



Minutes of the Customs Products & Processes Joint Customs Consultative Committee Sub Group

Date of Meeting: 15^h January 2016.

Location: Euston Tower London.

1. Introductions.

The Meeting was chaired by KS. A list of members is at **Annex A**.

2. Minutes from 9 September 2015.

The minutes for the last meeting were accepted.

3. Outstanding Action Points.

For discharged action points from the 9 September 2015 meeting please see **Annex B**.

AP48 09.09.2015 CW HMRC to share results of CFSP software audit with trade. 15.01.2016 CW Audit guide awaited from source. **Carried forward.**

AP53 09.09.2015 CW HMRC to share contact centre scripts once internal training on set questions has been completed. **Carried forward.**

AP62 09.09.2015 CW HMRC analysing public consultation responses, will update members on CIE when response received from minister. 15.01.2016 CW Delayed by Purdah, responses put to Minister end January, awaiting a response due in February re CIE. **Carried forward.**

AP66 09.09.2015 CW Members to provide views re AP65 Customs Declaration Service (CDS) project to summarise proposal (edifact to xml). CDS project to summarise proposal (edifact to xml). 15.01.2016 KS asked for any comments. PMcS and GT objected as OMS have set standards and that it is too early for HMRC to commit within the CDS timescale. GT The issue is in the recovery process re CDS bugs etc. will there be a CHIEF fall-back? PMcS CDS arranging to meet to discuss end2end process. KS Views to be sent to CDS as members not happy to lose the present format. KS asked PMcS to submit trade view in writing, PMcS has asked AICES and AFSS to comment as well and will put a consolidated document together as soon as possible. **Carried forward.**



4. ECS Upgrade.

JE HMRC did not identify the changes that needed to be made on CHIEF to ensure compatibility with new ECS validation. This meant indirect export data was not being communicated to other EU borders. HMRC implemented CHIEF profiles to obstruct exports that would be effected and ensure corrections were made before goods were shipped. An IT solution was implemented within a few days. The Serbia country code was the cause of further difficulties that lasted a further week.

The present scenario is stable but further changes effecting a limited number of special territory country codes will be notified by CIP. The Tariff will be updated with accurate information for all declaration types. The incident has highlighted a number of current weaknesses including a difficulty in getting urgent messages to end CHIEF Users.

GT- Software houses have had problems with changes and need advance warning of changes where possible. JE accepted that prior notice is always desirable but in this case actions had to be implemented on an emergency basis, however the lessons learn exercise will consider whether there is sufficient review of the technical instructions from the Commission.

5. Update on Self-Assessment.

KS No update, item carried forward.

6. Update on Control Strategy.

RO The Tactical Customs Health Check Committee (T: CHCC) gave an action to consolidate our strategic approaches into a high level summary Customs Strategy document. Further work on the existing strategy and action plan was agreed to be ceased. RO will provide an update on progress of understanding the fit of the Customs business with other compliance activity and strategies at the January T:CHCC meeting. Hopefully we should have an agreed way forward by the next CP&P JCCC Sub Group meeting.

7. Update on guarantees.

AH Transit will still need to have a guarantee and it will stay in a similar format as today, however it will fall under the CCG application. Deferment do not have facilities to do compliance checks so these will be carried out as part of the CCG application process and the results shared with the Deferment Team. The timescale is 120 days to issue a decision for a CCG, a deferment account is set up by the Deferment Team in Southend and the CCG along with the required securities is the responsibility of the Guarantee Team currently at Harwich. The process for applications will start in March with a 120 day turnaround.

CW There is no guarantee for CFSP but there is a requirement for a deferment account with the appropriate security. Regarding IP any cross Member State movement would involve all charges. For SASP there is a requirement to be AEO(C) for each individual legal entity.



AH The benefits of AEO cannot be shared (in relation to the previous SASP point). A Joint Contractual Liability (JCL) can be used but for potential debts in the UK only and can only be provided by a legal entity established in the EU.

AM queried referencing a guarantee for a TS company under CCC moving goods to a ETSF which is UCC, CW replied guarantee with holder of the TS authorisation then a transit guarantee covers the movement, now move under TS records which state who guarantees the movement.

GR queried banks agreement with guarantees, AH replied banks not averse to guarantees, there are concerns for covering goods in OMS and we are not using the guarantee in the Annex but creating a simpler UK template with the help of the financial institutions. RW stated that banks liquidity rules can be an issue. AEO is an alternative to a full guarantee but competency is a requirement of AEO. CW Other regimes use the AEO criteria, guarantees have to be held by the authorisation holder.

