

# **Simplified Transit System**

## **Issues Paper**

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**Customs Co-operation Committee**  
**Working Group Meeting**  
**21 – 25 April 2003, Almaty**  
**Hyatt Hotel**

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## **Introduction**

The implementation of a simplified transit system will not be successful unless several improvements are made to related transit issues such as improvements in customs procedures, improvements to border crossing point management (BCP), training and continuous personnel development, improvements to roads, construction of modern border crossing point facilities and the installation of search and detection equipment. This issue paper proposes a holistic approach to the issue of a simplified transit system.

Customs services, border guards, phyto sanitary and other BCP agencies need to be convinced that lowering the number of inspections and allowing TIR registered trucks to pass through border crossing points in under 15 minutes will not jeopardise detection of fraud and irregularities and will not lead to the lowering of payments to the national budget. Turkish customs have been modernising their systems since 1995 and the first phase was completed in 2001. As a result 99% of all customs transactions are undertaken by an automated process. New technology has enabled customs to decrease physical inspection rates from 100% to 20% without any threat to state revenue, and has not resulted in any loss to revenue<sup>1</sup>.

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<sup>1</sup> Nevzat Saygilioglu, Under-Secretary for Turkish Customs paper at the TTFSE 7<sup>th</sup> Regional Steering Committee, Chisinau February 6 – 7, 2003

Improvements in procedures, modernising facilities and installing modern search technology have to show benefits to customs services, border guards and to other border crossing point agencies. One option is to select a pilot site or a series of pilot sites and benchmark their performance. Performance indicators help to set targets and monthly surveys monitor and measure performance ratios. This method is not new<sup>2</sup> and is currently implemented in Southeast Europe.

Customs services are at the crossroads between enforcement and revenue collection and trade facilitation. The legacy of the former Soviet Union has resulted in a 100 per cent customs control and inspection regime. This extreme methodology is not conducive for trade facilitation and economic development. Some customs services have reduced the number of inspections but

Many customs services do not have modern border crossing point facilities and do not possess modern search and detection technology. As a result customs services are unable to implement policies that balance the requirement to collect revenues with that of facilitation trade facilitation.

To achieve a balance a series of improvements need to be implemented and as a result a simplified transit system should be sustainable: -

- Modernisation and reform of customs procedures and other border crossing point agencies
- Modern border crossing point facilities
- Modern border crossing point search and detection technology
- Modern IT systems
- Open economic policies
- Trade facilitation measures
- Supportive private sector business environment

We know the challenges: -

- Long waiting times for TIR and non-TIR trucks at each border crossing points
- Customs, border guard and other agency processing delays
- Lack of an insurance bond system
- Different national axle loads
- Frequent changes in customs procedures and documentation
- Quality certification
- Nationalistic economic and industrial policies: import substitution, import licensing
- Lack of pre-arrival declarations
- Lack of risk management: high and low risk profiles
- Lack of uniformity between customs
- Discrepancy between intention and practice

We know the solutions: -

- Adoption of the Kyoto Convention as amended: Specific Annex E Transit
- 1982 Harmonisation of Frontiers Convention and Annexe 8 that provides measures for visas for truck drivers, recognition of the International Technical Inspection Certificate as provided for in the 1997 Agreement concerning the Adoption of

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<sup>2</sup> World Bank Trade and Transport Facilitation in Southeast Europe

Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition, and to reciprocally recognise the International Weighing Certificate

- 1972 Customs Containers Convention
- Implement a regional transit system
- Implement a regional computerised transit system
- TIR Carnet trucks: no need to break seals as the cargo was inspected by customs in the country of origin
- Fast track lane for TIR trucks at all BCPs
- TRACECA transport corridor programme: implement the recommendations of the Border Harmonisation Project, Unified Transit Fees and Tariffs Project, Common Legal Basis for Transit Transport, and Support to the Development of a Transit Corridor Project
- US AID Trade and Investment Project: customs proposals for risk management and governance
- Removal of non physical barriers that do not require investment
- Removal of non physical and physical barriers with investment from international donor agencies and government

The January 2002 Central Asia Customs Co-operation meeting identified five initiatives: -

- Regional seminar on the revised Kyoto Convention
- Joint processing at selected border crossings
- Regional training
- Transit systems: The WCO's revised Kyoto Convention lays down the principles of a simplified customs transit system and also recommends that Members adhere to the UN Conventions on international transit
- Donor support meeting

Customs needs<sup>3</sup>: -

- Adequate infrastructure
- A modernised legal framework
- The right personnel, and an adapted training policy, and
- Information technology, which is not so much the hardware, but the understanding of how computerisation can assist in the process

### **Tools to achieve a balance**

Customs and other BCP agencies need the support of international donor agencies and government to implement initiatives, pilot projects and sign to international conventions some of which are in the sphere of government ministries: -

