



COMMISSION OF THE EUROPEAN COMMUNITIES

**Brussels, 30.04.1997
COM(97) 188 final**

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

**ACTION PLAN FOR TRANSIT IN EUROPE
A NEW CUSTOMS POLICY**

CONTENTS

1. TRANSIT, A KEY INSTRUMENT OF TRADE AND ECONOMIC INTEGRATION EUROPE-WIDE.....	3
2. DECISIVE ACTION TO SAFEGUARD A SYSTEM UNDER THREAT	4
3. THE WEAKNESSES OF THE SYSTEM.....	6
4. THE SYSTEM'S LIABILITIES: OUTSTANDING DEBTS	6
5. THE MAIN THRUST OF THE ACTION PLAN	7
6. IMPROVING CUSTOMS' SERVICES ORGANIZATION AND COOPERATION	8
7. MOVING TOWARDS A EUROPE-WIDE SYSTEM.....	9
8. SPECIFIC MANAGEMENT AND CONTROL PROJECTS FOR THE TRANSIT SYSTEM	10
9. THE KEY TO SUCCESS: COMMITTING ALL PLAYERS TO THE REFORM OF TRANSIT.....	10
10. FUTURE-PROOFING THE SYSTEM: ADAPTING TO PERMANENT CHANGE.....	11
ANNEX: ACTION PLAN FOR THE TRANSIT SYSTEM	

1. TRANSIT, A KEY INSTRUMENT OF TRADE AND ECONOMIC INTEGRATION EUROPE-WIDE

1.1. Customs transit is one of the cornerstones of European integration and an issue of vital interest to European businesses. It enables goods to move much more freely and makes customs clearance formalities much more accessible by providing for the temporary suspension of duties and taxes normally applied to imported goods moving inside the Community (Community transit), or between the Community and its EFTA and Visegrad partner countries (via the Common Transit Convention), or among the 59 states that are now contracting parties to the TIR Convention.

1.2. Access to the common transit system is a key component in the pre-accession strategies for Central and Eastern European countries defined following the Europe (Association) Agreements and the Commission's White Paper on the subject. Four Visegrad countries have already joined the system, which gives them a practical framework for preparing their future accession to the EU. For other countries that have applied to join, it is in their own interest to ensure that the system is capable of accommodating them under the best possible circumstances. Only a reformed and computerized customs transit system can provide that assurance.

1.3. Some 18 million Community and common transit documents and one million TIR carnets (of the 2 to 3 millions used between all the Contracting parties to the Convention) are issued in Europe every year, covering vast quantities of goods and accounting for billions of ecus in duty and taxes alone. The transit systems therefore need to be adapted to cope with the demands of modern business and reformed to reduce the risk of fraud.

1.4. In recent years transit fraud has become a considerable drain on the Community and national budgets, and has led to illegal trafficking on the European market in untaxed and totally uncontrolled goods, jeopardizing not only the competitiveness of European businesses but the health and safety of our citizens.

1.5. This alarming state of affairs, highlighted by the Commission in three communications to Parliament and the Council in 1995 and 1996 and by the Court of Auditors in its report on transit in 1994, was confirmed by Parliament's Committee of Inquiry into the Community Transit System, which greatly contributed to convincing the system's administrators and users of the urgent need for radical action to save customs transit in Europe, to restore the economic advantages of the system and make it more secure again by providing mechanisms which would ensure better protection against the risks involved.

1.6. With this communication to the Council and Parliament, which is also aimed at users and administrators of the transit system, the Commission means to translate its commitment to thoroughgoing, balanced and realistic reform of customs transit systems into action. The Commission's action plan for the transit system, annexed to the communication, will provide a basis and a permanent point of reference for the range of proposals that it will put forward and initiatives that it will take.

1.7. The action plan's adoption follows the presentation to Parliament, at the plenary session of 12 March 1997, of a report by Parliament's Committee of Inquiry on transit, adopted on 19 February.¹ In a recommendation of 13 March 1997, Parliament called on the Commission, the Council and the Member States to see to it that the Committee's conclusions were acted upon. The work of the Committee of Inquiry, together with its conclusions and recommendations, was instrumental in the Commission's own policy review; it has greatly contributed to bringing out the full political implications of what is rather a technical subject, and placing it in the wider context of EU customs policy and customs cooperation between states.

1.8. The reform of customs transit procedures in Europe is a task tailor-made for the Customs 2000 programme for customs in the Community,² which has highlighted the increasing need for European customs administrations to work closely together so as to form something like a single Community administration, and has put forward a number of mechanisms for achieving this objective. Adopting the Customs 2000 Decision last December, Parliament and the Council underlined the importance to the internal market and to European citizens of having an active and effective customs policy to boost international trade while offering high standards of protection at all points of the external border.

1.9. Transit reform is only one outward sign, albeit in a critical area, of the Commission's wider drive to define and pursue common policies for implementing the law on customs and indirect taxation and combating customs and tax fraud. At a purely Community level, in addition to the Customs 2000 programme, this proactive stance is evident from the Customs 2000 "Mark Two" programme on customs computerization, the Fiscalis programme to develop cooperation on indirect taxation, and the formation of a High-Level Working Group bringing together the Member States' customs and tax administrations, chaired by the Commission, to discuss fraud prevention with regard to tobacco products and alcohol.

2. DECISIVE ACTION TO SAFEGUARD A SYSTEM UNDER THREAT

2.1. The swift and irresistible growth of trade in recent years, particularly with Central and Eastern Europe, has drawn criminals' attention to the profits to be made from a system which offers ease of access not matched by prevention and control measures.

2.2. International criminal organizations have exploited weaknesses in transit procedures to evade government surveillance of considerable quantities of high-tax products such as cigarettes and alcohol.

¹ "Report on the Community Transit System" by the European Parliament's Committee of Inquiry into the Community Transit System (Doc. PE 220.895 of 20 February 1997).

² Decision No 210/97/EC of the European Parliament and of the Council of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000): OJ L 33, 4.2.1997.

2.3. The revenue lost to the Community and national budgets has been estimated by the Commission, on the basis of Member States' reports of fraud cases to do with transit,³ at some ECU 1.27 billion over the seven years 1990-1996, including ECU 485 million in conventional own resources and 784 million in national taxes. In 1996, reported fraud accounted for ECU 78 million in own resources and ECU 216 million in national taxes (mostly on cigarettes), or a total of ECU 294 million altogether, compared with ECU 225 million in 1995. The situation is still worrying, in other words. In terms of own resources, transit fraud accounted for only 17% of the ECU 448 million in fraud reported under mutual assistance arrangements in 1996. Because excise duties are so much higher, however, transit's share of fraud on duties and taxes on cigarettes alone for the same year accounted for 38% of the total of ECU 773 million. The full extent of fraud, including undetected fraud, is almost certainly far greater.

2.4. Fraud on this scale is not simply a fiscal problem; it causes economic damage and may even pose health threats: directly or indirectly, it interferes with honest traders' operations and the facilities they are offered, and by illicitly supplying the market it not only competes unfairly with legal products but may jeopardize consumer health and safety. Ultimately, Europe's citizens lose out, as producers, traders, consumers and taxpayers, for the revenue lost to the Member States and the Community has to be compensated for in some other way. It would therefore be short-sighted – both in purely budgetary terms and in terms of combating organized crime – not to devote resources to effective action or to invest in combating fraud.

2.5. In the light of its own findings and those of the Court of Auditors, the Commission took it upon itself to tackle the problem in its first communication of 29 March 1995, "Fraud in the transit procedure, solutions foreseen and perspectives for the future."⁴

2.6. With the Member States' approval, it then adopted a number of immediate measures designed to counter the threat to the Community's and the Member States' financial and economic interests, and developed an ambitious plan to computerize the transit system. Its communication of 3 April 1996, "Commission action to counter transit fraud",⁵ set out a programme for the adoption of the measures, most of which are not in place, and spelled out the need for a thorough overhaul of the legislation and the way it is implemented.

2.7. The Commission has since undertaken a thorough analysis of the situation and the weaknesses of the transit system, in close consultation with all the public and private players in the field, with a view to establishing clear guidelines for comprehensive reform. This analysis resulted in an Interim Report, which was annexed to its communication of 9 October 1996.⁶

³ Under Regulation (EEC) No 1468/81 (mutual assistance), to be superseded by Regulation (EC) No 515/97 with effect from 13 March 1998 (see note 9), or under Regulation (EEC) No 1552/89 (the Community's own resources – fraud cases involving amounts over ECU 10 000).

⁴ COM(95) 108 final.

⁵ SEC(96) 290 final.

⁶ COM(06) 477 final.

2.8. This latest communication and the attached action plan are the result of that process of analysis and wide consultation of all the players in the transit system to thrash out guidelines for the reform. The process culminated in the Euro Transit conference held in February 1997, which provided a forum for users and administrators of the system to air their expectations with regard to the intrinsic weaknesses of the transit system, but also with regard to the serious shortcomings of the general context and the customs structures within which the system works and upon which it depends.

3. THE WEAKNESSES OF THE SYSTEM

3.1. All parties agree that the present transit systems are plagued by problems:

- failures by both administrators and users to comply with existing rules and obligations, not only because of certain problems legally interpreting and applying them in practice but also because the will to act (and to allocate sufficient resources so that people can do their jobs properly) is lacking;
- the lack of concerted action by and coordination of the many administrations and offices involved and poor exploitation of existing arrangements for cooperation – structural weaknesses that are by no means unique to transit;
- the existence of different, ill-fitting systems, arising from the different legal frameworks and decision-making systems, which make the whole both complex and inflexible;
- failure to adapt the rules and procedures to allow them to deal swiftly, reliably and flexibly with large numbers of highly varied transit operations;
- failure to use available data, which, combined with a lack of complete and reliable information on the real economic and administrative impact of transit and on the operations themselves, makes it almost impossible to manage the system really effectively and appropriately or to prevent fraud with the help of risk analysis and targeted controls.

4. THE SYSTEM'S LIABILITIES: OUTSTANDING DEBTS

4.1. The fraud resulting from these weaknesses in the transit system and the various malfunctions to which they gave rise has left principals, in particular, facing mounting customs and fiscal debts. On the basis of information supplied by the Member States for the period 1990 to 1996, the Commission has estimated the total debt to be recovered – which is not necessarily equal to the total fraud – at some ECU 2 billion, one fifth of which is accounted for by conventional Community own resources (customs duty, etc.), the rest comprising national taxes (VAT, excise, etc.).