LR queried the checks for authorised CFSP traders who apply for AEO. AH The CFSP checks count towards the AEO checks if done within 12 months of obtaining CFSP and as long as they covered all the customs activities. AM queried the checks for AEO(F) traders, AH the AEO(F) trader will need to be reassessed to comply with the UCC. The guarantee cannot be moved between different regimes, potential or actual debt so therefore a larger guarantee will be required. As an AEOC a trader has to apply for a CCG but will be able to obtain the waiver – they must provide their reference amount calculations and keep these monitored should the AEO be suspended or revoked at any time as the CCG will need to be activated.

CW OSR is gone for dec in traders' records.

GR asked about deferment account guarantees. AH replied the amount is decided between the guarantor and the guarantee as these tend to be based on the risk to Guarantor.

HL queried between OMS and UK AEO companies. AH Different companies, we have no control over OMS AEO as they are separate entities. A branch of an OMS AEO will be covered by that OMS AEO e.g. Royal Dutch Shell BV is Dutch, Shell UK is not a separate legal entity but a branch and therefore must be covered by the NL AEO.

AM queried if an AEO has a facility under the UCC would that trigger a reapproval for the whole company. CW replied no, individual parts can be done separately. AH however an AEO can choose, when having their AEO reassessed before May 2019, to have all their authorisations and approvals redone to meet UCC criteria, put in place the CCG and then have the waiver and reduction as appropriate at that time.

Guarantees and the Union Customs Code presentation see **Annex C**.



8. Update on EU/US TT&IP.

SMoi The EU-US FTA (TT&IP) is different to other trade agreements as the focus is to promote convergence and harmonisation of standards. The customs and trade facilitation chapter in the agreement is based on the articles in the World Trade Organization [Trade Facilitation Agreement](#) . 66 countries have now ratified this agreement and the agreement is entered into force once two-thirds (108) of the WTO members have ratified the agreement

The customs and trade facilitation articles are categorise into Tier I and Tier II activities. Tier 1 are the standard articles found in the TFA agreement and Tier II are related to articles where stronger customs co-operation is required such as expanding trusted trader programmes or establishing a single window.

The US is implementing Single Window now, the UK and EU does not have a SW in place. Both sides are seeking an ambitious agreement during the current administration in the US.

The 12 th round of negotiations is taking place in Brussels in the week beginning the 22nd February, more information can be found on [European Commission TTIP](#).

GR asked about Tariff reduction, SMoi replied that is still under discussion and is led by BIS.

PMcS asked if parts of the TTIP can be introduced, for example exclude a particular country, SMoi said that the TTIP will be EU wide.

Information on the latest UK position in the Trading Across Borders indicator within the World Bank, Ease of Doing Business study can be found on www.doingbusiness.org.

9. Update on Safety and Security Trade Lanes (SSTL).

Update provided by GC in writing for the minutes. See **Annex D**.

10. Update on Non-inventory Linked Ports (NILPs).

CW The UCC mandates electronic communications between customs and businesses. As a result the current manual processes at NILPS will have to stop under the UCC and become electronic/ The transitional arrangements for the introduction of IT gives leeway to time the withdrawal of NILPS with the introduction of CDS. We will work with the trade to develop an implementation plan. The next stage is set up a NILPS working group meeting on 15 February in Southend at 1030.

AOB.

JOC asked for cost benefits of introducing the UCC and how HMRC are taking this forward. CW replied that HMRC Reviews UCC inputs etc and looks against World Bank figures.



PMcS told the sub group that a Temporary Storage meeting was held at Heathrow regarding issues with when the 90 day timeframe starts and transit with multiple vehicle moves. CSP's are meeting to align air and sea for Temporary Storage, PMcS will report back to HMRC **New AP69 15.01.2016**. AM stated that timeframes are key.

Next meeting:
To be advised.

New Action Points – 15/01/2016	
AP69 15.01.2016	PMcS a Temporary Storage meeting was held at Heathrow regarding issues with when the 90 day timeframe starts and transit with multiple vehicle moves. CSP's meeting to align air and sea for Temporary Storage, PMcS will report back to HMRC.
AP70 15.01.2016	S Moi Comments invited from members re website Transatlantic Trade and Investment Partnership (TTIP) - Trade - European Commission.

