



# CBRA Monthly

CBRA Monthly 9/2017

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### Dear CBRA Monthly Reader,

September was an interesting month for our team, with few new activities starting, while old projects (ROADSEC, CORE, DOTCOM Waste etc.) proceeding well towards their finishing lines!

During 11-12 September we had a kick-off meeting in Spiez, Switzerland with a project called PRECISE, “Precursors of Illicit Cigarette Trade”. It is a 20-month project funded by PMI Impact program (<http://www.pmi-impact.com>), aiming to design a new system for monitoring and controlling trade and logistics in tobacco precursors, including raw tobacco, acetate tow for filters, special rolling paper, and special machinery. CBRA internal team plus our field investigation partner Centry gathered together for the two days - please read the CBRA Blog on this project!

The same week I had a very-short-notice-invitation to join a workshop in Rabat, Morocco, with the Global Alliance, World Economic Forum and die Deutsche Gesellschaft fuer Internationale Zusammenarbeit, GIZ. My role was to present anecdotes on border management and trade facilitation metrics from various European countries, particularly from Sweden, Finland, the Netherlands, Switzerland, and Hungary – thanks again to all those Customs administrations for their inputs! The workshop with the Moroccan Ministry of Foreign Trade and multiple other parties went very well. We also had great fun after the official program was over – hoping to visit Morocco soon again!

Finally, the 12th PICARD Conference took place in Hammamet, Tunisia, during 26-28 September. The Tunisian Customs administration and the WCO had organized fantastic conference program and side activities, not forgetting the safe and secure travel convoy arrangements. I also met lots of old colleagues from the past 12 years, as well as several new colleagues from countries including Indonesia, Canada, Azerbaijan, the Netherlands, and so forth. Fun times had we too, particularly at the Soon-to-be-famous Hammamet Beach Bar...!

I wish that you enjoy reading this CBRA Monthly issue – and talk to you again end of October!

Dr. Juha Hintsa  
Executive Director  
Cross-border Research Association  
[www.cross-border.org](http://www.cross-border.org)



## Blog: Customs Officers – How unique are they!?

While sitting (and working) at the lobby of Hotel Russelior, Hammamet, Tunisia - waiting for the PICARD2017 Conference activities to start tomorrow Monday evening - an old question popped to my mind: “How many Customs officers there are totally in the world”?

Before elaborating on that question, I want to share this first: I had a fantastic experience yesterday when arriving to the Tunis-Carthage International Airport: I was first greeted by a Tunisian Customs Officer when exiting from the plane, then taken to a comfortable waiting room, served the strongest coffee like ever (which I really needed, after starting my Thun-Bern-Geneva-Zurich-Tunis train and flight adventure at 7am on Saturday morning) - before being kindly driven (escorted by police) to the Hotel Russelior here in Hammamet. Special thanks to the Tunisian Customs welcome committee, with whom we also pondered a bit on “how unique / common is customs officers job across the globe”.

Now, it is a fact that “every country has their customs” - sometimes even considered to be the “second oldest profession in the world” (tax collection function, I believe...). It is also a fact that counting the exact number of customs officers can be a tricky task, due to the different administrative and legal structures of customs, tax and border police/guard functions across the globe. We at Cross-border Research Association have, however, used a rough estimate since around ten years as part of our academic lectures (in Switzerland, the Netherlands, Latvia, China, US, Costa Rica and so forth), the magic number being 1 million active officers. I cannot any more recall which were the sources to estimate this one decade ago; but even in the best case, this has been just an educated guess...

Two weeks ago, I was lucky to join a World Economic Forum and Global Alliance mission to Morocco, where this question also popped up, that time with a top customs expert from France. He made quick calculations using “country averages” across 180 or so countries, and came up with - tadaa... - 0.5 million officers! And for me, the logic and reasoning sounded quite solid, though bit to the bottom-end of the spectrum. Maybe the truth lies somewhere between 0.5 to 1 million officers? I will of course check tomorrow night with the WCOs Research Unit whether they have a “latest & greatest” number available, let's wait and see if the wisdom lies there...

**In the meanwhile, I invite all CBRA Blog readers to send their own magic number, together with a justification and/or a source, to our email address: [cbra@cross-border.org](mailto:cbra@cross-border.org)** We will have a lucky drawing of a recent CBRA Book among all those who send their reply to us by 24.10.2017. And, in case we receive a “proven correct number”, we will offer this expert a nice dinner for two, in their hometown favourite restaurant..! (terms and conditions apply, including an upper limit for the restaurant bill).

**CBRA Blog on 24.9.2017 by Dr. Juha Hintsa**

*PS. In any case, Customs Officers form a unique global community: every country has them - just like police, firemen, nurses, accountants etc. - but all in all say maximum 0.013% of world population (7.5 billion people) work in customs. How unique is that – not common at all to be a Customs Officer!*

*PPS. The lucky drawing prize book is: [Hintsa, J. \(2017\), “Supply Chain Security \(SCS\) Compendium: A Decade of SCS Research”, HEC University of Lausanne, Switzerland & Riga](#)*