- Kyoto Convention as amended.
- Regional initiatives for trade and customs cooperation: EurAsia Community
- 1982 Harmonisation of Frontiers Control of Goods Convention. The scope of the Convention “applies to all goods being imported or exported or in transit, when being moved across one or more maritime, air or inland frontiers”

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<sup>3</sup> Leonid Lozbenko, First Deputy Chairman of the State Customs Committee of the Russian Federation, and former Deputy Secretary General of the World Customs Organisation, presentation at the TTFSE 7<sup>th</sup> Regional Steering Committee, Chisinau February 6 – 7, 2003

- Other international conventions: TIR, Containers, Vehicle Inspection, etc.,
- TRACECA transport corridor programme
- ADB and World Bank initiatives, etc.,

## **Implementation**

- Multi Agency approach which involves the local and international business community in a formal and regular consultation framework. Several ambassadors have complained about the customs problems experienced by companies from their countries. Foreign direct investor associations do not have a regular consultative method that provides an interface with customs headquarters
- TRACECA transport corridor programme: opportunities for replication and implementation via the Inter-Government Commission
- Border crossing point performance measurement and benchmarking
- Regional Steering Committee on transit
- Support from government: Greece has introduced legislation that provides customs with extensive powers of enforcement at BCPs
- Anti corruption initiatives based on the Arusha Declaration. One model is the SECI Regional Centre for Combating Transborder Crime in Southeast Europe
- Pilot project approach

## **Pilot projects**

- Client / user group organisations can be harnessed to assist with implementation: input, comment and know-how transfer. Many representatives of local user groups and trade associations have experience and exposure to international practice and have gained professional knowledge and qualifications. Many representatives of local trade associations have implemented international compliance measures.
- Work habits: in order to implement different work habits there is a need to obtain inter-agency cooperation. BCP teams can help. There is an important need to use modern IT systems for data and intelligence exchange
- Together with the local and international trade associations customs services need to implement selection and targeting criteria for customs controls and inspections
- Together with the local and international trade associations customs services need to implement risk management that includes high risk but also low risk profiles, the result will be the introduction of green and red channels at each BCP
- Documentation of operations and procedures will enable data to be used as management tools
- International donor agency input could help start pilot projects and as a result a pilot project will facilitate the monitoring of expensive IT and search and detection technology, provide an opportunity to adapt procedures to modern equipment, and to test new organisational structures. For example, the TACIS MOLUK Border Crossings and Multimodal Terminals Project on a border crossing point between the Republic of Moldova and Ukraine
- New work procedures as a result of training and development
- Performance indicators provide a statistical database and produces performance ratios
- Statistics can be collected by local BCP project teams
- Pilot projects have to be monitored on a regular basis and additional monitoring has to be undertaken when new procedures or new search and detection technology has been installed

- Data collection should become part of the BCP management process, and can be collected automatically using modern IT systems

## **Integrated Border Management**

- BCP is a transit point and not a customs clearance point / terminal. Inspections, when deemed necessary by a customs risk management policy, should be made by customs as close to the final destination as possible
- Joint inspections should be coordinated by customs and should be undertaken at the same time
- No interference from other agencies with the functions for which customs is responsible. Customs should have the central role at BCPs. For example, the US formed one large customs body. The solution may be to form large customs authorities?
- Joint customs inspections should be undertaken by the agencies on both sides of the border. For example, Croatian customs has initiated cross border trade and is actively promoting co-located border facilities, where processing will be carried out jointly by two countries on the same site<sup>4</sup>. A similar initiative by Romania failed as the border guards prohibited customs to undertake their tasks on foreign territory. Turkish customs also experienced issues with border guards when Turkish customs attempted to exchange customs officers with Bulgaria. Joint inspections are feasible under the 1982 Harmonisation Convention, as amended, as once ratified the Convention should supersede national legislation
- Fast track systems and lanes for pre-identified vehicles, TIR and non-TIR, and for regular commuters
- Cross designation of officials to expedite the process, with customs as the lead agency and this complies with the 1982 Harmonisation of Frontier Controls of Goods Convention
- Harmonisation Convention states that “customs may, through explicit delegation of powers by the competent services, carry out on their behalf all or part of the controls of which these services are responsible. In this case, these services will see to it that the necessary means be furnished to customs”
- Border activities have been co-located on the territory of one state and share facilities and IT systems. For example in the USA and Canada and between the UK and France
- Integration of border management can be enhanced by joint customs import and export processing, exchange of data and intelligence between agencies and between customs services and with the implementation of the Single Window System (SWS)
- Empirical evidence and customs service experience, for example in the USA and between France and Switzerland, indicates that a simplified transit system which involves the reduction in the number of inspections, the implementation of risk profiles, the use of modern IT hardware and software, plus the introduction of integrated border management leads to increased fraud and irregularity detection
- The development and implementation of low risk profiles can lead to an increase of customs payments and increased compliance with customs laws, regulations and procedures. As a result customs management can re-allocate customs personnel to other duties
- Self declaration by driver: by going to the fast track lane drivers indicate that they comply with the customs laws, regulations and procedures and with the requirements of other BCP agencies (passport, phyto sanitary, etc.,)