Annex A – List of Members – January 2016

Trade Organisations

Trade Organisation	Representative
Acushnet Europe Limited	Mark Emerson (ME)
Agency Sector Management (ASM)	Peter MacSwiney (PMcS)
Airline Operators Committee for Cargo UK (AOCC)	Andy Miller (AM)
Association of Freight Software Suppliers (AFSS)	Gordon Tutt (GT)
Association of International Courier and Express Services (AICES)	Joe O'Connor (JOC)
Automated Customs and International Trade Association (ACITA)	Robert Hina (RH)
Boots UK Ltd	Karen Coventry (KC)
British International Freight Association (BIFA)	Robert Windsor (RW)
CCS UK	Mark Bellis (MBe)
CCS UK	Adrian Gunn (AG)
Chartered Institute of Taxation	John Carlin (JC)
CNS	Matt Bradley (MBr)
CNS	Richard Stapleton (RS)
Crossflight Ltd	James Kelly (JK)
Customs Practitioners Group (CPG)	Barbara Scott (BS)



Descartes Systems Group	Howard Marsh (HM)
Descartes Systems Group	Martin Meacock (MM)
DHL	Steve Parker (SP)
DHL	Mark Redding (MR)
Dnata	Lawrence Cockburn (LC)
Dnata	Gary Morgan (GM)
Edrington	Carol Kunderan (CK)
Export Group for Aerospace & Defence	Gary Charles (GC)
FDF	Gavin Roberts (GR)
Federation of Sport and Play Associations	Michael D Alexander (MA)
Felixstowe Dock & Rail Company (FDRC)	Paul Brooks (PB)
Ford Motor Company	Penny Todd (PT)
Global Customs Compliance Limited	James Lenaghan (JL)
Grosvenor	Lorenzo Rossetti (LR)
Institute of Chartered Shipbrokers	Nic Ingle (NI)
Jabil	Ruth Maciver (RM)
Kuehne & Nagel Ltd	Terry Clear (TC)
Maritime Cargo Processing (MCP)	Alan Long (AL)
MSC UK Ltd.	Vincent Kearney (VK)
Nissan	Steve Sandell (SS)
Pentant	Mark Phippen (MP)
RHA	Peter Cullum (PC)
Samsung Electronics	Bob Ellison (BE)
Scotch Whiskey Association	Andrew Billcliffe (AB)
Scotch Whiskey Association	Peter Clark (PC)
Scotch Whiskey Association	Siobhan MacLennan (SMa)
Society of Motor Manufacturers & Traders (SMMT)	Howard Levene (HL)
Unipart	Don Makepeace (DM)
Velta International Ltd.	Alonso M'rabety (AMr)
Virgin	Michael Galloway (MG)



HMRC/OGD

Department	Representative
HMRC (Chair)	Kevin Snow (KS)
HMRC (Secretariat)	Jim Leigh (JLe)
HMRC	Lee Barham (LB)
HMRC	Hazel Batter (HB)
HMRC	Gill Castle (GC)
HMRC	Mark Ellis (MEI)
HMRC	Diane Evans (DE)
HMRC	John Evans (JE)
HMRC	Kerry Fairless (KF)
HMRC	Paul Frost (PF)
HMRC	Lynne Goodwin (LG)
HMRC	Andrea Head (AH)
HMRC	John Mitchell (JM)
HMRC	Syed Moinuddin (SMoi)
HMRC	Arnold Mtopa (AMt)
HMRC	Robert Oxlade (RO)
HMRC	David Peters (DP)
HMRC	Caroline Wilkins (CW)
Border Force (BF)	David Huke (DH)

Apologies received for 15 January 2016 meeting

Chartered Institute of Taxation	John Carlin (JC)
Descartes Systems Group	Howard Marsh (HM)
Descartes Systems Group	Martin Meacock (MM)
DHL	Steve Parker (SP)
RHA	Peter Cullum (PC)
Unipart	Don Makepeace (DM)
HMRC	Lee Barham (LB)
HMRC	Hazel Batter (HB)
HMRC	Gill Castle (GC)
HMRC	Mark Ellis (MEI)
HMRC	Diane Evans (DE)
HMRC	Paul Frost (PF)
HMRC	John Mitchell (JM)
HMRC	Arnold Mtopa (AMt)
HMRC	Robert Oxlade (RO)
HMRC	David Peters (DP)