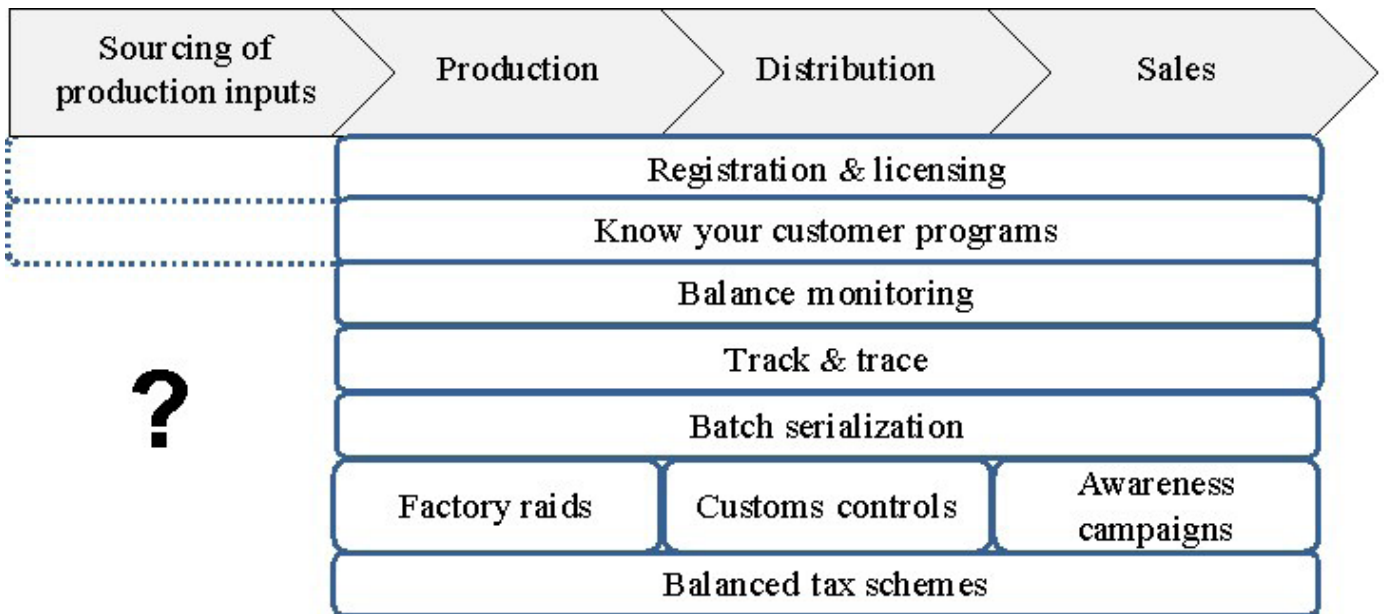


# Blog: PRECISE kick-off meeting @ Spiez!

CBRA has officially started the PRECISE project with a kick-off meeting in Spiez, Switzerland. The team members were gathered in Spiez during 11-12 of September to discuss the main steps and actions that need be taken to accomplish PRECISE’s objectives.

PRECISE stands for “Precursors of Illicit Cigarette Trade” and it is a project funded by PMI Impact program (<http://www.pmi-impact.com>). For the duration of 20 months, CBRA team will be studying alternative ways to disrupt illicit tobacco production by complicating sourcing of tobacco precursors. In other words, the project will design a new system for monitoring and controlling trade and logistics in tobacco precursors.

PRECISE aims to fill the “precursor gap” by designing a new system for monitoring and controlling trade in cigarette precursors and by producing a roadmap for implementing this system. By addressing (shady or illicit) sourcing of tobacco precursors, PRECISE opens a new battlefield in the combat against illicit whites, counterfeit cigarettes as well as under-reporting and under-declaration of genuine tobacco products. Field investigations will be carried out in select Asian and European countries that play a significant role in illicit tobacco production and / or tobacco precursor trade and transit. Field investigators may find evidence on additional illegal activities such as fraud, corruption, money laundering, terrorism financing, among other possible criminal activities, beyond the illicit tobacco trade.



Source: CBRA analysis

According to a recent KPMG study, Illicit tobacco trade account for up to 10.4% of the global cigarette market; and, more than 53 billion cigarettes in the EU alone. Many initiatives have been taken to tackle the contraband and counterfeit of cigarettes from the point of view of production, distribution and sales of cigarettes; while only little has been done to control and monitor the trade of cigarette precursors, i.e. all raw materials, machinery and competent work force needed in the process of manufacturing the cigarettes. Specific examples of precursors include: raw tobacco, acetate tow for filters, special rolling paper, and special machinery.

If you have information that could be valuable for our research, please feel free to contact us (cbra at [www.cross-border.org](http://www.cross-border.org))!

**CBRA Blog on 30.9.2017 by Ms. Susana Wong**

**More information:**

- <http://www.pmi-impact.com/updates/firstfundinground>
- <https://live.ft.com/Events/2017/Combating-Illicit-Trade>



# Interview with Ms. Susana Wong, CBRA and HEC University of Lausanne

**Hola Susana! Can you please tell a bit about yourself: who you are and what you do? us during the past 24 months?**

Hola Juha! Thank you for inviting me to this interview. Before working full time for CBRA, I worked in the University of Costa Rica as the director of the Customs Administration and Foreign Trade Bachelor's Program and as a lecturer in the areas of WTO's Agreement, Regional Trade agreements, among other topics. While working at the University, my colleagues and I applied and obtained a USAID Grant for the development of a Central American web and mobile platform that aimed to reduce cost and time of road transportation in the region – a platform which also included the creation of logistics indicators that measured the efficiency of customs border posts in Central America. From 2014 to 2017 I was the manager of such an interesting project!

