures are more variable. The 1-50 employee category exhibits a wide range of costs from 6 to 95 ECU and it does not appear that any one firm is influencing the results. The same is true of the remaining size categories, although the ranges of minimum and maximum values are different.

France

The sample of French importers is the smallest in the survey with just 26 firms. The major features are a lack of firms with 251-500 employees and a preponderance of firms with less than 250 employees. The overall unweighted cost per consignment for French imports is the highest at 88 ECU and excludes one large French petroleum company with very large cost per consignment.

Three of the size categories have broadly similar costs in the range 73 to 89 ECU per consignment. However, the 51-250 employee category cost is significantly higher due to a group of three firms with costs around 150 ECU per consignment. The result for the 251-500 employee category cannot be regarded as representative as there are only 2 firms in that category. In addition, it should be noted that the average for the over 500 employee category are influenced by two firms with costs around 400 ECU per consignment and the remainder with costs less than 73 ECU.

The number of French exporters is small with 26 firms and, as with the importers, there are only two firms in the 251-500 employee category. The average, unweighted cost per consignment is higher for exports at 111 ECU and this is largely due to the influence of the firms with more than 500 employees and their relatively high costs. Within the 1-50 and 51-250 employee categories there are no firms with costs significantly different from the average. It should again be noted that the result for the 251-500 employee category should be treated with caution although the two firms' costs are similar. Finally, all but two of the firms with more than 500 employees reported costs per consignment of over 100 ECU which has resulted in the high average.

Germany

German companies form the largest group of importers in the study and, as with French firms, the most obvious feature of the group is the very small number of firms in the 251-500 employee category and the overall bias towards firms with less than 250 employees.

In terms of costs and value of trade the group of companies with between 51-250 employees have the greatest influence on the overall unweighted cost per consignment of 43.1 ECU.

The majority of firms in the 1-50 and 51-250 employee categories have costs in the 15-60 ECU range. However, the average for both categories is affected by the presence of a few firms with much higher costs. Of the four firms in the 251-500 employee category, two had average costs and one reported higher costs and one lower costs than average.

The companies with more than 500 employees were to some extent polarised between those with costs of less than 20 ECU and those with costs over 100 ECU.

The German exporter sample contains a large number of firms in the 51-250 employee and over 500 employee categories and comparatively few in the remaining categories. As with imports, German exporters form the largest single group in the study.

The overall unweighted cost per consignment for exports is 53 ECU. This is biased heavily towards the average cost of firms in the over 500 employee category as those companies alone are responsible for 58% of all costs in our sample.

The 1-50 employee category of firms show an unusually wide range of costs from around 10 to over 350 ECU per consignment. The large number of companies in the 51-250 and over 500 employee categories means that it is comparatively unlikely that any one firm is overly influencing the results. However, there is one company in the 251-500 employee category with costs of over 700 ECU per consignment and it seems likely, therefore, that the result for this category are influenced by this observation.

Italy

The Italian sample of importers and exporters is unique in that there are no firms in the 1-50 employee category. This inevitably reduces the possibility of achieving a full and accurate picture of the costs to Italian firms.

For both imports and exports the number of companies in each of the remaining categories is reasonably similar, albeit less so for exports where there is a bias towards smaller firms.

On imports, the overall unweighted cost per consignment is in the middle of the range of 55 ECU and as with German imports this figure appears to be somewhat biased towards the results reported by the largest firms who incur over half of the total costs.

The firms with 51-250 employees generally have costs between 70 and 150 ECU although there are two firms with costs of more than 700 ECU per consignment. The companies in the next largest size category have costs between 40 and 170 ECU per consignment with the one firm with much higher costs not appearing to influence the average very much. Finally, in the over 500 employees category all but one company have costs greater than 50 ECU and the average of 40 ECU seems to be due to the one company with costs of less than 10 ECU per consignment.

With exports, there is a great disparity in the costs reported by the largest firms and the remainder. Although there are, in both the 51-250 and 251-500 employee categories, some firms with costs below 100 ECU, the majority have costs between 100-300 ECU leading to the high averages given. However, the over 500 employee category has a majority of companies with costs of less than 50 ECU per consignment resulting in a much lower average.

Netherlands

The primary feature of the sample of Dutch firms participating in the study is the relatively small number of companies in the two bigger size categories. This is true both of imports and exports.

Considering the costs per consignment for importers in the two smaller size categories, it is apparent that there are no firms with unusually high or low costs. Where the remaining size categories are concerned, the small number of firms involved should be noted. In particular, of the three companies with between 251-500 employees, one reported costs more than ten times as high as the other two firms.

The 1-50 employee category for exporting firms contains one company with costs of more than 300 ECU per consignment which does not appear to have greatly affected the category average. A similar situation exists in the 51-250 employee category where there are three firms with costs above 200 ECU per consignment .

It is again important to remember when considering the results for the remaining categories that the small number of firms in these categories cannot be considered representative and that, in the 251-500 employee category, one company had much higher costs than the others.

United Kingdom

The structure of the United Kingdom importer sample is biased toward the smaller firms with a steady decrease in the number of firms with increasing size category.

The overall unweighted cost per consignment for United Kingdom imports is 63 ECU per consignment. Taking the 1-50 employee size category there are no unusually high or low costs reported. However, the 51-250 employee category contains one company reporting a cost of nearly 500 ECU per consignment and another with costs of over 1300 ECU. These two figures are much higher than all the other companies in the category and the average of 126 ECU should be viewed with this in mind. The next category of firms with 250-500 employees contains one firms with high costs although this does not appear to have affected the average.

The structure of the exporting companies sample is very similar to that of the importers although there are slightly fewer smaller firms.

The overall unweighted cost per consignment is slightly lower than for exports at 58 ECU which is the opposite situation to the Netherlands result, for example. In each of the size categories there is one firm with unusually large costs per consignment although it is difficult to assess the impact this might have. It is possible that the result of 169 ECU for the 1-50 employee category is a result of the one firm with costs of nearly 600 ECU per consignment as this result is significantly different from the other categories. However, it should also be noted that the remaining firms of this size have a wide range of costs of 17-257 ECU per consignment.

Costs by Commodity

Summary

An analysis of costs by industry exhibits variations between industries and between imports and exports. In the case of imports, agricultural goods, alcoholic drinks, iron and steel, petroleum and textiles had above average costs per consignment. In the case of exports the same goods had above average costs apart from iron and steel and textiles. There are a number of factors which can cause these differences:

- the sample size for petroleum products is too small to make inferences and is influenced by a French company with extremely high costs;
- weighted cost per consignment is positively related to value per consignment although not in direct proportion;
- some industries require additional documentation for strategic reasons or because they are covered by trade agreements;
- outliers have an impact in some industries such as iron and steel, where some Italian importers report very high costs;
- countries with high (or low) costs in a particular industry can distort the differences between import and export costs if their share of EEC exports and imports are significantly different.

<u>Industry</u>	<u>Costs per consignment - Weighted</u>	
	<u>Imports</u>	<u>Exports</u>
All agricultural products	70 (27)	136 (25)
Alcoholic beverages	84 (11)	113 (8)
Iron and steel	102 (12)	65 (18)
Petroleum and products	1,109 (2)	1,076 (4)
Textiles	98 (25)	78 (24)
Electronic office equipment etc	41 (25)	133 (20)
Other	63 (166)	76 (140)

Note: figures in () indicate sample size

Annex V illustrates the relative importance of different commodity categories within each country and compares this to the observed structure of our sample. It is clear from this analysis that our sample does not truly reflect the actual flow of trade and it is essential to weight the observed costs to reflect trade patterns as far as possible. However, it should be stressed that some commodity categories within each country have few or no observations. This can result in some distortion by creating a zero weight for an important commodity or by allowing a small number of companies to exert a disproportionate influence on the overall results.

Weighted averages by industry are presented in the global analysis above. However, it is important to look beneath these figures to the impact that different industries have within each country. The following analysis is based upon information drawn from the unweighted costs in Annex V.

Belgium

The unweighted average cost per consignment for Belgian imports is 17 ECU. Seven of the commodities show costs in the 20 to 30 ECU range. Alcoholic beverages are exceptionally high at 293 ECU, because one of the three companies in that category has an extremely high internal costs.

The lowest cost observed is for chemicals (6 ECU). This is important when figures are weighted, because chemicals represent 22% of imports for commodities which we have considered. There are no petroleum companies in the sample.

The average cost per consignment for exports is 37 ECU. Eight commodities have average costs, ranging from 20 to 40 ECU. Clothing and footwear and furniture are high at 71 ECU and 81 ECU respectively. Between them these represent some 6% of the sample. Textiles is low at 8 ECU, which represent less than 10% of the total sample consignments. All the costs per consignment for textiles were below 24 ECU and the sample is dominated by large companies with low costs. No petroleum company is included in the sample.

France

French imports have an average unweighted cost per consignment of 93 ECU. This includes one petroleum company, which has internal costs of several thousand ECU per consignment, but which has not been included in the overall weighted cost calculations, as this would have distorted the final figure. The other commodities show considerable cost differences and have average costs ranging from 32 to 314 ECU. The highest categories are: china, pottery and glassware (314 ECU), where one of the two companies has internal costs of about 350 ECU

per consignment, and furniture, where the only importer carries out most of its procedures internally. There are no observations for iron and steel, clothing and footwear or electronic office equipment.

Excluding petroleum, French export costs by industry range from 15 ECU per consignment for precision instruments to 141 ECU for textiles and china, pottery and glassware. The country average is 115 ECU, with seven of the eleven categories incurring cost within the range 70-141 ECU. Precision instruments, which has the lowest cost (15 ECU per consignment) includes only one company which has no internal costs associated with customs formalities. There are no observations for clothing and footwear or electronic office equipment.

Unfortunately, France has a particularly low number of observations, despite the fact that we received over one hundred responses. This is because the majority of French questionnaires did not contain sufficiently complete information on which we could base cost calculations.

West Germany

Unweighted costs for imports into Germany average out at 43 ECU per consignment. The lowest cost is attributed to petroleum, which is comprised of one company with very low agents charges and has a total cost per consignment of 12 ECU, but the number of consignments are too small to have materially influenced the findings derived from the sample. The commodity with the highest cost is china, pottery and glassware, which at 135 ECU, includes two companies with high internal costs. All commodities are included within this sample and ten of them incur costs in the range of 20 to 70 ECU.

On the export side, Germany has an average cost of 52 ECU per consignment. Chemicals has the lowest cost (10 ECU), because it includes two companies with internal costs of about 5 ECU and no agents charges. Chemical companies represent some 50% of the consignments included in the German export sample. The highest cost commodity is electronic office equipment, which at 216 ECU is strongly influenced by a company which reports internal costs in excess of 1,000 ECU per consignment. There are no companies in our sample exporting in the alcoholic beverages sector.

Italy

Italian costs are generally higher than those for the other countries. The unweighted average for imports is only 55 ECU, but this is because electronic office equipment, which has an average cost of 10 ECU per consignment, includes such a large number of consignments that it greatly reduces the cost per consignment for the country as a whole, as well as for that commodity. Many companies appear to have agents charges greater than 100 ECU and some of them report agents costs of several hundred ECU. For example, one precision instruments company incurs agents fees in excess of 500 ECU and four textile companies pay agents two or three hundred ECU per consignment. Five commodity categories have costs approaching or greater than 200 ECU per consignment, three of which have costs of 300 ECU or more. The Italian sample includes no companies which import or export alcoholic beverages, petroleum or china, pottery and glassware.

Italy also has a wide variation in costs borne by exporting companies in different commodities. The unweighted average across all industries is 109 ECU. Furniture has the lowest cost at 34 ECU, whilst the agricultural products category is approaching 600 ECU per consignment. Four commodities lie between 130 and 200 ECU and three range from 56 to 60 ECU. Clothing and footwear costs average 260 ECU. Agricultural products is influenced by one of the two companies declaring internal costs of 700 ECU.

Netherlands

There is a relatively narrow range of costs per consignment for imports of commodities in the Netherlands, where the average cost is 40 ECU. Seven industry groups have average costs ranging from 32 to 43 ECU. China, pottery and glassware includes four companies, which vary between 11 ECU and 28 ECU, and has the lowest average cost at 14 ECU. Both furniture companies in the sample report costs in the region of 100 ECU. There are no iron and steel or petroleum companies in this sample.

Average Dutch export costs by industry range from 16 ECU for agricultural products to 110 ECU for clothing and footwear. The country average is 42 ECU, with five of the ten commodity groups incurring costs at between 27 and 46 ECU. The four agricultural products companies in the sample all reported low internal costs (between 12 ECU and 20 ECU) and none of them used agents. Although the average cost for clothing and footwear is higher than for other commodities, it should be noted that it includes only two companies - one which has costs of 19 ECU and one which incurs a cost of 249 ECU per consignment. None of the companies in the Netherlands sample export alcoholic beverages, iron and steel or petroleum.

United Kingdom

The average unweighted cost per consignment for imports into the United Kingdom is 63 ECU. Ten of the categories have costs ranging from 38 to 80 ECU, seven of which lie between 42 and 70 ECU. The highest cost commodity is industrial machinery, which has four companies with costs exceeding 100 ECU and an average cost of 188 ECU. Both furniture companies have costs in the region of 40 ECU per consignment. There are no observations for petroleum.

For exports, the spread of costs by commodity group is more marked, although the country average of 58 ECU is similar to that for imports. Six groups lie between 13 and 27 ECU, three bear costs of 100 ECU or more, and the other two have costs of 45 and 69 ECU. Agricultural products has the highest average cost at 158 ECU and iron and steel has the lowest at 13 ECU. Most of the companies exporting agricultural goods have high internal costs, but there is only one iron and steel company and its low costs should not be over emphasised. There are no exporters in the petroleum or clothing and footwear sectors. It should be noted that petroleum represents 26% of the value of UK exports and might have had a large impact on weighted costs; costs per consignment for petroleum tend to be high in absolute terms but low as a percentage of value, so our UK sample weighted figures for the former might be depressed and for the latter raised as a result of this particular omission.

Imports and Exports

The costs associated with exports in our sample are substantially higher than those attributed to imports. We believe that this is explained to some extent by the unavoidable workload that accompanies the initiation of an export transaction and which simplified procedures can do little to reduce.

Annex V shows that Belgium, West Germany, Italy and the Netherlands all have higher weighted costs per consignment for exports than for imports and that these countries also have higher unweighted export costs, as does France. The only country which has consistently lower costs for exports than for imports is the United Kingdom.

The structure of our sample and some explanation for the difference in costs are discussed in the sections which analyse the results by commodity, by use of simplified procedures by use of agents and by size of company.

It has been suggested that there might be economies of scale for companies engaged in both importing and exporting. The following table shows unweighted costs per consignment for all importers and exporters in the sample and for those companies not involved in both activities. Figures in parentheses indicate sample size.

	<u>Importers</u>		<u>Exporters</u>	
	<u>All Co's</u>	<u>Non-exporters</u>	<u>All Co's</u>	<u>Non-exporters</u>
Cost /Consignment (ECU)	33 (267)	30 (78)	54 (247)	89 (48)

For importers, there is no apparent cost reduction for those who also export. However, exporters which do not import appear to have higher costs than companies conducting trade in both directions. This can be explained to some extent by the inclusion of a number of companies from high cost sectors such as the Italian clothing industry, in the "non-importers" figure

The inconclusiveness of this analysis is not surprising. Theoretically, economies of scale need not result from a company being involved in importing and exporting. The most likely way to achieve economies of scale is by importing or exporting large numbers of consignments. This could help reduce costs in two ways:

- The experience curve effect suggests that companies which deal in large volumes will develop more efficient methods and procedures as they learn from their own mistakes;

- Companies could use their relatively strong bargaining position with agents to reduce costs and indeed, several companies have indicated this to be case.

Simplified procedures

Summary

A number of procedures have been developed by customs authorities to simplify formalities. Annex VI provides brief details of the procedures and gives a comparison of costs for companies which always or never use simplified procedures. They include pre-authenticated documents, local import or export control (as opposed to border control) and period entry (whereby a trader can have perhaps a month's imports/exports processed together). No clear differences in the use of simplified procedures across countries emerged from our sample in terms of the proportion of firms, consignments and trade values (although the proportion of firms using simplified procedures was higher in Germany and lower in Italy than in the other countries).

Such procedures can reduce the time between the presentation of documentation to customs control offices and the release of the goods at the border transit point to a few minutes. At some stage the necessary documentation needs to be prepared and subsequently processed.

Where firms do not use simplified procedures this is mainly because either the minimum necessary loads required to qualify are not available, or the firm uses agents to complete all the formalities; in only a minority of cases we did find that firms were not sufficiently aware of the available simplified procedures.

The sample data at global level suggests that costs per consignment are in the region of 50 per cent lower where simplified procedures are always used than where they are never used. This is discussed in more detail below:

<u>Industry</u>	<u>Costs per consignment - Unweighted</u>	
	<u>Imports</u>	<u>Exports</u>
Companies always using simplified procedures	22 (82)	52 (94)
Companies never using simplified procedures	42 (117)	70 (102)

Note: figures in () indicate number of firms.

For imports, the conclusion which emerges from this analysis is that countries which have a large percentage of firms sometimes using simplified procedures have higher costs than countries where the vast majority always or never use them. In other words, firms which do not use the same approach for all consignments incur highest costs. This might be because they import or export some consignments which involve particularly complicated procedures. Alternatively, it might be because they incur costs by not using the same method all of the time.

No clear pattern emerges in this respect to exports. However, it is likely, the major benefits of simplified procedures are borne by importers, the observed variations for exports might be due to outside factors, such as industry. Exporters are unlikely to benefit to the same extent as importers from procedural simplification due to the unavoidable workload involved in creating the initial documentation to support the export transaction.

Belgium

12% of Belgian importers in our sample sometimes use some form of simplified procedures. 36% use at least one simplified procedure all of the time. These firms represent 5% and 74% of consignments respectively. Importers always using simplified procedures have an average cost of 13 ECU per consignment, compared to 26 ECU for companies which never use them.

9% of Belgian exporters in our sample, representing 8% of consignments, sometimes use simplified procedures. 48% use a simplified procedure all of the time and they represent 74% of consignments.

Exporters always using simplified procedures in Belgium have an average cost per consignment of 43 ECU, compared to 23 ECU for companies which do not use them at all. Three precision instruments companies which always use simplified procedures have substantially higher than average costs of around 180 ECU per consignment, which has caused part of the increase and discrepancy between the two procedural extremes.

These figures compare to the overall unweighted Belgian costs for imports of 15 ECU and 37 ECU for exports.

France

39% of French importers, representing 21% of consignments, sometimes use simplified procedures. 19% use them all of the time and account for 52% of consignments. Importers always using simplified procedures have an average cost per consignment of 56 ECU, compared to 84 ECU for companies which never use them.

23% of exporters, representing 14% of consignments, sometimes use simplified procedures. 12% use them all of the time and account for 34% of consignments. Exporters always using simplified procedures have an average cost per consignment of 114 ECU, compared to 113 ECU for companies which never use them. However, it should be noted that only three French companies in our sample use simplified procedures for exports all of the time.

The average costs per consignment for the whole sample of French companies are 93 ECU and 115 ECU for imports and exports respectively.

West Germany

20% of German importers in our sample sometimes use simplified procedures. 47% use at least one simplified procedure all the time. These companies represent 17% and 64% of consignments respectively. Importers always using simplified procedures have an average cost per consignment of 35 ECU, compared to 31 ECU for companies which never use them. In both categories figures are considerably lower than the average unweighted cost for imports.

19% of exporters, representing 8% of consignments, sometimes use simplified procedures. 68% always use them and account for 88% of consignments. Exporters always using simplified procedures have an average cost per consignment at 55 ECU, compared to 27 ECU for companies which never use them. Our sample includes only 8 German exporters which never use simplified procedures. Five of these companies use agents as a substitute for internal manpower. Of these, three have very low agent costs which has caused the low cost for exporters never using simplified procedures.

The average costs per consignment for the whole sample of West German companies are 43 ECU and 52 ECU for imports and exports respectively.

Italy

56% of Italian importers, accounting for 68% of consignments, in our sample sometimes use simplified procedures. 18% of firms, representing 24% of consignments, use simplified procedures all the time. Importers always using simplified procedures have an average cost per consignment of 42 ECU, compared to 135 ECU for companies which never use them.

27% of exporters, representing 9% of consignments, sometimes use simplified procedures. A further 27%, accounting for 48% of consignments, use them all the time. Exporters always using simplified procedures have an average cost per consignment of 65 ECU, compared to 155 ECU for companies which never use them.

The average costs per consignment for the whole sample of Italian companies are 55 ECU and 109 ECU for imports and exports respectively.

Netherlands

6% of Dutch importers, representing 25% of consignments, use simplified procedures sometimes. 14% of firms use them all of the time and they account for 16% of consignments.

Importers always using simplified procedures have an average cost per consignment of 46 ECU, compared to 43 ECU for those never using them. Neither of these are significantly different from the overall average for Dutch importers.

12% of exporters, representing 23% of consignments, use simplified procedures sometimes. 15% of firms use them all of the time and they account for 23% of consignments.

Exporters always using simplified procedures have an average cost per consignment of 60 ECU, compared to 45 ECU for those never using them. However, the figure for companies always using simplified procedures should not be over emphasised, as it is based on only five observations.

The average costs per consignment for the whole sample of Dutch companies are 40 ECU and 42 ECU for imports and exports respectively.

United Kingdom

33% of UK importers, representing 12% of consignments use simplified procedures sometimes. 29% of firms use these procedures all of the time and they account for 40% of consignments. Importers always using simplified procedures have an average cost per consignment of 63 ECU, compared to 64 ECU for those never using them.

38% of exporters, representing 22% of consignments, use simplified procedures sometimes. 26% of firms use them all of the time and they account for 68% of consignments. Exporters always using simplified procedures have an average cost per consignment of 64 ECU, compared to 54 ECU for those never using them.

The average costs per consignment for the whole sample of UK companies are 63 ECU and 59 ECU for imports and exports respectively.

The Single Administrative Document

From January 1988 a new customs document, the Single Administrative Document (SAD) is to be introduced. It represents document simplification, not a simplified procedure. It will enable export, transit and certain import information to be entered on a single form, rather than on separate forms. Our work was carried out before January 1988 and so comments by firms are based on expectations and not practical experience of SAD.

Serious misunderstandings about the purpose and effects of SAD emerged from our discussions with several firms in certain countries, where the customs authorities will need to help firms to understand the changes. Virtually all firms which commented on the anticipated impact of SAD believe it will neither accelerate nor simplify customs procedures. Details of the views expressed and the planned changes, appear in Annex VII.

Companies which do not have computerised systems are afraid that without a computer they will not be able to complete the form; those with computers need to change their programs and most do not expect a significant reduction in costs subsequently. Some fear that the replacement of text by code numbers will make documentation more difficult to complete and read. Some firms are worried that SAD will not be the only document if different documents will be needed for exporting, transit and importing, in each language of the countries concerned. Some said they still await official explanations of the changes. Some firms which have thought about 1992 see SAD as an unnecessary step, given the target of abolishing all intra-EEC formalities.

The principal conclusion to emerge from the above opinions is that SAD is not regarded as reducing the benefits to be achieved in 1992 by comparison with the current situation and that a major information and training effort is needed in certain countries to explain the nature, purposes and procedures of SAD.

Potential Benefit Areas

In order to assess the benefits that could arise from the abolition of customs formalities we considered a number of potential opportunities. These included:

- reduced banking charges;
- reduced insurance costs;
- reduced inventory holdings;

- avoidance of costs caused by customs disputes.

We include more detail on our observations in Annex VIII.

Abolition of customs barriers are not seen as reducing financial costs or inventories, which are not usually regarded as being sensitive to changes in procedures which may save minutes or hours rather than days in terms of reduced delays. It could be argued that several hours delay can effectively amount to a whole working day, but most firms interviewed have not adopted 'just-in-time' inventory control techniques. This could reflect the structure of our sample which contains several small firms.