4.2. The business circles concerned, in view of the scale of the debts caused by fraud, have requested remission of the sums owing, or at least a moratorium for the time being.

4.3. In its recommendation No 27, Parliament's Committee of Inquiry on transit asked the Commission to consider writing off the debts "where these can be shown to be the result of maladministration" and, pending such arrangements, "a suspension of outstanding claims

of repayment dating from before the introduction of the 100% guarantee for sensitive goods”.

4.4. Where tax debts are concerned, it is for the Member States to which the relevant national revenue is owed to decide, under national legislation, how they should respond to such requests, as long as this is compatible with equivalent tax treatment, remains neutral as far as operators are concerned, and does not affect the VAT “own resources” base.

4.5. As to customs debt (the conventional “own resources” element of the outstanding debt), Community legislation, as it stands, does not allow blanket remission or even suspension. Any special dispensation to that effect would require fundamental changes to the system providing for the Community’s own resources, and would have highly deleterious economic and financial repercussions. While it gives the appearance of fairness, it would in fact have the opposite effect, since it would take no account of the wide variety of individual circumstances and cases concerned.

4.6. The Commission therefore rejects the idea of blanket remission of customs debts. It is, however, possible to deal with debtors’ individual circumstances under existing provisions of the Community Customs Code covering circumstances in which no deception or obvious negligence can be attributed to traders, in accordance with procedures handled at national level and, if necessary, pursued at Community level. It should be borne in mind, however, that the primary purpose of the rules of procedure for transit is not to reduce the principal’s commercial risks. “Maladministration”, therefore, is not necessarily a special circumstance within the meaning of the relevant provisions. In any event, the Community Customs Code also allows customs administrations to delay payment or settle in instalments.

4.7. It is therefore up to the administrations, particularly as regards deadlines for payment, to use the discretion given to them in Community and national legislation, having regard to the particular circumstances of the person liable in each case.

5. THE MAIN THRUST OF THE ACTION PLAN

5.1. The action plan hinges on a number of key concepts in response to the current system’s weaknesses:

- a simple and coherent system, which can be easily understood and applied by operators and customs officials;
- a system run using up-to-date procedures and tools for cooperation, relying on computerization and electronic data interchange;
- a system that can cope with a wide range of operations and situations;
- a system that incorporates coordinated fraud prevention and coverage of the sums actually at risk in its procedures,
- a system managed and evaluated with the aid of a proper reporting system, for both general and operational purposes.

5.2. This set of objectives must of course be translated into various initiatives applied not only to transit but to general customs policy and practice. The projects and reforms will cover both internal Community customs procedures and arrangements extending beyond the Community's customs territory. The main areas covered are outlined below. They form the core of the action plan annexed to the communication.

6. IMPROVING CUSTOMS' SERVICES ORGANIZATION AND COOPERATION

6.1. Bearing in mind that a single customs code would appear to imply a single customs service, it is important that the 15 customs administrations function as if they were one, as proposed in the Customs 2000 programme and called for by Parliament's Committee of Inquiry. The Commission will implement Customs 2000 as fully as possible, particularly as it refers to transit, by means of a plan covering all the potential projects to be launched in the five-year term of the programme, subject to revision each year by the Customs Policy Committee, bringing together the heads of the Member States' customs administrations and the Commission. The transit action plan will therefore represent one sectoral plan in a wider drive to improve the way customs function.

6.2. While the Commission should not, as a rule, interfere with the way Member States organize their own administrations and decide upon the responsibilities and powers of their officials, it is vitally important for both the EU and its Member States that fraud and organized crime are properly tackled in a consistent manner.

6.3. In addition to a substantial fraud prevention drive, there must be progress on developing a consistent policy with regard to tackling fraud cases if transit fraud is to be deterred, particularly when it is subject to transnational organized crime. Customs administrations should have primary responsibility for this policy with a view to combating major economic and financial crime, with specific assistance from the Commission, and support from police and justice officials where necessary.

6.4. The EU needs a criminal policy to help it establish proof, have cases pursued in a coordinated fashion, bring serious fraud cases before the criminal courts, particularly where they involve criminal organizations, and impose effective, proportionate and deterrent penalties on the organizers. The Commission's role should be to inform, assist, coordinate and push for action, so as to fulfil the duty given to it by Article 209A of the EC Treaty.

6.5. This would require the Member States to ratify the Convention on the protection of the European Communities' financial interests,⁷ and the relevant protocols on combating corruption of national civil servants and judicial cooperation in criminal cases.⁸ The policy to tackle fraud should enable an appropriate Europe-wide legal framework for the protection of European financial interests to be established in the longer term.

⁷ Council Act of 26 July 1995, OJ C 316, 27.11.1995.

⁸ For the first Protocol, see Council Act of 27 September 1996, OJ C 313, 23.10.1996.

6.6. In the short term it is vital to boost detection and exchange/act upon information more, by putting into practice new legal instruments such as Council Regulation (EC) No 515/97 of 13 March 1997, on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters;⁹ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996, concerning on-the-spot checks and inspections carried out by the Commission;¹⁰ Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995, on the protection of the European Communities' financial interests, which sets out administrative measures and penalties for irregularities with regard to Community law,¹¹ and the CIS Convention on the use of information technology for customs purposes,¹² which should be ratified with a view to cracking down on serious transit fraud.

6.7. This would give the EU basic tools to exchange information, foster judicial cooperation, establish criminal proof, pursue offences and have them punished by the national courts. It would require Commission assistance to ensure that it served the purposes and met the requirements of customs transit procedures applying in both EU and non-member countries. Such action should allow criminal cases of transit fraud, that deserve to be handled by the criminal courts, to be vigorously prosecuted and dealt with.

6.8. In this context, the fact that the EU Treaty contains different legal bases and instruments for action on customs and judicial cooperation should not undermine the ability of the Union to take effective action to fight against the fraud.

7. MOVING TOWARDS A EUROPE-WIDE SYSTEM

7.1. Growing trade and further economic and political integration between the EU and its European partners will make it increasingly difficult to manage three co-existing transit systems in Europe – Community transit, common transit and the TIR – effectively and securely. The success of measures to simplify transit management, such as the New Computerized Transit System, will largely be determined by efforts to integrate and possibly merge the Community and common transit systems. The Commission will put forward concrete proposals on the subject.

7.2. Relations with current partners in the common transit system will have to rely systematically on close cooperation and maximum use of the mutual assistance facilities now available. Any new applicants will have to prove that they are quite capable of handling the reformed, computerized system.

⁹ OJ L 82, 22.3.1997.

¹⁰ OJ L 292, 15.11.1996.

¹¹ OJ L 312, 23.12.1995.

¹² Council Act of 26 July 1995 drawing up the Convention on the use of information technology for customs purposes, OJ C 316, 27.11.1995.

8. SPECIFIC MANAGEMENT AND CONTROL PROJECTS FOR THE TRANSIT SYSTEM

8.1. The action plan at Annex, giving a breakdown of the various measures proposed and the Committee of Inquiry recommendations to which they correspond, is organized in a logical sequence reflecting the components of the transit operation and related activities:

- management of the transit procedure to restore confidence and ensure that the facilities granted to operators and the constraints imposed on them correspond to the degree of risk attached to their operations in practice;
- supervision of transit operations, with all players in the procedures accepting their respective responsibilities; for customs administrations, that means using and developing administrative cooperation arrangements to the full;
- fraud detection and law enforcement, coordinated checks, relying on more effective security measures and a common risk management policy, targeting of checks, the setting up of Community-wide mechanisms to detect fraud and irregularities, and the development of a legal framework conducive to stepping up law enforcement (see point 7 above);
- sound financial management of transit, which demands appropriate guarantees for the sums at stake, tailored to the operator's reliability and the risks of the operation, as well as effective mechanisms for recovering any sums ultimately owing, in the first instance from the persons who cause the customs or tax debts to be incurred;
- uniform application of the rules, which entails developing practical tools for training, and for putting the legislation and checks into practice, conducting effective checks to ensure that the rules are applied, and setting up a system of administrative customs penalties;
- effective monitoring and continuous evaluation of the customs systems and their reform.

9. THE KEY TO SUCCESS: COMMITTING ALL PLAYERS TO THE REFORM OF TRANSIT

9.1. The Commission hopes to pave the way for a thoroughgoing reform of the transit systems by setting out, in the action plan, the terms of reference for using its right of initiative, in accordance with its specific role as a Community institution.

9.2. The plan will not satisfy everyone involved in transit, and will naturally give rise to discussion and negotiations before decisions can be taken.

9.3. To this end, the relevant decision-making bodies for Community and common transit will be asked, within the timetable set out under the action plan, to state clearly their

positions on the Commission's proposals, on how responsibilities for the various tasks should be allocated and on the resources to be devoted to them.

9.4. However, once the decisions have been taken all parties will of course be called upon to play their part faithfully and in the common interest, by putting the measures into practice in their own particular field.

9.5. Each EU Member State and partner country in the common transit system will have to give a political commitment to find the resources needed to implement the measures they have jointly adopted in the most effective and efficient manner.

9.6. As transit "consumers", the system's users have a right to high-quality products and services. However, they must also accept their personal responsibility for way the system works. Consequently, transit reform must include a commitment from them to use the system honestly, accepting the responsibilities clearly laid down prior to each operation, as well as introducing structures which allow them to make their voice heard and to participate in ongoing evaluations of the system's performance. The definition of proposals will moreover take into consideration the impact of the envisaged measures on business, and in particular SME's.

9.7. As stated elsewhere, the Commission also intends to play its part as a Community institution by monitoring and evaluating implementation, in partnership with the Member States. It will, if necessary, use its powers under the Treaty to ensure compliance with the law. With the partner countries, it will also thrash out arrangements for jointly monitoring compliance with the provisions of international conventions on transit.

9.8. Customs administrations and the Commission will therefore have an internal instrument to measure the relevance and effectiveness of the measures applied, which will also assist with efforts to monitor the reforms and their implementation by the Court of Auditors and by Parliament's Committee on Budgetary Control, in line with the recommendations of the Committee of Inquiry on transit. The Commission will also provide regular progress reports to the Committee on Budgetary Control.