**Annex B – JCCC Discharged Action Points
From last 9 September 2015 meeting**

NO	ACTION POINT	UPDATE
Agenda Item 2.2 – Outstanding Action Points		
AP15 11.04.2014	UK arrival message. VK requested an update on UCC requirements in relation to UK arrival messages.	DH This information is used for targeting.
AP37 14.05.2015	CITEX to be invited to attend meetings.	Invitation sent.
AP38 14.05.2015	RW to send details of MRN issue with Temporary Storage.	No plans to change MRNs/CRNs for TS during transition. Discussions are still ongoing at Union level of the control of movements in TS. 15.01.2016 RW to send a copy of paper to KS.
AP39 14.05.2015	IW to speak with DH about PLACI. Cion has established a new working groups regarding progressing the Risk Management Strategy. The UK is included. GC to provide a report to the next	KS This is Border Forces strategic Tool. Closed in discussion.



	meeting clarifying the general impact on businesses and estimated implementation dates.	
AP44 14.05.2015	SB to share work on TCC Temporary Storage authorisation. AM said at the same time as the ERTS review HMRC advised there was going to be a review of Frontier Temporary Storage. With the UCC coming in AM had concerns about timescales, especially if reauthorisation was needed at the same time as additional AEO applications. IW replied HMRC were currently in discussion with BF but another review of frontier-based sheds was unlikely. IW continued that as we are in a transition period with UCC it is unclear what legislation has changed. Following the issue of UCC Revision 5, HMRC will share the work that has been done. IW said comments on this would be welcome, IW said BF would also be invited to comment. 09.09.2015 CW Transition arrangements identified for TS that will not require reapproval for 1 May 2016. OLAF has raised concerns that HMRC should receive a notification of all TS importations/movements.	Closed in discussion.
AP46 09.09.2015	Creation of new sub group to provide input on compulsory inventory once ministerial response received, those wishing to join the sub group to contact CW or KF.	Closed in discussion.
AP47 09.09.015	JE to circulate minutes of Transit sub group.	Closed, JE to send out minutes after meeting.
AP50 09.09.2015	CW Provide an update on Control Strategy post CPDP meeting of 24 Sept 2015.	15.01.2016 KS No update available, item closed in discussion.
AP51 09.09.2015	CW The DA text that's with Council and European Parliament is the text that is likely to be voted on. DAs are voted for in a bundle and will not be separated. Following	15.01.2016 KS The DA and IA have been voted on and accepted.



	member states requests the Commission have given assurances that areas of concern will be revisited within a year. HMRC to research protocols for challenging legality of adopted provisions outside of EUs competency.	
AP52 09.09.2015	Mailshot to authorisation holders by their supervising office target date 30 September.	15.01.2016 CW 10,000 mailshots sent. Closed.
AP54 09.09.2015	CW HMRC to share contact centre scripts once internal training on set questions has been completed.	15.01.2016 CW Transition authorisation letters covering terms & conditions due end Feb 2016. Tariff is finalised apart from CPC's. 12 CIP's for Transit, Exports and Guarantees waiting to publish. UK Trade Info maybe used as an alternative to Gov.uk material but we are waiting EU guidelines. Public notices finalised in draft by mid-March 2016. Internal manuals ready end February 2016. Authorisation manuals by 22 January 2016. LG Special procedures application forms online now, most CPC's are the same, changes to be notified by CIP. Application forms are word docs.KS There is a new process for quality assuring CIPS which is causing some delays. We are being selective about which forms are i-forms. CW CPC list to be pulled together regarding which are impacted and we will circulate list. Members



		to send comments to draft CIPs to the CIP mailbox.
AP55 09.09.2015	CW HMRC to set up a self-assessment prototype group (incl. Trade Stats).	15.01.2016 Merged with AP 64.
AP56 09.09.2015	Members to provide views on possible solutions to capturing the stat data.	15.01.2016 CW The stat data needed is Low Values, Sub Dec, Special Procedures, Oral Dec. Does not include Self-Assessment. MEI has sent data to the Office of National Statistics to ascertain what data is still required. There are no timings stated as yet by the EU.JOC questioned if OMS are doing things differently, CW stated there are a few exceptions.
AP57 09.09.2015	CW Members to feedback comments re guarantees information shared at meeting to CW.	15.01.2016 KS No feedback, item closed.
AP58 09.09.2015	CW Guarantee hand-outs to be issued with minutes.	15.01.2016 Item discharged on 18.11.2015 with the issue of previous minutes.
AP59 09.09.2015	CW HMRC to share draft of scenarios of what could trigger a new authorisation	CW Manuals published. Item closed 15.01.2016.
AP60 09.09.2015	JE HMRC to provide clarification on what is the timescale for the supplementary declaration and why.	15.01.2016 Closed in discussion. JE No reply from EU re Supp Dec timescales, timeframe will not be reduced by HMRC, updated regulations will probably be issued. CW Surveillance requirements are the driver. PMcS Questioned can this be delayed until CDS? JE confirmed this can be