Banks and insurance companies were interviewed to establish whether the removal of customs formalities would bring any benefits to firms through the impact of swifter, more predictable transactions. Neither banks nor insurance companies saw any significant benefit arising, whether through the reduction of premiums for European traffic, through lessened possibility of consequential loss or through lower bank charges.

Cost of delay

In our survey "Cost of Non Europe: Illustrations in the road haulage sector" we include details of the work carried out to assess the cost of delay borne by road vehicles across the Community. The results of our survey were then used to estimate a cost for delay for all road haulage. The cost of delay for road traffic amounts to some 830 Million ECU. This represents a gross figure that cannot all be saved as it assumes that all delay time can be utilised. This is not necessarily the case as drivers tend to coincide rest breaks with frontiers wherever possible and cargo is not necessarily available to occupy the available capacity. To take this into account, we have assumed that a 50% saving could be achieved, thus giving a range of ECU 415-830 million ECU for the Community as a whole. More detail is shown in Annex IX.

Although significant tonnage is also carried by Inland Waterway (41% of 1986 tonnage total) and rail (13%), an insufficient proportion of our sample utilised these services to provide any reliable data from which to calculate delay-related costs. This should be borne in mind when considering the cost of delay for the Community as a whole.

Costs and Means of Transport

No significant difference in customs compliance costs appear to be associated with differences in the means of transport used, although as the sample was heavily biased in favour of road traffic the reliability of data relating to the use of other modes is suspect.

OPPORTUNITY COSTS

Introduction

The second key part of the study is to examine the opportunity costs for firms, especially lost trading opportunities.

In our assessment of this cost we have concentrated on four key issues:

- the extent to which importers and exporters claim they would increase their trade within the community if customs formalities were abolished;
- the extent to which firms contend that the presence of customs regulations has prevented them from trading with partners in the European Community;
- differences in perceptions among firms of different sizes;
- particular activities likely to be hit by delays and indefinite transit times, namely:
 - express;
 - mail order.

It is important to emphasise that the data presented below, as in several other studies, is based on what firms perceive or claim to be the problems associated with customs barriers and the benefits they claim to expect from the removal of those barriers. As such they do not represent objective data about costs and benefits which can be independently tested. But as perceptions they have a reality of their own which needs to be recognised.

Other studies

The paper on "implementation of ECE/FAL recommendations methodology for estimating costs and benefits of trade facilitation" (31/12/86) for the United Nations Economic Commission for Europe Committee on the Development of Trade sees opportunity costs arising in the import and re-export of goods and consequent compliance with two sets of formalities and procedures. The time delays and consequent unpredictability of both the import and export cycle mean that "costs and so prices rise, profits tumble and customers are lost and alienated". The same study identifies "deterrent costs", (classified in this study as an opportunity cost) as the barrier to trade represented by "a general impression of complication and difficulty" associated with "complicated procedures and documents".

A survey is currently being carried out by the Banque Nationale de Belgique involving 500 Belgian companies. We understand that initial feedback from this study has not identified customs formalities as a major barrier to trade.

The Joint Textile Committee's report, "Lifting the Barriers to Trade" (June 1986) analysed the trade barriers to UK exports of textiles and clothing, and categorised the type and severity of barrier according to the country concerned. The Western European countries are categorised together as "relatively accessible" with reasonably low import duties and generous quotas. The real barriers in EEC are seen as "administrative inconveniences rather than real obstacles". The exceptions are Greece, Portugal and Spain, all new members of the EEC whose barriers are now being dismantled. The view of the Joint Textile Committee then, is that the EEC administrative formalities do not represent a major barrier to trade.

The BOTB research paper "Into Active Exporting" (April 1987) analysed the presence of untapped export potential in smaller and medium sized manufacturing companies, identifying:

- the barriers to export and their relative importance;
- how export can be encouraged.

The BOTB survey the problem associated with customs procedures and export documentation was seen "as nothing more than an administrative nuisance" by successful exporters, although with inevitable teething problems. Of the firms not exporting, 10 per cent mentioned lack of experience and confidence in exporting but documentation was not seen as a prime barrier to trade. The report concluded that export documentation and procedures represent no problem to professionals either internally or externally. The ten least successful firms had tried to cut corners in this area.

A Small Business Research Trust study (all firms including non manufacturing) concluded that the following were the most significant factors:

- | | |
|-----------------------------|-------|
| • finance/delays in payment | 26.2% |
| • export paperwork | 14.4% |
| • market information | 14.4% |
| • product suitability | 14.3% |

This shows that the smaller firms believed export paperwork (of which about half is customs related) was a more serious problem than the larger firms but again indicates that it is one of many contributory factors.

In our discussions with trade associations and traders, we have found little empirical evidence to suggest that customs formalities represent a major barrier to trade for newcomers. Rather, these procedures are seen as an irritation or an inconvenience to be overcome by successful firms. Smaller firms which do successfully export have found customs formalities particularly worrying but have learned to cope with them, often with the advice of trade associations and quasi-official agencies intended to promote trade. As for those firms which do not export it is difficult to establish the significance of customs barriers alone, apart from all the other (languages etc) problems involved. For this reason advisory bodies who have been approached for advice by small firms from which they subsequently heard no more, are very doubtful of being able to derive valid estimates of the effect of customs formalities, even if a large sample of such firms were to be contacted; in any event a large sample of non exporters was beyond the scope of the present study.

One of the largest Chambers of Commerce in Germany emphasised to us that the reasons why SMEs do not trade across frontiers include:

- different industrial standards;
- limited knowledge of foreign markets;
- different procedures for registering and testing the design of certain goods apart from customs barriers.

Nonetheless the results of our survey shown in the table below are not insignificant.

A number of smaller companies reported to us that they are reluctant to attempt to break into new markets because small unmarketable samples and brochures may be subject to duty by Customs authorities; the duty on the despatch of several such consignments is regarded as a significant deterrent by such firms.

Mail Order and Express Companies

In each country we approached firms in delay-sensitive operations likely to be particularly affected by customs formalities, namely:

- mail order;
- express/courier.

We summarise the results of these interviews below and illustrate in more detail in Annex X.

Most mail order firms conduct their operations within national boundaries, partly because of the cost of translating and distributing catalogues in other countries. There were mixed responses from the small sample of companies which do mail order business in other countries: some found customs regulations burdensome, others said they were not a major consideration. Little thought has been given by some to their post 1992 strategy, but in any event customs formalities are just one element of the changes they need to consider.

Express companies find customs procedures the cause of delay (up to about 1 hours per consignment). One firm reported that 8 out of 25 staff at a central European despatching point in Brussels are involved in customs procedures, (but this includes non-EEC business).

Survey Findings

The table below shows those companies indicating that the removal of customs formalities will lead to an increase in existing trading activities. It clearly shows that the smaller firms see themselves in particular benefitting from the completion of the internal market.

	Number of Employees				Average Over All Firms*
	0 - 50	51 - 250	251 - 500	More than 500	
IMPORTS					
% of sample stating increase	12	8	3	11	9
Average % increase stated	22	13	7	8	1.0**
EXPORT					
% of sample stating increase	24	22	14	22	22
Average % increase stated	26	20	8	10	3.2**

- * Including firms not expecting increase.
- ** Weighted according to share of total imports/exports accounted for by firms in each size category in the sample.

The results suggest that exporters are more optimistic about increased opportunities than importers. In practice increased exports and imports within the EC must equal one another, but it is not logically required that this balance must apply to this particular sample.

These results take no account of possible increases in trade by firms which do not trade across frontiers at present, a large sample survey of such firms being beyond the scope of this study.

Even if firms do perceive customs formalities as being due for abolition in 1992 it does not follow that they envisage greater export activity unless the other barriers are expected to vanish, and even then the other inhibitions on trade (such as limited awareness of foreign markets) need to be overcome.

An increase in trade of the order of 1 - 3 per cent implied by the table above is by no means insignificant and, if true of the EC as a whole, could amount to 4 1/2 - 15 Billion ECU. Being based solely upon opinions, these results clearly need to be treated with caution. However, our analysis of costs to firms (see above) found that agents costs are significantly higher, in most cases, for non-EEC trade than for EEC trade; it is also the case that internal trade has grown faster than trade with the rest of the world, for these reasons it seems likely that the removal of barriers will induce a further stimulus to Community trade. The results need to be compared to those which can be obtained from a simulation using an econometric model of trade in Europe, on the assumption that the costs to firms fall to the extent reported in the previous part of the report, that these costs are passed on in lower prices, and taking into account the elasticity of demand for, and supply of, traded goods.

We have also examined opportunity costs by country: see the table below.

OPPORTUNITY COSTS (BY COUNTRY)

IMPORTS	BEL	F	G	I	N	UK
% of Imports	12	20	27	13	12	16
% of sample stating increase	3.2	9.4	14	14.3	14.8	4.7
Average % increase expected	6.5	13.1	12	8.1	23.8	45
EXPORTS						
% of Exports	12	16	28	12	17	15
% of sample stating increase	21.6	14.3	15.9	21.4	32	21.4
Average % increase expected	8.1	16.4	14.4	9.4	34.2	33

COST TO GOVERNMENT

Introduction

The third part of the study involves the calculation of the budgetary cost to the public authorities in terms of the material and human resources employed to carry out inspections. The initial assessment of this cost was to be based on publicly available data which was then to be discussed with the officials in the agencies concerned.

Approach

In each country involved in the survey responsibility for customs formalities is combined with additional duties. In order to obtain a consistent and representative cost of administration we have adopted the following approach to the assessment:

- all figures relate to the calendar year, 1986;
- trade with all member states is included (including Portugal and Spain);
- where possible, the cost associated with non-customs tasks have been deducted, for example:
 - administration and collection of domestic value-added tax (VAT);
 - compilation of trade statistics;
 - excise administration;
- the number of consignments rather than the value trade has been used as a basis for splitting the cost of customs between EEC and non-EEC trade wherever possible or at least between export and import: where this is not available we have used trade values;
- if customs officials have indicated that import consignments take more time than exports we have weighted the costs accordingly: however, where the ratio of EEC trade to non-EEC (trade in terms of consignments or alternatively value) for imports and export is similar we have not weighted the results;
- equally, if officials indicate that EEC traffic requires generally less attention than non-EEC, an adjustment has been made.

- compilation of trade statistics has been deducted wherever separate figures are available as in most countries this is not a task for customs authorities.

Findings

The table below shows estimates of the costs to government and of the staff involved. The figures for 'Total' staff and budget refer to all the operations of customs administrations as shown in official sources. The 'adjusted' figure first removes the costs of activities which are not related to customs controls for international trade, such as domestic VAT administration and car taxation which customs administrators undertake - to varying extents - in the countries concerned. The remaining costs are then adjusted according to a statistical estimate based on the percentage of international trade undertaken with partner EC countries.

It takes no account of the likelihood that costs of dealing with EEC trade are in general lower than those for a similar amount of non-EEC trade. Assuming that costs are indeed lower for EEC trade it follows that the potential savings which should arise from the abolition of customs barriers will be lower than those shown in 'adjusted' columns. These potential savings may be reduced if a significant level of control is maintained.

Potential savings may be realised by means of several routes. There may be a direct reduction of cost. Or staff may be redeployed elsewhere, perhaps over a period of time and through natural wastage. But, however savings are realised, there will be scope for cost reduction which could lie in the range of 500 to 1,000 million ECU, or 15,000 - 30,000 staff. This would represent between a half and all the expenditure and staff implied by the 'adjusted' figures.

	COSTS TO GOVERNMENTS			
	<u>Total</u>		<u>Adjusted</u>	
	Staff	Costs	Staff	Costs
		ECU		ECU
	<u>000's</u>	<u>millions</u>	<u>000's</u>	<u>millions</u>
Belgium	6.4	160	4.7	75
France	21.1	470	12.3	275
Germany	8.0	487	4.0	245
Italy	6.8	240	3.3	115
Netherlands	7.0	220	2.3	67
<u>UK</u>	<u>26.1</u>	<u>660</u>	<u>4.5</u>	<u>125</u>
Total	75.4	2,237	31.1	902

Notes:

Some important differences exist in terms of the number of customs entries handled by each country. For example, Germany deals with 25 million EEC entries (imports plus exports), France with 12 million and the UK with 5 million.

CUSTOMS RELATED SECTOR

Introduction

As part of our study we were asked to calculate the economic importance of those activities which are directly or very closely associated with customs inspections. Such economic activity includes:

- customs clearance by agents;
- providers of customs and tax advice;
- support services at frontier points, eg. restaurants, hotels and other services catering for the drivers arriving and waiting at frontiers.

The scale of this activity is very difficult to assess as formal statistics are not kept of any of these functions.

Customs agents

There are no reliable statistics on the customs-related sectors. Customs clearance is increasingly provided as one of the services from diversified forwarding agents and is therefore difficult to analyse as it forms only part of the firm's turnover. There is no single body representing all customs agents in any country and the organisations representing freight forwarders are not subscribed to by all relevant organisations.

At the beginning of this year the European Federation of National Federations of Freight forwarders (Clecat) carried out a survey of its Members' views on the expected loss of jobs arising from the abolition of customs barriers for intra-EEC trade and estimated that 85,000 jobs could be lost. However, because of differences in the manner in which the questions appear to have been interpreted and ambiguity over the split between EEC and non-EEC work we have not felt able to rely on these figures as a means of assessing the scale of economic activity.

In order to assess the scale of agent activity in Member States we have taken the fees paid to customs and forwarded agents from the main study and have grossed these figures up to provide an indicative assessment of the scale of this activity and we have:

- calculated the number of consignments moving between member states, using either publicly available figures or extrapolating from total consignments for all trade and using the value of trade for EEC countries;
- calculated the % and number of entries prepared by agents, either using estimates from official customs statistics (United Kingdom and Belgium) or the % found in our survey;
- taken the average cost per consignment charged by agents in our survey and used this to compute total charges for the survey countries.

The resulting figures show total revenues in excess of ECU 1,300m (See Annex XI). The following points should be considered:

- the agent percentages, whilst drawn from a random, small sample have been found accurate when comparing our survey percentage with customs estimates in Belgium and UK;
- it is not straightforward matter to derive a related manpower figure for this activity: charges for customs clearance are often based on a standard tariff that may be influenced more by competitive pressures than by the actual cost of preparation;
- the manpower impact will vary depending on the level of diversification and the size of the organisation.

Customs and tax advice

It is very difficult to quantify this activity, as the firm providing the services tend not to publish their turnover in a sufficiently detailed fashion and together do not form a recognisable, measurable economic sector. Organisations engaging in tax advice may have separate departments specialising in the provision of customs-related advice, but again, no breakdown of these revenues is available. Whilst there are some small specialised firms providing this advice there is no means of aggregating their revenues short of a detailed search.

Whilst we found customs tax specialists active in some countries, for instance, United Kingdom, in other countries, for example Belgium, much of this work is carried out by the agents themselves as a means of diversifying activities and providing clients with a more complete service. When advice is provided it tends to be "one off" rather than continuous and we do not regard it as a major activity area in the context of customs related services as a whole.

Support services

Many frontier points have support services established not only to provide facilities for the passing haulier or tourist but also for the customs-related functions that have given up at these points. Without a detailed examination of this phenomenon it is difficult to assess the total scale of activity involved and the extent to which it would be effected by the abolition of customs formalities. We do not believe this is likely to be a major cost, compared to the cost of Customs agents.

EMPLOYMENT EFFECTS

The number of customs officials engaged in operations which the Commission intends should be abolished could lie in the range of 15,000-30,000 (see discussion of costs to Government above).

As far as firms are concerned 58,000 man days are devoted to EC customs formalities in our sample; assuming an average working year (after weekends, holidays, training, sickness, etc) of 200 working days amount to 210 man years, or 210 employees.

However in many firms the number of man-days to be saved amounts to only a fraction of a working year and is unlikely to produce an equivalent reduction in employment.

Assuming that only where at least 200 working days are devoted to customs formalities in a firm might employment be reduced, our sample shows that 41,000 man-days are involved or 200 man-years of employment. See Annex XII for details.

Grossing this up is clearly subject to many uncertainties. However a very broad estimate may be arrived at in this way: the total value of exports in our sample is 3.8 billion ECU and the value of imports is 2.7 billion ECU ie. an average value of trade in the region of 3.3 billion ECU; this is approximately 0.7 per cent of intra-EEC trade, if we can gross up on the assumption that the saving in man-years of employment is proportional to the share of our sample firms in the value of trade we arrive at on employment effect of approximately 29,000 for the EC as a whole.

DAYS SPENT ON CUSTOMS FORMALITIES BY FIRMS' STAFF

		<u>Imports</u>		<u>Exports</u>	<u>Total</u>
Belgium	(9)	4,243	(8)	4,584	8,827
France	(1)	240	(4)	2,100	2,340
Germany	(6)	2,220	(1)	5,693	7,913
Italy	(6)	3,070	(12)	5,293	8,363
Netherlands	(1)	240	(3)	1,898	2,138
UK	(3)	1,416	(6)	10,224	11,640
Total	(26)	11,429	(46)	29,792	41,221

Note: 1 Only companies where at least 1 man working -year is spent have been included. Figures in () indicate sample size.

ANNEX I

STRUCTURE OF SAMPLE

	Questionnaires*	<u>Replies</u>	Useful	
	<u>sent out</u>		<u>Imp</u>	<u>Exp</u>
Italy	379	73	38	41
Belgium	211	73	59	46
Netherlands	281	49	35	33
W Germany	310	93	62	63
France	514	101	25	26
UK	316	78	48	39

* After deducting companies approached by telephone which did not want to receive the questionnaire.

ANALYSIS OF SAMPLE SIZE FOR IMPORTS

COUNTRY BY INDUSTRY

	<i>B</i>	<i>F</i>	<i>G</i>	<i>I</i>	<i>N</i>	<i>U</i>	<i>TOTAL</i>
Agriculture	6	4	2	3	3	9	27
Alcoholic beverages	3	2	2	0	2	2	11
Iron and steel	3	0	5	3	0	1	12
Chemicals	5	4	11	7	2	2	31
Petroleum	0	1	1	0	0	0	2
RV components	7	5	5	7	3	6	33 *
Clothing and FW	5	0	5	1	3	2	16
Textiles	6	2	3	8	3	3	25
China etc	5	2	4	0	4	4	19
Furniture	4	1	5	2	2	2	16
Precision Inst	6	2	6	2	5	4	25
Ind machinery	5	3	5	3	4	6	26
Elect. Office Equipment	4	0	8	2	4	7	25
TOTAL	59	26	62	38	35	48	268

COUNTRY BY SIZE

	<i>B</i>	<i>F</i>	<i>G</i>	<i>I</i>	<i>N</i>	<i>U</i>	<i>TOTAL</i>
0 - 50	14	11	18	0	20	18	81
51- 250	16	6	25	14	10	14	85
251 - 500	12	2	4	11	3	10	42
> 500	17	7	15	13	2	6	60
	59	26	62	38	35	48	268

ANALYSIS OF SAMPLE SIZE FOR EXPORTS

COUNTRY BY INDUSTRY

	<i>B</i>	<i>F</i>	<i>G</i>	<i>I</i>	<i>N</i>	<i>U</i>	<i>TOTAL</i>
Agriculture	4	3	6	2	4	6	25
Alcoholic beverages	3	3	0	0	0	2	8
Iron and Steel	2	1	7	7	0	1	18
Chemicals	3	3	8	5	2	3	24
Petroleum	0	1	3	0	0	0	4
R V components	8	4	3	6	5	4	30
Clothing and FW	3	0	5	6	2	0	16
Textiles	4	2	5	8	2	3	24
China etc	6	1	3	0	2	1	13
Furniture	5	3	4	1	3	1	17
Precision Int	3	1	7	1	4	5	21
Ind Machinery	3	4	6	3	5	7	28
Elect. Office Equipment	2	0	6	2	4	6	20
TOTAL	46	26	63	41	33	39	248

COUNTRY BY SIZE

	<i>B</i>	<i>F</i>	<i>G</i>	<i>I</i>	<i>N</i>	<i>U</i>	<i>TOTAL</i>
0 - 50	11	9	8	0	16	10	54
51 - 250	11	8	29	17	11	13	89
251 - 500	10	2	7	14	3	10	46
> 500	14	7	19	10	3	6	59
	46	26	63	41	33	39	248

ANNEX II

WEIGHTING THE SAMPLE DATA

The notes below explain in summary the logic of the weighting system adopted.

The notes also explain that the relationship between:

- the average weighted value in ECU per consignment;
- the average weighted cost in ECU to firms per consignment;
- the weighted average percentage cost;

is complex and one cannot be derived from the other two. Therefore, a table showing weighted values, ECU costs and percentage costs would be confusing.

We also show the following tables:

- Weights by Industry within Each Country;
- Country Weights;
- Weights by Country with Each Industry;
- Industry Weights for Total Trade.

THE WEIGHTING SYSTEM

In order to ensure that bias due to sample structure was avoided as far as possible, the following trade related weights were computed from OECD statistics:

- i) the proportion of each country's trade that each industry represents;
- ii) each country's share of total trade in all industries in the sample countries;
- iii) the proportion of each industry's trade that each country represents;
- iv) each industry's share of total trade in all sample countries.

Weights were calculated for imports and exports separately. These weights were then used to calculate the overall average costs for all countries and all industries, using the following two methods.

Method 1: country averages

Country tables were produced, showing the costs for each industry within a particular country.

The industry costs were multiplied by weight (i) and summed to arrive at the average cost for each country.

The industry figures were then multiplied by weight (ii) and summed to produce the overall cost.

Method 2: industry averages

Industry tables were produced, showing the cost for each country within a particular industry.

The country costs were multiplied by weight (iii) and summed to arrive at the average cost for each industry.

These industry figures were then multiplied by weight (iv) and summed to produce the overall average cost.

THE PROBLEM OF RELATING WEIGHTED FIGURES

Although we produce estimates of cost per consignment, value per consignment and cost as a % of value, it is not possible to derive any one of these measures directly from the other two. This is because all of these figures have been weighted and dividing one by another would cancel out the weight.

Example 1

$$\begin{array}{r} \text{(cost)} \quad \times \quad \text{weight} \\ \text{(consignment)} \\ \hline \text{(costs)} \quad \times \quad \text{weight} \\ \text{(value)} \\ \\ = \quad \frac{\text{value}}{\text{consignment}} \end{array}$$

Example 2

Weighted cost per consignment for Belgian imports
= 27 ECU

Weighted cost as a % of value for Belgian imports
= 0.24

Weighted value per consignment for Belgian imports
= 15,249

This is not the same as $\frac{27}{0.0024} = 11,250$ ECU.