Before joining the University of Costa Rica and the CBRA, I was a Free Trade Agreement negotiator in the areas of rules of origin, customs procedures and trade facilitation at the Ministry of Foreign Trade of Costa Rica. For this job, I had to work closely with the Costa Rican Customs Administration in order to negotiate the chapter of customs procedures of the FTAs, topic such as advance rulings, expedited clearance, and publications, among others, were discussed. I also worked closely with the Costa Rican mission at the World Trade Organization while negotiating the WTO's trade facilitation text. I reviewed the text, gave suggestions and discussed it with the Customs authorities, Costa Rican National Single Windows, the Ministry of Health, and the Ministry of Agriculture.

After the Ministry, I decided to move to a private consulting company where I advised enterprises and persons interested to import or export goods around the world. My job was to help them comply with the applicable regulations, most of the cases being related to the usage of the certificate of origin, the interpretation of rules of origin across the FTAs, the compliance of customs procedures necessary to import/export goods, as well as the compliance with import and export licensing requirements.

**You started active work with CBRA already in 2015, right after the PICARD2015 Conference in Baku, if I recall correctly ... What have been the most interesting projects and tasks you have worked with**

I have been involved in many interesting projects with CBRA! I recall working on a study mandated by the Organization of Islamic Cooperation in which the CBRA team presented many case studies and best practices for the implementation of international and national border agency cooperation as well as provided recommendations on how to improve border agency cooperation among the OIC member states for facilitating trade. I also worked on the Authorized Economic Operator Benefit Surveys that aims to detail the customs benefits available and implemented in AEOs across the globe; for this project, I went to Cancun for the WCO third Global AEO meeting in 2016 to collect the survey replies. Additionally, I participated in the project related to the comparative analysis between Vietnam, Switzerland, Costa Rica and Russia regarding the negative impacts of trafficking and illicit trade; this study was presented during the 11th PICARD Conference 2016, in Manila, the Philippines. Also, under the WP19 CORE Education and Training material from FP7-CORE, I have been developing short courses related to Trade Facilitation, INCOTERMS and the role of governments and the World Trade Organization on the Supply Chain; these courses will be made available on CANVAS tool.

**Now you just moved to Lausanne, initially with a 1-year Swiss Excellence Grant, and hopefully soon a full PhD-program entry at the University of Lausanne, HEC Business School, Professor Ari-Pekka Hameri as the lead thesis supervisor... How did the first weeks go in der Schweiz?**

It has been very intense! There are so many new projects and I am very excited to be part of them. Two weeks ago, we had the kick-off meeting for the PRECISE project, where I met all the team members of this project and started to discuss the next steps and roles for each one of us. I am very impressed with the quality of professional integrating the PRECISE team, therefore, I am very happy to work with all of them during the next 18 months.

In this first month, I also got to meet Tom Butterly in Geneva with whom we have been working during the past three months on the development of the business model for the ePhyto Solution, provided by the International Plant Protection Convention Secretariat at the United Nations Food and Agriculture Organization. I am confident that we will finish this project successfully and present the results to the IPPC on December 2017. For more information about the ePhyto Solution, see our recent Blog on this topic!

Also, last week, Toni Männistö and I went to UNECE to define the next steps for the Assessment of regulatory and procedural measures in trade – first in Georgia and later in Armenia. I wish good luck to Toni who will be in Georgia sometime during October, conducting very intense interviews with Customs Authorities, other border agency institutions, importing/exporting companies, among other key actors.

Having carried out such tasks with CBRA during this month, I am sure that I will not become bored while staying in Switzerland.

### **I am personally now at the PICARD2017 Conference in Hammamet, Tunisia - would you have research related greetings to send to the conference participants?**

I am sad that I was not able to attend to the PICARD2017 conference, but I can't leave Switzerland until my residence permit is accepted (let's not mess with Swiss

rules!)

As part of the PICARD Advisory Group, I would first like to invite all the Universities and institutions around the world which teach customs and trade related matters to certify their corresponding program under the WCO's PICARD Professional Standards (<http://www.wcoomd.org>).

Furthermore, this year PICARD topics are related Trade Facilitation, Security matters, Data Analysis and Customs-Tax Cooperation. CBRA has been actively researching particularly under the first two topics. I encourage you all to follow CBRA's work and to contact us if you would like us to collaborate with your institutions in Supply Chain Security and Trade Facilitation research!

Thanks a lot Susana for this interesting interview – and welcome again to stay in Switzerland, hopefully for several years to come!

**CBRA Interview on 28.9.2017 by Dr. Juha Hintsa**

## Recent CBRA publications

Grainger A., and Hintsa J. (2017). The role of border management in implementing trade policy goals. Brussels: European Parliament.

Hintsa, J. (2017), "Supply Chain Security (SCS) Compendium: A Decade of SCS Research", HEC University of Lausanne, Switzerland & Riga Technical University, Latvia.

Urciuoli, L. and Hintsa, J. (2017), "Improving Supply Chain Risk Management – Can additional data help?", Accepted for publication in International Journal of Logistics Systems and Management.

Hintsa J., Männistö T., Mohanty S., Kähäri P., Wong Chan S., Phan TTH., Salas Chaverri D., Ruyters T., Hameri AP., Tsikolenko V., and Rudzitis N. (COMCEC 2016). Improving the border agency cooperation among the OIC member states for facilitating trade. Final report. Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation. Ankara, Turkey, 6.10.2016.