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<sup>4</sup> Anton Uljar, Director General of Croatian Customs presentation at the TTFSE 7<sup>th</sup> Regional Steering Committee, Chisinau February 6 – 7, 2003

- Additional pre-screening of regular users of a BCP can be undertaken and such users provided with a special pass
- TIR trucks should only be verified at the start and end of the trip: no need for inspection at the BCP
- Joint processing, inspection and payment in one terminal, with subsequent re-allocation of customs personnel to other duties. For example the use of the single window system in Bulgaria and Moldova
- Use and the reciprocal recognition of the international single weight certificate
- Co-location of border agencies in one country can improve efficiency and will facilitate faster processing for TIR and non-TIR trucks
- The World Customs Organisation (WCO) encourages joint controls at common cross border points. The relevant standards have been developed in the Kyoto Convention, as amended.

### **Operational requirements**

To facilitate a simplified transit system new technology is needed to help with the detection of narcotics trafficking and to help deter smuggling and the transport of contraband: -

- Scanners for both passports and I.D Cards
- X-Ray detection technology: static and mobile
- Search scanners
- Heat detectors
- Sniffer dogs
- Radios
- IT systems: hardware and software for minimum non-commercial information, exchange of data between agencies at a BCP and the exchange of data between different BCPs, and for the interrogation of databases to help with selectivity and risk management
- Locally designed control mechanisms for each BCP: include all agencies, identify common and specific data necessary for each administration, define simple methods of unique capture, for example, passport and I.D Card scanning by border guards and sent to customs and other agencies automatically (eliminates the need for several passport checks)
- Co-ordination of methods for secondary control designed locally and include cross designation of officers from different agencies. This will require additional training and continuous personnel development
- Regular co-ordination meetings at local levels and regional levels not just at government level. For example, local Kyrgyz Republic and Republic of Kazakhstan BCP customs officials made a local bilateral agreement work for the transit of seasonal perishable products
- Extension across borders

### **Extension across borders**

- Co-located and shared border crossing points
- Needs flat land and space for dedicated lanes for cars and buses, as well as for non-TIR trucks. At least one fast track lane for TIR transit trucks (full and empty), and for TIR import trucks. Provision of green and red channels for all vehicles.
- Internal shared facilities will need new international treaties
- Information on shipments from country of origin

- Direct communications needed across borders: radio, telephone, e-mail and fax. Rooms for joint custom service meetings, and for meetings for other agencies and for the local BCP project teams

### **BCP facilities and design**

- TIR trucks to proceed direct to a fast track lane at all BCPs as soon as they arrive at a BCP: no waiting time at the borders to enter the customs control zone. Border guards to direct TIR trucks to the fast track lane, irrespective of weather there is another TIR truck in the fast track lane. Border guards need to raise barriers and / or open gates for TIR trucks immediately
- Fast track lane processing will demand co-ordinated agency response
- Dual language signposting on all the access roads to a BCP to help TIR trucks approaching the BCP to avoid waiting in a queue
- Customs and other BCP agencies to provide simultaneous processing
- Border guard and customs joint verification of documents and allow TIR transit and TIR import / export trucks to proceed. Inspection is not required as a customs service has inspected the goods and sealed the container in the country of origin.
- TIR seal inspection, passport and carnet: target for a BCP total entry and exit time can be between 5 – 10 minutes
- Other agency formalities can be carried out by customs in the same booth / room
- Country comparisons to be recorded: consistent indicators, data collection mechanisms to be harmonised
- Performance indicators to assist local and national customs management to evaluate performance of each BCP, facilitate investigation of discrepancies, permits assessment and indicates which staff can be re-assigned to other duties and targets changes in organisation structures and policies
- Country targets: % of declarations inspected, % of all trucks cleared in under 15 minutes

### **Pilot border crossing points**

Indicators: -

1. Total number of truck inspections: TIR transit, TIR import and export, and non-TIR
2. Total number of irregularities / number of inspections
3. Average border exit time
4. Average border entry time
5. Surveyed occurrence of corruption
6. Reported occurrence of corruption

Development objectives and achievement: -

1. Revenue collected / customs staff ratio
2. Total customs administration cost / revenue collected ratio
3. Revenue collected / salaries ratio
4. Trade volume / customs staff ratio
5. Annual number of declarations / customs staff ratio