AN ALGEBRAIC REPRESENTATION OF THE WEIGHTING METHODS

Method 1

$$\sum_{i=1 \text{ to } 6} \left[\sum_{j=1 \text{ to } 13} C_{ji} W_{ji} \right] X_i \quad \text{where } X_i = \sum_{j=1 \text{ to } 13} X_{ij}$$

Method 2

$$\sum_{j=1 \text{ to } 13} \left[\sum_{i=1 \text{ to } 6} C_{ji} X_{ji} \right] W_j \quad \text{where } W_i = \sum_{j=1 \text{ to } 6} W_{ij}$$

Where C_{ji} = cost per consignment, cost as % of value or value per consignment

W_{ji} = industry weights for each individual country

X_{ji} = country weights for each individual industry

WEIGHTS BY INDUSTRY WITHIN EACH COUNTRY

IMPORTS

INDUSTRY	BELGIUM	FRANCE	GERMANY	ITALY	N/LANDS	UK
A - Agriculture	0.126	0.128	0.175	0.219	0.146	0.160
B - Alcoholic Beverages	0.017	0.012	0.020	0.013	0.016	0.006
C - Iron and Steel	0.066	0.092	0.073	0.085	0.073	0.054
D - Chemicals	0.223	0.236	0.214	0.278	0.235	0.231
E - Petroleum & Products	0.090	0.074	0.131	0.037	0.075	0.048
F - Road Vehicle Component	0.155	0.048	0.043	0.038	0.034	0.073
G - Clothing & Footwear	0.082	0.082	0.102	0.024	0.091	0.067
H - Textiles	0.067	0.085	0.062	0.076	0.066	0.092
I - China, Pottery, Glassware	0.013	0.020	0.014	0.017	0.019	0.016
J - Furniture	0.021	0.036	0.020	0.005	0.031	0.025
K - Precision Instruments	0.019	0.027	0.023	0.035	0.029	0.031
L - Industrial Machinery	0.059	0.083	0.054	0.066	0.075	0.076
M - Electronic Office Equipment	0.062	0.077	0.069	0.107	0.111	0.121
	1.000	1.000	1.000	1.000	1.000	1.000

EXPORTS

INDUSTRY	BELGIUM	FRANCE	GERMANY	ITALY	N/LANDS	UK
A -Agriculture	0.138	0.199	0.078	0.125	0.245	0.082
B - Alcoholic Beverages	0.007	0.051	0.008	0.017	0.004	0.009
C - Iron and Steel	0.154	0.093	0.080	0.063	0.043	0.044
D - Chemicals	0.245	0.250	0.278	0.106	0.280	0.230
E - Petroleum & Products	0.109	0.029	0.010	0.036	0.189	0.255
F - Road Vehicle Component	0.045	0.087	0.075	0.040	0.011	0.054
G - Clothing & Footwear	0.036	0.039	0.079	0.246	0.033	0.036
H - Textiles	0.118	0.066	0.068	0.119	0.047	0.041
I - China, Pottery, Glassware	0.036	0.018	0.020	0.020	0.008	0.009
J - Furniture	0.025	0.010	0.027	0.050	0.012	0.007
K - Precision Instruments	0.011	0.021	0.043	0.017	0.020	0.040
L - Industrial Machinery	0.029	0.055	0.113	0.096	0.035	0.053
M -Electronic Office Equipment	0.047	0.082	0.121	0.065	0.073	0.140
	1.000	1.000	1.000	1.000	1.000	1.000

SOURCE: Derived from OECD Trade Statistics, Series C, 1986.

COUNTRY WEIGHTS FOR TOTAL TRADE IN ALL INDUSTRIES

	<u>IMPORTS</u>	<u>EXPORTS</u>
BELGIUM	0.122	0.091
FRANCE	0.192	0.179
GERMANY	0.267	0.278
ITALY	0.135	0.146
NETHERLANDS	0.125	0.163
UNITED KINGDOM	0.159	0.143
	1.000	1.000

WEIGHTS BY COUNTRY WITHIN EACH INDUSTRY

IMPORTS

INDUSTRY	BELGIUM	FRANCE	GERMANY	ITALY	N/LANDS	UK	
A	0.10	0.15	0.29	0.19	0.11	0.16	1.00
B	0.15	0.16	0.35	0.13	0.14	0.07	1.00
C	0.10	0.23	0.28	0.15	0.13	0.11	1.00
D	0.12	0.19	0.24	0.17	0.12	0.16	1.00
E	0.13	0.17	0.44	0.06	0.11	0.09	1.00
F	0.32	0.15	0.18	0.09	0.07	0.19	1.00
G	0.13	0.20	0.35	0.04	0.15	0.13	1.00
H	0.11	0.22	0.22	0.14	0.11	0.20	1.00
I	0.10	0.24	0.22	0.14	0.14	0.16	1.00
J	0.11	0.30	0.22	0.03	0.17	0.17	1.00
K	0.09	0.20	0.22	0.17	0.13	0.19	1.00
L	0.11	0.24	0.20	0.13	0.14	0.18	1.00
M	0.08	0.16	0.22	0.22	0.16	0.22	1.00

EXPORTS

INDUSTRY	BELGIUM	FRANCE	GERMANY	ITALY	N/LANDS	UK	
A	0.09	0.25	0.16	0.14	0.28	0.08	1.00
B	0.04	0.57	0.12	0.15	0.04	0.08	1.00
C	0.18	0.22	0.31	0.12	0.09	0.08	1.00
D	0.10	0.19	0.31	0.07	0.19	0.14	1.00
E	0.11	0.06	0.03	0.06	0.34	0.40	1.00
F	0.07	0.27	0.39	0.10	0.03	0.14	1.00
G	0.04	0.09	0.29	0.45	0.07	0.07	1.00
H	0.15	0.17	0.25	0.24	0.11	0.08	1.00
I	0.19	0.19	0.30	0.17	0.08	0.07	1.00
J	0.11	0.09	0.33	0.34	0.08	0.05	1.00
K	0.04	0.14	0.41	0.09	0.11	0.21	1.00
L	0.04	0.14	0.44	0.29	0.08	0.11	1.00
M	0.04	0.15	0.36	0.10	0.14	0.21	1.00

INDUSTRY WEIGHTS FOR TOTAL TRADE IN ALL COUNTRIES

<u>INDUSTRY</u>	<u>IMPORTS</u>	<u>EXPORTS</u>
A	0.16	0.16
B	0.01	0.01
C	0.07	0.08
D	0.24	0.26
E	0.08	0.01
F	0.06	0.07
G	0.08	0.08
H	0.07	0.08
I	0.02	0.02
J	0.02	0.02
K	0.03	0.03
L	0.07	0.08
M	0.09	0.10
	1.00	1.00

ANNEX III

USE OF AGENTS

- **AVERAGE AGENTS FEE BY COUNTRY**
- **AVERAGE AGENTS FEE BY TRADING PARTNER**
- **USE OF AGENTS BY COUNTRY**
- **AGENTS AS A SUBSTITUTE FOR INTERNAL MANPOWER**

**AVERAGE AGENTS FEE BY COUNTRY
EXPORTS**

	AVERAGE AGENTS FEE
COUNTRY	
BELGIUM	20
FRANCE	41
GERMANY	38
ITALY	90
NETHERLANDS	25
UK	34

ALL VALUES IN ECU

**AVERAGE AGENTS FEE BY COUNTRY
IMPORTS**

	AVERAGE AGENTS FEE
COUNTRY	
BELGIUM	21
FRANCE	54
GERMANY	39
ITALY	125
NETHERLANDS	23
UK	51

ALL VALUES IN ECU

**AVERAGE AGENTS FEE BY TRADING PARTNER
IMPORTS**

	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK	OTHER EEC	NON EEC
IMPORTING COUNTRY								
BELGIUM		22	21	30	16	28	36	46
FRANCE	73		59	52	58	48	52	57
GERMANY	37	23		36	20	40	27	49
ITALY	81	108	117		153	126	118	184
NETHERLANDS	18	27	22	26		25	28	36
UK	49	61	54	45	51		44	71

**AVERAGE AGENTS FEE BY TRADING PARTNER
EXPORTS**

	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK	OTHER EEC	NON EEC
EXPORTING COUNTRY								
BELGIUM		27	19	20	12	19	23	28
FRANCE	33		32	47	40	40	40	36
GERMANY	35	49		35	31	32	44	43
ITALY	83	103	81		65	95	84	126
NETHERLANDS	24	21	19	20		38	24	26
UK	31	35	35	36	31		31	42

ALL VALUES IN ECU

USE OF AGENTS FOR BELGIAN EXPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	5193	3248	62.55
Alcoholic beverages	3930	3799	96.67
Iron and steel	466	466	100.00
Chemicals	4460	1109	24.87
Road vehicle components	11798	2164	18.34
Clothing and footwear	2722	2672	98.16
Textiles	7489	6853	91.50
China, pottery and glassware	36124	34038	94.22
Furniture	2576	1890	73.36
Precision instruments	649	640	98.63
Industrial machinery	3629	298	8.20
Electronic office eqt, etc	3056	863	28.24
TOTAL	82092	58039	70.70

USE OF AGENTS FOR FRENCH EXPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	1280	930	72.66
Alcoholic beverages	324	116	35.80
Iron and steel	140	140	100.00
Chemicals	238	160	67.23
Petroleum and products	10		
Road vehicle components	1230	1230	100.00
Textiles	160	50	31.25
China, pottery and glassware	460	20	4.35
Furniture	383	259	67.62
Precision instruments	18	18	100.00
Industrial machinery	58	57	98.28
TOTAL	4301	2980	69.29

USE OF AGENTS FOR GERMAN EXPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	6168	255	4.13
Iron and steel	6105	4457	73.01
Chemicals	25357	5440	21.45
Petroleum and products	3217	301	9.36
Road vehicle components	3115	752	24.16
Clothing and footwear	840	160	19.05
Textiles	3662	3263	89.10
China, pottery and glassware	981	369	37.59
Furniture	361	245	67.85
Precision instruments	1126	85	7.55
Industrial machinery	1119	107	9.52
Electronic office eqt, etc	2866	313	10.92
TOTAL	54916	15747	28.67

USE OF AGENTS FOR ITALIAN EXPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	93	68	72.97
Iron and steel	2947	2947	100.00
Chemicals	1174	1174	100.00
Road vehicle components	2435	1126	46.24
Clothing and footwear	3769	3769	100.00
Textiles	13177	4677	35.49
Furniture	781	781	100.00
Precision instruments	152	152	100.00
Industrial machinery	391	391	100.00
Electronic office eqt, etc	1021	271	26.54
TOTAL	25940	15356	59.20

USE OF AGENTS FOR DUTCH EXPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	2545		
Chemicals	2153	1706	79.22
Road vehicle components	844	844	100.00
Clothing and footwear	124	124	100.00
Textiles	1135	1135	100.00
China, pottery and glassware	351	162	46.14
Furniture	129	33	25.58
Precision instruments	4998	4370	87.42
Industrial machinery	3587	3572	99.58
Electronic office eqt, etc	936	902	96.42
TOTAL	16802	12847	76.46

USE OF AGENTS FOR UK EXPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	1046	960	91.84
Alcoholic beverages	636	109	17.14
Iron and steel	103	103	100.00
Chemicals	2997	309	10.31
Road vehicle components	956	945	98.85
Textiles	1018	280	27.50
China, pottery and glassware	10	10	100.00
Furniture	1	1	100.00
Precision instruments	1579	1064	67.36
Industrial machinery	5595	5450	97.41
Electronic office eqt, etc	4942	855	17.30
TOTAL	18883	10086	53.41

USE OF AGENTS FOR BELGIAN IMPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	5113	4020	78.61
Alcoholic beverages	591	241	40.78
Iron and steel	616	542	87.99
Chemicals	32183	30604	95.09
Road vehicle components	36708	1132	3.08
Clothing and footwear	9383	9282	98.92
Textiles	1909	1805	94.56
China, pottery and glassware	3397	1466	43.14
Furniture	1483	1443	97.28
Precision instruments	4191	3947	94.19
Industrial machinery	7425	658	8.86
Electronic office eqt, etc	1321	365	27.63
TOTAL	104320	55503	53.20

USE OF AGENTS FOR FRENCH IMPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	270	270	100.00
Alcoholic beverages	602	602	100.00
Chemicals	642	177	27.49
Petroleum and products	4		
Road vehicle components	621	369	59.39
Textiles	340	340	100.00
China, pottery and glassware	58	13	22.41
Furniture	30	30	100.00
Precision instruments	69	69	100.00
Industrial machinery	99	98	98.89
TOTAL	2735	1967	71.92

USE OF AGENTS FOR GERMAN IMPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	8267	8267	100.00
Alcoholic beverages	1759	451	25.62
Iron and steel	777	395	50.81
Chemicals	8975	4693	52.29
Petroleum and products	425	21	5.00
Road vehicle components	2137	296	13.84
Clothing and footwear	1714	686	40.03
Textiles	1425	1410	98.95
China, pottery and glassware	279	90	32.08
Furniture	583	359	61.60
Precision instruments	589	540	91.78
Industrial machinery	403	83	20.69
Electronic office eqt, etc	5217	1566	30.02
TOTAL	32551	18857	57.93

USE OF AGENTS FOR ITALIAN IMPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	5391	5391	100.00
Iron and steel	942	942	100.00
Chemicals	3929	3929	100.00
Road vehicle components	1336	1336	100.00
Clothing and footwear	80	80	100.00
Textiles	853	597	69.96
Furniture	93	93	100.00
Precision instruments	195	195	100.00
Industrial machinery	137	137	100.00
Electronic office eqt, etc	16078	78	.49
TOTAL	29034	12778	44.04

USE OF AGENTS FOR DUTCH IMPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	440	240	54.55
Alcoholic beverages	143	18	12.59
Chemicals	317	292	92.28
Road vehicle components	299	149	49.83
Clothing and footwear	694	694	100.00
Textiles	1639	1639	100.00
China, pottery and glassware	1023	237	23.20
Furniture	63	59	93.65
Precision instruments	2593	2546	98.19
Industrial machinery	441	348	78.93
Electronic office eqt, etc	1601	1601	100.00
TOTAL	9253	7824	84.56

USE OF AGENTS FOR UK IMPORTS

	TOTAL CONSIGNMENTS	NUMBER CLEARED BY AGENTS	% CLEARED BY AGENTS
INDUSTRY			
All agricultural products	2067	1656	80.09
Alcoholic beverages	782	782	100.00
Iron and steel	24	24	100.00
Chemicals	4818	4818	100.00
Road vehicle components	853	853	100.00
Clothing and footwear	249	249	100.00
Textiles	56	53	94.95
China, pottery and glassware	117	117	100.00
Furniture	16	16	100.00
Precision instruments	226	221	97.39
Industrial machinery	502	448	89.24
Electronic office eqt, etc	5720	5720	100.00
TOTAL	15430	14956	96.93

USE OF AGENTS AS COMPLETE SUBSTITUTE FOR INTERNAL MANPOWER

	<u>Imports (%)</u>	<u>Exports (%)</u>
Belgium	10	46
France	54	26
West Germany	23	63
Italy	32	41
Netherlands	34	33
United Kingdom	31	39

ANNEX IV

COSTS BY SIZE OF FIRM

**UNWEIGHTED COSTS FOR ALL IMPORTERS
BY SIZE**

	NUMBER OF IMPORTERS	COSTS AS % OF VALUE	VALUE PER CONSIGNMENT	COSTS PER CONSIGNMENT
NUMBER OF EMPLOYEES				
1-50	81	.1051	42003.96	44.13
51-250	85	.4324	11220.66	48.52
251-500	42	.3121	8674.64	27.07
over 500	59	.1685	16984.49	28.62

**UNWEIGHTED COSTS FOR ALL EXPORTERS
BY SIZE**

	NUMBER OF EXPORTERS	COSTS AS % OF VALUE	VALUE PER CONSIGNMENT	COSTS PER CONSIGNMENT
NUMBER OF EMPLOYEES				
1-50	54	.0576	78737.47	45.34
51-250	89	.3792	21031.60	79.76
251-500	46	.6089	15710.00	95.66
over 500	58	.2652	15332.03	40.66

ALL VALUES IN ECU

ANNEX V

COST BY COMMODITY

- **COMMODITY TRADE VALUE BY COUNTRY
(EXPORTS/IMPORTS)**
- **WEIGHTED COSTS BY INDUSTRY**
- **WEIGHTED COSTS BY COUNTRY**
- **UNWEIGHTED COSTS BY INDUSTRY WITHIN COUNTRY**

THE PERCENTAGE OF TRADE REPRESENTED BY EACH COMMODITY, WITHIN EACH COUNTRY.

EXPORTS

INDUSTRY	BELGIUM	FRANCE	GERMANY	ITALY	N/LANDS	UK
A - Agricultural Products	4.26 (13.8)	8.27 (19.9)	16.0 (7.8)	0.4 (12.5)	21.1 (24.5)	5.9 (8.2)
B - Alcoholic Beverages	1.25 (0.7)	19.7 (5.1)	0.00 (0.8)	0.00 (1.7)	0.00 (0.4)	3.3 (0.9)
C - Iron & Steel	0.46 (15.4)	0.2 (9.3)	30.3 (8.0)	10.3 (6.3)	0.00 (4.3)	0.1 (4.4)
D - Chemicals	4.84 (24.5)	3.4 (25.0)	16.0 (27.8)	6.9 (10.6)	27.8 (28.0)	17.1 (23.0)
E - Petroleum	0.00 (10.9)	14.2 (2.9)	2.7 (1.0)	0.00 (3.6)	0.00 (18.9)	0.00 (25.5)
F - Road Vehicle Components	17.28 (4.5)	45.2 (8.7)	14.7 (7.5)	12.6 (4.0)	4.9 (1.1)	5.7 (5.4)
G - Clothing & Footwear	5.15 (3.6)	0.00 (3.9)	5.4 (7.9)	16.0 (24.6)	0.7 (3.3)	0.00 (3.6)
H - Textiles	2.83 (11.8)	0.2 (6.6)	2.0 (6.8)	28.2 (11.9)	9.0 (4.7)	0.2 (4.1)
I - China, Pottery and Glassware	41.59 (3.6)	4.7 (1.8)	0.4 (2.0)	0.00 (2.0)	0.5 (0.8)	0.00 (0.9)
J - Furniture	2.35 (2.5)	3.8 (1.0)	0.3 (2.7)	1.6 (5.0)	0.1 (1.2)	0.00 (0.7)
K - Precision Instruments	0.42 (1.1)	0.05 (2.1)	1.8 (4.3)	0.4 (1.7)	24.7 (2.0)	1.2 (4.0)
L - Industrial Machinery	4.12 (2.9)	0.4 (5.5)	1.9 (11.3)	4.5 (9.6)	8.9 (3.5)	4.3 (5.3)
M - Electronic Office Equipment	15.45 (4.7)	0.00 (8.2)	8.6 (12.1)	19.2 (6.5)	2.3 (7.3)	62.3 (14.0)

NOTE: Figures in () represent actual trade patterns

THE PERCENTAGE OF TRADE REPRESENTED BY EACH COMMODITY, WITHIN EACH COUNTRY

IMPORTS

INDUSTRY	BELGIUM	FRANCE	GERMANY	ITALY	N/LANDS	UK
A - Agricultural Products	5.1 (12.6)	10.9 (12.8)	12.9 (17.5)	22.1 (21.9)	7.1 (14.6)	14.3 (16.0)
B - Alcoholic Beverages	1.0 (1.7)	15.7 (1.2)	1.6 (2.0)	0.00 (1.3)	3.8 (1.6)	11.5 (0.6)
C - Iron & Steel	0.6 (6.6)	0.00 (9.2)	7.1 (7.3)	13.8 (8.5)	0.00 (7.3)	0.2 (5.4)
D - Chemicals	8.0 (22.3)	11.5 (23.6)	33.1 (21.4)	22.3 (27.8)	0.8 (23.5)	27.8 (23.1)
E - Petroleum Products	0.00 (9.0)	24.4 (7.4)	2.6 (13.1)	0.00 (3.7)	0.00 (7.5)	0.00 (4.8)
F - Road Vehicle Components	54.0 (15.5)	31.2 (4.8)	13.1 (4.3)	15.3 (3.8)	3.9 (3.4)	4.2 (7.3)
G - Clothing & Footwear	1.9 (8.2)	0.00 (8.2)	11.6 (10.2)	1.2 (2.4)	1.2 (9.1)	1.0 (6.7)
H - Textiles	1.1 (6.7)	2.0 (8.5)	1.3 (6.2)	13.7 (7.6)	23.7 (6.6)	0.5 (9.2)
I - China, Pottery and Glassware	1.9 (1.3)	3.6 (2.0)	0.6 (1.4)	0.00 (1.7)	5.4 (1.9)	0.6 (1.6)
J - Furniture	1.0 (2.1)	0.05 (3.6)	0.9 (2.0)	0.4 (0.5)	0.6 (3.1)	0.07 (2.5)
K - Precision Instruments	1.1 (1.9)	0.6 (2.7)	3.5 (2.3)	0.8 (3.5)	6.1 (2.9)	0.5 (3.1)
L - Industrial Machinery	21.6 (5.9)	0.1 (8.3)	0.7 (5.4)	1.3 (6.6)	7.2 (7.5)	2.5 (7.6)
M - Electronic Office Equipment	2.7 (6.2)	0.00 (7.7)	11.1 (6.9)	9.1 (10.7)	40.3 (11.1)	36.9 (12.1)

NOTE: figures in () represent actual trade patterns.

**WEIGHTED COSTS FOR IMPORTERS
BY INDUSTRY**

	NUMBER OF IMPORTERS	COSTS AS % OF VALUE	VALUE PER CONSIGNMENT	COSTS PER CONSIGNMENT
INDUSTRY				
All agricultural products	27	.5025	21151.32	69.83
Alcoholic beverages	11	.5297	22786.92	83.60
Iron and steel	12	.3250	33182.87	102.23
Chemicals	31	.4618	16029.55	47.41
Petroleum and products	2	.0430	2684250.23	1108.94
Road vehicle components	33	.1805	31211.78	54.43
Clothing and footwear	16	.6158	18024.01	48.88
Textiles	25	.8443	17773.56	97.50
China, pottery and glassware	19	.5854	35940.89	140.08
Furniture	16	2.9281	8283.04	115.08
Precision instruments	25	1.2347	12473.25	106.55
Industrial machinery	26	2.0811	15662.09	92.94
Electronic office eqt, etc	25	.3947	17513.70	40.73
TOTAL	268	0.7223	20443.96	67.44

ALL VALUES IN ECU

Note: one of the petroleum companies is included for illustrative purposes only. It has not been used to calculate the overall average.

**WEIGHTED COSTS FOR ALL EXPORTERS
BY INDUSTRY**

	NUMBER OF EXPORTERS	COSTS AS % OF VALUE	VALUE PER CONSIGNMENT	COSTS PER CONSIGNMENT
INDUSTRY				
All agricultural products	25	.8901	16284.05	136.23
Alcoholic beverages	8	.1574	81323.03	113.44
Iron and steel	18	.7113	16880.03	65.64
Chemicals	24	.2257	18506.63	39.06
Petroleum and products	4	.4901	1472766.65	1076.37
Road vehicle components	30	.1714	35365.39	64.19
Clothing and footwear	16	1.0634	25240.63	195.50
Textiles	24	2.6894	6227.78	78.25
China, pottery and glassware	13	2.2822	10186.90	80.41
Furniture	17	1.1668	8193.19	66.94
Precision instruments	21	.9485	7934.23	65.55
Industrial machinery	28	.8401	20388.97	95.43
Electronic office eqt, etc	20	.7639	36651.77	132.78
TOTAL	248	0.7998	20425.79	85.75

ALL VALUES IN ECU

Note: one of the petroleum companies is included for illustrative purposes only. It has not been used to calculate the overall average.