Urciuoli, L. and Hintsa, J. (2016), "Adapting supply chain management strategies to security - an analysis of existing gaps and recommendations for improvement", International Journal of Logistics Research and Applications, pp. 1-20.

Urciuoli, L. and Hintsa, J. (2016), "Differences in security risk perceptions between logistics companies and cargo owners", International Journal of Logistics Management, Volume 27 Issue 2.

Hintsa J., Urciuoli L. and Tan Y. (2016), "Panel on Authorized Economic Operator (AEO) Benefits and Trusted Trade Lanes", 11th WCO PICARD Conference, Manila, the Philippines.

Wong, S., Phan, TTH. and Chizhikov, S. (2016), "Panel on Trafficking and Illicit Trade - Case Costa Rica, Vietnam and Russia", 11th WCO PICARD Conference, Manila, the Philippines.

# CORE Information Observatory

Read the full reviews at <http://www.cross-border.org/core-observatory/core-observatory-full-list/>



## Estimating the Operational Impact of Container Inspections at International Ports (Bakshi et al. 2011)

The US government is pushing a new 100 % screening regime for US-bound containers in foreign ports to mitigate the risk of weapons of mass destruction entering US soil. The 100 % regime, however, is a major concern for foreign port operators because the current Container Security Initiative (CSI) regime seems not to be scalable for high inspection rates. The paper of Bakshi et al. (2011) simulate impacts of two container inspection regimes (the CSI and a new one) in terms of

port congestion, handling cost and dwell time. To carry out the simulation, the authors use discrete event queuing network simulation with real container movement data from two of the world's busiest container terminals. The analysis shows that cargo inspections many times disrupt optimized logistics processes at seaports. In particular, inspections extend the transportation leadtime because shipments lose time as they (i) are moved to an inspection site, (ii) queue for inspection to start, (iii) pass inspections themselves.



# CORE Information Observatory

## CASSANDRA compendium. Technologies for supply chain visibility and security (Ch. 8)

Chapter 8 of the CASSANDRA compendium reviews current and future technologies that help managers to improve visibility and security over global end-to-end supply chains. The supply chain visibility technologies, in essence, provide logistics managers with a variety of information - shipment data, performance metrics, inventory levels, production / delivery schedules and sales forecast, for example - in or close to real time. The chapter's review on supply chain security technologies focus mainly on security sensors (e.g., motion detectors), container seals, biometric user authentication devices (e.g., fingerprints), and non-intrusive inspection equipment (e.g., X-ray screening stations). The section also elaborates modern ways for sharing information among stakeholders that are concerned about security of the supply chain.



## The displacement effect in cargo theft (Ekwall 2009)

Cargo theft has always been a problem for shippers and logistics service providers. Even so, regardless of the persistent efforts to reduce cargo theft, crime continues to thrive. This classic supply chain

security paper by Daniel Ekwall analyzes and explains why cargo theft continues to occur in the transport network despite all implemented countermeasures. Focusing on Swedish transport and logistics facilities, the Ekwall's research builds on interviews with six subject matter experts, survey with four terminal operators, and macro-statistics from TAPA (Transported Asset Protection Association). The paper finds some evidence on crime displacement in terms of method (modus operandi): cargo thieves target increasingly cargo in-transit because logistics facilities are nowadays better protected. However, displacement is likely to be partial in contrast to complete displacement. This means that absolute theft risk can be reduced.



## Controlling access to pick-up and delivery vans: the cost of alternative measures (Haelterman et al. 2012)

The situational crime prevention theory suggests that preventive security measures often backfire. For this reason, it is problematic that many managers do not have a holistic picture which kind of considerations should precede selection of implementation of security measures. A paper by Haelterman et al. (2012) tests the practical feasibility of a new management model that is designed to highlight the most promising preventive security measures given a set of preconditions and costs. The authors apply this model in the context of pick-up and delivery van operations at a Belgian branch of a major express courier company. Such transport

operations are subject to risk of theft and terrorism, especially if unauthorized people managed break into pick-up and delivery vans. To test the management model, the authors collect views of of supply chain practitioners in two expert panels and through a survey. Their analysis covers a broad array of preventive security measures including key card, audible alarm, silent alarm + GPS, notification on vehicles, awareness training, no company logos, formal instructions / compliance checks & sanctioning, double drivers, over security escorts.



# CORE Information Observatory

## CASSANDRA compendium. Private sector perspectives on risk management (Ch. 5) and crime prevention and security management in supply chains (Ch. 6)

Chapters 5 & 6 of the CASSANDRA compendium provide a general overview on supply chain security risk management from the private sector perspective. Explaining the essentials of supply chain risk management, Chapter 5 introduces commonly used risk management models and tools (e.g., risk matrices and risk registers), discusses various classifications of supply chain risks, and elaborates current trends of risks and risk management in the supply chain context. Chapter 6 focuses on specific challenges of supply chain security risks - the risks that arise from intentional, man-made criminal activities such as terrorism, theft, trafficking, and sabotage. The chapter explains a few early classifications of supply chain security risks (e.g., motive-based typology and taxonomies based on private sector perspectives). Following the classifications of security risks, the chapter puts forth a few models for managing security risks in the supply chain context (e.g., the 8-layer model for supply chain security management). The chapter concludes with a detailed case study on security management of an international security company and a comparison of supply chain security management and the total quality management (TQM) management philosophy. The CASSANDRA compendium is available for download: [www.cassandra-project.eu](http://www.cassandra-project.eu). Review by Toni Männistö (CBRA)