		<p>done as that is what TAD are for. LR queried that CW, CFSP the CITEX view no supp dec now until the 4th working day is out of step with next day dec. LG confirmed we need the data. JE stated if systems are in place to carry on using them. CW Custom's dec into warehouse the UCC says not needed, 4th working day is a legal requirement, OMS want the data on sub decs. KS New legislation may be required. JE Simplified Dec for export will not generate stats we don't need, MEI has approach the EU on this. CW Sub dec no longer for low value goods, issue is simplified procedures sub dec does not have a date for trigger points. KS The commission is aware of the problem.</p>
AP61 09.09.2015	AM to put out a CIP updating progress of TT&IP.	Done. Item closed 15.01.2016.
AP63 09.09.2015	CW NILPs Ministerial submission has been drafted along with a consultation response document which sets out all of the options identified during the consultation exercise and the minister has been asked to endorse a preferred option. HMRC will update when the minister comes back on the submission.	15.01.2016 Closed in discussion. CW NILPS has been to the Minister, CIE has not, we are trying to divorce these from each other. Information required is what is the inventory at 'wheels down / alongside'. Service delivery requirements show what is required of an inventory. We are looking for electronic



		inventory connecting to CHIEF, the UCC states that the inventory has to be electronically communicated and we are aligning NILPS to the CDS timescale. Border Force have to be content that they can provide cover.
AP64 09.09.2015	CW Members to inform CW if they want to be part of any of the priority working groups: Guarantees, TS and/or Special Procedures AND self-assessment prototype group (incl. Trade Stats).	15.01.2016 Closed.
AP65 09.09.2015	CW Customs Declaration Service (CDS) project to summarise proposal (edifact to xml).	15.01.2016 See AP 66. Closed.
AP67 09.09.2015	Changes to IP and Special Procedures agenda items proposed by BS carried forward for LG to cover at the next meeting.	15.01.2016 Note from JM 'There have been no discussions in the Valuation Committee regarding the implications of Article 128. The UK did put up some alternative text in plain English but the Commission legal services wanted to keep the text as it was. So following this we had no option but to adopt the view that the last sale in a customs warehouse would form the basis for the Customs value. That is the message we have been giving to the trade until the Commission tell us otherwise.' KS HMRC will push CION for answers. Closed.
AP68 09.09.2015	MA to provide an email summarising issue with delays in receiving post from HMRC for CW	15.01.2016 Email received and



HM Revenue
& Customs

	to investigate once email detailing issues is received.	forwarded to CW. Closed.
--	---	-----------------------------

Annex C Guarantees and the Union Customs Code presentation.



HM Revenue
& Customs

Guarantees and the Union Customs Code

Updated January 2016



Changes introduced by UCC - Guarantees

Guarantees mandatory for potential debts, with a few exceptions

Compliance criteria assessed for all comprehensive guarantees (including deferment accounts)

Potential debts secured at highest rate of duty (e.g. goods entered to quota or preference)

One guarantee can cover deferment and customs suspension

Import VAT guarantees for potential debts will only be required in exceptional cases (e.g. compliance history, SIVA cannot be granted)

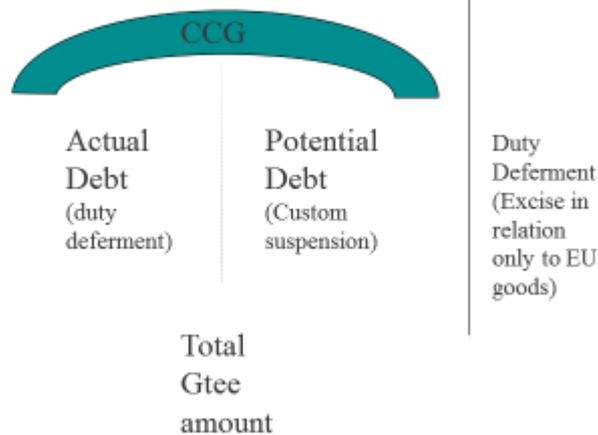
Only an AEOC is entitled to a 70% reduction in duty deferment guarantee level

Meeting certain criteria entitles a business to reductions/waivers against potential debt guarantee



Guarantees – Customs Comprehensive Guarantee

The UCC introduces the concept of the Customs Comprehensive Guarantee (CCG)





What will the Guarantee amount cover?