10. FUTURE-PROOFING THE SYSTEM: ADAPTING TO PERMANENT CHANGE

10.1. The backdrop to reform of the transit system is a constantly-changing world. If the system is to keep pace in future, that reform will have to reflect changes in the internal market and its tax implications, Treaty revisions resulting from the Intergovernmental Conference, the EU's future enlargement, the Community's rising internal and external trade and the persistent trend towards lower tariff and non-tariff barriers.

10.2. To be fully effective, reform must be based on the customs policy guidelines established by the Customs 2000 programme referred to above, so that it contributes to the completion of the internal market and becomes an intrinsic part of the EU's external relations, particularly with the rest of Europe.¹³

¹³ The Commission's Work Programme for 1997: COM(96) 507 final and SEC(96) 1819 final.

10.3. The changing nature of indirect taxation in the internal market must also be taken into account, not only to ensure that Community and non-Community customs and tax regulations applicable to the movement of goods are consistent but to anticipate the effects of such change on traders' declarations and potential new fraud opportunities.

10.4. Where excise is concerned, the system whereby products subject to excise circulate within the Community is very similar to the customs transit in its objectives (fiscal surveillance and control of heavily-taxed goods), its procedures (accompanying document, guarantee, etc.) and, unfortunately, its susceptibility to certain types of fraud. It makes sense to pool experience of the two systems and their reform, particularly as to the effectiveness of different procedures and fraud prevention measures, so as to prevent fraud shifting from one system to the other. The Commission has already established, with the Member States, a High-Level Working Group to define a comprehensive approach to tackling fraud in sensitive goods such as tobacco and alcohol.

10.5. In the case of VAT, taxation at the point of origin, as outlined in the Commission paper "A common system of VAT",¹⁴ would sever all links with the movement of goods subject to intra-Community transactions. On the other hand, for imported goods, i.e. those currently subject to customs transit, it has not yet been decided at what point any transactions should be covered by the VAT legislation; the solution needs to balance two opposing principles, (1) that goods should be allowed to cross external borders without delay, whether they are released for free circulation at the border or continue to be subject to customs transit, and (2) that domestic EU transactions be assured equal tax treatment, without conferring unintended advantages on imported goods.

10.6. This balance must be struck not only for transit but for all customs procedures with tax implications. The twin issues to be addressed are (1) the economic and fiscal impact of customs transit on the routing of imported goods inside EU territory, and (2) operators' freedom to use the system or not, as they choose.

¹⁴ COM(96) 328 final

ANNEX

ACTION PLAN FOR THE TRANSIT SYSTEM

CONTENTS

1. INTRODUCTION	3
2. TRANSIT, THE KEY TO EUROPEAN CUSTOMS POLICY	4
2.1 EXPLOITING THE FULL POTENTIAL OF "CUSTOMS 2000"	4
2.2 MANAGING TRANSIT BY MEANS OF AN ACTIVE INFORMATION POLICY	4
2.3 BOOSTING COOPERATION BETWEEN CUSTOMS ADMINISTRATIONS	5
2.4 CHECKING THAT THE RULES ARE APPLIED CORRECTLY AND UNIFORMLY	5
2.5 ESTABLISHING A PARTNERSHIP BETWEEN CUSTOMS AND OPERATORS TO RESPOND TO TRANSIT USERS' NEEDS	6
2.6 INTEGRATING EUROPEAN CUSTOMS SYSTEMS: A NEW CONVENTION TO FACILITATE EUROPEAN CUSTOMS PROCEDURES.....	7
2.7 ENSURING THAT INTERNATIONAL TRANSIT SYSTEMS ARE COMPATIBLE	7
2.8 PROVIDING THE RESOURCES FOR A EUROPEAN CUSTOMS POLICY	8
3. COMPUTERIZATION, THE KEY TO TRANSIT REFORM: THE NEW COMPUTERIZED TRANSIT SYSTEM (NCTS)	8
4. SPECIFIC MANAGEMENT AND CONTROL PROJECTS FOR THE TRANSIT SYSTEM	10
4.1 MANAGEMENT OF THE TRANSIT PROCEDURE.....	11
4.1.1 CONTROLLING OPERATORS' USE OF THE PROCEDURE ACCORDING TO THEIR RELIABILITY AND THE DEGREE OF RISK	11
4.1.2 REFINING THE SYSTEM BY MEANS OF DIALOGUE AND MUTUAL COMMITMENTS: MEMORANDA OF UNDERSTANDING	12
4.1.3 REVIEWING TRANSIT PROCEDURES FOR CERTAIN MODES OF TRANSPORT	13
4.2 SUPERVISION OF TRANSIT OPERATIONS	14
4.2.1 CUSTOMS' RESPONSIBILITY TO SEE THAT PROCEDURES RUN SMOOTHLY AND ON TIME: NATIONAL MANAGEMENT PLANS	14
4.2.2 ADMINISTRATIVE COOPERATION WITH REGARD TO THE PROCEDURE	15
4.2.3 OPERATORS' RESPONSIBILITY FOR FRONT-LINE SUPERVISION OF TRANSIT OPERATIONS	16
4.3 FRAUD PREVENTION AND LAW ENFORCEMENT.....	17
4.3.1 SECURE MOVEMENT OF GOODS IN TRANSIT	17
4.3.2 COORDINATED RISK MANAGEMENT	18
4.3.3 TARGETED CHECKS ON OPERATIONS	19
4.3.4 FRAUD DETECTION AND LAW ENFORCEMENT:	20
4.3.5 COORDINATION OF MEANS AND RESOURCES AND HARMONIZATION OF CUSTOMS OFFICIALS' POWERS	21
4.4 SOUND FINANCIAL MANAGEMENT OF TRANSIT	22
4.4.1 TAILORING THE GUARANTEE SYSTEM TO THE DEGREE OF RISK AND RELIABILITY	22
4.4.2 ASSIGNING LIABILITY FOR CUSTOMS DEBT FAIRLY, IN A WAY THAT PROTECTS THE VARIOUS FINANCIAL INTERESTS INVOLVED	23
4.4.3 STREAMLINING DEBT RECOVERY PROCEDURES	24
4.5 CORRECT AND UNIFORM APPLICATION OF THE RULES	25
4.5.1 THE TRANSIT HANDBOOK	25
4.5.2 TRAINING CUSTOMS OFFICIALS AND INFORMING OPERATORS	26
4.6 EFFECTIVE MONITORING AND CONTINUOUS EVALUATION OF THE TRANSIT SYSTEMS AND THEIR REFORM.....	27

APPENDIX: HUMAN RESOURCES NEEDED TO REFORM TRANSIT

ACTION PLAN FOR THE TRANSIT SYSTEM

1. INTRODUCTION

1.1. The crisis in the transit system, as diagnosed by Commission officials in an interim report annexed to the Commission's communication of 9 October 1996,¹ has exposed serious malfunctions in the customs union that call not only for remedial action on transit but for action on a broader front, as part of a genuinely common customs policy. The transit aspects of the policy will be directed inwards - at the internal market - and outwards, by means of a new customs convention to facilitate trade in Europe (see below, point 2).

1.2. In addition to rapid introduction of the New Computerized Transit System (NCTS²) (see point 3), reform of the transit system involves phasing in specific measures to improve the technical and administrative handling of procedures in both the common transit and Community transit regimes, pending a merger of the two systems (see points 4.1 to 4.5). The action taken must also be evaluated in terms of its relevance and impact. The various components of the plan are presented below in the form of worksheets listing what is to be done and how it ties in with the objectives set out in the Commission's communication.

1.3. The plan also reflects the need to create conditions in which we can anticipate changes in the transit environment and act in good time (see point 5).

¹ COM (96) 477 final.

² NCTS : New Computerized Transit System

2. TRANSIT, THE KEY TO EUROPEAN CUSTOMS POLICY

2.1 Exploiting the full potential of "Customs 2000"³

2.1.1. This action plan for the transit system is fully consistent with the Customs 2000 programme and with Recommendation No 1 of Parliament's Committee of Inquiry into the Community Transit System, which called for a framework "leading national customs services to function as if they were one". Transit, as a key component of customs and trade activity, must therefore be included in the five-year strategy and annual plans for the Customs 2000 programme.

2.2 Managing transit by means of an active information policy

2.2.1. If management of the transit system is to be sound and efficient, the risks of such operations properly assessed, appropriate resources allocated and procedures made watertight, then the system's administrators must be able to collect and process key data and compile statistics providing accurate, full and useable information on the use of transit procedures. At present, certain key information is unavailable, and insufficient use is made of what is available. Parliament's Committee of Inquiry, in its final report, pointed out that the lack of adequate information on transit procedures and the resulting management problems made it difficult to assess the true scale of transit fraud. The Commission intends to act more forcefully as coordinator to ensure that the Community acquires the information policy that a modern transit system demands.

2.2.2. Transit administrators, and, to a lesser degree, users, must be given the information needed:

- to evaluate the system in economic terms;
- to administer all the transit procedures, especially in terms of identifying the resources needed to ensure the procedures work smoothly and safely (statistics and declaration data);
- to assess the financial effects of any irregularities (statistics and declaration data);
- to monitor transit operations and manage risk.

2.2.3. This requires access to accurate particulars of the goods and the operators, the amounts at stake, the modes and means of transport, level of traffic, offices and deadlines, and any problems the operations encounter up to the point when the transit documents are discharged.

2.2.4. The Commission will take appropriate steps, in close collaboration with the customs administrations and economic operators, to define statistical requirements and the data needed on the declaration, as well as other data needed to process operations, compile statistics and draw up risk profiles, and to organize national collection of such

³ Decision No 210/97/EC of the European Parliament and of the Council of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000): OJ L 33, 4.2.1997.

data and use it to compile statistics; introduction of the NCTS will, of course, make all of the above tasks considerably easier to carry out.

2.3 Boosting cooperation between customs administrations

2.3.1. Close cooperation between European customs administrations is essential to fraud-proofing customs procedures such as transit and allowing the internal market to operate smoothly, by ensuring that economic operators are given equivalent treatment and allowed to conduct their business under the best possible conditions. Cooperation is the key to enforcing Community customs regulations, the glue that binds the system together.

