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ECONOMIC COMMISSION FOR EUROPE

INLAND TRANSPORT COMMITTEE

Working Party on Customs Questions
affecting Transport

Informal ad hoc Expert Group on the
Computerization of the TIR procedure

Updates of the Reference Model of the TIR Procedure

Follow up to decision ExG/5 (1.1.x. Business Opportunity Statement)

Transmitted by the secretariat

A. BACKGROUND

1. At its third session on 1 and 2 September 2003 in Budapest, the Informal ad hoc Expert Group (hereafter called the Expert Group) requested the secretariat, in collaboration with the IRU, to draft a proposal for a “Business Opportunity and Problem Statement” (ExG/COMP/2003/5, Decision. 5).

2. When analyzing this request by the Expert Group, the secretariat realized that the Ad hoc Expert Group on Computerization, at its first session (19 February 2001), had already identified the existing problems and had formulated the challenges/opportunities ahead (TRANS/WP.30/2001/5). The text is contained in Annex 1 to this document. The secretariat proposes to amend Chapter 1.1. with this text, possibly creating a new Chapter 1.1.2.

3. On 9 September 2003, the IRU distributed their proposal among the participants of the Expert Group. This proposal is reproduced as Annex 2 to this document.

B. CONSIDERATIONS BY THE EXPERT GROUP

4. The Expert Group is requested to discuss, finalize and, possibly, validate the text of the new Chapter “Business Opportunity and Problem Statement”.

Annex 1

Business Opportunity and Problem Statement:

Submitted by the secretariat

1. Technological developments in international transport, trade and Customs procedures

The extremely rapid technological developments in Internet applications, world-wide wireless communication systems and smart card technologies have led to simple and cost effective data transmission possibilities on a world-wide level with increasingly secure authentication procedures. These technologies have and increasingly will affect profoundly the way and means how international transport and trade operations as well as Customs procedures are carried out.

EDI technologies are today used by all major freight forwarding companies and by many road transport companies engaged in international transport. Also Customs authorities increasingly use these technologies to enhance efficiency of internal administrative and control mechanisms and to improve service quality at border crossing points.

The reasons for such rapid introduction of EDI technologies – unthinkable only five years ago – are cost benefits and the superior service quality in terms of accuracy, speed, tracing, controlling, billing and other value-added features which are associated with the use of these computer-based technologies. Traditional paper-based documents and procedures no longer fit into such an environment unless they are accompanied or supported by computer readable data files. Any modern international Customs transit system with the objective of facilitating international transport and trade simply cannot ignore these rapid developments.

2. Efficiency of the TIR Customs transit procedure

Freight forwarding and transport companies as well as Customs authorities constantly have to improve the efficiency of their operations and to increase service quality. This will become increasingly important since international goods transport, particular road transport, is forecast to increase considerably in the coming years, also along the East-West European transport corridors (European Union – Russian Federation, CIS countries and beyond) and on the Southeast-European axis (European Union – Turkey –Iran (Islamic Republic)/Middle East). These trends, together with the tremendous growth of smaller and time-sensitive shipments, will substantially increase the volume of international shipments and thus the workload of Customs authorities. At the same time the resources allocated to Customs services, both in terms of manpower and installations, are decreasing in many countries.

Statistics show that there exist no alternatives to the TIR Customs transit procedure for international road transport. In 2000 more than 500,000 TIR operations were terminated in the Russian Federation. The CIS countries alone accounted for more than half a million of TIR Carnets issued. Bulgaria, Iran (Islamic Republic of), Romania and Turkey also issued more than 900,000 TIR Carnets to their transport operators in 2000. Even with the extension of the Community and Common Transit Systems to the EU accession countries in the coming years, the use of the TIR procedure will probably further increase, particularly once the countries in the Middle East, Northern Africa and Asia apply fully the TIR procedure and China accedes to the TIR Convention.