## Interesting video-links

( visit: <http://www.cross-border.org/weblinks/videos/> )

### CORE Project

<http://www.coreproject.eu>

### The real deal about the US Mexico Border by Francesca Fiorentini AJ News

<https://www.youtube.com/watch?v=DDfj-DjeoT0>

### Brexit customs and trade impact assessment tool

<https://www.youtube.com/watch?v=nxfq3GCSz20>

### The new Union Customs Code

<https://www.youtube.com/watch?v=x8nn880BMmw>

### Customs protects and serves

<https://www.youtube.com/watch?v=l4njPC-FKis>

### What is the TIR System?

<https://www.youtube.com/watch?v=QEhNy1TYynM>

### World imports of fake goods worth nearly half a trillion USD a year

[https://www.youtube.com/watch?v=5Y\\_woFLFmGI](https://www.youtube.com/watch?v=5Y_woFLFmGI)

### A Day in the Life of Air Traffic Over the World

<https://www.youtube.com/watch?v=G1L4GUA8arY>

### Global ship traffic seen from space - FleetMon Satellite AIS and FleetMon Explorer

<https://www.youtube.com/watch?v=gtffmxJmehs>

### One minute in the life of the EU Customs Union

<https://www.youtube.com/watch?v=hWhAcztn06k>

### Customs Enforcement: Our Global Contribution to Securing Borders and Trade

<https://www.youtube.com/watch?v=C1YO7bXIMdo>

### Rhenus Logistics - Schiphol SmartGate Cargo

<https://www.youtube.com/watch?v=uaMGuN36Ao0>

### Cargo theft / TAPA

<https://www.youtube.com/watch?v=CBnu8yO8Bmc&feature=youtu.be>

### CISCO SCS

<https://www.youtube.com/watch?v=97Tnr72loQ>

### Maritime Port Authority of Singapore

<https://www.youtube.com/watch?v=PcJGqBFeoxo>



# 12th Annual WCO PICARD Conference, Tunis, 26-28 September 2017



## Submission for a Panel titled “Cost Measurement in Customs Administrations – What Can Be Measured, How, on What Cost, and with Which Benefits?”

### PART I (R. Lüssi)

#### Title: **Cost/Performance Accounting – important instrument for the Swiss Federal Customs Administration**

Robert Lüssi, Vice Commissioner, Federal Customs Administration, Switzerland  
robert.luessi@ezv.admin.ch

*Bio: Robert Lüssi is Vice Director of the Federal Customs Administration (FCA), and Head of the Main Revenue Division. The collection of tobacco duty and beer tax, value added tax, mineral oil tax, automobile duty, VOC and CO2 tax, as well as the collection of the heavy vehicle charge and motorway tax (over CHF 20 billion in total) are under his control. Alcohol duties will be added in 2018.*

#### Presentation summary:

With the consent of Parliament, the Federal Administration introduced a new management model in Switzerland on 1 January 2017. This dovetails with the administrative reforms of recent years and is aimed at boosting management by objectives and results. The new management model will improve the management of tasks and finances, enhance performance transparency and improve efficiency and effectiveness in the Federal Administration.

The new management model's toolkit includes the following:

- Legislature financial plan (4 years and 8-10-year outlook)
- Budget with integrated task and financial plan
- Service level agreements
- Incentives for economical behaviour
- Cost accounting

Each of the 57 administrative units (Customs Administration, Tax Administration, Office for Migration, etc.) should generally have one to five performance groups, with the result that the Federal Administration has a total of around 140 performance groups. The respective ministers conclude service level agreements with annual objectives with the individual administrative

units.

There are four performance groups in the Federal Customs Administration (FCA):

- Performance group 1: Collection of taxes and duties
- Performance group 2: Security and migration
- Performance group 3: Support for international trade
- Performance group 4: Protection of the environment and health

Cost accounting plays a key role at administrative unit level. It creates cost transparency, promotes cost awareness and provides information for optimising the economic efficiency of service provision. The performance groups' expenses and revenue are portrayed in cost accounting.

A distinction is made between three types of cost accounting:

#### • **Basic cost accounting (minimum variant)**

Simple, roughly determined cost information is sufficient; cost types and cost centres are shown; low degree of operational autonomy; no charged services

#### • **Simple cost accounting (medium variant)**

Cost information for individual services are needed for management; cost types, cost centres and cost objects are shown; costs are charged and shared; there is a certain amount of leeway concerning service provision; the administrative unit is managed in terms of performance

#### • **Extended cost accounting (maximum variant)**

Detailed cost information and calculation/pricing are necessary; cost types, cost centres, cost objects, sharing, charging and marginal costing; service charging within the administrative unit; high degree of operational autonomy; high proportion of commercial services; the administrative unit is essentially managed via performance and proceeds

The FCA switched from basic cost accounting to simple cost accounting on 1 January 2016. The four performance groups presented can be split into 45 products or services, i.e. what cost accounting refers to as cost objects. Mineral oil tax, tobacco duty and free trade agreements are examples of cost objects. The cost centres are individual organisational units (279 in total; e.g. division, section, customs office, etc.) and the cost types are factors that generate expenses (staff, rent, operating expenditure, etc.). Internal order proceeds portray receipts.