2.3.2. Transit fraud can only be tackled effectively by means of joint action on the part of all the relevant national authorities, coordinated by the European Commission. There must be a common approach to risk management and the use of data, for example, as well as joint anti-fraud operations (see point 4.3).

2.3.3. This will require us to make full use of existing cooperation schemes and communications/information exchange networks at all levels – transit-specific schemes such as the prior information system and more general mutual administrative assistance programmes for customs, such as the SCENT network and the customs information system (CIS). In addition to the improvements offered by the NCTS, innovations such as a network of transit contacts will be proposed to supplement these schemes, extending them as far as possible to European partner countries using the common transit system (see worksheets 4.2.2, 4.3.2, 4.3.3 and 4.3.4).

2.4 Checking that the rules are applied correctly and uniformly

2.4.1. Checks on enforcement are primarily aimed at the users of customs procedures, and transit procedures in particular. Customs regulations lay down a number of obligations for users Community-wide, which necessarily imply that any breaches should be interpreted and punished as infringements at Community level, to ensure that such action is uniformly deterrent and fair. (Action to prevent and deal with fraud is covered elsewhere – see point 4.3). That is why the Commission will propose this year that the Council adopt a regulation defining customs irregularities and laying down Community penalties for them; the proposal is in line with the framework Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests,⁴ but will also reflect the fact that the repercussions of customs regulations are not purely financial.

2.4.2. Checks on enforcement are also directed at the customs authorities. It has become apparent that the Member States' customs administrations have not applied customs regulations on transit consistently, have generally carried out too few (and inadequate) checks and in some cases have failed to comply with the administrative requirements, for example with regard to returning copy 5 of the transit document and processing enquiry and recovery procedures. This has substantially contributed to the system's ineffectiveness and lack of security, and to a lack of confidence in the customs' authorities ability to provide a normal service. Concrete action must be taken to remedy some of these shortcomings (see point 4.2).

⁴ OJ L 312, 23.12.1995.

2.4.3. Nevertheless, transit can only work properly if the customs union functions properly, and that means conducting effective checks to ensure that the Member States' customs administrations enforce the prevailing rules. The monitoring operations currently prepared and carried out in partnership with the Member States (and, soon, with partner countries) do not fulfil this role; they are not designed as inspections or investigations into the way the rules are enforced, although they certainly pinpoint local practices and difficulties in applying the rules, help improve implementation or even review the need for certain rules, and may prompt administrations to take remedial action. Likewise, checks carried out under Council Regulation No 1552/89, on the Communities' own resources, only cover the financial aspects of the rules. Infringement procedures and action against Member States in the Court of Justice for failing to fulfil their obligations are the ultimate weapon for enforcing the primacy of Community law, but they depend on information and proof of the infringement in question. Therefore, there is a pressing need for the Commission, as guardian of the Treaties, to be given the means to investigate, and if necessary, enforce compliance, subject to the Court's supervision, the principle that both parties be heard, and the rights of the defence. Consideration should also be given to ways in which the Member States might be directly involved in this exercise, for example by setting up joint inspection teams from the customs administrations.

2.4.4. In addition to means of enforcing the legislation, there is a need for interpretation, training and information tools to ensure consistent application of the law; these are covered in point 4.5.

2.5 Establishing a partnership between customs and operators to respond to transit users' needs

2.5.1. There is growing recognition that building a climate of trust between customs and operators is crucial to maintaining the vital balance between the customs facilities offered to operators and the need to police customs procedures in general, and transit in particular.

2.5.2. In line with the suggestion by Parliament's Committee of Inquiry (Recommendation No 32) that customs authorities be given a "duty of care" towards users of the transit system, the Commission will propose the introduction of a general policy of dialogue and partnership, at Community and national levels, based on a European quality charter for public customs services. The Commission will also support campaigns to promote the image of European customs services and the quality and openness policy, as part of the Customs 2000 programme.

2.5.3. The Commission will call upon customs administrations to create the conditions for pursuing dialogue at national level, in the first instance, for example, by means of a special hot-line which would allow feedback to be collected centrally and channelled to the relevant authorities, or by appointing customs ombudsmen in charge of receiving and dealing with complaints from operators about unfair or unsatisfactory treatment without recourse to the courts, with a view to improving service and raising standards of performance. The schemes would not be limited to transit.

2.5.4. With specific reference to transit, the partnership should enable customs and operators:

- to clarify their respective responsibilities for administering the transit system and helping to improve it (see worksheets 4.2.1. and 4.2.3.),
- to ease the administrative burden on customs as well as on the users of the procedures,
- to delegate certain tasks to private-sector operators acknowledged to be reliable,
- to develop practical ways of working together with a view to improving fraud prevention and detection, and, in so doing, to enable transit procedures to be made considerably more secure.

2.5.5. The principle of partnership founded on dialogue and exchange between customs and operators should go further than general commitments and new committees: it should become part of the way the system actually works, for example via the conclusion of Memoranda of Understanding (MoU) (see worksheet 4.1.2).

2.5.6. In addition, a Customs/transit operators contact group would be a useful adjunct to the Advisory Committee on Customs and Indirect Taxation, for specific transit-related matters affecting the whole of the common transit area (see worksheet 4.5.2).

2.6 Integrating European customs systems: a new convention to facilitate European customs procedures

2.6.1. The basic idea is to introduce a new transit system to replace the Community and common transit systems Europe-wide, tailored to meeting the legitimate need to facilitate trade in Europe and accommodating other partners in future as part of the pre-accession strategy for EU enlargement. The new convention would initially cover transit and customs declarations using the Single Administrative Document, and could later be extended to all provisions in other bilateral or multilateral conventions on simplifying and facilitating trade.

2.6.2. This approach was supported by Parliament's Committee of Inquiry, which backed the Commission on the idea in its Recommendation No 34.

2.6.3. The new convention to facilitate European customs procedures only makes sense if it provides for a speedy, balanced decision-making process ensuring that the various parties' interests are fairly protected, and if it is to be workable, this means using a qualified majority voting procedure which would prevent a single country imposing a veto or a group of countries dominating the others.

2.6.4. A safeguard clause should be included to protect the contracting parties' vital interests while ensuring that the system works overall, by allowing any party, in certain exceptional situations, to suspend national application of the convention or particular provisions for a limited period, or to introduce special emergency measures.

2.7 Ensuring that international transit systems are compatible

2.7.1. One structural weakness of the transit system is that there are in fact several different "systems", all run differently; their conflicting principles and decision-making procedures make it almost impossible to achieve coherent European customs transit procedures. The standard of security varies, providing scope for criminal organizations to

make considerable and relatively risk-free profits by focusing their activities on the weakest links in the system.

The Commission is therefore in favour of a single customs transit system for trade within the territory of the Community and partner countries in the future European transit convention. The TIR convention would only govern trade between countries inside the European transit area and other contracting parties to the TIR outside the area. The two conventions therefore need to be compatible.

However, since the present TIR convention does not allow a group of contracting parties to set up a different international transit system for their exclusive use, unless they form a customs union, the Commission intends to play an active role in current efforts to revise the convention with a view to improving the security of TIR transit operations.

2.7.2. The Commission's top priority in the first phase of revision, to be completed by the end of 1997, will be to have the convention incorporate controls on access to the system by guaranteeing associations and transport operators, together with a system for checking the use of TIR carnets, based as far as possible on electronic data interchange (EDI) and the creation of an international control body (the TIR Executive Board).

2.7.3. The second phase, starting in early 1998, should target:

- reform of the current system of centralized guarantees,⁵
- incorporation in the text of the convention of certain key procedural features, for example in connection with the discharge of TIR operations,
- provision for computerization of the TIR procedure,
- a clearer definition of the status of the holder of a TIR carnet,
- a rethink of the lay-out and information on the TIR carnet,
- possible introduction of a TIR carnet and a specific procedure for "sensitive goods", requiring appropriate guarantees.

2.8 Providing the resources for a European customs policy

2.8.1. Political recognition of customs transit's importance to Europe and the need to overhaul the transit system must be matched by the requisite resources, if the proposed action plan is to amount to more than pious wishes.

2.8.2. The Commission's present resources and future requirements for the purposes of transit reform are shown in the table attached as an appendix to the action plan.

3. COMPUTERIZATION, THE KEY TO TRANSIT REFORM: THE NEW COMPUTERIZED TRANSIT SYSTEM (NCTS)

3.1. The purpose of the NCTS project, and the extra administrative capacity it offers, is to provide a powerful and effective tool that will help solve many of the transit

⁵ In the context of the new guarantee system for TIR, the Commission has launched a study to establish a single Community guarantee association.

system's management and security problems while improving anti-fraud operations. Parliament's Committee of Inquiry, in its Recommendation No 21, called for the project to be implemented without delay, and exploited to the full.

3.2. The NCTS introduces a new concept in transit management, based on the use of advanced computerized systems, electronic data processing technology and electronic data interchange (EDI), covering the Community, EFTA and the Visegrad countries.

3.3. The objectives of the project are as follows:

- to see that Community and common transit procedures function more effectively and efficiently,
- to enhance performance in transit fraud prevention and detection,
- to speed up transit operations and make them more secure, while at the same time offering economic operators new facilities where appropriate and achievable.

3.4. The NCTS will enable the movement of goods in transit to be monitored in real time, whereas current checks via the paper system are retrospective. The new system offers a number of advantages:

- instead of returning copy 5 of the transit document, an electronic message is sent;
- instead of consisting of a comparison of the documents, checks are computer-assisted, which makes it easier to select operations and target inspections;
- improved administration of guarantees;
- collection and use of transit statistics;
- faster clearance of transit operations;
- increased operational security.

3.5. The system will be introduced and gradually expanded as follows:

- the trial phase, consisting of the introduction of limited functions in a few countries, will take place in mid-1998, with customs offices continuing to exchange the relevant documents on paper,
- the operational phase will begin in late 1998, with the introduction of limited functions in a few countries, replacing paper declarations,
- the system will become fully operational in late 2000, totally replacing exchanges of paper documents between customs offices.

3.6. National administrations have committed themselves to allocating the resources needed to implement the project. The Commission's contribution will be funded from the Community budget.