**WEIGHTED COSTS FOR ALL IMPORTERS
BY COUNTRY**

	NUMBER OF IMPORTERS	COSTS AS % OF VALUE	VALUE PER CONSIGNMENT	COSTS PER CONSIGNMENT
COUNTRY				
BELGIUM	59	.2396	15249.46	26.42
FRANCE	25	1.5174	33035.16	92.09
GERMANY	62	.4636	17438.11	42.16
ITALY	38	.8633	16538.46	130.55
NETHERLANDS	35	.8845	10659.23	45.35
UK	48	.3199	25123.17	75.40
TOTAL	267	0.7223	20443.96	67.44

ALL VALUES IN ECU

**WEIGHTED COSTS FOR ALL EXPORTERS
BY COUNTRY**

	NUMBER OF EXPORTERS	COSTS AS % OF VALUE	VALUE PER CONSIGNMENT	COSTS PER CONSIGNMENT
COUNTRY				
BELGIUM	46	.1736	23255.98	34.35
FRANCE	25	1.1822	22148.02	86.56
GERMANY	63	.8263	14751.79	79.20
ITALY	41	1.2290	21686.36	205.47
NETHERLANDS	33	.4243	19668.56	50.04
UK	39	.6580	27076.95	48.64
TOTAL	247	0.7998	20425.79	85.75

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO BELGIUM

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	6	5113	80635560	24773	118279	143052	.18	27.98
Alcoholic beverages	3	591	15935340	161146	11815	172961	1.09	292.66
Iron and steel	3	616	9794070	23602	10479	34081	.35	55.33
Chemicals	5	32183	125527559	75826	125410	201236	.16	6.25
Road vehicle components	7	36708	846067015	467243	20370	487613	.06	13.28
Clothing and footwear	5	9383	29619642	73156	137735	210891	.71	22.48
Textiles	6	1909	16709277	11676	36083	47759	.29	25.02
China, pottery and glassware	5	3397	29218976	38412	35547	73959	.25	21.77
Furniture	4	1483	14917122	24358	44348	68706	.46	46.33
Precision instruments	6	4191	17108802	42177	55023	97200	.57	23.20
Industrial machinery	5	7425	339000387	222996	16856	239852	.07	32.30
Electronic office eqt, etc	4	1321	42616761	9035	18995	28030	.07	21.22
TOTAL	59	104320	1567150511	1174401	630938	1805339	0.12	17.31

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO FRANCE

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	4	270	17017999	25419	12626	38044	.22	140.90
Alcoholic beverages	2	602	24536280		35245	35245	.14	58.55
Chemicals	4	642	18065351	15640	9111	24751	.14	38.55
Petroleum and products	1	4	38246000	15794		15794	.04	3948.47
Road vehicle components	5	621	48881330	49937	29897	79834	.16	128.66
Textiles	2	340	3197513	2954	24330	27285	.85	80.25
China, pottery and glassware	2	58	5707480	17420	809	18229	.32	314.29
Furniture	1	30	80905	6397	11	6408	7.92	213.59
Precision instruments	2	69	926730		2177	2177	.23	31.55
Industrial machinery	3	99	110325	208	7546	7754	7.03	78.32
TOTAL	26	2735	156769913	133768	121752	255520	0.16	93.43

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO GERMANY

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	2	8267	56140700	254065	305054	559120	1.00	67.63
Alcoholic beverages	2	1759	7115712	41787	8510	50297	.71	28.59
Iron and steel	5	777	30744321	34536	7761	42297	.14	54.44
Chemicals	11	8975	144081780	42595	116503	159098	.11	17.73
Petroleum and products	1	425	11530676	4735	299	5035	.04	11.85
Road vehicle components	5	2137	57062967	82091	25307	107397	.19	50.25
Clothing and footwear	5	1714	50471948	74295	24544	98839	.20	57.66
Textiles	3	1425	5637324	86729	27928	114658	2.03	80.46
China, pottery and glassware	4	279	2641533	35812	1952	37764	1.43	135.35
Furniture	5	583	4117595	23850	6489	30339	.74	52.01
Precision instruments	6	589	15042025	1659	19246	20905	.14	35.52
Industrial machinery	5	403	2942401	4847	6042	10888	.37	27.00
Electronic office eqt, etc	8	5217	48302706	100373	65668	166041	.34	31.83
TOTAL	62	32551	435831689	787375	615304	1402678	0.32	43.09

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO ITALY

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	3	5391	51638580	53806	168821	222627	.43	41.30
Iron and steel	3	942	32354089	5702	179325	185027	.57	196.48
Chemicals	7	3929	52049938	97286	415554	512840	.99	130.53
Road vehicle components	7	1336	35755963	30676	98596	129272	.36	96.76
Clothing and footwear	1	80	2736000	3240	8208	11448	.42	143.10
Textiles	8	853	32079326	166977	85604	252581	.79	296.07
Furniture	2	93	995630	15595	14187	29782	2.99	319.03
Precision instruments	2	195	1830384	28693	52983	81676	4.46	418.85
Industrial machinery	3	137	3129710	17859	8826	26685	.85	195.07
Electronic office eqt, etc	2	16078	21336696	149126	5335	154462	.72	9.61
TOTAL	38	29034	233906317	568962	1037439	1606400	0.69	55.33

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO THE NETHERLANDS

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	3	440	6883340	10349	12222	22571	.33	51.30
Alcoholic beverages	2	143	3651960	4681	750	5431	.15	37.98
Chemicals	2	317	731433	2802	8580	11381	1.56	35.91
Road vehicle components	3	299	3782714	7037	3523	10559	.28	35.32
Clothing and footwear	3	694	1185117	1933	20226	22159	1.87	31.93
Textiles	3	1639	23042324	30942	26986	57928	.25	35.34
China, pottery and glassware	4	1023	5201856	8889	5159	14048	.27	13.73
Furniture	2	63	545087	5668	1181	6848	1.26	108.70
Precision instruments	5	2593	5881862	53954	37669	91623	1.56	35.33
Industrial machinery	4	441	6998687	10559	8505	19064	.27	43.23
Electronic office eqt, etc	4	1601	39121356	67985	44040	112025	.29	69.97
TOTAL	35	9253	97025736	204798	168839	373638	0.39	40.38

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO THE UK

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	9	2067	59550902	47433	117847	165280	.28	79.96
Alcoholic beverages	2	782	47675676	19762	26477	46238	.10	59.13
Iron and steel	1	24	744979	2240	1073	3312	.44	138.02
Chemicals	2	4818	115427046	471	258046	258516	.22	53.66
Road vehicle components	6	853	17597894	8822	38997	47819	.27	56.06
Clothing and footwear	2	249	3984148	678	9834	10511	.26	42.21
Textiles	3	56	1959295	2070	1829	3899	.20	70.26
China, pottery and glassware	4	117	2659575	2771	5394	8165	.31	69.79
Furniture	2	16	284582		603	603	.21	37.71
Precision instruments	4	226	2271650	6273	11052	17325	.76	76.50
Industrial machinery	6	502	10367128	59567	34627	94194	.91	187.64
Electronic office eqt, etc	7	5720	153193757	194717	122594	317311	.21	55.47
TOTAL	48	15430	415716631	344803	628371	973174	0.23	63.07

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL IMPORTS INTO EACH COUNTRY

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
COUNTRY								
BELGIUM	59	104320	1567150511	1174401	630938	1805339	.12	17.31
FRANCE	26	2735	156769913	133768	121752	255520	.16	93.44
GERMANY	62	32551	435831689	787375	615304	1402678	.32	43.09
ITALY	38	29034	233906317	568962	1037439	1606400	.69	55.33
NETHERLANDS	35	9253	97025736	204798	168839	373638	.39	40.38
UK	48	15430	415716631	344803	628371	973174	.23	63.07
TOTAL	268	193322	2906400796	3214107	3202642	6416749	0.22	33.19

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM BELGIUM

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	4	5193	83787127	65926	110604	176530	.21	33.99
Alcoholic beverages	3	3930	24508005	28232	107622	135854	.55	34.57
Iron and steel	2	466	8979039	19393	8186	27579	.31	59.18
Chemicals	3	4460	95324382	68874	29121	97995	.10	21.97
Road vehicle components	8	11798	340091661	409593	67503	477096	.14	40.44
Clothing and footwear	3	2722	101404011	165269	27193	192461	.19	70.71
Textiles	4	7489	55693785	15964	41145	57110	.10	7.63
China, pottery and glassware	6	36124	818623301	326180	1115784	1441964	.18	39.92
Furniture	5	2576	46322070	62970	144685	207655	.45	80.61
Precision instruments	3	649	8234781	7848	7280	15128	.18	23.33
Industrial machinery	3	3629	81140103	69170	9203	78374	.10	21.60
Electronic office eqt, etc	2	3056	304159524	98171	4314	102485	.03	33.54
TOTAL	46	82092	1968267789	1337591	1672640	3010232	0.15	36.67

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM FRANCE

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	3	1280	12888902	97109	34320	131429	1.02	102.68
Alcoholic beverages	3	324	30626220	38388	4354	42743	.14	131.92
Iron and steel	1	140	276548	3902	144	4046	1.46	28.90
Chemicals	3	238	5339730	3809	12847	16656	.31	69.98
Petroleum and products	1	10	22065000	15794		15794	.07	1579.39
Road vehicle components	4	1230	70372640	55302	118504	173806	.25	141.31
Textiles	2	160	286845	17838	4781	22619	7.89	141.37
China, pottery and glassware	1	460	7355000	52259	515	52774	.72	114.73
Furniture	3	383	5884000	17076	15078	32154	.55	83.95
Precision instruments	1	18	76492		265	265	.35	14.71
Industrial machinery	4	58	613701	46	1427	1473	.24	25.40
TOTAL	26	4301	155785078	301524	192234	493758	0.32	114.80

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM GERMANY

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	6	6168	99961969	408857	3723	412579	.41	66.89
Iron and steel	7	6105	189691913	79061	282677	361738	.19	59.25
Chemicals	8	25357	100338213	112545	148400	260946	.26	10.29
Petroleum and products	3	3217	17050697	213401	12877	226278	1.33	70.34
Road vehicle components	3	3115	92325650	73525	24792	98317	.11	31.56
Clothing and footwear	5	840	33878603	106030	3007	109037	.32	129.83
Textiles	5	3662	12242201	463014	26718	489732	4.00	133.75
China, pottery and glassware	3	981	2375521	82562	5889	88451	3.72	90.20
Furniture	4	361	1968929	10697	21273	31970	1.62	88.61
Precision instruments	7	1126	11129435	88338	705	89042	.80	79.11
Industrial machinery	6	1119	11999702	88008	6182	94190	.78	84.17
Electronic office eqt, etc	6	2866	53551759	596337	22420	618757	1.16	215.90
TOTAL	63	54916	626514592	2322374	558662	2881037	0.46	52.46

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM ITALY

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	2	93	1538795	49961	2770	52731	3.43	570.06
Iron and steel	7	2947	38501402	91973	480275	572248	1.49	194.15
Chemicals	5	1174	25745076	6350	64009	70359	.27	59.93
Road vehicle components	6	2435	47276438	60455	85069	145524	.31	59.76
Clothing and footwear	6	3769	59986116	72945	899015	971961	1.62	257.88
Textiles	8	13177	105868152	444835	292191	737025	.70	55.93
Furniture	1	781	6042114	5346	21374	26720	.44	34.20
Precision instruments	1	152	1298916	14861	5198	20059	1.54	131.97
Industrial machinery	3	391	16777220	33087	19959	53046	.32	135.67
Electronic office eqt, etc	2	1021	71896608	149126	26197	175324	.24	171.72
TOTAL	41	25940	374930838	928939	1896057	2824996	0.75	108.91

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM THE NETHERLANDS

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	4	2545	47741980	39601		39601	.08	15.56
Chemicals	2	2153	62755823	110420	34498	144918	.23	67.32
Road vehicle components	5	844	10988775	13292	22693	35985	.33	42.64
Clothing and footwear	2	124	1508672	5668	7956	13624	.90	109.87
Textiles	2	1135	20321052	10704	40178	50882	.25	44.83
China, pottery and glassware	2	351	1230506	7509	2044	9553	.78	27.22
Furniture	3	129	287743	11180	766	11946	4.15	92.60
Precision instruments	4	4998	55947437	85317	83996	169313	.30	33.88
Industrial machinery	5	3587	20179054	76388	87776	164164	.81	45.77
Electronic office eqt, etc	4	936	5215598	57163	16733	73896	1.42	78.95
TOTAL	33	16802	226176640	417241	296640	713881	0.32	42.49

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM THE UK

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
INDUSTRY								
All agricultural products	6	1046	27974930	139126	26064	165190	.59	157.96
Alcoholic beverages	2	636	15772695	9779	3725	13504	.09	21.23
Iron and steel	1	103	332261	381	976	1357	.41	13.18
Chemicals	3	2997	81478353	65684	7000	72683	.09	24.25
Road vehicle components	4	956	27367549	5764	19094	24858	.09	26.00
Textiles	3	1018	941653	5627	10714	16342	1.74	16.05
China, pottery and glassware	1	10	14900	1012	149	1161	7.79	116.06
Furniture	1	1	4470		45	45	1.00	44.70
Precision instruments	5	1579	5839980	26210	82917	109126	1.87	69.11
Industrial machinery	7	5595	20415405	430033	127660	557693	2.73	99.68
Electronic office eqt, etc	6	4942	297091665	117561	13676	131238	.04	26.56
TOTAL	39	18883	477233860	801176	292019	1093195	0.23	57.89

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR ALL EXPORTS FROM EACH COUNTRY

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
COUNTRY								
BELGIUM	46	82092	1968267789	1337591	1672640	3010232	.15	36.67
FRANCE	26	4301	155785078	301524	192234	493758	.32	114.80
GERMANY	63	54916	626514592	2322374	558662	2881037	.46	52.46
ITALY	41	25940	374930838	928939	1896057	2824996	.75	108.91
NETHERLANDS	33	16802	226176640	417241	296640	713881	.32	42.49
UK	39	18883	477233860	801176	292019	1093195	.23	57.89
TOTAL	248	202933	3828908797	6108846	4908253	11017099	0.29	54.29

ALL VALUES IN ECU

ANNEX VI

PROCEDURAL SIMPLIFICATION

- COUNTRY COMMENTS
- UNWEIGHTED COSTS BY COUNTRY

PROCEDURAL SIMPLIFICATION

Introduction

We set out below, where available, details of the procedural simplification available in each of the countries surveyed and the comments on their use by the companies involved.

Belgium

Use of Procedures

If the firm does not use any procedure simplification, the time needed for clearance of a full load consignment is reported as a maximum of one hour. This delay does not include the time necessary to complete the customs declaration (usually done by the customs agent), and covers the time from the arrival of the documents at the validation desk, to the moment the goods are free to leave after the physical check for conformity with the declaration (physical checks are of course only performed from time to time). In the same case, the time needed to perform customs procedures for a groupage load is longer. It varies according to the number of declarations to be checked.

If the firm uses an accelerated procedure, the time required is reduced to a few minutes for full load consignments. In this case, the customs agent (or the firm's employee) fills in a simplified declaration form which is checked without passing by the validation desk. After the goods have passed the transit point, the customs agent fills in a complete declaration which must then be validated.

If the firm makes use of local control, the delay is reduced to an hour or to half an hour as far as the customs administration is concerned.

When companies perform customs formalities themselves they seem to be well aware of the available systems of procedural simplification. If they do not use procedural simplification it is mainly because they do not meet the necessary administrative requirements; eg. the customs authorities require a minimum of 2 full loads/week in order to authorise the use of these procedures.

In a few circumstances companies do not use procedural simplification because the reduction of customs formalities and related costs would not be significant. When companies use a customs agent, they rely completely on their agent and do not apply for procedural simplification.

Benelux 50

The Benelux 50 document has been used since 1984 for trade between Belgium, Luxembourg and the Netherlands. The use of this document makes customs procedures very simple compared to those that must be performed for trade with non-Benelux countries.

The Benelux 50 is a document with 16 spaces to be filled in. It is used, both as an importing and an exporting document for many purposes; namely customs, taxes, statistics, exchange, transport. For example, if the document is completed in Belgium, it is only checked when goods arrive in the Netherlands, and not at the Belgian Border. There is no need to have an invoice accompanying the document, and it replaces the National Transit Document. Even if trucks have to stop after crossing the border, export controls are practically abolished. Goods that are not under free circulation within the EEC cannot travel under the cover of a Benelux 50.

The Benelux 50 is made of 4 documents (1 for exporting, 1 for importing country, 1 for importing firm and 1 for the exporting firm).

There is no need to use the Benelux 50 if the exporting firm is authorised to submit a monthly declaration of exports (at the National Institute for Statistics of Exports to the Netherlands). In this case, a copy of the invoice must be submitted to the customs office when crossing the border.

For goods under excise, an excise document must accompany the Benelux 50.

West Germany

Procedures Available

In order to export goods to EEC-member states the export merchant needs an export specification from his inland customs office, and he has to open the "community transit arrangement" with a T1 or a T2.

The first copy remains at the departure custom office. The second and third copy accompany the commodity. At the border the driver of the lorry only has to hand over a border crossing paper with some data.

If the driver has not already opened the community transit arrangement he can start the procedure by filling out the T2 on the departure border. After the goods have arrived at the customs house of destination the second copy remains there whilst the third paper is sent back to the departure customs office for control.

This procedure, which can be used in all Member States, eliminates the need for a full transit document as required by the Community Transit Regulation.

There is another simplified procedure the export merchant can take advantage of. He can apply for preauthenticated documents for export at the inland customs office and also can apply for the status of an authorized consignor. In this case he is discharged from his duty to enter goods at the customs house and can effect customs clearance on his own company property. This procedure applies in all Member States.

To manage the increase in imported consignments the customs administration in Germany has introduced simplified procedures. Trustworthy merchants who import sufficient consignments per year are allowed to enter their imports once a month. These entries can be made by post or by direct data transmission.

About 65% of all German importing companies are using this monthly customs declaration form (monatliche Sammelzollanmeldung). This is a simple and very cheap way of handling customs clearance. The German companies fear that with harmonisation of customs clearance in 1988, the monthly declaration form will be abolished, thereby increasing their costs significantly. However, this fear is in fact groundless, as the SAD reform does not affect periodic recapitulative declarations.

United Kingdom

Procedures Available

The main facilities are:

- pre-authenticated customs documentation
- period entry
- local import/export control

Pre-Authenticated Customs Documentation

Community Forms (T26) can be used when goods are exported to Member States. They declare that the goods are in free circulation (ie. all customs duties have been paid and all formalities completed). Where an exporter uses a considerable number of these they can be supplied ready-stamped by Customs and Excise.

Period Entry

Period Entry is a procedure that can considerably reduce administrative costs for approved importers with computer systems. Normally it is necessary to prepare complete documentation for each part of a shipment. Period entry initially allows a single document to cover the whole shipment. Subsequently, the formal entry is made by computer, the data being sent to Customs and Excise every 10 days either by sending the storage medium (disc or tape) or by data transmission. A similar system operates for exporters.

Local Control relates to both imports and exports. For both it enables full container loads to be cleared for Customs and Excise purposes at the traders own premises.

Local Import/Export Control

Local import control only operates (at the present time) in cases where the import period entry scheme is in operation and the volume of imports needs to be significant for an importer to gain approval. It will involve the setting aside of an area of ground on which containers await Customs clearance. The containers will have been sealed with serially numbered seals at either the foreign supplier's premises on the UK part of entry. Local Customs & Excise are advised of the

arrival of containers and if, after an agreed waiting period, the Customs does not choose to do a physical inspection the container is automatically cleared.

The local export control operates in much the same way as local importer control. The minimum volume of export traffic required for the scheme is the equivalent of ten containers per month. The exporter must notify local Customs of the proposed despatch of each consignment, unless continual packing approval has been obtained.

It should be noted that although local import and export controls are considered to be simplified procedures in the United Kingdom, they are regarded as normal practice on the continent.

Comments On Use

The majority of companies in our survey use customs agents who handle all the customs formalities. Where companies handled their own administration, the most important reasons why they do not make full use of procedural simplification are as follows:

- ignorance/lack of awareness of what these procedures are;
- small number of transactions;
- where speed is essential, the use of simplified documentation is often not felt to be fast enough;
- for pre-authenticated documentation, the guarantee needed to be lodged is often more time consuming/expensive to deal with than employing an agent to do it for you.

Several companies expressed the need to harmonise procedures within the community. There is evidence that the customs authorities in some countries are not aware of the documents and procedures in force in other Member States.

UNWEIGHTED COSTS FOR IMPORTERS ALWAYS USING
SIMPLIFICATION PROCEDURES

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
COUNTRY								
BELGIUM	21	77350	1307610167	819130	169181	988311	.08	12.78
FRANCE	5	1424	37642449	20267	61711	81978	.22	57.57
GERMANY	29	20698	302056981	345713	370407	716120	.24	34.60
ITALY	7	7035	71901806	11686	282064	293749	.41	41.76
NETHERLANDS	5	1513	16714482	62502	7333	69834	.42	46.16
UK	14	6205	157403633	238385	154300	392685	.25	63.29
TOTAL	81	114225	1893329517	1497682	1044996	2542678	0.13	22.26

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR IMPORTERS NEVER USING
SIMPLIFICATION PROCEDURES

	NUMBER OF IMPORTERS	CONSIGNMENTS	VALUE OF IMPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
COUNTRY								
BELGIUM	31	22761	216122478	181888	419716	601604	.28	26.43
FRANCE	11	750	26814859	39201	23716	62917	.23	83.89
GERMANY	19	6187	72426624	88392	102284	190676	.26	30.82
ITALY	10	2395	45221702	134127	190051	324178	.72	135.34
NETHERLANDS	28	5455	75024866	109698	126544	236242	.31	43.31
UK	18	7332	194424135	71910	397895	469805	.24	64.08
TOTAL	117	44880	630034665	625216	1260206	1885422	0.30	42.01

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR EXPORTERS ALWAYS USING
SIMPLIFICATION PROCEDURES

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
COUNTRY								
BELGIUM	22	60712	971180210	1091829	1508095	2599923	.27	42.82
FRANCE	3	1483	41514562	135498	34026	169523	.41	114.31
GERMANY	43	48422	554943009	2202993	478784	2681777	.48	55.38
ITALY	11	12411	116260369	405458	402350	807808	.69	65.09
NETHERLANDS	5	3891	101939641	189287	44751	234038	.23	60.15
UK	10	12830	405419062	700296	116616	816912	.20	63.67
TOTAL	94	139749	2191256852	4725360	2584621	7309981	0.33	52.31

ALL VALUES IN ECU

UNWEIGHTED COSTS FOR EXPORTERS NEVER USING
SIMPLIFICATION PROCEDURES

	NUMBER OF EXPORTERS	CONSIGNMENTS	VALUE OF EXPORTS	ALL INTERNAL COSTS	AGENTS FEES	TOTAL COSTS	COSTS AS % OF VALUE	COSTS PER CONSIGNMENT
COUNTRY								
BELGIUM	20	15078	880652296	225825	123591	349415	.04	23.17
FRANCE	17	2223	84129726	94712	156789	251501	.30	113.14
GERMANY	8	2327	28534443	38242	28461	66703	.23	28.67
ITALY	19	11067	154482563	350149	1362892	1713041	1.11	154.79
NETHERLANDS	24	9063	92038125	225953	184988	410941	.45	45.34
UK	14	1877	17515425	79536	22748	102283	.58	54.49
TOTAL	102	41634	1257352578	1014416	1879468	2893884	0.23	69.51

ALL VALUES IN ECU

ANNEX VII

SINGLE ADMINISTRATIVE DOCUMENT

Introduction

A change in customs procedures took place in January 1988.

The changes consist of:

- a new format for describing and classifying goods on a worldwide basis, and an integrated EEC Customs Tariff;
- new import/export documentation using a multi-purpose form, the Single Administrative Document (SAD).

The research for this study was carried out before the introduction of the SAD but we asked firms how they expected the SAD to affect them. Comments by firms are, of course, before using SAD in practice.

The Harmonised Commodity Description & Coding System (HS)

This system is a major development of the International Nomenclature Convention negotiated in 1950 for the description, classification and coding of internationally traded goods. One major advantage is that countries such as the USA and Canada not using the present system will adopt HS.

The HS will consist of some 96 chapters, with over 5,000 headings and subheadings, and each code will consist of 6 digits.

Integrated Customs' Tariff

The integrated Tariff will provide all the information relevant to particular goods in one place, rather than in separate annexes. In the case of the EC, the main additional information to be

integrated into the Tariff are measures affecting trade with third countries, such as preferences, quotas and duty suspensions. All importers will be required to reclassify their goods under the new Commodity Codes from 1 January 1988. There will be a 9 digit code for trade between Member States and exports to non-EEC countries, and an 11 digit code applying to imports from non-EEC countries.