All of this information makes it possible to answer the following questions in the case of simple cost accounting:

- Which costs were actually incurred?
- Where were these costs incurred?
- What caused the costs (incl. statement of investments)?
- Where were receipts generated?
- For which product were receipts generated, incl. investments?

With the allocation to certain cost centres, i.e. to organisational units, the corresponding management bodies also have responsibility for costs.

For some time beforehand, the staff time required was recorded for the individual cost objects in various units. This ultimately resulted in a key or certain percentage. Using that percentage, it is now possible to apportion costs that are not clearly allocable to the individual cost objects (e.g. electricity or rent for an office building).

The FCA is still undergoing quite a major transformation (digitisation of customs processes, reorganisation of processes and the superstructure, under the heading DazIT). 2016 and 2017 are still transitional years in terms of cost accounting. It will go live on 1 January 2018.

The entire process will be presented using mineral oil tax.

Initial findings will be shown – Where do corrections have to be made?

Reference will also be made to the necessary quality assurance and reporting.

Finally, the link to the WCO's Revenue Benchmarking Database study will be shown.

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**PART II (J. Hintsa and S. Mohanty)**

**Title: How well aware are EU Customs administrations about the cost of processing import declarations?**

Dr. Juha Hintsa, Executive Director, Cross-border Research Association (CBRA), Switzerland, juha.hintsa@cross-border.org, www.cross-border.org

*Bio: Dr. Juha Hintsa is a senior researcher, lecturer and consultant in supply chain security and global trade facilitation. He has professional background in consumer goods, steel industry, and software sector – before shifting to his current field of interest in summer 2001. Juha has a Masters in Engineering from Helsinki University of Technology and a PhD in Management*

*from HEC University of Lausanne. In 2005 he founded Cross-border Research Association, CBRA, as an independent research institute to focus on supply chain security and trade facilitation research - acting as the Executive Director and a Board Member. He has published around 60 articles in academic and practitioner journals and proceedings, as well as in governmental and industry reports. Juha is an associate editor for the Journal of Transportation Security and editorial board member for the World Customs Journal, as well as an advisory group member for the World Customs Organization's PICARD program.*

*Bio: Dr. Sangeeta Mohanty holds a MAS (Master of Advanced Studies in European Integration) with a Major in International Business, and a doctorate degree in English Literature from the University of Basel, Switzerland. She worked as a project manager, being responsible for change management workshops in the Learning and Development division of the multinational corporation, Syngenta. Since 2011, she has been conducting research activities for Cross-border Research Association, as a Policy Analyst. She has undertaken research on international security policies and programmes, critical infrastructure and critical supply flows in the EU, challenges and complexities in global supply chains, as well as global trade facilitation, including a major study on indirect border tax de-minimis threshold levels.*

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**Background:**

Cross-border Research Association (CBRA) carried out a study during years 2013-14 on “The import VAT and duty de-minimis in the European Union – Where should they be and what will be the impact?”. The main research question of this study was “What are the economically optimal VAT and duty de-minimis levels for imports into the EU, considering the cost of tax collection for public administrations and the cost of import processes and procedures for the private sector?” The main outcome of the study was “VAT de-minimis should be raised to 80 EUR from the current 22 EUR – this is due to the fact that the total cost of collection faced by Customs administrations and the private sector currently exceeds the revenues collected.” In this PICARD2017 panel presentation we share select outcomes from this study, highlighting how well aware are EU Customs administrations about the cost of processing import declarations?

**Letter campaign round1:**

As a key part of this study, CBRA research team approached relevant public institutions and administrations in all EU27 member states (this was before Croatia joined the EU), seeking for information and data in cost of import duty and VAT collection. The first letter round was sent to all Customs administrations, Ministries of Finance and Courts of Audit in EU27. The main question in round1 letter was the following: “Does your country collect data and have reports available on

the cost of administering the collection of duties and taxes at import, including VAT? If yes, is this data publicly available and could it be shared with us? If yes, could you please supply us with this data or kindly point us to the most relevant reports, web-resources etc.?". Altogether 22 member states replied to us (by minimum one of the three institutions; few countries by all the three institutions) – and below we share short extracts from six select countries:

- C8: ...the precise calculation of collecting duties and import VAT had, so far, not been undertaken and no separate estimation of the costs of collecting revenue specifically for low-value imports is available.... only data on the total costs of administering imports could be acquired...
- C15: ... the Ministry of Finance itself was not in a position to provide us useful data on the costs of collection of revenue on imports as it was not a performance indicator for internal controls in the organisation...
- C12: ... the organisation did not make separate assessments of the different tax administrative processes, such as the costs of collecting duties and taxes at import... the total costs of tax administration were determined by summing up the expenses of the budget programme of the national Tax Administration measured against the total tax revenue collected in the given period...
- C13: ... the office did not collect data on costs of administering the collection of duties and taxes at import or possess any reports on this... the standard approach was a calculation of the ratio between the collected amount of duties and taxes, and the appropriations from the budget...
- C4: ... since the collective costs of the customs and tax administration processes were taken into consideration, there was no data available on costs of running individual processes....
- C2: ... the Court of Auditors claimed to have taken several initiatives on the state tax system but there were no recent findings on the costs of managing import duties and taxes... the audit tasks did not cover the collection processes of import taxes, such as customs duties, VAT and excise...