3.7. In order to make the NCTS as good as it can be, and involve operators directly in setting it up, future users were treated to a presentation of the complete project at a conference held on 28 April 1997 in Brussels, which was also attended by the customs administrations that run the system.

4. SPECIFIC MANAGEMENT AND CONTROL PROJECTS FOR THE TRANSIT SYSTEM

The projects listed below cover not only devising and administering regulations (to include provisions for enforcement and fraud prevention) but detecting and tackling infringements at operational level. Calculations of the human resources needed to implement the schemes are given in the appendix.

Some of the projects will entail some expense on the part of operators; however, this should be greatly offset by the increased efficiency and security they bring to transit operations. The projects should not place an unfair financial burden on operators, large or small, and they will be subject to regular evaluations to assess whether they are effective and appropriate, taking into account their potential cost.

- 4.1. MANAGEMENT OF THE TRANSIT PROCEDURE**
 - 4.1.1. *Controlling operators' use of the procedure according to their reliability and the degree of risk*
 - 4.1.2. *Refining the system by means of dialogue and mutual commitments: Memoranda of Understanding*
 - 4.1.3. *Reviewing transit procedures for certain modes of transport*
- 4.2. SUPERVISION OF TRANSIT OPERATIONS**
 - 4.2.1. *Customs' responsibility to see that procedures run smoothly and on time: national management plans*
 - 4.2.2. *Administrative cooperation with regard to the procedure*
 - 4.2.3. *Operators' responsibility for front-line supervision of transit operations*
- 4.3. FRAUD PREVENTION AND LAW ENFORCEMENT**
 - 4.3.1. *Secure movement of goods in transit*
 - 4.3.2. *Coordinated risk management*
 - 4.3.3. *Targeted checks on operations*
 - 4.3.4. *Fraud detection and law enforcement: administrative investigations and judicial procedures*
 - 4.3.5. *Coordination of means and resources*
- 4.4. SOUND FINANCIAL MANAGEMENT OF TRANSIT**
 - 4.4.1. *Tailoring the guarantee system to the degree of risk*
 - 4.4.2. *Assigning liability for customs debt fairly, in a way that protects the various financial interests involved*
 - 4.4.3. *Streamlining debt recovery procedures*
- 4.5. CORRECT AND UNIFORM APPLICATION OF THE RULES**
 - 4.5.1. *The transit handbook*
 - 4.5.2. *Training customs officials and informing operators*
- 4.6. EFFECTIVE MONITORING AND CONTINUOUS EVALUATION OF THE TRANSIT SYSTEMS AND THEIR REFORM**

4.1 Management of the transit procedure

4.1.1 CONTROLLING OPERATORS' USE OF THE PROCEDURE ACCORDING TO THEIR RELIABILITY AND THE DEGREE OF RISK

It is important to get to know transit users and manage risks if the transit procedure is to be properly managed. Security measures must be balanced against the right of honest traders to obtain the facilities they want. To assess the risks involved in granting transit facilities, a feasibility study will be conducted to explore the possibility of providing access to Community- and Europe-wide information on traders whose reliability is not deemed sufficient to allow them to use simplified transit procedures.

Objectives.

- To boost security, maintaining customs facilities but allowing only duly authorized, honest and reliable operators to use simplified transit procedures
- To uphold Article 5 of the GATT, by keeping the non-simplified transit procedure, subject to a full guarantee, open to all

Action

- Elaborate a basic transit procedure that does not require prior authorization
- Introduce a standard prior authorization for all simplifications of the procedure for general use, and lay down the conditions for revising, revoking or cancelling it
- Define the requirements to be met before operators can obtain authorization for simplified transit (personal, technical, and financial)
- Give guarantee offices the legal framework and practical tools needed to vet applicants and stipulate the size of the guarantee in the authorization
- Consider the operator's security measures when deciding whether to grant facilities
- Conduct a feasibility study into a Community system to provide access to information on unreliable operators

Timetable

- Proposals for regulations (Common and Community transit): July 1997
- Implementation: first half of 1998
- Monitoring and evaluation: summer 1998, then annually

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 10 and 11

4.1.2 REFINING THE SYSTEM BY MEANS OF DIALOGUE AND MUTUAL COMMITMENTS: MEMORANDA OF UNDERSTANDING

It should be possible to build a new climate of trust between customs administrations and operators allowing certain joint initiatives in respect of the management of the regimes and of the transit systems by making procedures more manageable, rather than by establishing binding legal rights and duties on all parties. This is the object of the Memoranda of Understanding, or MoU. To be efficient, the MoU must be concluded locally between businesses and the customs administration with which they deal for customs formalities. However, there is no objection to "framework" MoUs being concluded nationally or even Community-wide between transit users and administrators, on the basis of model MoUs.

Objectives

- To make procedures more effective and allow customs and operators to curb bureaucracy and unnecessary controls
- To make procedures more secure
- To improve knowledge of transit users and their reliability

Action

- Draft model Memoranda of Understanding
- Promote the adoption of memoranda of understanding between customs and operators
- Evaluate the use of MoUs and their impact on the security of operations and the procedures' efficiency, also their advantages to customs and operators

Timetable

- Model MoU: 1998 (first half: ad hoc group; second half: discussions with operators).
- Launch: early 1999

4.1.3 REVIEWING TRANSIT PROCEDURES FOR CERTAIN MODES OF TRANSPORT

Transit procedures applicable to certain modes of transport must be carefully reviewed to assess their effectiveness and vulnerability to fraud; for example, current proposals for maritime transport will be followed up.

Objectives

- To redefine the scope of transit with regard to maritime transport with a view to reflecting the difficulties of applying the procedure to such cases and reducing the risk of fraud
- To improve recovery of customs and fiscal debts by introducing a compulsory guarantee for certain transit operations by sea
- To obtain sufficient information to assess whether the facilities granted for rail and air transport are used properly and are sufficiently secure

Action

- Amend the regulations on procedures for transit by sea so to allow only regular shipping lines to use them, and improve means of checking on such operations
- Enhance protection of the financial interests at stake by introducing a compulsory guarantee for the transit of non-Community goods by regular shipping line
- Commission a study to evaluate the effectiveness and security of transit procedures for air and rail transport and whether guarantee waivers should be maintained

Timetable

- Amendment to maritime transit regulations: adoption of a proposal for Community legislation set for June 1997
- Study: launch of invitation to tender October 1997

Resources

- Financing of study: Article 10(2) of the Customs 2000 Decision

Corresponding recommendations by Parliament's Committee of Inquiry: No 25

4.2 Supervision of transit operations

4.2.1 CUSTOMS' RESPONSIBILITY TO SEE THAT PROCEDURES RUN SMOOTHLY AND ON TIME: NATIONAL MANAGEMENT PLANS

Reform should start with improving the way current procedures are applied and taking full advantage of existing administrative cooperation facilities.

Objectives

- To enable operators to obtain economic advantages from using the transit procedures by running them more efficiently

Action

- Reorganize offices responsible for returning copy 5 of the transit document in the offices of destination and the central offices, once resource needs have been assessed
- Make one national office (e.g. the guarantee office - see worksheet 4.4.3) responsible for collating copies 1 and 5 of the transit document, and handling enquiry procedures
- Set realistic targets for meeting Community-wide time limits, as part of the national management plan

Timetable

- Amendment of administrative arrangements (Community and common transit): end of 1997, for implementation early 1998
- Implementation of other measures: from the second quarter of 1997

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 5 and 26

4.2.2 ADMINISTRATIVE COOPERATION WITH REGARD TO THE PROCEDURE

Administrative cooperation must also be stepped up so as to facilitate contacts between administrations and ensure swift and organized information exchange, notably via liaison officers specially appointed to deal with all transit-related matters.

Objective

- To make transit procedures more secure and effective by facilitating communication between different customs departments and thereby improve transit monitoring

Action

- Improve the prior information system:
 - (1) expand the prior information system to cover all common transit countries (in progress)
 - (2) make it compulsory for all transit operations involving "sensitive goods" (defined in a new, authoritative list)
 - (3) have the office of arrival send immediate notification on acceptance of the goods, by the fastest means of communication
- Set up a network of national transit coordinators and local transit contacts:
 - appoint a national transit coordinator to monitor the implementation of transit rules, draft national transit management and control plans, act as go-between and support the activities of local contacts
 - appoint a transit contact in every large customs office (handling over 10.000 transit authorizations a year), to be responsible for implementing transit management and control plans, communicating directly with other customs administrations and holding regular dialogue with operators
- Set up the Transit Stamps Transmission System

Timetable

- Setting-up and introduction of the Transit Stamps Transmission System: June 1997
- Adoption of a single list of "sensitive goods": July 1997
- Appointment of coordinators and contacts for each country: September 1997
- Dissemination of the complete transit network list: December 1998
- First seminar for national transit coordinators: 1998

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 1 and 9

4.2.3 OPERATORS' RESPONSIBILITY FOR FRONT-LINE SUPERVISION OF TRANSIT OPERATIONS

Users of transit procedures, responsible for physically controlling and supervising their operations, should also contribute to increasing security and making the procedures effective.

Objectives

- To make transit operations more secure by clearly setting out the principal's responsibilities for actual control of goods transported in transit
- To reduce delays in discharging the procedure and give operators more responsibility by entrusting them with the task of returning transit document copy 5

Action

- Clearly set out, in the legislation, the principal's responsibilities for controlling and monitoring transit operations and clarify the concept of discharge of the procedure
- Spell out the extent of the principal's responsibility for the good conduct of transit operations via the conclusion of an MoU with the customs authorities
- Authorize reliable operators to take charge of returning transit document copy 5 for simplified procedures, until such time as the NCTS is fully operational

Timetable

- Proposal relating to Community and common transit regulations: July 1997
- Implementation: early 1998

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 10, 23, and 24

4.3 Fraud prevention and law enforcement

4.3.1 SECURE MOVEMENT OF GOODS IN TRANSIT

The coherence and success of the policy depend on close cooperation between customs administrations and between them and the Commission, all actively working together with operators, who must assess the risks they run and check the goods entrusted to them. Some of the suggested security measures are not new, but their cost-effectiveness could be boosted for the customs services and the trade if they were coordinated and implemented simultaneously by the various customs services involved from start to finish of the procedure.