Duty deferment:

(without any reductions)

Account level per month = £20,000

Guarantee level = £40,000

Under UCC –

assuming AEOC authorisation is held by business = reduction of 70%

Account level per month = £20,000

Guarantee level = £28,000



What will the Guarantee amount cover?

The CCG could cover just duty deferment:

(without any reductions)

Account level per month = £20,000

Guarantee level = £40,000

Under UCC

Account level per month = £20,000

Guarantee level = £28,000

Or just potential debt:

(without any reductions)

Account level = £50,000

Guarantee level = £50,000

Or both together

= £58,000

Total Guarantee





What will the Guarantee amount cover?

Potential Debts:

Individual customs authorisation/approval requiring a guarantee –

Example:

Customs Warehousing	£20,000
IP	£20,000
Transit	£20,000
Total Potential Debt Gtee	£60,000

But only the maximum per regime can be used – amounts cannot be 'borrowed' from the other areas covered by the Guarantee



How could we calculate a guarantee for potential customs debt?

A	B	C	D	E	F
Customs Procedure	Max value of goods within the procedure at any time	Highest duty rate applicable to the goods	Estimate of charges (BxC%) Max liabilities allowed in the procedure at any time (suspended revenue)	Guarantee level required (can be reduced to 30%, 50% or a 100% waiver)	Amount of guarantee required (D/100xE) =F
IP	£1000	5%	£50	30%	£15
CW	£2000	5%	£100	30%	£30
Total Potential Debt	£3000	5%	£150	30%	£45





Transition Arrangements - Guarantees

Any new authorisations or approvals granted on or after 1 May 2016 will be required to provide a guarantee immediately.

One-off applications for a special procedure (for example IP) made using the customs declaration will require a guarantee to be provided prior to the goods being released

Deferment accounts may continue to be used after 1 May 2016 without requiring reauthorisation until there are changes to the guarantee/guarantor. New Deferment accounts will need to meet the UCC criteria.

Any authorisation that is renewed to meet the UCC



Transition Arrangements - Guarantees

Businesses may continue to operate current authorisations (which have end dates) after 1 May 2016 without providing a guarantee until they are changed to a new UCC authorisation and approval

Business may opt to have their authorisation issued under UCC criteria in order to obtain new benefits – this will require a CCG to also be obtained before the authorisation can take effect.

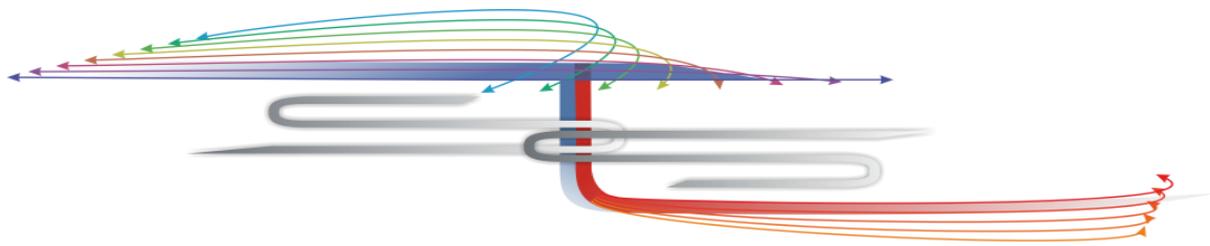
AEO – all AEO authorisations issued before 1 May 2016 will need to be reassessed to ensure they meet the new UCC criteria. The AEO can decide at that point to have all their customs authorisations and approvals also amended but a CCG will need to be obtained. The waiver and reduction can be implemented immediately.

Authorisations with no end date (e.g. CW) will be reauthorised by HMRC and will require a CCG to also be approved and secured – neither the authorisation or the CCG will be effective until 1 May 2019





Annex D Smart and Secure Trade Lane (SSTL) update



SMART AND SECURE TRADE LANES
安全智能贸易航线

JCCC Update Paper EU-CN-HK Smart and Secure Trade Lane (SSTL) Pilot

Purpose.