Thus, the TIR Customs transit regime will remain the backbone for efficient international road transport at the pan-European level and it seems thus indispensable to adapt it to the already existing and emerging needs of the transport industry and the Customs authorities involved.

In the 1970's, when the paper-based TIR Carnet was introduced in its present form, it not only provided proof of the required guarantee coverage, but it also constituted the administrative basis for further trade facilitation as well as effective Customs administration and control of transit operations. Today the TIR Carnet has lost this role to a large extent (apart from the fact that it is no longer in line with the format and layout of modern trade documents as recommended in the UN Layout key). In fact, there are even situations where the use of the TIR Carnet interferes with the concept of effective Customs transit administration and control, as the information contained in the TIR Carnets is often no longer used directly by Customs authorities, but has to be inserted manually into the various national computer systems which are increasingly used by Customs authorities. In some cases the white and green vouchers in the TIR Carnet are no longer used for Customs control, even though they still have to be filled-in by TIR Carnet holders. Apart from the risk of errors during repetitive data entry (ironically this had been one of the major advantages of the TIR Carnet replacing national Customs documents) these manual procedures are time-consuming and require resources which Customs authorities should use more effectively for other purposes.

The TIR Carnet also seems to become a burden for TIR Carnet holders as it is difficult, expensive and time-consuming to be filled-in and requires tailor-made software and hardware solutions, while multiple data entries in the TIR Carnet vouchers are often no longer needed for Customs control purposes (see above). Furthermore, the use of TIR Carnets results in millions of physical handling and shipment operations between a centralized printer and the IRU in Switzerland, between national associations and TIR transport operators in more than 40 countries and vice versa, until their final storage at the IRU premises in Switzerland. All these physical movements are a potential source for errors and fraud. They also are reflected in the costs of TIR Carnets, not to mention those incurred by the international EDI Carnet control system.

In terms of Customs efficiency, the paper-based TIR Carnet therefore has already and will increasingly become the weakest link in the TIR transport chain, unless it is complemented and

ultimately replaced by electronic procedures. The introduction of new Customs procedures, such as the New Computerized Transit System (NCTS), client-oriented automated Customs declarations systems already available or being installed in virtually all major ports and airports or the electronic Customs procedures applicable for land transport in North America support this view.

Experience shows that automated Customs transit systems do not only reduce processing times at border crossing and final destination, but also allow Customs authorities to offer value-added services to transport operators and freight forwarders, such as on-line information on the status of transit operations. There is no reason why only the road transport industry should not be allowed to benefit from the possibilities of modern technologies in dealing with Customs authorities.

3. The fight against fraudulent activities

The fight against misuse of Customs transit systems is of utmost importance to all parties, as the facilities of these procedures can only be granted if Customs duties and taxes at risk are not jeopardized or can be easily recovered in case of misuse.

In contrast to its modest origins, Customs transit systems involve today thousands of operations every day. In such an environment, individual and manual processing and control of documentation by Customs officers, as in the past, has become ineffective and is no longer possible without causing long delays. The visual checking of paper-based documents, Customs stamps, ID-numbers, etc. must be complemented and/or replaced by automated systems which can verify authenticity of persons and data (documents) and automatically generate data for risk assessment of sensitive cargoes, destinations, etc. Effective risk management systems with the capability to act in anticipation of emerging problems are not only indispensable at the national level (Customs authorities and national associations), but, as a result of the centralized TIR guarantee system and the increase in international organized crime, also at the international level (international insurers, IRU, TIR Executive Board (TIRExB)). The revised TIR Convention (Phase I) has provided the legal and administrative means to establish such a coordinated approach and modern EDI technologies allow its efficient functioning.

The IRU, acting in accordance with Article 6 of the TIR Convention, maintains data banks with commercial information of their member associations and on the TIR Carnet users as well as information on stolen, misused or otherwise risk-prone TIR Carnets. By means of the SafeTIR system, the IRU also obtains from Customs authorities on-line information on terminated TIR Carnets covering more than 80 per cent of all TIR transports.