Objectives

- To have customs and operators introduce measures to reduce the risk of goods being unlawfully removed from customs supervision or switched *en route*, based on a better cost-effectiveness ratio.
- To ensure monitoring or surveillance of operations and make it easier to conduct checks

Action

- Affix seals to the space containing the goods: this should be compulsory for sensitive goods, and recommended in certain other cases; have the competent national authorities approve the means of transport used, to ensure that it is suitable for sealing
- Affix compulsory "T" (transit) plates to the approved lorry to show that it is carrying goods in transit, so as to make customs' work easier and inform the haulier and driver
- Require the person lodging the transport document to state the vehicle's compulsory route
- Have the office of departure estimate the vehicle's arrival time as accurately as possible
- Coordinate surveillance measures with the operator's own security measures (see worksheet 4.2.3)

Timetable

- Proposal for implementing measures: July 1997

Resources

- Customs administrations: assignment of sufficient staff to carry out security measures for initial controls, in cases and circumstances laid down at European level
- Issue of approval certificates and annual inspections of vehicles: to be contracted out to approved private sector agencies

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 7, 8, and 22

4.3.2 COORDINATED RISK MANAGEMENT

The development of a common risk management policy, and especially setting up a Community risk analysis unit, would enable all customs administrations to define precise criteria for targeting inspections, record checks and enquiries.

Objectives

- To rationalize, harmonize and coordinate fraud prevention Europe-wide, particularly as regards the customs transit system

Action

- Set up a Community risk analysis unit to compile risk profiles and the selection criteria to be used
- Have the Commission coordinate risk management policies implemented at national, regional and local level, too (including audits of operators, especially those already granted facilities)

Timetable

- Between now and late 1988 (when the NCTS is launched), a Community pilot scheme on risk analysis is set to consider transit as a test case (test profiles to be ready by July 1997)
- Commission to prepare a plan: first half of 1998

Resources

- Sufficient staff (Commission and national experts on secondment) to form the Community risk analysis unit (financed under Article 9 of the Customs 2000 Decision)

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 1, 3, 4, 7, 9, 25 and 28

4.3.3 TARGETED CHECKS ON OPERATIONS

Europe-wide coordination of each customs administration's control plans and the development of joint control operations would considerably enhance all areas of anti-fraud work.

Objectives

- To make controls more effective without hampering or unnecessarily delaying goods movements

Action

- Have all the relevant customs services (nationally and locally) draft a six-monthly control plan setting out targets and priorities for each sector, allocating the necessary resources, deciding on administrative and physical controls in accordance with European guidelines on risk management, evaluating the results of controls carried out and accounting for them in terms of European policy
- Coordinate national control plans at European level
- Organize one-off joint control operations for the different modes of transport (air, sea, rail, road) at European level, with Commission assistance

Timetable

- National authorities will be asked to submit their first draft six-monthly control plans for transit in 1997, to enable consultation and coordination by the Committee in September 1997, so they can be introduced together, across Europe, in January 1998.

Resources

- Community level: financing under Articles 8 and 12 of the Customs 2000 Decision
- For customs services: allocate human and material resources needed to carry out controls to good effect

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 1, 4, 5 and 7

**4.3.4 FRAUD DETECTION AND LAW ENFORCEMENT:
ADMINISTRATIVE INVESTIGATIONS AND JUDICIAL PROCEDURES**

In addition to fraud prevention, we need to develop a policy for detecting and dealing with fraud, particularly as regards large-scale, organized financial and economic crime. This should be done by implementing the present legislation in practice (some of it recent) and developing other tools and schemes needed to crack down on crime.

Objectives

- To detect and deal with transit fraud effectively, fairly, and as a deterrent, in equivalent ways across the Community

Action

- Implement the new Regulation 515/97 on mutual assistance on customs
- Implement Community regulations on protecting the Community's financial interests, detecting fraud and irregularities (Regulation 2185/96 concerning on-the-spot checks and inspections) and on administrative penalties (see point 2.4 with reference to Regulation 2988/95)
- Set up appropriate investigation bodies at Community level
- Promote and support the development and use of schemes and tools to combat fraud across the EU: the "protection of financial interests" convention and two additional protocols (on corruption and cooperation in criminal cases)
- Follow up the study on a European judicial area requested by Parliament
- Incorporate provisions on customs cooperation into the Community provisions of the EU Treaty and strengthen Article 209A

Timetable

- Implementation of Regulation 515/97: March 1998
- Implementation of Regulation 2185/96: 1997
- Follow-up of the ratification and implementation of the CIS and financial protection conventions, with the first protocol on corruption: 1997
- Follow-up of the ratification and implementation of the second financial protection protocol: 1998
- Follow-up of the study on a European judicial area: 1998

Resources

- Setting up of a crime unit staffed by Member States experts on crime, seconded to the Commission
- Reinforcement of the Commission's investigation services, with a view to the implementation of Regulation 2185/96 and the setting up of a joint investigation agency

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 2, 8, and 14 to 20

4.3.5 COORDINATION OF MEANS AND RESOURCES AND HARMONIZATION OF CUSTOMS OFFICIALS' POWERS

The management of national administrations' resources (staff and equipment) needs to be coordinated. Customs officers' powers should be harmonized as appropriate, as outlined in the Commission's paper COM(95) 556,⁶ to ensure that they meet the same security standards and guarantee operators equivalent treatment throughout the customs territory.

Objectives

- To raise standards in the customs service generally, and make checks more effective.

Action

- Evaluate and actively coordinate customs administrations' resource management
- Draft a Community plan to ensure that the Community's external borders are properly resourced
- Carry out a general study on the role and powers of customs officials

Timetable

- First phase of coordination: inventory of the means deployed by customs administrations (second half of 1998)
- Second phase: identification of additional needs at European level and drafting of a Community resource plan (1999)
- Study on the role and powers of customs officials already programmed in the Customs 2000 action plan for 1997

Resources

- Community/Commission: financing under Articles 8 and 12 of the Customs 2000 Decision, plus partial Community financing of certain control equipment to be considered
- Customs administrations: allocate sufficient human and material resources to carry out controls to good effect

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 1, 4, 5, 6, 8 and 9

⁶ Comparative analysis of reports supplied by the Member States on national measures taken to combat wastefulness and the misuse of Community resources.

4.4 Sound financial management of transit

4.4.1 TAILORING THE GUARANTEE SYSTEM TO THE DEGREE OF RISK AND RELIABILITY

Sound financial management of the transit system must mean securing appropriate financial guarantees prior to any transit operation.

Objectives

- To tailor the type of guarantee and conditions imposed in each case to the particular circumstances of the operator

Action

- For standard operations open to all, require a guarantee that offers maximum financial protection (full, individual guarantee, including flat-rate guarantee vouchers for the full amount)
- Offer simplified guarantee facilities (comprehensive, flat-rate) to operators who fulfil particular criteria, calculating the amount according to the potential risks of the operation and the security measures taken
- Conduct a study to establish the extent to which an insurance scheme for duties and taxes might be substituted for guarantees in some cases

Timetable

- Proposals for regulations: July 97
- Tools and operational measures: in the course of 1998
- Insurance study: launch invitation to tender in May 1998

Resources

- Customs 2000 budget for operational measures and the study

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 10 and 24

4.4.2 ASSIGNING LIABILITY FOR CUSTOMS DEBT FAIRLY, IN A WAY THAT PROTECTS THE VARIOUS FINANCIAL INTERESTS INVOLVED

At the other end of the chain of formalities and controls linking any transit operation, sound financial management also demands that the competent authorities are able to recover any amounts owing swiftly and efficiently, from the person or persons liable. Customs debts should be recovered in the first place from those directly responsible for incurring them, without precluding the possibility of recovering debts from the principal and his guarantor in the event of difficulties recovering them from any other persons liable.

Objectives

- To pinpoint the transit situations that give rise to customs and tax debts and the status of those incurring such debts

Action

- Make it very clear in the regulations that unless the goods are subjected to unlawful removal from customs supervision or unlawful introduction by a third party, sole liability for payment of debts incurred in the course of a transit operation lies with the principal, who, as the person authorized to use the transit procedure, must see to it that the operations he undertakes are properly conducted and assume full liability for any debts arising from failure to carry out the duties entailed in the use of the procedure (see point 4.2.3)
- State in the regulations that if the goods are unlawfully removed from customs supervision in the course of a transit operation, the primary persons liable are the perpetrator, any accomplices, and the receiver(s) of the goods thus removed (which may include the haulier), and that action is first to be taken against them, before any proceedings are instigated against the principal
- If the debt cannot be fully recovered from the other persons liable, notify the principal, as the person bearing ultimate financial responsibility for the operation, and proceed to enter the debt in the accounts in his name on the basis of his joint liability, within 12 months, taking precautionary measures (see point 4.4.3), so as to ensure that the security is not released prematurely; provide for payment to be suspended until any action against the other persons liable has run its course, and for the principal to be reimbursed for any sums recovered from other persons jointly liable
- Introduce provisions in the regulations establishing the liability of anyone responsible for unlawful introduction of the goods following a transit operation (after the principal has been released from his liabilities), together with any accomplices or the receiver(s) of the goods (which may include the person for whom the goods were intended)

Timetable

- Proposal: July 1997

Corresponding recommendations by Parliament's Committee of Inquiry: No 23

4.4.3 STREAMLINING DEBT RECOVERY PROCEDURES

Recovery procedures must be reorganized to eliminate any malfunctions and delays arising from the multiplicity of customs administrations and the diversity of fiscal jurisdictions.

Objectives

Establish beyond doubt the place where the debt was incurred and hence the national authority responsible for its recovery.