All in all, during letter round1, we did not receive much proof on cost awareness on import declaration processing within the EU27 – and therefore we moved to the second round of let-ters, this time with focused data collection customs, targeted for Customs administrations only. Although we did highlight relatively low value consignment (shipment value under 1000 Euros) importation activities – due to the study mandate to optimize de-minimis values for duty and VAT in EU – the letter campaign round2 remains still relevant for all imports, independent of shipment values.

**Letter campaign round2:**

“Now, in February 2014, as our final round of governmental research, we are seeking from each Customs administration detailed data relating to matters such as: customs annual budgets; number of personnel; average salaries; number of declarations per year; working time spent per declaration; and so forth. This data is crucial for the de-minimis study in order to be able to accurately calculate the current and the optimal balance between VAT and duty revenue collected by customs versus total resources spent for the collection – all this in the context of relatively low value consignment (shipment value under 1000 Euros) importation activities...”. Following specific parameters were included in the round2 questionnaire, with the purpose of collecting tangible inputs to estimate the cost of import tax collection for Customs administrations across EU27:

- Total Customs budget;
- Average total annual working hours per employee;
- Average annual total cost per employee;
- Overhead cost multiplier;
- Average annual total cost per employee;
- Number of (full-time) personnel in Customs;
- Number of personnel working in import declarations;
- Total number of imports versus all declarations;
- Data admin costs per import declaration;
- Working time spent per import declaration (below VAT de-minimis);
- Working time spent per import declaration (above VAT de-minimis - below duty de-minimis); and
- Working time spent per import declaration (above duty de-minimis).

The replies – without numeric values – are summarized in the table below. (x = data was shared with us; (x) = partial data was shared with us)

**Discussions and conclusions:**

Although only a few of the round2 participating 14 EU Customs administrations were able to share the (pre-calculated) “cost per import declaration”, we learned that most administrations have at least some numeric data available to support at the estimation of import declaration costs:

- Vast majority of administrations were able to share annual working hours per employee (13/14), total operating budget (12/14), average annual total cost per employee (12/14), number of full time personnel (11/14), and, total number of import declarations (10/14).
- Working time spent per import declaration, under three categories (below VAT de-minimis (<22 EUR), between VAT and duty de-minimis (22-150 EUR), and above duty de-minimis (>150 EUR) was known to half of the administrations (plus, partially known to another two administrations).
- Other cost parameters, which could be used for import cost calculations, were less well known: number of personnel working in import declarations (4/14), data administration costs per import declaration (3/14) and overhead cost

Parameter // Country	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14
Total Customs budget	x		x	x	x	x			x	x	(x)	x	x	x
Average total annual working hours per employee	x	x	x	x	x	x	x	x	x	x	x	x		x
Average annual total cost per employee	x	x	x	x	x	(x)		x	x	x	x	x	x	x
Overhead cost multiplier			x						x	x				
Average annual total cost per employee	x	x	x	x	x	(x)		x	x	x	x	x	x	x
Number of (full-time) personnel in Customs	x		x	x	x	x		x		x	(x)	x	x	x
Number of personnel working in import declarations	x		x	(x)			(x)		x	(x)				x
Total number of imports versus all declarations	x		x	x		x		x	x	x	x	x		x
Data admin costs per import declaration	x							x		x				
Working time spent per import declaration (below VAT de-minimis)		(x)	x			(x)		x	x	x	x	x		x
Working time spent per import declaration (above VAT de-minimis)		(x)	x			(x)		x	x	x	x	x		x
Working time spent per import declaration (above duty de-minimis)		(x)	x			(x)		x	x	x	x	x		x

multiplier (3/14).

One can conclude that (i) there is a big gap in cost measurements knowledge and application within most EU Customs administrations, and (ii) there is uncertainty about the tangible benefits of enhanced cost measurement. The increasing level of Customs digitalization and automation is likely to lower the marginal cost of import declaration processing for Customs themselves – at the same time, the costs for the importers and freight forwarders might stay the same, due to all data entry, verification and communication costs they (still) have to face. A recommendation is made to analyse in more detail the cost-benefit of Customs cost measurement practices and systems, before deciding on major investments.

**Bibliography:**

Hintsa, J., Mohanty, S., Tsikolenko, V., Ivens, B., Leischnig, A., Kähäri, P., Hameri, A.P., and Cadot, O. (2014), The import VAT and duty de-minimis in the European Union – Where should they be and what will be the impact? Final Report, Brussels, Belgium.

**PART III – Discussion points for the panel (Panel Chair A.Grainger)**

- What types of customs costs can and cannot be measured?

- Why is knowledge of costs useful? What types of decisions can knowledge of costs help inform?
- What are the limitations of the presented methodologies? Are there any alternative methods and systems for measuring the costs of a Customs administration?
- How can cost measurement systems be implemented in practice? What challenges can such initiatives face? What are the implementation costs?