The Single Administrative Document (SAD)

A single form will be introduced from 1 January 1988 primarily to reduce duplication of effort and information required in trade between Member States of the EC. The Single Administrative Document (SAD) will replace about 170 import, export and Community Transit declarations currently used in the EC.

The document will be in the form of an 8 part carbonless set whose format will conform to international standards for trade documents, with each copy being used for a different purpose. It will also be possible to use the import, export and transit functions of the document separately to enable completion of only those parts of the form necessary in specific circumstances. A special version of the form will be available for use by businesses producing documents by computer. The form will also be used for trade with third countries with additional information being required for customs duty purposes where necessary.

Traders Comments

Belgium

Most Belgian companies interviewed see the "single document" as an unnecessary step towards the suppression of all intra-EEC customs formalities (expected in 1992). The argument that the single document replaces a large number of different customs documents is irrelevant to most companies as they usually only need a few of those different types of customs documents. Companies that do not have computerised systems are afraid that without a computer they will not be able to fill in the document correctly. (Note: customs agents share this same feeling.)

Companies that have a computerised system will change their programs but do not expect afterwards a significant reduction of costs. The companies that expect a sharp reduction of costs (these are only a few) expect that the "unique document" will be as simple as a Benelux 50 document.

The SAD is felt to be more difficult to fill in and to read because text will be replaced by codes and figures. Traders believe that they will be using 3 different "unique" documents (one for export when leaving the foreign country, another for transit, and a third for importing in Belgium). In other words, all the relevant information will not appear on one document but on several documents of the same type. Furthermore, the language problem, especially for the description of goods remains unsolved. There will therefore be "national" documents for importing countries, completed in the national language.

West Germany

West German traders to whom we spoke were concerned that the new procedures would adversely affect the simplified procedures that they are currently using.

Netherlands

The FENEX (Dutch Organisation of Freight Forwarders) questions whether the main objective of introduction of the SAD, that is, speeding up the process of customs formalities will be met in practice. In their opinion the SAD does not materially alter the nature and scale of existing procedures. Furthermore, the SAD does not make formalities more simple and is therefore not cheaper. In general, the SAD is not believed to contribute to lower costs for customs clearance and as a consequence also not to lower costs for transporting goods.

United Kingdom

UK traders were generally sceptical about the SAD believing the additional cost of amending all their computer systems to comply as an unnecessary expense. In addition, customs authorities have incurred considerable costs in amending the computerised entry system.

ANNEX VIII

POTENTIAL BENEFIT AREAS

Introduction

In the course of our interviews we asked traders to identify potential benefit/cost saving areas arising from the abolition of customs formalities. These included:

- reduced haulage charges;
- reduced insurance costs;
- reduced inventory holdings;
- avoidance of costs caused by customs disputes;
- others.

We consider these below for each country concerned. Where no observation is included, this indicates either that no interview took place, or if it did that, no useful material was obtained.

It was a commonly held view, in all countries surveyed, that the savings that could be achieved through reducing delays were only measurable in hours rather than days. Thus, there was felt to be little quantifiable scope for material advantage to be gained. This may change as just-in-time inventory control techniques become more prevalent.

Banking

West Germany

There are two main kinds of export financing:

- short-dated financing with letters of credit;
- long-dated financing

In the EEC, with a few exceptions, all exports have short-dated finance and the costs depend upon the value of trade and the insured interests. It is immaterial whether the commodity is exported within the EEC.

The interviewee told us that an abolition of customs clearance would have no influence on export financing because the problems caused by customs clearance are marginal.

Netherlands

We interviewed a major Dutch bank to determine whether there are consequences for banks, as a result of the abolition of customs formalities, and spoke to the department of Documentary Credits and Collection and Department of Trade Promotion. The bank did not identify any substantial benefits. When goods are moved under documentary credit or collection process, the forms resulting from clearance of goods, are requested. This means that collection is only possible after the goods are cleared out of the country. Delay can cause extra cost here but this procedure is rarely used.

United Kingdom

We conducted an interview with the Senior Manager of the International Trade Finance division of a major European bank. In his opinion, the removal of customs procedures would not have any impact on the bank's 'back room' documentation costs, and therefore would not reduce the costs charged to trading companies. However, he felt that he spoke for bankers in general in regarding the greatest problem with trade finance to be the question of Title to the goods. If a bank is to provide finance, in many cases it requires that it holds title to the goods which then legally become the property of the bank. When the appropriate payment is made, title is relinquished. The problem is that it is the acquisition and disposal of title that creates the need for all of the paperwork. It is complex because of the different legal conditions between different countries.

If the EC could sponsor a project towards the unification of law/simplification of the title issue, this would be the greatest boost to trade efficiency within Europe.

Insurance

West Germany

In an interview with a member of the public liability insurance company, we were told that the costs of insurance depend upon the following:

- commodity;
- the size of the consignment ;
- the value of trade;
- the method of transportation (lorry,ship or airfreight);
- the length of the line of trade.

It does not matter whether trade is, or is not between Member States, and we were told that if customs clearance was abolished it would have no significant impact on the system of rating by insurance companies.

United Kingdom

We interviewed an underwriter at Lloyd's of London, who's specialism is insurance of goods in transit.

The following areas were discussed:

- delays to cargoes including perishable goods;
- thefts resulting from cargo delays;
- fines incurred due to poor documentation;
- business interruption caused by supply shortages;
- delays at borders and frontiers caused by political and industrial disputes.

The only significant claims experience relates to the final point. However, it was felt that this is not primarily a customs problem and the occurrences were sporadic and isolated. Many fines are incurred by documentation not being in order, but are not costly enough to cause insurance claims. Therefore, there seems to be little scope for reduced premiums as customs formalities are abolished.

Customs Disputes

Belgium

For the last two years the persons interviewed did not recall any important customs strikes. Two borders are renowned for the customs strikes, the French and the Italian borders. No customs strike has occurred on the Dutch or German border. The customs strikes seem to cause a major involvement for a limited time. No firm considered that it had incurred costs that affected their year-end results.

The following consequences of customs strikes were cited in order of importance:

- foregone sales: importing firms cannot replenish their stocks, and exporting firms cannot deliver to potential buyers. However, the decline in turnover is partially compensated afterwards by an upsurge of sales which means that sales are delayed, and only for a part, definitely lost;
- increase of inventory: when customs strikes are announced both importing/exporting firms increase their inventories in order to decrease the risk of lost sales, which means that companies incur additional costs: however, none of the companies interviewed could give an idea about the scale of this cost;
- re-routing of trucks: eg. in the case of Belgian companies, a strike at the French border means that traffic to Italy is re-routed through Germany and Switzerland. Companies therefore bear a higher transport cost due to the additional distance;
- risk of halted production: in the case of manufacturing companies and when strikes last a few weeks, there is a risk that production must stop due to a shortage of spare parts, in which case the cost of customs strikes can be calculated in millions of BF/day for each company: purchase departments try to reduce the risk of complete production shutdown using one or two sources of supply for essential parts and further, when the stock of those parts becomes critical, production is rescheduled and only half-finished products are made and afterwards completed.

The mere fact that companies may be hindered by customs disputes is considered as a disadvantage of customs formalities which would be withdrawn from 1992 on.

United Kingdom

Only a minority of respondents made specific complaints on the effects of customs disputes on their business. In particular, the June 1987 dispute was mentioned, obviously because it was a recent memory. Strikes/disputes at customs are limited and generally short in duration and no company attempted to quantify losses.

However, the consequences of any disputes have been:

- loss of perishable goods: disputes obviously cause a major problem for agricultural produce;
- foregone sales: orders that cannot be delivered are sometimes lost; however, sales tend to be delayed rather than lost.

Specific problems on disputes were mentioned in regard to Dover and Tilbury docks and the two London airports.

No UK company mentioned any need to increase stockholdings or complained of production halts (due to non-delivery of essential materials) arising from customs disputes/strikes.

Other

Belgium

Other benefits include:

- the fact that the time necessary for the movement of goods would no longer be dependent on circumstances at the border, eg. a truck may be controlled by customs officials and lose a few hours while the normal delay of 1-2 hours was expected;
- the moment of arrival of trucks at the border would no longer need to be determined by the opening and closing hours of customs;
- in case of late arrival at some borders (eg. the customs in Brussels) the customs officials need to be paid for overtime: the total cost over a year for an individual company is usually minor, as they try to schedule the arrival of the truck at the border crossing within opening hours.

United Kingdom

We visited the port of Dover, the main transit point for all EEC-UK cargos. Port officials indicated that much of the expenditure on buildings and hard standing (most of which now requires costly land reclamation) has arisen as a direct result of the need to provide facilities for customs officials and agents. The estimated capital cost borne so far by the Dover authorities and thereby hauliers, agents and ultimately the consumer is some £40 million. In addition, maintenance costs and the ongoing manpower required for freight at Dover amount to at least a further £1 million annually. The cumulative effect borne by the ports in Member States could therefore result in a considerable sum although not one that is material in the context of the overall costs per consignment borne by firms.

The introduction of computerised customs entries has had a marked effect at Dover, reducing the delays and improving the predictability of cargo flows. In 1986, 75% of import clearances were achieved within 8 hours, whereas the figures for February this year show 82% within 3 hours and 76% within 2 hours. The estimates are not yet sufficiently detailed to identify unavoidable dwell time, for example payment of dues, compliance with other port procedures, vessel unloading and natural delays (rest breaks and so on). Customs officials have estimated that the delay arising from customs formalities alone constitute approximately one hour. The officials at Dover stated their eagerness to accelerate the movement of vehicle through the port to ease congestion.

Whilst import delays have been reduced the use of community transit documents on exports which necessitate endorsement of each vehicle movement has caused substantial bottlenecks. There is far less computerisation available currently for export movements and the average delay is in the range 2-4 hours, depending on the time of day.

ANNEX IX

CAUSES OF DELAY

Introduction

We include below comments made in each country on the causes of delay by:

- hauliers;
- freight forwarders;
- officials at frontier points.

We have reported views where any trends have emerged or are significant. In this regard the Italian and West German haulage samples were too small to permit such analysis. In addition, it was not possible to draw any meaningful comparison between different modes of transport and the delays experienced, due to the small overall sample size.

Belgium

Hauliers

Main locations for delay were:

- France (mentioned by 30%) because of:
 - traffic congestion;
 - excessively thorough procedures;
- Italy (mentioned by 40%) because of the split of imports and exports into mornings and afternoons: the Mont Blanc crossing was mentioned on a number of occasions.

50% of hauliers mentioned commodity as the main determinant of delay in particular:

- foodstuffs;
- descriptions in English not being understood;

iron and steel restricted to certain posts.

Freight Forwarders

For imports no border was noted as being worse than the others, but problems were experienced with high excise goods. One import agent using inland clearance commented that this was slow as samples of the alcohol were taken for analysis.

Italy was mentioned as causing problems for export goods, especially for agricultural products.

France

Hauliers

Main locations for delay were:

- Italy (mentioned by 50%) because of:
 - excessive controls;
 - split opening hours;
- UK (mentioned by 15%) because of strict controls on weights and dimensions;
- Spain (mentioned by 15%);
- Netherlands because of administrative hindrances to out of gauge cargoes.

30% of hauliers mentioned commodities as the main determinant of delay, in particular:

- electrical goods;
- dangerous chemicals;
- goods requiring licences.

Freight Forwarders

The French/Italian border was noted by 3 importing agents as being a problem. The commodities causing problems are textiles and agricultural goods. No border was stated as being particularly bad for exports, although high tax goods and tariff classification caused problems.

West Germany

Freight Forwarders

Ten import agents complained that Italy was the worst border. The reasons given include:

- slow working;
- opening hours;
- requirements for stamps from different authorities;
- lack of co-operation.

Two companies stated the UK as a problem caused by congestion in the ports and strikes.

Italy was stated by 10 companies as causing delays to exports, caused by: too little time for customs clearance in any direction.

Agricultural goods caused the most delays.

Italy

Freight Forwarders

The Italian customs were mentioned by five import agents in particular the Chiasso/Brennero frontier. The reasons were:

- bureaucracy;
- strict opening times;
- outmoded procedures.

Italy was also mentioned by import agents with the same reasons being stated.

Netherlands

Hauliers

No specific locations were mentioned frequently regarding delays. 30% of hauliers mentioned commodities as the main determinant of delay but no commodity pattern emerged. 20% of hauliers stated that congestion was the main determinant.

Freight Forwarders

No border was noted by import agents as being particularly bad, but problems were experienced with high excise duty goods.

The Italian/French border was the main problem with export goods having a high excise duty. Some problems were also experienced in the transportation of bulk goods.

Frontier Points

We visited the customs office Venlo, Keulse Barriere and spoke with the officials responsible for import and export. Keulse Barriere is one of the largest border transit points for road transport in Western Europe with 800,000 import transactions and 200,000 export transactions.

Some 150,000 (43%) of export transactions are cleared inland. These are accompanied by a T1 or T2 form and go immediately to German customs. The other exports (200,000) have to be cleared at the border in two different ways:

- 50% of clearance forms are completed inland by the company itself, a freight forwarder or customs agent: in this case the driver can go immediately to Dutch and German customs;
- the remaining 50% of clearances are prepared by a freight forwarder or agent at the border.

Of the 800,000 annual transactions the majority have clearance documents prepared at the border by forwarders. The average delay in either direction, when documents have to be prepared by a freight forwarder at the border, is estimated as some 30 minutes, comprising:

- document preparation (20 minutes);
- supervision Dutch customs (5 minutes);
- supervision German customs (5 minutes).

In approximately 3% of the cases the truck will be checked which takes 10-60 minutes (average 30 minutes).

When documents have been prepared inland and are cleared inland, the delay is only 5 minutes as the documents only need to be shown. Without inland clearance, the delay will be some 10 minutes for border clearance.

Direct observation and discussions reveal that this average of 30 minutes delay at the border (including preparation of clearing forms) is a low estimate because:

- it assumes a "normal situation", but early in the morning and late in the afternoon, there is a rush at the border, causing waiting times at the freight forwarders office and at the customs office;
- truck drivers normally state a delay of 30-60 minutes at the border: this may be influenced by a visit to the restaurant or cafe;
- total delay also comprises of time needed for parking and walking to the several offices.

United Kingdom

Hauliers

Main locations for delay were:

- Dover (mentioned by 30%) because of:
 - out of date methods;
 - congestion;
- Italy (mentioned by 30%) because of:
 - inefficiency;
 - lack of urgency;
- France (mentioned by 10%) because of very precise interpretation of rules.

25% of hauliers mentioned commodities as the main determinant of delay, in particular:

- high VAT items;
- quota goods.

Freight Forwarders

UK ports were stated as causing problems for inward excise goods. Italy was quoted as a problem with high VAT rated export goods.

Frontier Points

We visited the port of Dover, the main transit point for all EEC-UK cargo . Port officials indicated that much of the expenditure on buildings and hard standing (most of which now requires costly land reclamation) has arisen as a direct result of the need to provide facilities for customs officials and agents. The estimated capital cost borne so far by the Dover authorities and thereby hauliers, agents and ultimately the consumer is some £40 million. In addition, maintenance costs and the ongoing manpower required for freight at Dover amount to at least a further £1 million annually. The cumulative effect borne by the ports in Member States could therefore result in a considerable sum although not one that is material in the context of the overall costs per consignment borne by firms.

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ANNEX X

OPPORTUNITY COSTS

ANNEX X

OPPORTUNITY COSTS

Introduction

We set out below our detailed observations with respect to Opportunity Costs as follows:-

- Mail Order Firms;
- Express/Courier;
- Other.

Where no observations are included for a country, this is either because no interview took place or because no significant data was obtained.

Mail Order

Belgium

Two mail order firms were contacted. The first firm conducts its sales operations only within national borders and does not expect an increase in activity when intra- EEC customs formalities are abolished. The second firm told us that customs barriers are not a great obstacle to trade within the EEC. Trade within Benelux is easier than for the rest of the EEC. Major problems can arise for non EEC goods if special arrangements are not settled with customs authorities (eg. annual exemption of import licence for non EEC goods, first imported in France, and then sold by the French firm to the same firm in Belgium).

Customs formalities are annoying, but the firm is obliged to live with them. They are not taken into consideration as a major factor for the group's strategy. They have more problems with foreign currency and exchange regulations than with customs formalities.

The 1992 reforms will allow easier exchanges within the group (from one firm to another), but are not believed to modify the access to the consumers' market within the EEC. After 1992, most trade barriers will not be customs barriers, but will be due to restrictions such as the specificity of banking systems.

West Germany

We interviewed a clothing distribution mail order firm. Mail order firms have to send everything they sell and therefore are especially burdened by customs formalities. The abolition of all customs formalities would increase export activities rather than lower costs, because the main advantage is the faster transport and therefore better service.

Netherlands

We interviewed a mail order group responsible for purchasing outside the EEC and logistics in Netherlands, Belgium, France, Switzerland and Austria.

On import and transit, textiles cause particular problems as imports from outside the EC are restricted by quota per country, and an import licence is required. Stock in France, for example, imported on an import licence from the Far East, cannot be shipped to the Netherlands. A new import licence to the Netherlands is required, since it is regarded as an import transaction from outside the EC.

These restrictions force the organisation to keep stock of the same article in every country. If these stocks were interchangeable they estimate a reduction of stockholding of 40% and of consequent stock obsolescence would be achievable. Cost reductions are hard to estimate, but may be substantial.

At present it is very difficult to mail goods from one country to customers in another EC country as separate transaction export/import forms are required. Thus, separate, more or less identical, logistical facilities in each country are needed.

At present the logistical functions in Belgium and Holland are organised in such a way as to create functional product specialisation for Belgium (hardware) and the Netherlands (textile) and both will mail the orders for customers in the two countries. For this to be achieved depends on an agreement with Customs for a system of collective (weekly, monthly) declaration of the goods shipped within the Benelux instead of a separate Benelux 50-form per individual order. The potential cost reduction of centralising warehousing and order-handling are hard to estimate, but, are again, regarded as substantial.

The necessity to clear per separate order and the system of import licences for textiles (quota) forces to have logistical operation every country of EC. This is a serious hinderance for start operations. The company stated that if they could mail from Holland to customers in

Germany, they would seriously consider to start a marketing operation in Germany. In the present situation they will not.

United Kingdom

We contacted a number of firms which are engaged in mail order activities. Many of them stated that they were only involved in domestic business and could not comment on possible customs-related issues. The following points were made by one company:

- the removal of customs procedures will increase speed of delivery and therefore reduce distribution costs;
- trade could increase particularly with Southern European States where buyers exist but are believed not to import due to customs procedures;
- costs could be reduced further by removing the need to set up documentation arrangements with, for example, local chambers of commerce.

Express Courier

Belgium

We contacted two express mail firms. We were informed that customs formalities cause an additional delay of 1/2 to 1 hour per consignment. One firm reported that of a total staff of 25 persons at the central European dispatching point in Brussels, 8 persons were involved with customs operations (both intra- and extra-EEC). The same firm admitted that customs officials tried to be co-operative but that due to the existence of customs formalities it is impossible to spend less than 1/2 hour per consignment.

The other firm emphasised the fact that customs formalities were a hindrance for sending samples of products and documentation, which are not intended for sale and hence do not have a commercial value. Customs officials attribute a value to those items and calculate a VAT amount. Sending samples or documentation to a foreign customer or to a foreign company location therefore becomes quite expensive. The cost of the courier service is thus increased by customs clearance and VAT amount.

If customs formalities are removed within the EEC two advantages would accrue:

- the courier service could be improved: despatches would be delivered faster or accepted later in the day;
- a substantial part of administrative personnel could be saved and used for more customer-orientated and commercial activities. It is an open question as to what extent tariffs could be lowered.

Whether due to the strengthening of their service, or a lowering of their tariffs, express mail firms, estimated that they would increase their turnover by +10%.

Netherlands

We interviewed a major European express mail organisation regarding its operations. For Northern Europe, the time spent on customs formalities is some 3 hours per shipment. This is 15% of the total time (they guarantee delivery within 25 hours). They could accept goods for delivery the next day, or later in the day if there were no customs delay.

For Southern Europe, customs formalities are more complex. They guarantee delivery within 48 hours, which could be 24 hours without customs formalities.

Other

Belgium

Not a single company was reported to limit its imports because of customs formalities. One clothing company stated it would probably increase the number of import consignments, but not the total value of imports. If customs formalities were removed, it would no longer be necessary for them to group consignments or to have a reduced number of suppliers. It would therefore be able to provide for a broader choice for clients, and to increase competition between suppliers.

Only very few companies thought that they would increase their exports if customs formalities were removed. This is consistent with our findings that the cost of customs formalities is low. If formalities are removed companies will be able to save money. This saving is however marginal compared to the total distribution costs.

West Germany

We interviewed an official from the Frankfurt Chamber of Commerce, which is a society of all industrial companies in the Frankfurt area. The Frankfurt Chamber of Commerce is one of the biggest in West Germany and gives support in all matters relating to managing a company or dealing with public authorities. This support is mainly given to small and medium size companies.

The question we discussed was:

- "Why do small and medium size companies not import or export?"

Generally it was stated that the barrier represented by custom formalities is not normally the main reason why small and medium size companies do not take part in the EEC-trade. The customs formalities can be handled externally by a handling agent (forwarder) and need not be dealt with by the company directly.

The main reasons why small and medium size companies will not take part in the EEC trade are stated to be as follows:

- different industrial standards;
- different legislation;
- additional and different testing required to penetrate the market (protection of registered design is for some goods necessary for each different EEC member-state);
- additional paper work with public authorities in other EEC countries.

These barriers differ from country to country and can be very time consuming and thus expensive.

Other possible reasons for not taking part in the EEC trade were stated as:

- limited knowledge about the foreign market (especially imports)

- the bargaining power exerted by large exporting companies on their small suppliers: this can make it uneconomic for small companies to supply more than one major exporter, because the technical and commercial obligations imposed on them effectively lock in their production and distribution systems to that supplier by creating extremely high switching costs.

Netherlands

We found no evidence that the problem of coping with customs formalities, would deter companies from exporting. This is affirmed by the FENEDEX (Association of Exporting Companies), who organise a number of courses to teach firms how to export and how to deal with customs inspections.

United Kingdom

Only two companies out of our respondents started importing/exporting within the last two years; this is mainly due to our sample being taken from trade directories. Also participants from associations tended to be large and well-established, while audit clients approached were ones with whom we have had good relationships over many years.

Of the companies who had started importing/exporting within the last two years, they tended to be small and most of their intra-community transactions were handled by freight forwarders/customs agents. Consequently, they reported few problems over customs barriers.

The vast majority of participating firms stated their belief that exports/imports would not be affected by the removal of inter-community customs procedures. This is consistent with our findings that the costs of customs formalities is low and represents only a small percentage of the total cost of trading.

Most of the companies who believed that trade would increase either tended to be small in size or transact small amounts of intra-community trade. They believed that increased trade would primarily arise from reduced costs and bureaucracy, quicker throughput and greater certainty of supply.

Many companies believed that the abolition of customs barriers will reduce their costs, save administrative time and reduce delays on the transit of goods. However,

there was no attempt to quantify these benefits and there were just as many firms who believed that there would be little or no difference.

