

Logistics Business forum 2012 > 1





Securing the global supply chains:

Why your company should consider to become certified as "Authorized Economic Operator"



- Overview on the policy priorities of the Governance
 & Competitiveness WG
- 2. Securing the global supply chain: international framework and policy trends
- 3. Customs related security initiatives of the EU
- 4. The "Authorized Economic Operator": facts and figures
- 5. Why your company should consider an "AEO" certification





1. Overview on the policy priorities of the Governance

& Competitiveness Work-group

- 1. Follow-up of **growth and employment** in the logistics sector in Luxembourg and in Europe
- 2. Adapt service of **customs and health sanitary services** to the evolving work processes of the operators
- 3. Promote logistics **education** in schools, implement a lifelong training program for logistics
- 4. Stimulate **multimodal rail-road transports** by developing new lanes and adequate incentives
- 5. Support **social policies** intending to increase flexibility of the workforce by an extended reference period
- 6. Lobbying for all topics related to the **competitive positioning** of Luxemburg







2. Securing the global supply chain: international framework and trends

International policy trends:

□ Security concerns relating to the international trade in goods will remain high on the **political agenda**

☐Guaranteeing "supply chain security" generates risks AND opportunities for companies involved in logistics



and Norway, US, China...



2. Securing the global supply chain: international framework and trends

WCO: Framework of Standards to Secure and Facilitate Global Trade
- SAFE - : a structured framework for customs and their business
partners to secure international supply chain
☐ Security initiatives of non-EU Customs administrations → USA :
Container Security Initiative, 100 % scanning of maritime containers

□ Security cooperation agreements with third countries: Switzerland



□ Security amendment to the Community Customs Code (Regulation EC 648/2005)

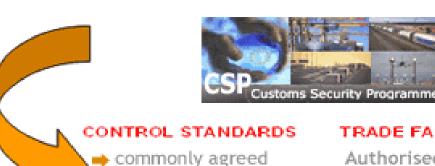
Three major changes to the Customs Code:

- Requiring traders to provide customs authorities with information on goods **prior** to import to or export from the European Union: mandatory since July 2009
- Providing reliable traders with trade facilitation measures (Authorised Economic Operator (AEO)): entry into force in January 2008
- Introducing uniform Community **risk** -**selection criteria** for controls, supported by computerized systems.





EU Customs approach on security

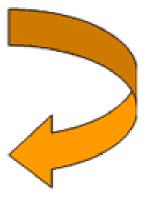


- control standards
 commonly agreed risk indicators
- close co-operation with other services global co-operation

TRADE FACILITATION

Authorised Economic Operator program

- Simplified customs procedures
- Facilitation on security requirements







☐ Maritime cargo: no specific control/certification requirements in place

☐Air cargo: EU regulation 300/2008

According to the EU regulation 300/2008, air cargo security is achieved by only permitting "secured" freight on board the aircraft. This is the case if freight consignments are checked before being loaded onto the aircraft or if the secure-supply-chain is guaranteed. Every company involved in this secure-supply-chain must ensure that there is a level of security on their site, during the transport and at the air cargo premises to protect cargo from unauthorized interference.





Cargo must be checked whenever the secure supply chain cannot be observed. This is the case where the goods supplier is an unknown consignor or where supply chain is interrupted in the course of transport.

Therefore shippers and operators must be registered as **known consigner** in the EU database of regulated agents and "known consignors".





25 March 2013 marks the end of the transition period for certification as a "known air freight consigner".

In other words: those who have not been approved before then, will be classified as consignors of unsecured freights.

- And here is the main interest to have a certification as AEO and be member of a AEO-supply-chain
- AEO status will substantially facilitate adoption of "known air freight consigner"





Taking in consideration the number of operators already certified in Luxembourg this is an advantage for Luxembourg as a logistics hub.

For comparison; to date over 60.000 consignors in Germany have not yet certified and this will lead to less competitive supply chain, congestion at airports and higher costs.

➤ Position Luxembourg as a "trusted/secure logistic hub" in the EU



4. "Authorized Economic Operator": facts and figures

□Objective

Grant to proven reliable operators a status that identifies them as "secure"

□ Definition

Economic operator who has proven to be reliable in his customs related operations and therefore is entitled to enjoy certain benefits throughout the EU

☐ Who can become AEO

Every economic operator established in the EU and linked to the supply chain: manufacturers, transporters, forwarders and carriers

☐ Certification is a voluntary basis!



4. "Authorized Economic Operator": facts and figures

☐Three levels of AEO

- -Customs Simplifications certification: benefit from simplified clearance
- -Security and Safety certification: to be recognized as a lower risk operator
- -Combined Customs Simplifications/ Security and Safety certification

□Where to apply for AEO

Application at the customs administration in the place where the main accounts (main establishment) are kept:

□Common criteria for granting AEO status (185/2006): Customs compliance, appropriate record keeping, financial solvency and safety standards



4. "Authorized Economic Operator": facts and figures

- □ Detailed information can be found in the EU "AEO Guidelines"
- □ National contact point: Direction des Douanes et Accises
- ☐On average, a certification is completed in less than 90 days!
- ☐ Situation in **Luxembourg** (April 2012):
 - > 19 companies certified AEO among which:
 - 14 companies AEOF
 - 3 companies AEOC
 - 2 companies AEOS
 - ➤ 1 application under review, 5 more companies have declared their interest in an AEO certification



5. Why consider an "AEO" certification

under discussion: ex: C-TPAT in US

Benefits: □ Easier admittance to customs simplifications: AEO is recognized as "known consignor" (agent habilité) in Luxembourg, as decision, of national customs authorities situation at EU level varies from country to country!
☐ Fewer customs controls: link to "paperless customs initiative", special code for AEO once system operational in EU
☐Priority treatment if selected for controls
☐Reduced data set for summary declaration

☐ Mutual recognition with certification schemes in third countries is



5. Why consider an "AEO" certification

☐ As the general policy objective is to achieve "secure trade chains", AEO status becomes a **commercial advantage**: "AEO looks for AEO" to secure the logistic chain

Luxembourg could offer such a <u>"trusted secure platform for logistics"</u> given its small size!

☐ More info under:

www.do.etat.lu