*Bio: Dr Andrew Grainger is an internationally recognised trade facilitation practitioner and academic. With more than 20 years’ experience, he currently holds a tenured position at the University of Nottingham. He also works as a consultant and regularly advises private sector companies, governments, and international organisations around the world. For a number of years, Andrew was the Deputy Director for Trade Procedures at SITPRO, the UK’s former trade facilitation agency. During his time at SITPRO he provided the Secretariat for EUROPRO, an umbrella organisation representing European trade facilitation bodies. In that capacity he also served the European Commission’s Trade Contact Group. Andrew’s PhD thesis in Supply Chain Management and Trade Facilitation was awarded the Palgrave Macmillan Prize in Maritime Economics and Logistics for best PhD thesis, 2005-2008. He has published many articles in international journals, produced extensive training materials, and is also an active member within the International Network of Customs Universities.*



# External News Headlines

## August 2017 onwards

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24.9.2017: How bomb kit delivery changed thinking about Australian Border Security - <http://www.smh.com.au/federal-politics/political-news/how-bomb-kit-delivery-changed-thinking-about-australian-border-security-20170924-gynshw.html>

21.8.2017: "Silk Road: Drugs, Death and the Dark Web", 1.5-hour documentary- <http://www.bbc.co.uk/programmes/b092s5v>

21.9.2017: Bad books seized in Chile! [https://twitter.com/RILO\\_WE/status/910886017019850752](https://twitter.com/RILO_WE/status/910886017019850752)

20.9.2017: SADC Border Chaos! "Following on the introduction of SI 113 of 2017, Amendment of the Customs and Excise (General) Regulations, SI 154 of 2001, Section 60 by the Zimbabwe Revenue Authority, there is total chaos at the borders with that country. The amendment requires that all vehicles are to be fitted with Customs seals, by the authorities." - <http://www.fesarta.com/article/sadc-border-chaos>

19.9.2017: Vietnam advancing: Customs Modernization, Business Environment, Economic Competitiveness - <http://www.wcoomd.org/en/media/newsroom/2017/september/vietnam-advancing-customs-modernization-business-environment-economic-competitiveness.aspx>

18.9.2017: Devious hackers have been targeting Supply Chain by sneaking malware into downloads from trusted vendors <https://www.wired.com/story/ccleaner-malware-supply-chain-software-security/>

16.9.2017: ECOFIN ministers discussed the centralisation of the customs union's IT systems | EU2017.EE <https://www.eu2017.ee/news/press-releases/ecofin-ministers-discussed-whether-centralisation-customs-it-systems-right-step>

15.9.2017: UK Government advice on security during a heightened threat level - <https://www.gov.uk/government/publications/advice-for-security-managers-following-a-threat-level-change-to-critical>

14.9.2017: Merged Border Force and tax operation could cost up to £800 million, MPs told on #Brexit <http://www.belfasttelegraph.co.uk/business/uk-world/merged-border-force-and-tax-operation-could-cost-up-to-800-million-mps-told-36132351.html>

14.9.2017: " #Brexit is biggest challenge to Supply Chain Security" - <http://www.foodservicefootprint.com/news/brexit-biggest-challenge-supply-chain-security>

10.9.2017: " #Brexit: The writing is on the wall." , good article by Mike Bing - <https://www.linkedin.com/pulse/brexit-writing-wall-mike-bing/?trackingId=EOupHhpURFWnIAl7idw93A%3D%3D>

2.9.2017: "Stop talking about anticounterfeiting and move to integrated, collaborative #SupplyChainSecurity" - <http://www.pharmtech.com/reactive-proactive-supply-chain-protection>

5.9.2017: Improved #TradeFacilitation can reduce trade costs by up to 9% in Asia and the Pacific - <http://www.finchannel.com/business/67519-better-trade-facilitation-could-reduce-trade-costs-in-asia-by-up-to-9-annually-report>

30.8.2017: Portugal bans online trade in wild animals - <http://www.ifaw.org/international/news/portugal-bans-online-trade-wild-animals#.WbEGIAQ7Dkg.twitter>

1.8.2017: Blockchain in the Supply Chain: Too much hype - <https://www.forbes.com/sites/stevebanker/2017/09/01/blockchain-in-the-supply-chain-too-much-hype/?c=0&s=trending#2ccd2ba21365>

21.7.2017: Study locates weak links in e-waste supply chain - [http://ec.europa.eu/research/infocentre/article\\_en.cfm?&artid=45396&caller=other](http://ec.europa.eu/research/infocentre/article_en.cfm?&artid=45396&caller=other)



Upcoming

# EVENTS

Read all Event entries at:

<http://www.cross-border.org/events/>

**FIATA World Congress 2017**

4-8 October 2017, Kuala Lumpur, Malaysia

**2nd Workshop on EU Customs Detection Technologies**

10-12 October 2017, Tartu, Estonia

**Homeland security week**

23-25 October 2017, Washington D.C., USA

**Food Brexit: The Big Debate**

31 October 2017, London, Great Britain

**6th WCO Technology & Innovation Forum**

31 October-2 November 2017, Tokyo, Japan

**BORDERPOL Global Forum**

31 October- 2 November, Amsterdam, The Netherlands

**8th Middle East Security Conference & Exhibition**

5-7 November 2017, Bahrain

**19th ACM International Conference on Multimodal Interaction**

13-17 November 2017, Glasgow, Scotland

**Supply Chain Risk Management Forum**

15-16 November 2017, Berlin, Germany

**ODASCE 2017**

16-17 November 2017, France

**European Big Data Value Forum 2017**

21-23 November 2017, Versailles, France

**Milipol Paris 2017**

21-24 November 2017, Paris, France

**UK Security Expo**

29- 30 November 2017, London, England

**6th International Conference on Dynamics in Logistics, (LDIC) 2018**

20-22 February 2018, Bremen, Germany

**10th IATA World Cargo Symposium**

13-15 March 2018, Dallas, United States

**30th European Customs Conference**

07-08 June 2018, Thun, Switzerland

**Homeland Security and Crisis Management**

25-28 October 2018, Nice, France



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