This paper will provide an update of the current position with the SSTL Pilot and seeks expressions of interest from companies to participate in the Pilot.

Background

As a result of terrorist threats and attacks though out the world, protecting the supply chain became a priority for the major trading countries. Some of the key initiatives taken included:

- The World Customs Organisation (WCO) produced the SAFE Framework of Standards to Secure and Facilitate Global Trade
- The United States (US) introduced a raft of security measures including Customs Trade Partnership Against Terrorism (CT-PAT) programme, the Container Security Initiative (CSI). The Secure Freight Initiative, 10+2 and plans for 100% scanning.
- In the EU the Security Amendment to the Community Customs Code, Regulation 648/2005 and its Implementing Provisions (Regulation 1875/2006), required Member States to introduce systems capable of handling a number of new initiatives focused on global security.

HM Revenue & Customs (HMRC), the Netherlands Customs, the European Commission and Chinese Customs agreed to participate in a pilot project on Smart and Secure Trade Lanes to test, refine and agree the WCO SAFE principles for securing and facilitating end to end supply chains between Asia and Europe, and to work towards the mutual recognition of security measures and Authorised Economic Operator schemes. Phase 1 of the pilot went 'live' operationally on 19 November 2007 and concluded on 31st December 2009.

In the Pilot the movement of goods is facilitated by the risk analysis / assessment being carried out by the exporting Customs administration and wherever possible by the importing Customs



Authorities before exportation and any necessary examinations being conducted in the country of export.

To enable this to happen the participating exporter is required to send data to the exporting Customs administration at least 24 hours prior to the container being loaded on to the vessel. This information is then sent to the importing Customs Authority via a secure Customs to Customs (C2C) system. More detailed information on the exchange of data will be provided during preliminary discussions.

Phase 1 of the Pilot established trade lanes and data exchange between China and the UK and the Netherlands; tested the use of the UCR and Container Security Devices, and completed much of the groundwork to establish compatibility between the Chinese AA programme and the EU AEO programme.

During Phase 1 the UK operated 3 trade lanes. The three companies found it to be an interesting experience and reported that the benefits that they gained were:

- Streamlined clearance procedures;
- Predictability of an unhindered crossing borders supply chain;
- Communication routes opened gave a better relationship with HMRC and UKBA (now BF)
- Ability to find out more about other projects in the pipeline with HMRC / UKBA such as ECS / ICS and Integrity
- Greater understanding of supply chain security issues

In **Phase 2**, the Pilot was extended from 3 participating ports - Shenzhen, Rotterdam and Felixstowe to include the ports of Chongqing, Dalian, Shanghai, Tianjin in China, Hong Kong and the ports of Genoa, Le Havre, Hamburg, Antwerp, Valencia, Barcelona and Gdansk. In addition we tested common risk rules and minimum control procedures and standards. In Phase 2, in terms of operational activity, the UK took less of a leading role due to trading patterns the number of our trade lanes gradually reduced. However, we remained active in negotiations, the agreement of common standards and in the development of risk testing exercises.

The key result of Phase 2 was to highlight the need for a robust and future proof data exchange system and work is underway to achieve this.

Current Situation

Phase 3 will commence in July 2016, after the signing by the DGs of all participating countries of a Joint Understanding. The ports of Ningbao and Guangzhou will also join the Pilot plus some other EU MS.

The specific aims of the Pilot in Phase 3 are to:-

- Enhance the security and facilitation of end-to-end supply chains between Europe and Asia;



- Test WCO SAFE (notably in light of the WCO SAFE Review 2015);
- Further accelerate and facilitate international trade;
- Enlarge the scope of economic operators by opening up to non AEOs /non AAE (subject to specific vetting processes and consignment based controls through automated export data provision);
- Increase the number of economic operators and the volume of SSTL consignments through promoting SSTL and increasing the number of participating ports;
- Implement common standards for the:-
 - a) vetting process for new SSTL company participants and
 - b) for the communication request for nominating new company participants;
- Implement an information sharing platform between the Customs authorities;
- Further exploit and implement synergies with other supply chain security policy instruments, e.g. SSTL risk management cooperation and testing risk rules in areas such as IPR, waste and product safety;
- Further enhance the security filing based on improved data exchange mechanisms;
- Facilitate trade through mutual recognition of controls based on data exchange;
- Further develop coordinated border management, and to explore the possibilities to foster the mutual recognition of targeted controls with other border agencies, e.g. EU market surveillance authorities and AOSIQ/CIQ;
- Consider how an authorized supply chain concept (all actors in the supply chain are AEO or AAE, as defined in the SAFE FoS), could be implemented;
- Expand SSTL to air and rail transport modes;
- Further explore the use of Container Security Devices, and
- Consider the outcome of technology research projects and their potential value to SSTL.

