

*Effects of postponing IT
infrastructure reform on the
achievement of an efficient
customs union and options to
develop the customs union*

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What goes around...

EU Commission

Customs faces a rapidly changing environment: evolving production and consumption patterns, increasing international trade, global threats such as terrorism, organised crime, climate change and new hazards like trade in dangerous goods.

In this context, the Commission has indicated that the role of customs is significantly expanding beyond the collection of customs duties, to now focus more on the application of non-tariff measures, including in particular those related to security and safety, the fight against counterfeit goods, money laundering and drugs, and the application of sanitary, health, environmental and consumer-protection measures, as well as the collection of VAT and excise duties on importation or the exemption from such taxes on exportation.

... comes around

European Parliament

Efficient prevention of irregularities and fraud in the customs field, through proper controls, not only secures the protection of the EU's financial interests but also has important consequences for the internal market, eliminating the unfair advantage held by economic operators who underpay duties or understate the values declared to customs over honest and compliant economic operators who do not engage in such practices

Business and consumers

We expect more efficiency, better service and higher productivity from customs

Background to Customs and IT

- Legislation is not self-executive
 - implementation involves more than adopting implementing rules
 - need for a series of coordinated actions to ensure that information on new rules and procedures is widely available and that these can easily be managed on a day-to-day basis and are applied effectively and uniformly
- **Implementation depends on IT strategy**
- Modernising customs is very important
- Most stakeholders were not in favor of a phased IT implementation
 - it was the only option

Déjà vu?

1997

- Commission initiates the electronic customs project
 - aims: place customs procedures on an EU-wide electronic basis with the goals of enhancing security at the EU's external borders and facilitating trade

2008

- Decision 70/2008/EC of EU Parl & Council re Pan-European electronic customs system

2012

- study 'Implementation of the Modernised Customs Code'
 - implementation deadline June 2013
 - (lack of) availability of IT infrastructure one of the reasons deadline could not be met
 - MCC became UCC - deadline for systems: end of 2020

2018

- Same place, same discussion

Outlook provided

- Back in 2012, an overview of options was provided
 - **optimistic** scenario: end of **2017** (plus potentially 2 years for strategy development)
 - **worst case** outlook: **2033!**

		Estimated earliest start	Estimated deadline
Legal implementation	Best case	March 2012	December 2013
	Worst case	March 2012	March 2017
IT technical implementation	Best case	March 2012	December 2017
	Worst case	March 2012	March 2030
Operational implementation	Best case	June 2017	September 2017
	Worst case	March 2030	March 2033
Total implementation	Best case	March 2012	December 2017
	Worst case	March 2012	March 2033

- Should we put a placeholder in our calendar for 2025 and/or 2032... ?

Transition period

- As a result of the postponement, transitional rules made available for certain provisions of the Union Customs Code where the relevant electronic systems are not yet operational (Reg. 2016/341)
 - Information and communication technologies remain a **key** element in ensuring trade facilitation and effectiveness of customs controls
- A lack of systems therefore results in

not full potential for trade facilitation

and

not the most effective customs controls

Consequences for trade facilitation

- Study ‘Ubiquitous Developments of the Digital Single Market’ (2013)
*‘customs legislation and implementation has **repercussions on the Single Market**. Differences in the handling of customs procedures can distort patterns of trade across the customs union in terms of access to markets by non-EU economic operators, thus jeopardising the development of the Single Market. Furthermore, differences in customs processes and associated compliance costs could create incentives for non-observable customs competition’*
- Loss of potential in trade facilitation has a direct impact on the Competitiveness of EU
- Study ‘Reducing Costs and Barriers for Businesses in the Single Market’ (2016):
 - **€2.5 billion** of potential **annual** savings in compliance costs are on the table. **A further €50 billion** are estimated to be gained through enhanced international business opportunities.

Consequences of no effective controls

- Not being able to perform the most effective customs controls has even more far going consequences
 - immediate consequence is financial loss (impact on **own resources**)
 - Example: Special Report no 19 of 2017 of the European Court of Auditors
On Import procedures: *shortcomings in the legal framework and an ineffective implementation impact the financial interests of the EU*
One of the recommendations: *in the next Multiannual Financial Framework propose that the next EU action programmes, which support the Customs union, should be used to contribute to financial sustainability to the customs European Information Systems;*
 - also many other areas are affected: **product safety, IP protection** and **security**

What won't work..

Study 'Ubiquitous Developments of the Digital Single Market' (2013)

*Each Member State is currently responsible for implementing its **national systems** according to common specifications, resulting in 27 (at the time of the Assessment) developments for each system, trader interfaces, schedules of development, sets of project related or operational difficulties,*

What needs to happen

- Much more **EU-wide** IT infrastructure (centralised IT)
- Clear **communication**
 - Deal with believed ‘issues’
 - IT will solve it all
 - IT will create new issues and additional burdens
 - Fact should be: IT will make it different (and much more sustainable)
 - Don’t scare people off ... (apart from fraudsters) - partner with them!
 - Make clear that the new approach will no longer mean: ‘simplification is doing it yourselves’ - but instead really make it simpler

Way forward

The needed reform is not going forward, while this reform is crucial

- **New legislation** is in place, but mainly backed up by **old infrastructure**
- **Differences** in interpretation and way of working **between member states** already **settling-in**
- Therefore: **prioritize** based on direct added value for single market
- In communication: don't just talk politics when it comes to customs procedures – **make it practical**

Thank you



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