Action

- Make one body (the guarantee office) responsible for coordinating recovery procedures for a given transit operation for which a debt has been incurred — regardless of the dutiable event, the precise location where the debt was incurred, or the country which is the ultimate beneficiary of the debt (see point 4.2.1)
- Give the guarantee office responsibility for examining the case on the basis of information sent by the various authorities concerned and putting forward a plan for dealing with it (which party should be proceeded against as being liable, by whom, and by what date), and for taking precautionary measures against the principal and the guarantor, such as sending a recovery notice to the principal within 12 months, without prejudice to the outcome of the recovery procedure
- Stipulate that, in the event of failure to reach agreement on the recovery plan within the same time limit, the customs and tax debt will be deemed to have been incurred in the country of departure, which must immediately proceed to recover it
- Set up a link between guarantee offices to make it easier to deal with recovery cases
- Improve the Community Directive and the Annex to the Customs Transit Convention on mutual assistance with debt recovery

Timetable

- Amendments to regulations: proposals July 1997

4.5 Correct and uniform application of the rules

4.5.1 THE TRANSIT HANDBOOK

Checks to see that the rules are properly applied are covered in point 2.4; however, another way of achieving this goal is to give customs officials a practical and comprehensive standard handbook to assist them in applying the transit rules and combating transit fraud.

Objectives

- To ensure transit regulations are properly and uniformly applied by operators and customs administrations
- To ensure that operators receive the same standard of treatment
- To make operators' and customs officials' tasks easier

Action

- Draft a handbook of instructions and information on transit for the use of customs officials and, to some extent, transit operators

Timetable

- Proposal for submission to the Customs Questions Committee and Joint Committee: June-July 1997
- First editorial team meeting: October 1997
- Start of drafting: May 1998
- Distribution to administrations (for action) and operators (for information): some time in 2000

Resources

- Financing of publication: Articles 14 and 15 of the Customs 2000 Decision
- Secondment of national experts: one to be assigned free by each customs administration

Corresponding recommendations by Parliament's Committee of Inquiry: No 1

4.5.2 TRAINING CUSTOMS OFFICIALS AND INFORMING OPERATORS

Customs officials should receive appropriate training, with a common core component, and operators should receive information enabling them to supervise their operations better and enter into dialogue with customs administrations.

Objectives

- To ensure consistent and continuing training of customs officials, to include a component on combating fraud, and educate operators with regard to transit

Action

Under the Matthaëus programme and the Customs 2000 Decision:

- Hold seminars on specific topics for customs officials (facilitating personal contacts relations conducive to international cooperation)
- Organize exchanges of officials, especially local transit contacts
- Devise a transit training module for use in national customs training centres and locally;
- Hold seminars for operators on topics of particular interest to them
- Examine the possibility of setting up a common core course for in-service training at Community/European level, to include customs transit

Other activities:

- Set up a customs/operators contact group on transit bringing together the relevant authorities and operators across Europe and nationally in the 23 countries concerned
- Possibly provide technical assistance, for example to associated countries
- Organize national and regional conferences for customs and operators

Timetable

- Matthaëus/Customs 2000 seminars to be planned for 1998
- Devise training module: 1998
- Study on setting up a core course of in-service training
- First annual meeting of the customs/operators contact group on transit: 1998
- Seminars on topics of interest to operators: second half of 1998
- Customs/operators conference: 2000

Resources

- Financing under the Matthaëus programme and Articles 14 and 15 of the Customs 2000 Decision

Corresponding recommendations by Parliament's Committee of Inquiry: No 4

4.6 Effective monitoring and continuous evaluation of the transit systems and their reform

Customs administrations and operators will be invited to join the Commission, in the appropriate fora, in monitoring progress and carrying out routine evaluations of transit reform. The Council and Parliament will play a key political role in ensuring that transit reform, and particularly the computerization of transit procedures, is carried out properly and with the requisite speed.

The Court of Auditors, for its part, gave notice at the "Euro transit '97" conference that it would conduct an inquiry into customs transit in 1998.

Objectives

- To enable administrators and the political institutions to which they are accountable to monitor the progress of reform
- To allow any problems encountered along the way to be solved
- To ensure that the reforms are introduced smoothly in all the countries concerned
- To allow action and resources to be redirected as necessary

Action

- Establish national timetables for implementing the reforms, stating the means to be allocated to them, in a coordinated Community and European framework
 - Ensure regular monitoring of the national action plans
 - Establish criteria for evaluating implementation of the reforms
 - Report on national implementation, any problems encountered and any changes to be made to ensure that the goals of the reform are met
- Draw up an overall report on the progress of reform Community/Europe-wide
 - Evaluate the effects of the reforms and their impact on the effectiveness and security of customs procedures
 - Inform Parliament and the Council of the progress of reform

Timetable

- National action programmes: from the first quarter of 1998
- Overall report to be presented by the Commission : mid-1998 (UK Presidency)
- Evaluation: annual

Corresponding recommendations by Parliament's Committee of Inquiry: Nos 37 and 38

APPENDIX

INDICATIVE FIGURES CONCERNING THE HUMAN RESOURCES NEEDED FOR TRANSIT REFORM

The following estimates are for the overall requirements involving permanent staff and seconded national experts, corresponding to the various projects planned as part of the reform. These requirements will have to be met by use of additional resources, as well as by internal redeployment and by a contribution from the third-country partners, for the reform of the transit-arrangements and the NCTS. (DG XXI + UCLAF)

	TYPE OF PROJECT	REFERENCE ON ACTION PLAN :	AVAILABLE RESOURCES (APRIL 1997)	RESOURCES REQUIRED 1997/1998	RESOURCES REQUIRED 1999	RESOURCES REQUIRED 2000
1	Management/Organization/Secretarial/Documentation		5	4	4	4
2.	Amendment of Community / common transit legislation	4.1.1/4.1.3/4.2.1/4.2.3/ 4.3.1/4.3.5/4.4.1/4.4.2/4.4.3.	1	3	3	4
3	Implementation and management tools (statistics, manuals, audit for access and guarantees, etc.)	2.2/4.1.1/4.2.2/4.4.1/ 4.4.3/4.5.1.	0	3	2 1/2	2
4.	Training, information, dialogue (MoU, seminars, customs/traders contact-group, exchanges of officials, conferences, training modules)	4.1.2/4.5.2.	1	3 1/2	2 1/2	2 1/2
5.	Studies and their follow-up (TIR, air/rail transit and insurance)	4.1.1/4.1.3/4.3.5/4.4.1.	0	2	2	0
6.	Planning, coordination, controls, co-operation and mutual assistance (control plans, EC risk analysis unit and co-ordination, EC co-ordination of means and resources)	4.2.2/4.3.2/4.3.3/4.3.4/ 4.3.5/	1/2	11	11	11
7.	TIR review (+ sec)	2.7.	3	3	3	3
8.	Negotiations for new convention on customs facilitation	2.6.	0	2	2	2
9.	Technical assistance for third countries	4.5.2.	1/2	1	1	1
10.	Monitoring, evaluation (monitoring, national action programmes, reports)	4.6	1/2	2	2	2
	<i>Persons available ex TFT</i>		5			
	Total excluding computerization		16 1/2	33 1/2	33	31 1/2
11.	Computerization (technical and legislative + secretariat)	3	12 ¹	14 ²	14	14
	Grand total		28 1/2	47 1/2	47	45 1/2

¹ plus 4 persons providing services

² plus 7 persons providing services

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Commission communication on an "Action Plan for customs transit in Europe - a new customs policy".

2. BUDGET HEADING INVOLVED

B5-303 "Customs 2000" (action programme for customs in the Community).

3. LEGAL BASIS

- Article 100a of the Treaty
- Decision No 210/97/EC of the European Parliament and of the Council of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000) (OJ No L 33, 4.2.1997, p.24)
- Proposal presented by the Commission on ... 1997 for a Decision of the European Parliament and of the Council amending the Decision of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000) (OJ No C ..., ... 1997, p. ...)

4. DESCRIPTION OF OPERATION

4.1 General objective

Establish an action plan for the reform of customs transit procedures.

4.2 Period covered and arrangements for renewal or extension

- Multiannual operation (1997-2000)
- Under Customs 2000 the Commission must present a communication to the Parliament and the Council by 30 June 1999 at the latest on whether the programme should be continued, accompanied if necessary by a proposal to that effect

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Non-compulsory expenditure

5.2 Differentiated appropriations

5.3 Type of revenue involved: traditional own resources, the VAT and GNP resources, national taxes.

6. TYPE OF EXPENDITURE OR REVENUE

The action plan will be financed entirely under the Customs 2000 programme.

The scheme should enhance collection of Community and national revenue by limiting the risk of fraud and ensuring recovery of the sums involved in cases of fraud.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation (definition of unit costs)

The action plan will be financed entirely under the Customs 2000 programme.

7.2 Itemised breakdown of cost

The breakdown of the expenditure for the action plan is entirely integrated into the Customs 2000 programme expenditure set out below.

EC in ECU million (at 1996 prices)

<i>- Internal policies</i>	1996	1997	1998	1999	2000	Total
1- Redeployment of internal market funds	2	2.3	2.6	2.9	3.2	13
2- Customs 2000 computerization						
2.1- Customs 2000 ¹	1	3	6.5	6.5	6	23
2.2-Sectoral projects for the smooth functioning of customs ²		(³)	9.9	12	13.1	35
3- Improved action against fraud	1	1.5	1.5	1.5	1.5	7
"Internal policies" subtotal	4	6.8	20.5	22.9	23.8	78
- External operations	1	1.5	1.5	1.5	1.5	7
TOTAL	5	8.3	22	24.4	25.3	85

¹ Adopted, see Customs 2000 Decision 210/97/EC of 19 December 1996.

² Sums covered by this amendment affecting the TARIC, QUOTA, EBTI, TRANSIT, SCENT/CIS, CCN/CSI and SIGL projects financed in 1996 and 1997 under heading B5-7210 (IDA).

³ P.m: ECU 10.9 million was allocated for these projects under item B5-7210 (IDA) of the 1997 budget.

7.3 Indicative schedule of appropriations and MEN

- Decision No 210/97/EC of the European Parliament and of the Council of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000)

EC in ECU million

Accumulated position end 1996	1997 Budget	1998 PDB	Indicative plan				TOTAL
			1999	2000	2001	2002 and subs. years	
4.000	6.800	10.600	10.900	10.700	p.m.	p.m.	43.000

- Proposal presented by the Commission on ... 1997 for a Decision of the European Parliament and of the Council amending the Decision of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000)

EC in ECU million

Accumulated position end 1996	1997 Budget	1998 PDB	Indicative plan				TOTAL
			1999	2000	2001	2002 and subs. years	
		9.900	12.000	13.100			35.000

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

The fraud prevention measures are those of the Customs 2000 action programme.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

See proposed action plan and the report of Parliament's Committee of Inquiry into the Community Transit System.