## **Import clearance and clearance times**

Principles: -

- Clearance on the premises of the consignee
- Pre-approved importers
- Pre-arrival declarations and preliminary decisions
- If customs do not arrive at the premises of the consignee during the prescribed time then the imported is permitted to unload the truck and distribute the goods. Importer or customs broker must submit the import customs declaration the next day

Indicators: -

- To ensure consistency and relevance all waiting time is recorded: before entry into the customs control territory. Customs start the recording from the time of entry into the customs control territory which includes registration of the import declaration
- Declarations to be ready at each BCP: prepared by importer or customs broker
- EU example: most customs inspections are carried out on the premises of the consignee in under one hour
- Physical inspection should mean more than a visual check of the documents, goods and vehicle. A comprehensive customs inspection, together with other agencies, requires sniffer dogs, X-Ray machines, heat detectors, container scanner, weigh bridge, laboratory, interrogation of customs computer databanks and exchange of intelligence with other agencies and with other customs services, etc.,
- Target: all trucks cleared in under 15 minutes between 30 – 50% For example, in the UK 90% of all customs imports are cleared in under 1 hour
- Target irregularities / number of inspections should be between 10 – 15% For example, in the UK 50% of inspections find irregularities
- Target for truck inspection, import and export, with selectivity and risk management plus customs intelligence in practice at each BCP should be between 5 – 20%
- Target for the average border crossing point exit time should be between 40 minutes and 1 hour. For example, in the EU the maximum time is 40 minutes for both sides of the same border
- Implementation period for targets from 2003 to 2006: 4 years

Export indicator: -

- Target for export declaration time to be reduced to between 5 – 25%

## **Data for indicators**

To enable performance indicators to be calculated customs services will need to collate the following data: -

- Total revenue collected
- Total cost of the customs service
- Total number of customs personnel
- Total customs salaries
- Annual number of declarations
- Value of recorded imports
- Value of recorded exports



## **Streamlining procedures**

- Consistency and transparency in the application of customs laws, regulations and procedures, and the provision of up dated information to user groups and users
- Introduction of a selective control policy in coordination with the computerisation plans of customs administrations with regard to procedures for preparing and managing risk profiles
- Harmonisation of documents, harmonised packaging requirements and pallet sizes, and the introduction of standardised dual language forms for non-TIR trucks, buses and cars, plus then publication of messages on electronic media
- Post entry / release audit policy and the implementation of the required IT support
- Preventative and investigative services in detecting fraud after the release of goods
- Streamlining payments of customs debts, and methods to ensure timely payments, including electronic payments
- Progressive validation of standards and testing protocols in other agencies and / or national administration: reciprocal recognition
- Co-operation between control and other agencies
- Cross border co-operation
- TIR fast track lane, joint processing, dual language sign posting and border guards to direct TIR trucks to the fast track lane immediately upon their arrival.

## **Conclusion**

- Changes, improvements, modernisation and reform require the will by each customs service, other agencies and the support and agreement of government. As has been pointed out in Manila on the 25<sup>th</sup> March, 2002 by Kunio Mikuriya<sup>5</sup>, Deputy Secretary General of the WCO that in order to solve the “Procedural and operational barriers to trade including slow and difficult border procedures, and multiple cargo inspections ... a commitment is necessary in each country to base customs processes and procedures on internationally accepted best practices. This is the area where the Kyoto Convention plays an important role. Indeed it forms the blueprint for modern customs administrations”
- No quick fix. It will take time to implement changes and improvements. A series of small changes that do not require any investment should be a priority and perhaps programmed to be implemented during one year?
- Changes requiring new BCP facilities and modern search and detection technology will need international donor agency loans and technical assistance, and government investment
- Agencies at the BCPs and BCP management need to change procedures to gain the full benefit from new BCP facilities and modern search and detection technology
- Further benefits can be gained if customs receive modern training, exposure to world best practice, meet with the customs services from countries in Central Asia but also in the EU, etc.,
- Customs officers and customs managers need a recognisable and stable career with continuous personnel development
- Customs officers and customs managers need a benefits package that includes higher salaries that are linked to performance and merit

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<sup>5</sup> Trade Facilitation and Customs Cooperation in the context of Regional Economic Co-operation, speech during the meeting hosted by the ADB, Central Asia Ministerial Conference on Economic Co-operation

- TIR: greater use of TIR within the Central Asian region and recognition by customs that TIR trucks represent less risk and as result do not need to be held up for hours at each BCP and inspected several times during a journey
- It will not be easy to introduce comprehensive change. Change must happen for the sake of each countries economic development. Change is more acceptable to all stakeholders and sustainable if it is evolutionary.