Expected Outcomes

- Increased security and trade facilitation throughout the supply chain between China and Hong Kong and the European Union through improved quality of data exchanged, enhanced Customs co-operation, in particular, improved and an additional layer of information flow, improved risk assessment and the targeting of controls.
- Increased trade facilitation through, for example, the quicker release of goods upon arrival, better predictability of delivery times for business partners and reduced control efforts for company participants.



- Increased Risk Management cooperation and targeting of controls and thus more efficient use of resources, joint risk rules developed on issues of mutual concern;
- Mutual recognition of Customs controls.
- Improved cooperation with other governmental agencies involved in the control of the supply chain.
- Implementation of the new IT tool for data exchange in line with global standards and based on WCO Globally Network Customs (GNC) methodology.
- Enlarged the geographical coverage, through the inclusion of other ports and inclusion / development of rail and air transport modes.

Phase 3 will be “phased-in”.

- Step 1: starting with those objectives that can be further developed and improved without the new data exchange IT tool and in parallel with the development of the new data exchange.
- Step 2: deployment of the new data exchange IT tool and full implementation of all objectives

UK Position

The SSTL Pilot is regularly raised by the Chinese on the UK-CN Economic Finance Dialogue and both sides pledge their continued support to it.

HMRC are keen to start expanding again the number of trade lanes operating at both import and export on the maritime routes and to introduce an import and export trade lanes for air.

With this paper HMRC are seeking expressions of interest from companies who would like to join the Pilot.

Potential benefits of participation

- Increased trade facilitation through:-
 - quicker release of goods;
 - recognition by import Customs authorities of controls carried out by Customs in the exporting country;
 - improved cooperation with Customs and other governmental agencies operating at the border;



- predictability of delivery times for business partners, and
- reduced controls for traders participating in SSTL.

Additionally, companies will benefit in the long term from the experience gained from the Pilot which will:-

- Enhance Customs to Customs co-operation through:-
 - improved and additional layer of information flow;
 - improved risk assessment and targeting of controls,

which enables a more efficient use of resources for both the trade and Customs Authorities;

- Assist in the development of standards that will enable participating and other administrations in developing secure supply chains.
- Increase security and trade facilitation throughout the supply chain between China and Hong Kong and the European Union.
- Increased security and trade facilitation throughout the supply chain between China and Hong Kong on the one hand, and the European Union on the other;
- Enhanced Customs co-operation through, in particular, improved and additional layer of information flow, improved risk assessment and targeting of controls and thus more efficient use of resources;
- Improved cooperation with other governmental agencies;
- Recognition by import Customs authority of controls carried out by Customs at the exporting country;
- Increased trade facilitation through, for example, quicker release of goods upon arrival, better predictability of delivery times for business partners and reduced controls for traders participating in SSTL;
- Development of standards that will assist participating and other administrations in developing secure supply chains.

Requirements of Participating Companies

- Regular trade either import or export (preferably through Felixstowe or Heathrow but we will consider other locations) with one of the participating ports or airports in China or Hong Kong. It is not necessary for this to be large volumes.



- A good compliance record with HMRC (this will be checked as part of the vetting process by both UK and CN / HK Customs. It is not necessary to be an AEO.
- Prepared to provide data to HMRC / BF in advance of import / export to enable the exchange of data with CH and or Hong Kong.
- Shipments need to be FCLs i.e a container can contain consignments of different goods from different companies but those companies must be vetted companies participating in the Pilot. Regrettably at this time we are unable to accept consolidations or transshipments.

At the time of application you will be asked to supply the following information:

- Your company name, address, VAT registration number and EORI
- Full list of your suppliers in mainland China, plus their names and addresses;
- Description of the goods;
- Number of containers moving to or from China and the ports used and routings.

The information of the suppliers in China will be forwarded to the Chinese Customs authorities to assist the selection process. In addition, the information will be shared amongst the Customs administrations involved in the pilot. Your information will be treated with the strictest confidence.

If you would like to have more information or would like to apply to join EC-CN – HK SSTL Pilot please contact. gillian.castle@hmrc.gsi.gov.uk