ANNEX XI

CALCULATION OF ECONOMIC SIGNIFICANCE

ANNEX XI

CALCULATION OF ECONOMIC SIGNIFICANCE

EXPORTS

	N/LANDS	BELGIUM	GERMANY	UK	FRANCE
EEC Consignments	2,250	3,540	11,585	2,309	6,167
% By Agents	76.5	60	43.8	10	69.3
No. By Agents	1,721.25	2,124	5,074.23	230.9	4,273.73
Ave. Charge	22.9	28.92	30.6	29	64.4
Export Revenue (^{'000s})	39,417	61,426	155,271	6,696	275,228

IMPORTS

EEC Consignments	3,491	4,345	14,306	3,274	5,812
% By Agents	84.6	85	59.25	90	72
No. By Agents	2,953.39	3,693.25	8,476.31	2,946.6	4,184.64
Average Charge	23.91	10.44	34.57	38.57	60.61
Import Revenue (^{'000s})	70,616	38,558	293,026	113,650	253,631

TOTAL EXPORTS (WITHOUT ITALY) = 538,038
(^{'000} ECUs)

TOTAL IMPORTS (WITHOUT ITALY) = 769,481
(^{'000} ECUs)

REVENUE ALL COUNTRIES = 1,307,519
(^{'000} ECUs)

ANNEX XII

MAN DAYS ON CUSTOMS PROCEDURES

MANDAYS SPENT ON CUSTOMS PROCEDURES BY IMPORTERS

	NUMBER OF IMPORTERS	VALUE OF IMPORTS	LABOUR COST PER YEAR	MANDAYS PER YEAR
COUNTRY				
BELGIUM	9	856840949	506007	4243
FRANCE	1	10379376	9755	240
GERMANY	6	135171755	498161	2220
ITALY	6	43736670	293414	3070
NETHERLANDS	1	30793889	36820	240
UK	3	153605730	122145	1416
TOTAL	26	1230528369	1466303	11429

ALL VALUES IN ECU

Note: only companies which spend at least one man-year have been included in this table

MANDAYS SPENT ON CUSTOMS PROCEDURES BY EXPORTERS

	NUMBER OF EXPORTERS	VALUE OF IMPORTS	LABOUR COST PER YEAR	MANDAYS PER YEAR
COUNTRY				
BELGIUM	8	810044928	541159	4584
FRANCE	4	54427000	177124	2100
GERMANY	13	252546807	1613432	5693
ITALY	12	256335361	653076	5293
NETHERLANDS	3	105011535	194606	1898
UK	6	391347898	523446	10224
TOTAL	46	1869713529	3702842	29792

ALL VALUES IN ECU

Note: only companies which spend at least one man-year have been included in this table.



The "Cost of Non-Europe":

An Illustration in the Road Haulage Sector

Ernst & Whinney

**COSTS OF 'NON EUROPE':
ILLUSTRATIONS
IN THE ROAD HAULAGE SECTOR**

FULL REPORT

COSTS OF 'NON EUROPE': ILLUSTRATIONS IN THE ROAD HAULAGE SECTOR

INDEX	PAGES
SUMMARY OF OVERALL FINDINGS	1
INTRODUCTION	2 - 5
<i>Background</i>	2 - 3
<i>Terms of reference</i>	3
<i>Approach</i>	3 - 5
COST OF DELAYS	6 - 9
<i>Data and analysis</i>	6 - 8
<i>Interpretation of findings</i>	8 - 9
COST OF EMPTY JOURNEYS	10 - 19
<i>Introduction</i>	10
<i>Data and analysis</i>	10 - 13
<i>Interpretation of findings</i>	13 - 19

ANNEXES

- I STRUCTURE OF HIRE AND REWARD MARKET
- II HAULIER COSTS
- III CUSTOMS DELAYS
- IV CALCULATION OF TOTAL NUMBER OF JOURNEYS
- V DRIVER COST AND VEHICLE COST COMPARISON
- VI COST OF CUSTOMS DELAYS
- VII COMMUNITY ROAD HAULAGE TONNAGE (1986)
- VIII AVERAGE STATED DELAY-RELATED CHARGE REDUCTION
- IX REPORTED CAUSES OF DELAY
- X JOURNEY DISTANCES AND TIMES
- XI EMPTY STATISTICS
- XII REASONS FOR EMPTY JOURNEYS
- XIII FINDINGS IN USA

SUMMARY OF OVERALL FINDINGS

Our study was initiated to provide:

- an estimate of the costs borne by road hauliers as a result of customs formalities at border and inland clearance sites;
- an indication of the cost of empty road journeys and the reported views of a small sample of road hauliers regarding the impact on these costs arising from:
 - lifting restrictions on cabotage;
 - removing quantitative limitations on permit availability.

The findings discussed below are subject to a range of assumptions and limitations imposed by the size of the sample. Our findings indicate that the total cost of delay is between 415-830 million ECU.

INTRODUCTION

Background

The completion of the internal market will have a profound impact on the road haulage industry which represents the prime means of transporting goods between Member States. Indeed, in some quarters this impact is already being felt.

In the current regime road vehicles are subject to delays either at frontiers or at inland clearance sites brought about by the presence of import and export formalities. Whilst the extent of these delays differs between Member States and indeed between frontier points, the existence of the delay imposes an additional cost on the haulage operator and thereby on the price of these services to importers and exporters.

The Cockfield White Paper foresees a market in which the passage of vehicles and thereby goods is unhindered by the need to comply with documentary and physical control obligations, resulting in the faster and more predictable movement of cargoes.

The free movement and operation of road vehicles throughout the Community is restricted by a variety of measures, which include:

- the quota system, which requires hauliers to apply for quantitatively restricted permits in order to move goods to, from and across Member States;
- the restrictions over non-resident hauliers carrying out a collection and delivery within the boundaries of a Member State ("cabotage").

The presence of these regulations has created an environment in which free competition does not exist, and again, although the extent of these restrictions varies greatly between Member States, this has inevitably influenced the operating efficiency of international road hauliers within the Community.

As a consequence of the Treaty of Rome, a common transport policy and an internal market are envisaged, in which:

- limitations on the number of permits are replaced by qualitative criteria relating to the credentials of the haulier concerned;

- cabotage is allowed, thereby enabling non resident hauliers to collect and deliver loads within the boundaries of a Member State, in order to supplement the revenue earned for the vehicle round-trip.

Terms of reference

Our study was initiated to provide an indication of the impact of these restrictions on road haulage operators, in conjunction with our survey, "Costs of Non Europe: Customs Barriers". The work undertaken for the Commission is split into two distinct although related parts as follows:

- an assessment of the cost of delay experienced by hauliers in the movement of goods between Member States as a result of customs formalities;
- a preliminary evaluation of the cost of empty movements borne by the hauliers in the sample and of their views on the impact that the Commission's proposals will have.

Approach

The study was to comprise "own account" operators from the sample of firms surveyed in the customs study and additional "hire and reward" hauliers from the following Member States:

- France;
- Belgium, Luxembourg and Netherlands (Benelux);
- West Germany;
- Italy;
- United Kingdom.

Our sample was to include small haulage businesses as well as the major international operators and was aimed at hauliers involved in Community trade. Contact was also made with the appropriate trade associations in each Member State. The data received is described in subsequent sections of this report.

Following completion of the questionnaire, participants were interviewed in order to validate the data received. Following our analysis of the data we held discussions with certain experts in the road haulage industry.

Several difficulties were encountered in obtaining the desired level of support from road hauliers. These included the following:

- many of the firms we approached did not keep statistics in the form required to complete our questionnaire: this was particularly true of the smaller enterprises;
- the amount of information required to satisfy our needs for both delays and empty moves was felt by some firms to be excessive, particularly if additional analysis was needed to extract data from existing reports and files;
- some firms were unwilling to provide data concerning empty loadings as this was deemed to be extremely sensitive, in spite of our assurances regarding confidentiality: this was particularly the case in West Germany where it was felt that releasing such data could put hauliers at a competitive disadvantage;
- in the UK, a number of studies had already been undertaken.

Additional problems were also caused by lack of publicly available data in standard, consistent formats. This situation was referred to in the International Road Union report of late 1985, in which is described, "the considerable difficulties encountered whenever comparisons are drawn in the sphere of statistics, and more especially in that relating to the transportation of goods and passengers by road".

The sample size of this outline study is small when considered in the context of the size of the road haulage community in each Member State. Our sample of 68 hire and reward operators is drawn from over 283,000 hauliers in the six Member States surveyed (see Annex I). Care has been exercised in drawing global conclusions from our results without first considering the appropriateness of the sample and we have therefore adopted a policy of explicitly presenting our assumptions and the influences that may affect the figures shown.

Data Required

Each haulier was asked to provide the following data which was subsequently used in both the cost of delays and cost of empty journeys calculations:

- name and address of firm;
- number of employees (in country concerned);
- number of drivers;
- turnover and percentage arising from road haulage;

- type of operation (own account/hire and reward);
- number of vehicles, semi-trailers and/or trailers for container use;
- mode of operation: bulk, container, accompanied, unaccompanied.

Size and structure of sample: Number of firms in sample classified by number of vehicles

<u>Number of Vehicles</u>	<u>Hire & Reward</u>			<u>Own Account</u>			<u>Total</u>
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	
Belgium	-	1	10	4	2	1	18
France	3	6	10	-	-	-	19
West Germany	1	-	3	-	-	-	4
Italy	1	-	3	3	-	2	9
Netherlands	2	2	5	3	-	2	14
UK	<u>2</u>	<u>1</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21</u>
	9	10	49	10	2	5	85

COST OF DELAYS

Data and analysis

In calculating the delay in arising from customs formalities, hauliers were told to envisage an environment in which there were:

- harmonised VAT;
- no quotas, licences, Monetary Compensatory Amounts, public health examinations and duties.

Data required

In order to assess the cost of delay, hauliers were asked to provide details for both imports and exports of:

- time spent on typical transactions in export, transit and importing countries: hauliers were asked to include in their estimates all the formalities that are completed inland and at frontiers, as follows:
 - document preparation in exporting country;
 - inland clearance in exporting country;
 - border/port clearance in exporting country;
 - intermediate border transit(s) if applicable;
 - document preparation in importing country;
 - inland clearance in importing country;
 - border/port clearance in importing country;
- vehicle and driver costs (see Annex II), as follows:
 - average annual driver costs (wages, subsistence; employer cost);
 - average vehicle running cost per 100 Kilometres (depreciation, fuel, maintenance, taxes);
 - annual vehicle costs (administration, financing and others): the majority of hauliers surveyed included estimates for these costs in the first two categories;
- delay, as follows:

- worst frontier;
- main determinant of delay (commodity, mode of operation);
- the extent to which charges would be reduced if customs formalities were abolished.

Delay costs have been combined for both hire and reward and own account traffic.

Cost of delays

In order to assess the cost of delays it is necessary to reflect the two major types of cost arising namely, driver costs and opportunity costs relating to the vehicle utilisation, and to then derive a basis upon which an hourly rate for these costs can be calculated. We describe our approach to these below.

In calculating the overall delay time we have not included the preparation of documentation as our sample hauliers indicated that typically this did not delay them as it was prepared in advance. Having calculated the average delay time on each route (see Annex III), irrespective of haulier nationality, an average annual driver cost was established (26,500 ECU) and an hourly rate was computed based on 214 working days per year (allowing for holidays and sickness) and a maximum nine hour working day.

To provide a global figure for all road transport between the countries surveyed, the total number of journeys was needed. In order to assess the total number of journeys made and thereby calculate the total cost of empty movements between Member States, we have assumed a typical load of 12.5 tonnes of cargo per road vehicle. A major Europe-wide haulier uses this figure as supplied by Customs statistics for Community trade in its management information and it has been used here in the absence of any other verifiable figures. The detailed calculations are shown in Annex IV.

It was decided to include the opportunity cost associated with the under-utilisation of the vehicle, for although the delays were only measured in hours, the wasted time nevertheless relates to an unused asset which over time could be better used. However, the data collected in our survey relates to vehicle running cost rather than the fixed annual costs, from which opportunity costs can be calculated. These costs are:

- depreciation;
- financing cost;
- insurance;
- vehicle tax.

A recent study entitled, "Freight Transport in the European Community" showed that, coincidentally, annual driver costs and fixed vehicle costs represent very similar percentages of the total annual operating cost, namely 22-34% and 23-30% respectively. As the total operating costs from our survey were similar to those in this study, we have used the driver-related cost from our sample as a substitute for the annual vehicle operating cost. The comparative figures are shown in Annex V. To derive an hourly vehicle delay cost rate, we have assumed that the vehicle will be 95% available, 24 hours a day for 365 days a year. This figure has been verified by an international haulier. The resultant hourly rate is then applied to the custom delay.

Interpretation of findings

Using this approach the total delay-related cost is calculated as ECU 780 million for the six countries surveyed (see Annex VI). If similar delays and costs are found in the remaining Member States, which represent 6% of the total road haulage tonnage, then a globalised figure would be ECU 830m (see Annex VII).

This figure is however subject to certain distortions, as follows:

- the computation of hourly cost saved is based on an effective nine-hour working day; this is a regulatory maximum and the actual working day is likely to be lower, thus increasing the hourly rate and cost;
- the computation assumes that the time spent in delay could otherwise be effectively used; this may not always be the case, as legitimate rest periods may be timed to coincide with known customs delay points: this in itself is not always possible to achieve, due to the regulations on driving and rest hours;
- the delays include those incurred by unaccompanied trailers for which the driver-related costs do not apply;
- the assumption is made that work can be found for the driver and the vehicle: this will not always be the case.

Given that there are a number of influences that will tend to reduce the overall potential savings the cost estimate above must be treated with caution and therefore as an upper limit. We suggest that a lower limit should be established at 50% of this figure, providing a globalised range of 415-830 million ECU.

Perceived effect of abolition

In our survey we asked hauliers to estimate the effect that the abolition of customs formalities would have on their costs and the extent to which clients would benefit from this. It should be noted here that in many cases the hauliers will be operating for forwarding agents and therefore the net benefit will not automatically be passed onto the importers and exporters.

The majority of hauliers stated that although their costs would be reduced, they did not believe that this would result in a similar reduction in their charges to clients. The average stated charge reduction per consignment is shown in Annex VIII. Most hauliers we spoke to regard rating structures as highly competitive at present and will take opportunities wherever possible to boost short-term profitability. Traders with own account operations will benefit more directly from the reductions in operating costs. In overall terms, the net effect for users of road haulage services will be largely influenced by the more competitive market envisaged by the Commission which should ensure that in the long-term these users will benefit.

In Annex IX we consider the comments made on the causes of delay by each haulier nationality. In order to supplement this analysis we have also included observations from:

- the freight forwarder survey;
- interviews at frontier points.

COST OF EMPTY MOVEMENTS

Introduction

The countries included in this survey were those chosen for the customs formalities study, and whilst these countries generate over 90% of the cargo tonnage moving by road within the Community (see Annex VII), it cannot be assumed that the data collected and views reported from the surveyed countries are identical to those in the other Member States, namely Greece, Eire, Denmark, Luxembourg, Spain and Portugal. Indeed, the excluded States include a number of the poorer nations with lower operating costs as well as those on the geographic periphery of the Community. As a result, there are likely to be specific issues and problems relating to these countries that differ markedly from the pattern established in our survey countries. This should be borne in mind when our survey results are viewed in global context.

Data and analysis

Data required

In order to assess the cost of empty journeys hauliers were asked to provide details of:

- the number of loaded and empty journeys to and from Member States and the distances and times involved;
- vehicles and driver costs (see above);
- causes of empty movements (see below).

Cost of empty journeys

Our sample was small, and as a result, unlikely to be representative of road haulage across the Community as a whole and it was therefore decided that the data collected should not be used for global analysis, but should rather be viewed in the context of the sample itself. In order to do this, the following approach was used:

- establishing an average annual cost for both driver and vehicle based on the average time and length of the empty journeys: these were estimated averages for each country as data was not available from each individual firm (see Annex X);

- estimating the net operating cost for each haulier as 90% of the stated turnover assuming a 10% gross margin;
- assessing the percentage that the average cost of empty journeys represents of the total net operating cost for each haulier: the results are presented for each country by vehicle fleet size, separating hire and reward and own account operations.

The results are summarised below and shown in detail in Annex XI.

Cost of empties as % of net operating cost (all countries)

Cost %	<u>No of vehicles</u>					
	<u>Hire & Reward</u>			<u>Own Account</u>		
	1-5	6-10	11+	1-5	6-10	11+
Incomplete data (Turnover or empty moves)	3	4	11	8	1	5
No empty moves	3	3	19	1	-	-
Below 1	-	1	5	-	1	-
1 - 5	1	2	7	-	-	-
5 - 10	-	-	-	-	-	-
Over 10	2	-	7	1	-	-

The picture presented in the table above is broadly similar for each of the countries concerned. The majority of positive observations occur in the 1 - 5% range which, although small as a share of costs, may be significant in relation to profits and could result in a sizeable profit increase if the revenue earning potential can be realised. Of the 32 firms whose responses could not be used in this analysis over half did not provide turnover data. Just under half of the companies with no empty journeys were from the UK for whom the round trip was only profitable if loads could be found in each direction. This is due to the downward pressure on rates on the outward leg arising from substantial competition from other Community hauliers. Although the main beneficiaries appear to be the larger organisations this simply reflects the structure of our

sample. From our analysis hauliers of all sizes will benefit, as our survey sample shows that the smaller operators do not have a materially different loaded to empty ratio than the larger hauliers. The number of empty journeys by route and the detailed haulier empty and loaded statistics are shown in Annex XI.

Reported causes of empty journeys

Hauliers were asked to rank the possible reasons for empty moves as:

- most important;
- significant;
- not important.

The options provided were:

- awareness of loads;
- cabotage;
- permit availability;
- unprofitability;
- incompatibility;
- customer creditworthiness;
- other.

In analysing the responses to the questionnaire, we have identified the number of incidences of each reason specified as "most important" and "significant". The table below summarises these results and the detailed responses are shown in Annex XII.

Incidence of "most important" and "significant" reasons for hire and reward hauliers

	<u>Incidences as "most important"</u>	<u>%</u>	<u>Position</u>	<u>Incidences as "Significant"</u>	<u>%</u>	<u>Position</u>
Awareness	72	49	1	19	16	4
Unprofitable	33	23	2	27	19	3
Cabotage	19	13	3	11	8	6
Incompatible	13	9	4	31	22	2
Permits	8	5	5	13	9	5
Other	1	1	6	10	7	7
Customer creditworthiness	0	0	7	32	22	1

For most countries observed and for all haulier nationalities operating to and from these countries, awareness of cargo and unprofitability are the most commonly mentioned "most important" reasons. Permit shortages were most often reported in Italy where this reason was placed third. Cabotage was in third place for every country except Italy.

The main findings in respect of the causes of empty moves stated by firms in this sample can be summarised as follows:

- the key concern of the majority of hauliers was the awareness and availability of loads, although most used automated means to locate cargo, usually telex;
- the lack of multi-lateral permits is not seen as a cause of empty movements and although the lack of permits restricts cross-trade opportunities, cross-trading itself is still not regarded by most of the sample hauliers as a well developed opportunity area;
- cabotage was viewed as a potentially significant means of reducing empty trips.

It was not within the remit of the study to calculate the net benefits that would accrue from liberalisation, but rather to identify the cost of empty moves that liberalisation is intended to reduce. It is clear that, whilst there is a potential cost saving there are also factors which could reduce this potential.

Interpretation of findings

Introduction

It is important to distinguish between the findings arising from the views expressed to us by our survey sample and our interpretation of these views in relation to liberalisation. In order to form a basis for the views expressed in this section we have used input from:

- industry experts;
- previous reports;
- studies from the USA relating to the impact of de-regulation.

In our survey the focus has been on assessing the number of empty journeys as a means of providing a measure of "wasted capacity". However, this measure needs to be interpreted with caution because of the following factors:

- the imbalance of each country's imports and exports compatible for carriage by road;
- the natural imbalances of import and export road traffic arising from the use of specialised equipment to carry particular cargoes for example, refrigerated and liquid loads;
- the under-utilised capacity represented by part-loaded lorries;
- the extent of oversupply of vehicle capacity in the international road haulage market: this is evidenced by the presence of empty loads and the differential that exists between international haulage rates and those for domestic journeys of equivalent distance.

In addition, any assessment of the effects of liberalisation should take into account the tendency of operators to improve productivity as rates become more competitive.

Permit availability

The questionnaire was designed to assess the extent to which the shortage of multi-lateral permits causes empty moves, as without such permits the option of cross-trading is precluded. The availability of bilateral permits is not an issue here as these cover a return journey and cannot therefore be said to cause empty movements. It could be argued however, that this does reduce the effective utilisation of capacity if equipment is unused because of a bilateral permit shortage.

Whilst our study did not find that permit restrictions were believed to be a significant cause of empty moves, there was some suggestion that some permits are in short supply, particularly those for multi-lateral purposes. The "Freight Transport" report to which we referred earlier found evidence of a "black market" in permits in the United Kingdom leading to "a loss of price competitiveness for the UK operator compared with foreign hauliers who can secure permits through official channels". The study concludes however that "the problem of permit shortage is a diminishing one", and that "80 per cent of UK international hauliers considered the problem to be less severe than it was 3 years ago". Given that the number of permits available is planned to increase annually this seems a reasonable conclusion.

In assessing the importance placed upon the lack of multi-lateral permits it is instructive to consider the extent to which cross-trading is currently undertaken, using statistics from a recent Commission report.

<u>1984 figures</u>	<u>Haulier nationality</u>					
	<u>West Germany</u>	<u>France</u>	<u>Italy</u>	<u>Netherlands</u>	<u>Belgium</u>	<u>UK</u>
Prevalence of cross trade as % of hire and reward movements	0.4	1.2	0.1	4.8	6.0	1.9

The table indicates a great range of usage and different degrees of familiarity with the cross trade option which could help explain the relative lack of interest expressed in cross-trading as a means of reducing empty loads. The main users of cross-trading, that is, Netherlands and Belgium, have an adequate supply of multi-lateral permits and are already therefore taking advantage of this opportunity. In 1984, only 1.9% of journeys undertaken by UK hire and reward hauliers were used for cross-trade purposes due largely to shortages of bilateral permits for which purpose multi-lateral permits are often used. The relatively low importance attributed to multi-lateral permits may therefore be the result of lack of familiarity due to the predominant bi-lateral focus adopted by these hauliers rather than a lack of opportunities.

The significance of the opportunities presented by cross-trading is clearly a matter of some debate and inevitably in view of our small sample size we have simply reflected the news of a small part of the haulage community.

Cabotage

The introduction of cabotage is seen by the Commission as another means of improving the capacity utilisation of road haulage. The impact of removing the restrictions of cabotage in each Member State cannot be easily assessed, as it will depend on the interaction of several factors, including:

- the degree of control and regulation in the domestic market;
- the commodity mix and level of domestic trade and the use of specialised equipment relative to the patterns for international trade;
- the size of the country and the physical dispersion of cargoes;

- the prevalence of freight forwarders who are reported to be less nationalistic in selecting road haulage services.

Large countries with tightly regulated domestic haulage market and high domestic rates, for example, France and Germany see themselves as being particularly vulnerable. However, in each country diverse views have been expressed, emphasising the subjectivity of the topic. The "Freight Transport" report (quoted above) estimated that, under liberalised cabotage, 1% of the UK domestic market was under threat. At the same time a press report declared that the UK would be "swamped" with European operators.

In our survey we found that whilst the operators in Northern Europe are worried about the influx of low cost operators from Southern Europe, the Southern European operators are concerned about the inroads that the highly efficient Northern European hauliers will make. Clearly this is a complex and emotive issue and one that is beyond the scope of this study to address comprehensively.

Comparison with USA

One of the difficulties in quantifying the effects of a liberalised road haulage market is the absence of precedent, as, for example, all Member States restrict cabotage. For this reason we have made comparisons with the road haulage market and industry in the USA which until 1980 was characterised by high transport rates and state-based restrictive practices.

In 1980 the Motor Carrier Reform Act enabled:

- trucking companies to raise or lower rates by ten per cent without Interstate Commerce Commission approval;
- easing of entry barriers;
- reduction of the level of operating restrictions;
- abolition of collective rate fixing.