9.1 Specific and quantified objectives; target population

– *Specific objectives:*

Now that the Community is administering the body of rules adopted for the purposes of the internal market, it has a duty of care to economic operators and to all citizens of the European Union.

In so far as the administration of the customs union is concerned, customs legislation has been almost completely harmonized, since the entry into force of the Community Customs Code on 1 January 1994.

There is now a need to step up activities aimed at further homogenizing the working practices and methods of the Member States' customs administrations: if distortions of competition are not to deflect traffic and undermine the confidence of operators and citizens in the working of the customs union, controls and simplified procedures must be equivalent in outcome and operators treated equally along the entire external frontier.

Though the Community now has complete and coherent customs rules, these rules have not always been applied by national customs administrations with a uniformity and efficiency inspiring confidence that the financial interests of the Community and the Member States and the integrity of the common and Community policies governing trade with non-member countries are being suitably protected. A Community scheme to boost cooperation between national administrations is therefore vital if this objective is to be attained.

The sound management of the common policies also depends on the effectiveness and efficiency of the customs machinery underpinning them.

At the same time, the rules governing customs action must be made more accessible to users, traders, SME, consumers and citizens of the Union. This calls for the consistent management of public relations and information through a partnership with the Member States, drawing on such intermediaries as chambers of commerce, trade federations and associations where relevant.

While pressing on with developments inside the Community, close cooperation with the customs administrations of third countries is needed to reinforce current Community schemes aimed *inter alia* at harmonizing the legislation of future applicants for Union membership and providing assistance in specific cases.

– *Target population*

Member States' customs administrations, business circles, citizens and consumers.

9.2 Grounds for the operation

– Need for Community financial aid

The completion of the internal market and the unification of Community customs legislation (cemented by the entry into force of the Community customs code on 1 January 1994) oblige customs administrations along the customs union's external frontier to operate uniformly. Only controls of comparable quality employing the best possible working methods to maintain both traffic flow and a high level of fraud prevention and guaranteeing all operators equivalent treatment wherever they cross the external frontier can prevent distortions of competition from deflecting traffic and undermining operators' and citizens' vital trust in the sound working of the internal market.

This objective can only be achieved by an action at Community level providing a legal, organizational and logistical framework for coordinated measures by the customs administrations.

The first step in this direction was the adoption by the European Parliament and the Council on 19 December 1996 of the action programme for customs in the Community (Customs 2000). Now it is for the Commission to complete and build on this action, which is necessary to ensure the best possible administration of customs transit in Europe.

The sound management of the internal market from a customs standpoint also depends on cooperation with third countries. Cooperation with neighbouring countries, and in particular the adoption of common procedures, simplifies trade, improves fraud prevention and so facilitates the administration of the internal market.

– Choice of ways and means

The proposed action programme involves the implementation of schemes and measures complementing those the Member States are normally required to take to enforce Community law. Such schemes and complementary measures are aimed at making sure the transnational dimension is taken into account, something vital for the attainment of the objectives laid down.

Its implementation and management are based on the principle of partnership between the Community and the Member States: rather than being normative, it is based on permanent cooperation between Community and national administrations in pursuit of a common objective.

Financing estimates for the computerized information and data-interchange systems, which used to be funded under the IDA programme, have been based on the costs recorded in previous years. The proposed increase in 1998 is mainly attributable to the need to extend the TRANSIT system to all Member States.

TRANSIT system

This commercial policy instrument is vital to the working of international trade.

The present paper-based administration of this system is facing major problems:

- The customs administrations are having difficulty coping with the volume of work. Handling about 18 million declarations a year in Europe - and about a million queries under the enquiry procedure - demands considerable resources.
- Despite the considerable simplifications accorded them, economic operators find manual transit procedures relatively slow and costly.
- Worsening transit fraud in recent years has not only seriously affected national and Community revenue but caused grave economic injury to honest traders as a result of unfair competition from goods that have escaped duties and taxes and the application of Community policies.

The transit computerization project is aimed at:

- boosting the effectiveness and efficiency of the transit system;
- enhancing customs administrations' capacity to prevent and detect fraud;
- further simplifying and speeding up transit operations for economic operators.

Computerizing transit has many advantages:

- In terms of fraud prevention, it will make the system much more secure, considerably reducing the opportunities for fraud: cost-benefit analyses suggest savings of about 1.2 billion ECU in revenue over five years.
- National administrations will be able to focus checks on high-risk transactions (analysing transactions could improve future selection criteria).
- Economic operators should their competitiveness increased by a reduction in their financial risk and their workload.

CCN/CSI system

The "Common Communication Network/Common System Interface" project is aimed at providing a common interface for transferring large volumes of data between customs and tax administrations in the Member States and between the Member States and the Commission rapidly,

economically and as securely as possible. The project is jointly funded under the Customs 2000 programme and FISCALIS, with costs being divided in proportion to the customs and tax systems supported.

Harmonizing the means of exchanging information was considered necessary:

- to reduce the multiplicity of the types of competence necessary for the development, maintenance and use of the applications;
- to reduce the diversity of the exchange services used by the applications to facilitate their use and their administration;
- to standardize the access to the exchange services;
- to optimize the use of the communication links and reduce the associated costs;
- to reduce the number of direct access points in the national domain;
- to improve the quality of service provided to the applications and to the users by a common management structure;
- to allow the integration of new technologies made potentially available to all applications which need them;
- to increase the reactivity of the systems for taking new needs into account.

The project also cuts the costs and time involved in launching a new system. The CCN/CSI interface should come into partial use during a pilot project scheduled for the end of 1997; its use by TRANSIT should begin at the end of the second quarter of 1998.

9.3 Monitoring and evaluation of the operation

– *Performance indicators selected*

- a) Number of monitoring missions organized with the Member States
- b) Number of seminars organized on working methods and external border controls
- c) Number of exchanges and seminars organized with non-member countries
- d) Number of studies carried out with national administrations or commissioned from outside bodies
- e) Number of pilot operations or experiments carried out with national administrations

- f) Number and dissemination of publications edited by the Commission either alone or in conjunction with the Member States
- g) Number of seminars, meetings and colloquies organized by the Commission, the Member States or outside bodies and funded wholly or partly by the action programme
- h) Number of manuals and other works published by the Commission with a view to improving the enforcement of Community legislation by national administrations
- i) Statistics on the use of communication and data-interchange systems as means of cooperation

– *Impact indicators (measuring performance against objectives)*

- a) Number of procedures opened in the course of enforcing Community legislation at the external frontier, including complaints from the public and infringements
- b) Number of customs problems dealt with
- c) Amount of Community own resources or national resources that would otherwise have been lost to fraud
- d) Stronger controls at the external frontier: this can be expressed, for example, in seizures of drugs or other offences prevented or prosecuted
- e) Acceptance by the Member States of guidelines for the introduction of new working methods
- f) Initiatives proposed by the Member States to improve public relations or information to the customs services' clients
- g) Actual participation of economic operators and outside groups in schemes proposed under the action programme
- h) Evaluation of the impact of computerized data-interchange systems on the efficiency of customs procedures

– *Details and frequency of planned evaluations*

The action programme is subject to permanent monitoring by the Customs Policy Committee, which is made up of the Directors-General of the Member States' customs services and the Commission or their personal representatives.

The Member States are to report to the Commission on the implementation and impact of the programme by 31 December 1997 and 30 June 1999 at the latest.

The Commission will be presenting to the European Parliament and the Council:

- an interim report on the programme's implementation by 30 June 1998;
- a communication on whether the programme should be continued, accompanied, if so, by a proposal to that effect, by 30 June 1999 at the latest;
- a final report on the implementation of this programme by 30 June 2001 at the latest.

10. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

The availability of the requisite administrative resources is subject to the Commission's annual decision on resource allocation in the light of the additional staff and sums accorded by the budgetary authority.

10.1 Staffing implications

DG XXI

Type of post		Staff to be assigned to the management of the action		Source		Duration
				Existing resources	Additional resources	
		Permanent posts	Temporary posts	Existing resources	Additional resources	4 years 1997-2000
Officials or temporary staff	A	9.5	1.5	10	1	1998-2000
	B	5.5		4.5	1	1998-2000
	C	5		5		
Other resources			19	13	6*	May '97-2000
Total		20	20.5	32.5	8	40.5

* 3 national experts on secondment and 3 consultants

SG (UCLAF)

Type of post		Staff to be assigned to the management of the action		Source		Duration
		Permanent posts	Temporary posts	Existing resources	Additional resources	4 years 1997-2000
Officials or temporary staff	A	4			4	1998-2000
	B	4			4	1998-2000
	C					
Other resources						
Total		8			8	

10.2 Overall financial implications of additional human resources

DG XXI

		Amount in ECU	Method of calculation	Duration
Officials or temporary staff		212 000	106 000 x 2	3 years 0
National experts on secondment		135 000	45 000 x 3	3.5 years
Consultants		450 000	150 000 x 3	3.5 years
Total		797 000		2 683 000

Cost of 19.5 existing posts in the DG = ECU 2 067 000 a year (ECU 106 000 a head)

SG (UCLAF)

		Amount in ECU	Method of calculation	Duration
Officials or temporary staff		848 000	106 000 x 8	3 years
Total		848 000		2 544 000

10.3 Increase in other operating expenditure involved in operation

Budget heading	Cost in ECU	Method of calculation
A-130	66 000	see (1) below
A-2510	156 375	see (2) below
Total	222 375	

(1) A-130 mission costs

These will be funded by redeploying existing resources.

60 missions to the Member States at ECU 800 each = ECU 48 000

12 missions to the associated countries at ECU 1500 each = ECU 18 000

(2) A-2510 meetings

The expert working parties already exist and therefore represent no additional cost.

15 meetings a year x 15 experts (1 per Member State) x ECU 695 = ECU 156 375

Total for Part A of the budget = ECU 222 375

ISSN 0254-1475

COM(97) 188 final

DOCUMENTS

EN

02 06 09

Catalogue number : CB-CO-97-192-EN-C

ISBN 92-78-19465-4

Office for Official Publications of the European Communities

L-2985 Luxembourg

40