The international insurers certainly also have detailed information available on all Customs claims lodged in the framework of the TIR Convention which should comprise information on the

reasons for such claims, countries, operators and types of goods involved as well as the amount of duties and taxes thereon.

The TIRExB, as a governmental organ, also has detailed information on all TIR Carnet holders as well as on their status (authorized, excluded or withdrawn). It also has detailed information on approved Customs seals and stamps as well as on the numerous legal arrangements made between national associations and Customs authorities in the Contracting Parties to the Convention.

Some of this information is already today available to Customs authorities or to the private sector, but no concerted efforts have yet been made to share or combine this information neither at the national and international levels nor between these levels. With a view to enhancing pro-active risk management capabilities by Customs authorities, private associations and the international guarantee providers of the TIR system, it seems therefore indispensable that Customs enforcement authorities, the TIRExB as well as the international TIR guarantee providers pool their knowledge and data. In line with national data protection laws, such information could, in the future, be made available on-line and on the basis of well-defined criteria. An integrated information system would not only provide for systematic information about trends in criminal activities, but could also allow automated risk assessment on a case by case basis, thus speeding-up border crossing and termination procedures for the very large majority of transport operators (TRANS/WP.30/2001/5, paras. 15-30).

Annex 2

Business Opportunity and Problem Statement

Submitted by the IRU

1 Effective and efficient TIR procedures are critical to international trade and development. Proper control over, and efficient use of, the TIR Carnet are greatly enhanced by the use of online applications and computer networks for the exchange of information. The current environment is too often characterized by heavy administrative procedures and paperwork at Customs level (termination, discharge procedures, Customs records) and by off-line processing and insufficient network connectivity, within some contracting parties and certainly among contracting parties. This leads to delay, incomplete data, and erroneous data, all of which are windows of opportunity for those who might wish to defraud the system.

2. In the global framework of the TIR System, our vision is to enhance the control of the TIR procedure / TIR transport by ensuring that all relevant data concerning the TIR transport are captured, controlled, and made readily available to the Customs Authorities, the National Associations, and the IRU across the TIR regime-when needed, independent of space or time. We also wish to include in this vision information not necessarily captured in the course of the TIR transport but of use within it, for example, information related to the validity of the TIR Carnet and possibly the status of the holder within the regime.

3. We wish to reach this vision through collective and individual initiatives, building upon the existing investments in information technology in small (manageable), value-adding steps, while respecting the clear rights of the contracting parties to determine their own implementations of the TIR procedures and make their own investment priorities. It is our vision to integrate TIR transit requirements within national systems and procedures, not along side of them. We also wish to reach this vision in a manner that keeps access to the regime open to small transporters.

4. Our vision, recognizing that the paper based TIR Carnet will remain the Customs Declaration for the foreseeable future, is driven to identify solutions that will provide the following overarching benefits to the stakeholders in international commerce:

5. National Customs Authorities, and their national coffers, will benefit through the ability to further reduce fraud, by quickly uncovering it when it does occur. The solutions must enhance the efficiency of their operations and strengthen the effectiveness of their personnel.

6. The TIR Carnet Holders will benefit because the solutions must provide custom's procedures that are (a) faster, reducing delay, and (b) more standard, reducing the possibility for error or confusion.

7. The guarantee chain will benefit because the solutions must, in all cases, rapidly secure termination and reduce the time any TIR Carnet can be perceived to be at risk.

8. The individuals working in customs, National Associations, and for the Holders will benefit because the solutions must reduce the ability for organized crime to intimidate them, or do worse.

9. The public will benefit because the solutions must bring greater efficiency to international trade and enhance the control customs can bring-alerting and focusing customs personnel on those cases where fraud might have been committed. Fraud must be detected early enough to prevent repeated irregularities by a few offenders.