There are several key differences between the operating frameworks in USA and the Community, which must be borne in mind. For example, in the USA:

- no authority is required for interstate bilateral or cross-trade movements, whereas there is a permit system in the Community;

- there are differences between states in the levels of taxation and vehicle weights, but these do not distort the relative operating costs of hauliers from different states to the same extent as in the Community;
- there are no currency differences between states.

Given that the USA does not reflect the same level of complexity and competitive distortion as that which exists in the Community, it nevertheless represents a market in which competition has been increased. Intrastate barriers to entry still exist in 43 states, the equivalent of cabotage restrictions, and this provides the opportunity to observe the relative performance of operations in both regulated and de-regulated environments.

There have been a number of studies undertaken in recent years, including some by Ernst & Whinney, to quantify the effect of de-regulation in the USA. These studies have sought to establish the extent to which operational efficiency has been increased and to identify the potential benefit yet to be derived. Some statistics are instructive:

- during 1960-80 expenditures of manufacturers and distributors on freight transportation averaged 8% of GNP, whereas in 1986 this had fallen to 6.8%;
- between 1960-80 truck ton miles had an annual compound growth rate of 10.7%: since 1980 truck ton miles have grown at the same rate as GNP, that is 3.2% per annum, thereby indicating an increase in carriage efficiency.

Several important trends are emerging, and although they cannot all be ascribed to deregulation because of the parallel effects of the depression, it appears that there are some positive indicators of relevance to the Community. These include the following:

- competition has reduced freight rates and brought an improved level and choice of service in most cases;
- whilst there have been a large number of bankruptcies spread across all sizes of company, the total number of carriers has increased;
- small hauliers have survived by occupying niche markets and concentrating on low investment strategies;
- successful haulage firms have shifted their emphasis from pure operations to marketing, planning and the need for innovation;

- there is evidence that firms operating in regulated environments are not necessarily more profitable than those in more competitive markets because of the higher operating costs that can prevail in regulated markets;
- a recent study found that the high level of regulation in Texas has led to:
 - higher distribution costs;
 - increased prevalence of own account haulage;
 - lower carrier productivity;
 - business lost to other de-regulated states.

More detailed analysis, together with the reference sources that we have used are set out in Annex XIII.

Implications for the European Community

Although the USA is not an exact parallel with the European Community there is sufficient similarity to make the comparison worthwhile. Indeed, some of the trends emerging in the USA can already be seen in the Member States, for example:

- the growth in the importance of multi-modal, multi-service operators providing additional facilities in the form of warehousing and customs clearance: the recent UNICE report of the Council of Transport Ministers (24-25 June 1987) noted and welcomed the "developments in physical distribution which offer door-to-door services using various modes of transport in combination; incorporate related services of warehousing, packaging, order picking and maintenance of buffer stocks;
- the movement of the large operators into high value-added, capital intensive and specialised products and services and away from general haulage, typically dominated by the small owner-operator with low operating costs and a high degree of operational flexibility;
- the increased focus on productivity and efficiency, for example, on the highly competitive link to and from the UK, unaccompanied trailers account for 50% of the cargo moved: in this way, driver and tractor utilisation are improved on both sides of the channel;
- the increased demand for computerised freight-broking services, particularly in Northern Europe.

The market in the Community has already begun to change and there are indications which suggest that the benefits enjoyed by traders in the USA may begin to accrue here. Further work is required to confirm the validity of this comparison and to provide evidence that can assist the Commission in assessing the impact of the proposed liberalisation measures.

ANNEX I

STRUCTURE OF HIRE AND REWARD MARKET (1983)

	<u>Fleet Size (vehicles)</u>			<u>Total</u>
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	
Belgium	6,117	1,075	1,075	8,267
France	21,619	3,010	2,737	27,366
West Germany	40,409	3,254	1,537	45,200
Italy	56,780	1,220	955	7,571
UK	<u>110,380</u>	<u>8,881</u>	<u>7,612</u>	<u>126,873</u>
Total	<u>240,701</u>	<u>24,240</u>	<u>18,336</u>	<u>283,277</u>

Source: International Road Union report, 1986

ANNEX II

HAULIER COSTS

HAULIER COSTS (ECU)

	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK	AVERAGE
AVERAGE DRIVER SALARY	25885	25019	31118	29169	27034	20765	26498
DRIVER SALARY STANDARD DEVIATION	8880	6160	5349	3871	5597	2905	
AVERAGE KM VEHICLE COST	42	85	66	48	56	76	62
VEHICLE COST STANDARD DEVIATION	16	30	23	14	16	26	

ANNEX III

CUSTOMS DELAYS

CUSTOMS DELAYS (HOURS)

TO -> FROM	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK
BELGIUM	X	4.03	2.91	11.66	1.44	4.50
FRANCE	3.76	X	2.61	7.58	1.81	4.64
GERMANY	3.35	2.98	X	7.74	1.43	4.85
ITALY	6.63	5.87	4.90	X	5.70	7.72
NETHERLANDS	1.54	2.30	1.72	8.27	X	3.96
UK	4.16	5.01	4.36	9.75	4.21	X

ANNEX IV

CALCULATION OF TOTAL NUMBER OF JOURNEYS

VOLUME OF TRAFFIC IN EACH ROUTE DIRECTION (*1000 TONNES)

TO -> FROM	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK
BELGIUM	X	18700	11650	1538	14088	1013
FRANCE	12725	X	12825	6200	2650	2450
GERMANY	10000	11338	X	6675	19150	1250
ITALY	900	5175	6438	X	900	1500
NETHERLANDS	10675	5100	17175	2150	X	1038
UK	650	1538	938	1250	425	X

ANNEX V

DRIVER COST AND VEHICLE COST COMPARISON

Percentage breakdown of total operating cost

	<u>Belgium</u>	<u>W Germany</u>	<u>Netherlands</u>	<u>UK</u>	<u>France</u>
<u>Vehicle costs</u>					
• depreciation	12	15	12	12	19
• financing	5	5	4	5)
• insurance	6	6	5	1) 5
• vehicle tax	3	4	2	5)
Total	26	30	23	23	24
<u>Driver costs</u>					
	29	26	34	29	22
<u>Fuel</u>					
	16	17	13	18	25
<u>Other</u>					
• administration	13	8	13	15	19
• maintenance	11	16	12	11	10
• tyres	5	4	5	4	(see below)
Total	29	28	30	30	29

Source: "Freight Transport in the European Community" by Transport Studies Group of the Polytechnic of Central London, 1987.

The vehicle costs included in calculating the opportunity cost are the fixed elements of cost. The variable elements of costs are excluded (fuel and "other") as they are incurred in the course of vehicle operation. The figures for France do not include specific cost estimates for financing, insurance, vehicle tax, administration and tyres. In order to provide an estimate here, we have taken the "other" costs for France as 29%, as this is broadly consistent across all the countries, and have derived a total vehicle cost percentage of 24%. A similar overall pattern for Italy has been assumed.

ANNEX VI

COST OF CUSTOMS DELAYS

THE COST OF CUSTOMS DELAYS EXPERIENCED BY ROAD HAULIERS

TO -> FROM	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK
BELGIUM TOTAL JOURNEYS COST	X X	1496 91715	932 41201	123 21795	1127 24697	81 5535
FRANCE TOTAL JOURNEYS COST	1018 58198	X X	1026 40703	496 57160	212 5833	196 13819
GERMANY TOTAL JOURNEYS COST	800 40675	907 41110	X X	534 62838	1532 33280	100 7376
ITALY TOTAL JOURNEYS COST	72 7256	414 36918	515 38357	X X	72 6238	120 14083
NETHERLANDS TOTAL JOURNEYS COST	854 20048	408 14251	1374 35910	172 21612	X X	83 4994
UK TOTAL JOURNEYS COST	52 3290	123 9358	75 4974	100 14814	34 2177	X X

TOTAL COST OF DELAYS = 780214

N.B. All figures *1000
Costs in ECU

ANNEX VII

COMMUNITY ROAD HAULAGE TONNAGE (1986)

(In '000 ton)

	<u>Surveyed Countries</u>	<u>Overall total for EEC</u>
1st Quarter	92,983	99,452
2nd Quarter	107,895	115,118
3rd Quarter	98,117	104,412
4th Quarter	<u>104,597</u>	<u>112,062</u>
Total	<u>403,592</u>	<u>431,044</u>

Source: "Market Developments" Nos 21-24, European Commission

The table shows the tonnage moved by road to and from the surveyed countries. Based on the above, the surveyed states represent some 93.6% of the total Community road tonnage.

ANNEX VIII

AVERAGE STATED DELAY-RELATED CHARGE REDUCTION

AVERAGE STATED CHARGE REDUCTION PER CONSIGNMENT (ECU)

TO -> FROM		BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK
BELGIUM	IMPORT	X	20	12	53	3	17
	EXPORT	X	23	14	51	4	21
FRANCE	IMPORT	5	X	9	6	11	12
	EXPORT	5	X	6	6	7	10
GERMANY	IMPORT	14	14	X	1	14	10
	EXPORT	11	11	X	4	11	10
ITALY	IMPORT	62	56	64	X	62	56
	EXPORT	57	61	75	X	57	72
NETHERLANDS	IMPORT	11	17	9	83	X	12
	EXPORT	7	11	7	21	X	0
UK	IMPORT	10	11	12	25	14	X
	EXPORT	3	6	6	25	6	X

ANNEX IX

CAUSES OF DELAY

Introduction

We include below comments made in each country on the causes of delay by:

- hauliers;
- freight forwarders;
- officials at frontier points.

We have reported views where any trends have emerged or are significant. In this regard the Italian and West German haulage samples were too small to permit such analysis. In addition, it was not possible to draw any meaningful comparison between different modes of transport and the delays experienced, due to the small overall sample size.

Belgium

Hauliers

Main locations for delay were:

- France (mentioned by 30%) because of:
 - traffic congestion;
 - excessively thorough procedures;
- Italy (mentioned by 40%) because of the split of imports and exports into mornings and afternoons: the Mont Blanc crossing was mentioned on a number of occasions.

50% of hauliers mentioned commodity as the main determinant of delay in particular:

- foodstuffs;
- descriptions in English not being understood;

- iron and steel restricted to certain posts.

Freight Forwarders

For imports no border was noted as being worse than the others, but problems were experienced with high excise goods. One import agent using inland clearance commented that this was slow as samples of the alcohol were taken for analysis.

Italy was mentioned as causing problems for export goods, especially for agricultural products.

France

Hauliers

Main locations for delay were:

- Italy (mentioned by 50%) because of:
 - excessive controls;
 - split opening hours;
- UK (mentioned by 15%) because of strict controls on weights and dimensions;
- Spain (mentioned by 15%);
- Netherlands because of administrative hindrances to out of gauge cargoes.

30% of hauliers mentioned commodities as the main determinant of delay, in particular:

- electrical goods;
- dangerous chemicals;
- goods requiring licences.

Freight Forwarders

The French/Italian border was noted by 3 importing agents as being a problem. The commodities causing problems are textiles and agricultural goods. No border was stated as being particularly bad for exports, although high tax goods and tariff classification caused problems.

West Germany

Freight Forwarders

Ten import agents complained that Italy was the worst border. The reasons given include:

- slow working;
- opening hours;
- requirements for stamps from different authorities;
- lack of co-operation.

Two companies stated the UK as a problem caused by congestion in the ports and strikes.

Italy was stated by 10 companies as causing delays to exports, caused by: too little time for customs clearance in any direction.

Agricultural goods caused the most delays.

Italy

Freight Forwarders

The Italian customs were mentioned by five import agents in particular the Chiasso/Brennero frontier. The reasons were:

- bureaucracy;
- strict opening times;
- outmoded procedures.

Italy was also mentioned by import agents with the same reasons being stated.

Netherlands

Hauliers

No specific locations were mentioned frequently regarding delays. 30% of hauliers mentioned commodities as the main determinant of delay but no commodity pattern emerged. 20% of hauliers stated that congestion was the main determinant.

Freight Forwarders

No border was noted by import agents as being particularly bad, but problems were experienced with high excise duty goods.

The Italian/French border was the main problem with export goods having a high excise duty. Some problems were also experienced in the transportation of bulk goods.

Frontier Points

We visited the customs office Venlo, Keulse Barriere and spoke with the officials responsible for import and export. Keulse Barriere is one of the largest border transit points for road transport in Western Europe with 800,000 import transactions and 200,000 export transactions.

Some 150,000 (43%) of export transactions are cleared inland. These are accompanied by a T1 or T2 form and go immediately to German customs. The other exports (200,000) have to be cleared at the border in two different ways:

- 50% of clearance forms are completed inland by the company itself, a freight forwarder or customs agent: in this case the driver can go immediately to Dutch and German customs;
- the remaining 50% of clearances are prepared by a freight forwarder or agent at the border.

Of the 800,000 annual transactions the majority have clearance documents prepared at the border by forwarders. The average delay in either direction, when documents have to be prepared by a freight forwarder at the border, is estimated as some 30 minutes, comprising:

- document preparation (20 minutes);
- supervision Dutch customs (5 minutes);
- supervision German customs (5 minutes).

In approximately 3% of the cases the truck will be checked which takes 10-60 minutes (average 30 minutes).

When documents have been prepared inland and are cleared inland, the delay is only 5 minutes as the documents only need to be shown. Without inland clearance, the delay will be some 10 minutes for border clearance.

Direct observation and discussions reveal that this average of 30 minutes delay at the border (including preparation of clearing forms) is a low estimate because:

- it assumes a "normal situation", but early in the morning and late in the afternoon, there is a rush at the border, causing waiting times at the freight forwarders office and at the customs office;
- truck drivers normally state a delay of 30-60 minutes at the border: this may be influenced by a visit to the restaurant or cafe;
- total delay also comprises of time needed for parking and walking to the several offices.

United Kingdom

Hauliers

Main locations for delay were:

- Dover (mentioned by 30%) because of:
 - out of date methods;
 - congestion;
- Italy (mentioned by 30%) because of:
 - inefficiency;
 - lack of urgency;
- France (mentioned by 10%) because of very precise interpretation of rules.

25% of hauliers mentioned commodities as the main determinant of delay, in particular:

- high VAT items;
- quota goods.

Freight Forwarders

UK ports were stated as causing problems for inward excise goods. Italy was quoted as a problem with high VAT rated export goods.

Frontier Points

We visited the port of Dover, the main transit point for all EEC-UK cargo . Port officials indicated that much of the expenditure on buildings and hard standing (most of which now requires costly land reclamation) has arisen as a direct result of the need to provide facilities for customs officials and agents. The estimated capital cost borne so far by the Dover authorities and thereby hauliers, agents and ultimately the consumer is some £40 million. In addition, maintenance costs and the ongoing manpower required for freight at Dover amount to at least a further £1 million annually. The cumulative effect borne by the ports in Member States could therefore result in a considerable sum although not one that is material in the context of the overall costs per consignment borne by firms.

The introduction of computerised customs entries has had a marked effect at Dover, reducing the delays and improving the predictability of cargo flows. In 1986, 75% of import clearances were achieved within 8 hours, whereas the figures for February this year show 82% within 3 hours and 76% within 2 hours. The estimates are not yet sufficiently detailed to identify unavoidable dwell time, for example payment of dues, compliance with other port procedures, vessel unloading and natural delays (rest breaks and so on). Customs officials have estimated that the delay arising from customs formalities alone constitute approximately one hour. The officials at Dover stated their eagerness to accelerate the movement of vehicles through the port to ease congestion.

Whilst import delays have been reduced the use of community transit documents on exports which necessitate endorsement of each vehicle movement has caused substantial bottlenecks. There is far less computerisation available currently for export movements and the average delay is in the range 2-4 hours , depending on the time of day.

ANNEX X

JOURNEY DISTANCES AND TIMES

AVERAGE DISTANCE AND TIME FOR JOURNEYS

(DISTANCE IN KM, TIME IN DAYS)

TO -> FROM		BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK
BELGIUM	DISTANCE TIME	X X	254 .64	300 .63	1200 1.50	146 .73	323 1.17
FRANCE	DISTANCE TIME		X X	400 1.00	300 1.00	567 1.11	400 1.00
GERMANY	DISTANCE TIME			X X	600 1.00	389 .71	800 1.5
ITALY	DISTANCE TIME				X X	1800 1.50	650 2.00
NETHERLANDS	DISTANCE TIME					X X	338 1.25
UK	DISTANCE TIME						X X

ANNEX XI

EMPTY STATISTICS

- **COST OF EMPTIES BY COUNTRY**
- **NUMBER OF EMPTY JOURNEYS BY ROUTE**
- **EMPTY AND LOADED JOURNEYS BY HAULIER NATIONALITY**
- **EMPTY AND LOADED JOURNEYS BY COUNTRY**

COST OF EMPTIES BY COUNTRY - BELGIUM

<u>Cost %</u>	<u>No of vehicles</u>					
	<u>Hire and reward</u>			<u>Own Account</u>		
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>
Incomplete data	0	0	2	2	1	1
No empty moves	0	0	4	1	0	0
Below 1	0	0	0	0	1	0
1-5	0	1	2	0	0	0
5-10	0	0	0	0	0	0
Over 10	0	0	2	1	0	0
	0	1	10	4	2	1

COST OF EMPTIES BY COUNTRY - FRANCE

<u>Cost %</u>	<u>No of vehicles</u>					
	<u>Hire and reward</u>			<u>Own Account</u>		
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>
Incomplete data	2	4	4	0	0	0
No empty moves	1	1	4	0	0	0
Below 1	0	1	0	0	0	0
1-5	0	0	1	0	0	0
5-10	0	0	0	0	0	0
Over 10	0	0	1	0	0	0
	3	6	10	0	0	0

COST OF EMPTIES BY COUNTRY - WEST GERMANY

<u>Cost %</u>	<u>No of vehicles</u>					
	<u>Hire and reward</u>			<u>Own Account</u>		
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>
Incomplete data	1	0	1	0	0	0
No empty moves	0	0	1	0	0	0
Below 1	0	0	0	0	0	0
1-5	0	0	0	0	0	0
5-10	0	0	0	0	0	0
Over 10	0	0	1	0	0	0
	1	0	3	0	0	0

COST OF EMPTIES BY COUNTRY - ITALY

<u>Cost %</u>	<u>No of vehicles</u>					
	<u>Hire and reward</u>			<u>Own Account</u>		
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>
Incomplete data	0	0	2	3	0	2
No empty moves	0	0	1	0	0	0
Below 1	0	0	0	0	0	0
1-5	0	0	0	0	0	0
5-10	0	0	0	0	0	0
Over 10	1	0	0	0	0	0
	1	0	3	3	0	2

COST OF EMPTIES BY COUNTRY - NETHERLANDS

<u>Cost %</u>	<u>No of vehicles</u>					
	<u>Hire and reward</u>			<u>Own Account</u>		
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>
Incomplete data	0	0	2	3	0	2
No empty moves	0	1	1	0	0	0
Below 1	0	0	0	0	0	0
1-5	1	1	1	0	0	0
5-10	0	0	0	0	0	0
Over 10	1	0	1	0	0	0
	2	2	5	3	0	2

COST OF EMPTIES BY COUNTRY - UK

<u>Cost %</u>	<u>No of vehicles</u>					
	<u>Hire and reward</u>			<u>Own Account</u>		
	<u>1-5</u>	<u>6-10</u>	<u>11+</u>	<u>1-5</u>	<u>6-10</u>	<u>11+</u>
Incomplete data	0	0	0	0	0	0
No empty moves	2	1	8	0	0	0
Below 1	0	0	5	0	0	0
1-5	0	0	3	0	0	0
5-10	0	0	0	0	0	0
Over 10	0	0	2	0	0	0
	2	1	18	0	0	0

NUMBER OF EMPTY JOURNEYS BY ROUTE

TO -> FROM	BELGIUM	FRANCE	GERMANY	ITALY	NETHERLANDS	UK
BELGIUM	X	218	115	0	647	20
FRANCE	3734	X	7108	0	3955	2920
GERMANY	1170	7044	X	0	4735	137
ITALY	430	50	100	X	200	20
NETHERLANDS	1325	3938	2577	0	X	2
UK	748	2139	698	760	916	X

BELGIAN HAULIER MOVEMENTS TO OTHER COUNTRIES
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

TO -> DIRECTION	BELGIUM		FRANCE		GERMANY		ITALY		NETHERLANDS		UK	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	1398 2806	1408	1009 7925	6916	66 7497	7431	50 12530	12480	739 5454	4715	0 390	390
EMPTY O/W TOTAL	0 0	0	3 203	200	0 100	100	0 0	0	0 0	0	0 0	0
TOTAL	1398 2806	1408	1012 8128	7116	66 7597	7531	50 12530	12480	739 5454	4715	0 390	390
% EMPTY O/W	0 0	0	0 2	3	0 1	1	0 0	0	0 0	0	0 0	0
LOADED RET TOTAL	1098 1198	100	461 4404	3943	29 6437	6408	50 12525	12475	331 4281	3950	0 350	350
EMPTY RET TOTAL	300 1608	1308	551 3724	3173	37 1160	1123	0 5	5	408 1173	765	0 40	40
TOTAL	1398 2806	1408	1012 8128	7116	66 7597	7531	50 12530	12480	739 5454	4715	0 390	390
% EMPTY RET	21 57	93	54 46	45	56 15	15	0 0	0	55 22	16	0 10	10

FRENCH HAULIER MOVEMENTS TO OTHER COUNTRIES
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

TO -> DIRECTION	BELGIUM		FRANCE		GERMANY		ITALY		NETHERLANDS		UK	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	0	2159	0	7040	0	31402	0	1819	0	16738	0	9712
		2159		7040		31402		1819		16738		9712
EMPTY O/W TOTAL	0	10	0	2000	0	6933	0	0	0	3780	0	2900
		10		2000		6933		0		3780		2900
TOTAL	0	2169	0	9040	0	38335	0	1819	0	20518	0	12612
		2169		9040		38335		1819		20518		12612
% EMPTY O/W	0	0	0	22	0	18	0	0	0	18	0	23
		0		22		18		0		18		23
LOADED RET TOTAL	0	2139	0	6540	0	31392	0	1817	0	16583	0	9707
		2139		6540		31392		1817		16583		9707
EMPTY RET TOTAL	0	15	0	2500	0	6944	0	0	0	3935	0	1905
		15		2500		6944		0		3935		1905
TOTAL	0	2154	0	9040	0	38336	0	1817	0	20518	0	11612
		2154		9040		38336		1817		20518		11612
% EMPTY RET	0	1	0	28	0	18	0	0	0	19	0	16
		1		28		18		0		19		16

GERMAN HAULIER MOVEMENTS TO OTHER COUNTRIES
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

TO -> DIRECTION	BELGIUM		FRANCE		GERMANY		ITALY		NETHERLANDS		UK	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	0	930	0	2250	0	0	0	0	0	1100	0	100
EMPTY O/W TOTAL	0	10	0	100	0	0	0	0	0	50	0	20
TOTAL	0	940	0	2350	0	0	0	0	0	1150	0	120
% EMPTY O/W	0	1	0	4	0	0	0	0	0	4	0	17
LOADED RET TOTAL	0	920	0	2175	0	0	0	0	0	1075	0	90
EMPTY RET TOTAL	0	15	0	175	0	0	0	0	0	75	0	180
TOTAL	0	935	0	2350	0	0	0	0	0	1150	0	270
% EMPTY RET	0	2	0	7	0	0	0	0	0	7	0	67

ITALIAN HAULIER MOVEMENTS TO OTHER COUNTRIES
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

TO --> DIRECTION	BELGIUM		FRANCE		GERMANY		ITALY		NETHERLANDS		UK	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	0	25	0	230	0	27	820	820	0	0	0	1860
EMPTY O/W TOTAL	0	425	0	50	0	100	143	14	0	0	0	0
TOTAL	0	450	0	280	0	37	963	96	0	0	0	1860
% EMPTY O/W	0	94	0	18	0	27	15	15	0	0	0	0
LOADED RET TOTAL	0	450	0	280	0	33	820	820	0	315	0	5600
EMPTY RET TOTAL	0	0	0	0	0	0	60	60	0	0	0	640
TOTAL	0	450	0	280	0	33	880	88	0	315	0	6240
% EMPTY RET	0	0	0	0	0	0	7	7	0	0	0	10

DUTCH HAULIER MOVEMENTS TO OTHER COUNTRIES
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

TO -> DIRECTION	BELGIUM		FRANCE		GERMANY		ITALY		NETHERLANDS		UK	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	1631 9253	7622	94 2921	2827	4657 27	22786	0 1640	1640	0 80	800	1 651	650
EMPTY O/W TOTAL	2 152	150	3 3	0	2 25	2500	0 0	0	0 0	0	2 2	0
TOTAL	1633 9405	7772	97 2924	2827	4659 299	25286	0 16	1640	0 80	800	3 653	650
% EMPTY O/W	0 2	2	3 0	0	0 8	10	0 0	0	0 0	0	67 0	0
LOADED RET TOTAL	1207 8758	7551	80 2749	2669	3659 252	21601	0 1440	1440	0 800	800	3 548	545
EMPTY RET TOTAL	426 64	221	17 17	158	1000 46	3685	0 20	200	0 0	0	0 105	105
TOTAL	1633 9405	7772	97 2924	2827	4659 29945	25286	0 1640	1640	0 800	800	3 653	650
% EMPTY RET	26 7	3	18 6	6	21 16	15	0 12	12	0 0	0	0 16	16

BRITISH HAULIER MOVEMENTS TO OTHER COUNTRIES
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

TO -> DIRECTION	BELGIUM		FRANCE		GERMANY		ITALY		NETHERLANDS		UK	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	0 1989	1989	0 4137	4137	0 29	2998	0 5172	5172	0 13	1344	0 2305	2305
EMPTY O/W TOTAL	0 708	708	0 23	234	0 51	518	0 12	120	0 81	811	0 10	100
TOTAL	0 2697	2697	0 4371	4371	0 35	3516	0 52	5292	0 21	2155	0 2405	2405
% EMPTY O/W	0 26	26	0 5	5	0 15	15	0 2	2	0 38	38	0 4	4
LOADED RET TOTAL	0 2677	2677	0 4051	4051	0 33	3399	0 5272	5272	0 2155	2155	0 2185	2185
EMPTY RET TOTAL	0 20	20	0 20	20	0 11	117	0 20	20	0 0	0	0 220	220
TOTAL	0 26	2697	0 40	4071	0 35	3516	0 52	5292	0 21	2155	0 24	2405
% EMPTY RET	0 1	1	0 0	0	0 3	3	0 0	0	0 0	0	0 9	9

DIFFERENT NATIONALITY HAULIER MOVEMENTS TO AND FROM BELGIUM
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

NATIONALITY DIRECTION	DOMESTIC		FRENCH		GERMAN		ITALIAN		DUTCH		BRITISH	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	1398 2806	1408	0 2139	2139	0 920	920	0 450	450	1207 8758	7551	0 2677	2677
EMPTY O/W TOTAL	0 0	0	0 15	15	0 15	15	0 0	0	426 647	221	0 20	20
TOTAL	1398 2806	1408	0 2154	2154	0 935	935	0 450	450	1633 9405	7772	0 2697	2697
% EMPTY O/W	0 0	0	0 1	1	0 2	2	0 0	0	26 7	3	0 1	1
LOADED RET TOTAL	1098 1198	100	0 2159	2159	0 930	930	0 25	25	1631 9253	7622	0 1989	1989
EMPTY RET TOTAL	300 1608	1308	0 10	10	0 10	10	0 425	425	2 152	150	0 708	708
TOTAL	1398 2806	1408	0 2169	2169	0 940	940	0 450	450	1633 9405	7772	0 2697	2697
% EMPTY RET	21 57	93	0 0	0	0 1	1	0 94	94	0 2	2	0 26	26

DIFFERENT NATIONALITY HAULIER MOVEMENTS TO AND FROM FRANCE
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

NATIONALITY DIRECTION	BELGIAN		DOMESTIC		GERMAN		ITALIAN		DUTCH		BRITISH	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	461 4404	3943	0 7040	7040	0 2175	2175	0 280	280	80 2749	2669	0 4051	4051
EMPTY O/W TOTAL	551 3724	3173	0 2000	2000	0 175	175	0 0	0	17 175	158	0 20	20
TOTAL	1012 8128	7116	0 9040	9040	0 2350	2350	0 280	280	97 2924	2827	0 4071	4071
% EMPTY O/W	54 46	45	0 22	22	0 7	.7	0 0	0	18 6	6	0 0	0
LOADED RET TOTAL	1009 7925	6916	0 6540	6540	0 2250	2250	0 230	230	94 2921	2827	0 4137	4137
EMPTY RET TOTAL	3 203	200	0 2500	2500	0 100	100	0 50	50	3 3	0	0 234	234
TOTAL	1012 8128	7116	0 9040	9040	0 2350	2350	0 280	280	97 2924	2827	0 4371	4371
% EMPTY RET	0 2	3	0 28	28	0 4	4	0 18	18	3 0	0	0 5	5

DIFFERENT NATIONALITY HAULIER MOVEMENTS TO AND FROM GERMANY
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

NATIONALITY DIRECTION	BELGIAN		FRENCH		DOMESTIC		ITALIAN		DUTCH		BRITISH	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	29 6437	6408	0 31392	31392	0 0	0	0 330	330	3659 25260	21601	0 3399	3399
EMPTY O/W TOTAL	37 1160	1123	0 6944	6944	0 0	0	0 0	0	1000 4685	3685	0 117	117
TOTAL	66 7597	7531	0 38336	38336	0 0	0	0 330	330	4659 29945	25286	0 3516	3516
% EMPTY O/W	56 15	15	0 18	18	0 0	0	0 0	0	21 16	15	0 3	3
LOADED RET TOTAL	66 7497	7431	0 31402	31402	0 0	0	0 272	272	4657 27443	22786	0 2998	2998
EMPTY RET TOTAL	0 100	100	0 6933	6933	0 0	0	0 100	100	2 2502	2500	0 518	518
TOTAL	66 7597	7531	0 38335	38335	0 0	0	0 372	372	4659 29945	25286	0 3516	3516
% EMPTY RET	0 1	1	0 18	18	0 0	0	0 27	27	0 8	10	0 15	15

DIFFERENT NATIONALITY HAULIER MOVEMENTS TO AND FROM ITALY
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

NATIONALITY DIRECTION	BELGIAN		FRENCH		GERMAN		DOMESTIC		DUTCH		BRITISH	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W	50	12475	0	1817	0	0	820	0	0	1440	0	5272
TOTAL		12525		1817		0		820		1440		5272
EMPTY O/W	0	5	0	0	0	0	143	0	0	200	0	20
TOTAL		5		0		0		143		200		20
TOTAL	50	12480	0	1817	0	0	963	0	0	1640	0	5292
		12530		1817		0		963		1640		5292
% EMPTY O/W	0	0	0	0	0	0	15	0	0	12	0	0
		0		0		0		15		12		0
LOADED RET	50	12480	0	1819	0	0	820	0	0	1640	0	5172
TOTAL		12530		1819		0		820		1640		5172
EMPTY RET	0	0	0	0	0	0	60	0	0	0	0	120
TOTAL		0		0		0		60		0		120
TOTAL	50	12480	0	1819	0	0	880	0	0	1640	0	5292
		12530		1819		0		880		1640		5292
% EMPTY RET	0	0	0	0	0	0	7	0	0	0	0	2
		0		0		0		7		0		2

DIFFERENT NATIONALITY HAULIER MOVEMENTS TO AND FROM NETHERLANDS
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

NATIONALITY DIRECTION	BELGIAN		FRENCH		GERMAN		ITALIAN		DOMESTIC		BRITISH	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W	331	3950	0	16583	0	1075	0	315	0	800	0	2155
TOTAL		4281		16583		1075		315		800		2155
EMPTY O/W	408	765	0	3935	0	75	0	0	0	0	0	0
TOTAL		1173		3935		75		0		0		0
TOTAL	739	4715	0	20518	0	1150	0	315	0	800	0	2155
		5454		20518		1150		315		800		2155
% EMPTY O/W	55	16	0	19	0	7	0	0	0	0	0	0
		22		19		7		0		0		0
LOADED RET	739	4715	0	16738	0	1100	0	0	0	800	0	1344
TOTAL		5454		16738		1100		0		800		1344
EMPTY RET	0	0	0	3780	0	50	0	0	0	0	0	811
TOTAL		0		3780		50		0		0		811
TOTAL	739	4715	0	20518	0	1150	0	0	0	800	0	2155
		5454		20518		1150		0		800		2155
% EMPTY RET	0	0	0	18	0	4	0	0	0	0	0	38
		0		18		4		0		0		38

DIFFERENT NATIONALITY HAULIER MOVEMENTS TO AND FROM UK
SPLIT BY OWN ACCOUNT AND HIRE & REWARD

NATIONALITY DIRECTION	BELGIAN		FRENCH		GERMAN		ITALIAN		DUTCH		DOMESTIC	
	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R	OWN ACC	H&R
LOADED O/W TOTAL	0	350	0	9707	0	90	0	5600	3	545	0	2305
		350		9707		90		5600		548		2305
EMPTY O/W TOTAL	0	40	0	1905	0	180	0	640	0	105	0	100
		40		1905		180		640		105		100
TOTAL	0	390	0	11612	0	270	0	6240	3	650	0	2405
		390		11612		270		6240		653		2405
% EMPTY O/W	0	10	0	16	0	67	0	10	0	16	0	4
		10		16		67		10		16		4
LOADED RET TOTAL	0	390	0	9712	0	100	0	1860	1	650	0	2185
		390		9712		100		1860		651		2185
EMPTY RET TOTAL	0	0	0	2900	0	20	0	0	2	0	0	220
		0		2900		20		0		2		220
TOTAL	0	390	0	12612	0	120	0	1860	3	650	0	2405
		390		12612		120		1860		653		2405
% EMPTY RET	0	0	0	23	0	17	0	0	67	0	0	9
		0		23		17		0		0		9

ANNEX XII

REASONS FOR EMPTY JOURNEYS

- **MOST IMPORTANT REASONS BY HAULIER NATIONALITY**
- **SIGNIFICANT REASONS BY HAULIER NATIONALITY**

THE MOST IMPORTANT REASONS FOR EMPTY MOVES SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	20	0	0	7	4	0	0
FRENCH	13	5	3	7	0	0	0
GERMAN	5	3	4	4	1	0	1
ITALIAN	0	5	0	5	0	0	0
DUTCH	14	2	0	2	4	0	0
BRITISH	20	4	1	8	4	0	0
TOTAL	72	19	8	33	13	0	1
%	49	13	5	23	9	0	1

THE MOST IMPORTANT REASONS FOR EMPTY MOVES TO & FROM BELGIUM
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	X	X	X	X	X	X	X
FRENCH	2	1	1	2	0	0	0
GERMAN	1	1	1	1	0	0	0
ITALIAN	0	1	0	1	0	0	0
DUTCH	4	1	0	1	1	0	0
BRITISH	3	1	0	1	2	0	0

THE MOST IMPORTANT REASONS FOR EMPTY MOVES TO & FROM FRANCE
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	3	0	0	2	1	0	0
FRENCH	X	X	X	X	X	X	X
GERMAN	1	1	1	1	0	0	0
ITALIAN	0	1	0	1	0	0	0
DUTCH	3	0	0	0	1	0	0
BRITISH	5	1	0	2	0	0	0

THE MOST IMPORTANT REASONS FOR EMPTY MOVES TO & FROM GERMANY
 SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	5	0	0	1	2	0	0
FRENCH	2	1	1	2	0	0	0
GERMAN	X	X	X	X	X	X	X
ITALIAN	0	1	0	1	0	0	0
DUTCH	2	1	0	0	1	0	0
BRITISH	5	1	0	2	1	0	0

THE MOST IMPORTANT REASONS FOR EMPTY MOVES TO & FROM ITALY
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATIBLE	CUSTOMER RELATED	OTHER
BELGIAN	4	0	0	1	0	0	0
FRENCH	2	1	1	2	0	0	0
GERMAN	0	0	1	0	0	0	0
ITALIAN	X	X	X	X	X	X	X
DUTCH	2	0	0	0	1	0	0
BRITISH	4	1	1	2	0	0	0

THE MOST IMPORTANT REASONS FOR EMPTY MOVES TO & FROM NETHERLANDS
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	5	0	0	2	1	0	0
FRENCH	3	1	0	1	0	0	0
GERMAN	1	1	1	1	0	0	0
ITALIAN	0	1	0	1	0	0	0
DUTCH	X	X	X	X	X	X	X
BRITISH	3	0	0	1	1	0	0

THE MOST IMPORTANT REASONS FOR EMPTY MOVES TO & FROM UK
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	3	0	0	1	0	0	0
FRENCH	4	1	0	0	0	0	0
GERMAN	2	0	0	1	1	0	1
ITALIAN	0	1	0	1	0	0	0
DUTCH	3	0	0	1	0	0	0
BRITISH	X	X	X	X	X	X	X

SIGNIFICANT REASONS FOR EMPTY MOVES SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	8	5	1	11	9	16	5
FRENCH	5	0	3	13	8	8	5
GERMAN	1	4	0	0	1	0	0
ITALIAN	5	0	5	0	0	0	0
DUTCH	0	1	0	3	4	3	0
BRITISH	0	1	4	0	9	5	0
TOTAL	19	11	13	27	31	32	10
%	13	8	9	19	22	22	7

SIGNIFICANT REASONS FOR EMPTY MOVES TO & FROM BELGIUM
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATIBLE	CUSTOMER RELATED	OTHER
BELGIAN	X	X	X	X	X	X	X
FRENCH	1	0	0	2	1	1	1
GERMAN	0	1	0	0	0	0	0
ITALIAN	1	0	1	0	0	0	0
DUTCH	0	0	0	1	1	1	0
BRITISH	0	0	1	0	2	1	0

SIGNIFICANT REASONS FOR EMPTY MOVES TO & FROM FRANCE
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	2	2	0	3	3	5	1
FRENCH	X	X	X	X	X	X	X
GERMAN	0	1	0	0	0	0	0
ITALIAN	1	0	1	0	0	0	0
DUTCH	0	1	0	1	1	1	0
BRITISH	0	1	1	0	2	1	0

SIGNIFICANT REASONS FOR EMPTY MOVES TO & FROM GERMANY
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	2	2	0	4	2	4	1
FRENCH	1	0	1	3	2	2	1
GERMAN	X	X	X	X	X	X	X
ITALIAN	1	0	1	0	0	0	0
DUTCH	0	0	0	1	1	1	0
BRITISH	0	0	1	0	2	1	0

SIGNIFICANT REASONS FOR EMPTY MOVES TO & FROM ITALY
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	1	0	1	1	0	2	1
FRENCH	1	0	0	2	1	1	1
GERMAN	0	0	0	0	1	0	0
ITALIAN	X	X	X	X	X	X	X
DUTCH	0	0	0	0	1	0	0
BRITISH	0	0	1	0	1	1	0

SIGNIFICANT REASONS FOR EMPTY MOVES TO & FROM NETHERLANDS
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	2	1	0	3	3	3	1
FRENCH	1	0	1	3	2	2	1
GERMAN	0	1	0	0	0	0	0
ITALIAN	1	0	1	0	0	0	0
DUTCH	X	X	X	X	X	X	X
BRITISH	0	0	0	0	2	1	0

SIGNIFICANT REASONS FOR EMPTY MOVES TO & FROM UK
SPLIT BY HAULIER NATIONALITY

REASON -> HAULIER	AWARENESS	CABOTAGE RESTRICTIONS	PERMIT AVAILABILITY	UNPROFITABLE	INCOMPATABLE	CUSTOMER RELATED	OTHER
BELGIAN	1	0	0	0	1	2	1
FRENCH	1	0	1	3	2	2	1
GERMAN	1	1	0	0	0	0	0
ITALIAN	1	0	1	0	0	0	0
DUTCH	0	0	0	0	0	0	0
BRITISH	X	X	X	X	X	X	X

ANNEX XIII

FINDINGS IN USA

Infrastructure

In the absence of any clear precedents to illustrate the effects of market liberalisation, the USA trucking industry can be used for comparative purposes given the partial de-regulation that took place in 1980. The comparison is not precisely analogous for a number of reasons, which include the following:

- no authority is required for interstate moves as all that a haulier needs is an insurance certificate and bond which are easy to obtain: this differs from the quantitative restrictions enforced between many EC States through the permit system;
- there are no restrictions on cross-trading activities, again, differing markedly with the quota-driven EC market;
- some USA States, especially the larger ones for example Ohio and Texas, employ restrictive practices and the intrastate market is, in these cases, very difficult for non-resident hauliers to penetrate: this situation is very similar to the cabotage restrictions enforced in every Member State;
- there is a national (federal) vehicle tax levied across the USA but there are also State-wide fuel taxes and registration fees that differ between States: wages do not differ between States but are rather influenced by union membership or the distinction between own account and hire and reward: vehicle weights differ between States but are common on the Interstate highways: there is very little material difference in the level of tolls levied from State to State: whilst there are differences between States in USA they are not of the same scale as those found in EC and in addition, there are no currency differentials to distort prices: USA therefore does not represent the extremes nor the complexity of the EC market.

Bankruptcies

Immediately following the passage of the Motor Carrier Act in 1984 there was an increase in the number of motor carriers licensed, which rose to 18,000. By 1986 this figure had risen to 33,000. In particular this period was marked by the entry of a great number of small firms, some 10,000 in the period 1980-1984. A study carried out in 1984 looked at the "financial symptoms which

precede a motor carrier bankruptcy from 1974 to 1982" (Ref IV below). This study considered the characteristics of motor carriers becoming bankrupt in the period 1974-79 and 1980-82 to test the assertion that the Motor Carrier Act (MCA) adversely impacted small firms.

One key difference that emerged was that the firms failing in the post-MCA period had much higher wage levels than their "successful" counterparts. One major impact of the MCA was to rapidly erode the power of the unions over manning and wage levels and it appears that those least able to respond to this changing environment, paid the penalty. The study also suggested that firms failing in the latter period were considerably larger than those in the pre-MCA phase and double the size of the successful firm in the post-MCA sample. This has some credibility in that it is often asserted that the "middle-sized" haulier has difficulty absorbing overheads and developing best commercial management practice in comparison to the small owner operators who retain their flexibility and operate with minimal overheads.

The study suggests that whilst the MCA had a distinct impact on bankruptcies, it tended to affect those unable to react to the new environment rather than the small operator.

Marketing and Planning

A 1984 study by Booz, Allen and Hamilton found that the more successful motor carriers had a focus on marketing, customer service and diversification. Later studies of the deregulated railroad industry found that firms which changed strategies after deregulation outperformed those that did not.

The evidence gathered shows improvements in use of assets, an overall fall in operating expense per mile and a reduction in the purchase of assets. A point to note is that the insurance and safety expense is the lowest cost increase which might suggest that this operational aspect "suffered" more than others in the drive to reduce costs. There are rises in all the costs associated with marketing which suggests an emphasis on this activity.

Intrastate Operations

One reason used to justify regulated environments is that the profitability of motor carriers in deregulated environments falls to unacceptable levels and in addition that this will lead to a loss of service to small communities. It is generally agreed that intrastate rates are higher than those for equivalent interstate traffic in a regulated market. A study was conducted in Oregon (Ref IV), which has a policy of protecting established hauliers from new carriers, who have to prove "public convenience and necessity" before granting new licenses.

The analysis for the state of Oregon show that higher revenues are achieved for the intrastate moves but at the same time indicated that costs had also risen because of the restrictive operating regulations within the State. In overall terms, the study found that intrastate regulations did not protect haulier profits.

Improved Efficiency

A survey carried out for the Private Truck Council of America for the calendar year 1985 looked at 557 fleets and showed an average operating cost per mile was \$1.35, ranging from non-union company fleets at \$1.29 to \$1.52 for the unionised operations. Empty miles represented 22% of the miles driven.

In a 1987 review Morgan Keegan (Ref III) reviewed ten successful companies charging shippers between \$1.00 and \$1.10 per mile and running empty only 5-10% of the time.

The Texan Example

A recent study (Ref V) looked at the regulation of intrastate trucking in Texas to identify the impact this has on the industrial corporations operating there. It found evidence that the high intrastate rates made it easy for manufacturers and distributors to service the Texan market from outside its borders, indeed to the extent that the Texan agricultural sector is rendered uncompetitive against extrastate competition.

In Texas there is no rate flexibility, price competition being illegal, and the barriers to entry for new operators are extremely high. A survey of 2,700 Texan manufacturers was conducted which showed:

- 56% of respondents identified shipping costs as the second most critical factor affecting company performance.
- 72% reported that price competitiveness was adversely affected by the differential in intra and interstate rates: of a total production value of \$18.1 billion it was estimated that intrastate trucking accounts for \$3.4 billion. From this it is estimated that the direct burden on Texan businesses and consumers is in the order of \$1 billion annually.

In addition, regulation improves the economics of own account fleets and a survey in 1986 showed that nearly 70% of cargo moved by own account, more than double the expected figure. This increases the number of trucks needed to service the cargo volume moving. The study also found that jobs were being lost in manufacturing and distribution to nearby states and that significant tax revenues were being lost to the state.

In opposition to this the Texan trucking industry used a number of arguments to defend regulation:

- protecting service levels: however, a 1985 DOT survey found only 2 per cent of respondents indicating a worsening of service;
- concentration of services: however, the number of trucking companies has increased;
- unemployment: although trucking employees grew from 1.3 million in 1978 to 1.6 million in 1985.
- road safety: yet reported accidents per annum fell after the passing of the MCA.

Two states with total de-regulation on intrastate trucking are Florida and Arizona and surveys there seem to indicate:

- high service levels;
- good service to outlying "small communities";
- high preference levels from shippers/consignees for de-regulation;
- overall increase in carriers.

We have drawn our material from a number of sources, in particular:

References used

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TABLE 1: COST AND EFFICIENCY DIMENSION

VARIABLE	1977 MEAN	1984 MEAN	PERCENT CHANGE
OPERATING EXPENSE PER TON MILE	.236	.467	97.9
OPERATING EXPENSE PER VEHICLE MILE	2.25	3.60	60.0
PICK UP AND DELIVERY EXPENSE PER TON	16.8	34.2	103.6
INSURANCE AND SAFETY EXPENSE PER 100 VEHICLE MILES	2.41	3.71	54.2
GENERAL AND ADMINISTRATIVE EXPENSE PER 100 TON MILES	1.37	2.97	116.8
MAINTENANCE EXPENSE PER 100 VEHICLE MILES	5.45	9.28	70.3
PERCENT OWNED VEHICLE MILES	83.1	79.6	-4.2
VEHICLE MILES PER TRUCK	39902	40539	1.6
TRUCKS PURCHASED AS PERCENTAGE OF TOTAL TRUCKS	14.2	11.0	-22.5

TABLE 2: DIFFERENTIATION DIMENSION

VARIABLE	1977 MEAN	1984 MEAN	PERCENT CHANGE
TARIFFS AND SCHEDULES AS PERCENTAGE OF OPERATING EXP.	.200	.265	32.5
ADVERTISING AS PERCENTAGE OF OPERATING EXPENSES	.119	.161	35.3
COMMISSIONS AND AGENT FEES AS PERCENTAGE OF OPERATING EXP.	1.61	2.42	50.3
COMMUNICATIONS AS A PERCENTAGE OF OPERATING EXPENSES	1.03	1.38	34.0

SOURCE: MOTOR CARRIER ANNUAL REPORTS AS FILED WITH THE INTERSTATE COMMERCE COMMISSION (Ref IV below)

- I -

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