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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

Implementation of the New Computerised Transit System (NCTS)

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1. SUMMARY AND PRINCIPAL CONCLUSIONS

The full implementation of the New Computerised Transit System (NCTS) by 30 June 2003 was requested by the European Parliament and the Council in their Decision No 105/2000/EC of 17 December 1999¹.

In Article 1, point 3, paragraph b of the same Decision, the Commission was requested to inform the European Parliament and the Council of any delays in the implementation of NCTS.

This communication goes beyond the above requirement and includes a comprehensive overview of the state of play of the implementation of NCTS not only in the EU Member States, but also in the Contracting Parties to the Convention on a Common Transit Procedure and in the other candidate countries.

It also acknowledges the fundamental contribution of the four countries which helped launch the NCTS on 10 May 2000 (Spain, Italy, Germany and Switzerland) by developing their own applications and starting the international exchange of messages.

At Community level, all Member States are committed to meet the deadline set by the European Parliament and the Council. However the Commission notes that the plans from Belgium, Finland, France, Ireland and Portugal impose tight schedules in order to meet the deadline, and has specific concerns regarding the implementation of the NCTS in Austria, Greece and Luxembourg in view of the tasks that those administrations have still to perform.

In the context of the Convention on a Common Transit Procedure, Norway and Switzerland have connected all their customs offices to the NCTS, whereas the Czech Republic will be fully connected by the end of March 2003. It is likely that Hungary and the Slovak Republic will start operations before their accession. However, the Commission has concerns regarding the implementation of the NCTS in Poland.

The other candidate countries which are not Parties to the Convention on a Common Transit Procedure will have to fulfil the conditions set for enlargement. In this context, the situation in Latvia will require close monitoring.

¹ OJ L13, of 19.01.2000, p. 1

2. INTRODUCTION

2.1. Historical background

In December 1995, on the basis of a proposal from the Conference of Presidents, the Parliament decided at its plenary session to set up a temporary Committee of Inquiry to examine the alleged contravention or mismanagement of the Community transit system².

With the publication of Decision 210/97/EC of 19 December 1996³, the European Parliament and the Council explicitly requested the computerisation of the Community Transit and set 1998 as the deadline for its implementation.

The report of the temporary Committee of Inquiry and its recommendations were submitted on 20th February 1997 (Doc. PE 220.895/fin).

The members of the temporary Committee of Inquiry, having had the opportunity to study the Basic Principles (Doc. DGXXI/2128/95 Rev 2) of the Commission's NCTS project, emphasised in their recommendations that the NCTS was an essential condition of bringing the Community/Common Transit system under control and concluded that it should be implemented without delay.

Consequently, with Decision No 105/2000/EC of 17 December 1999⁴ amending Decision 210/97/EC, the European Parliament and the Council specifically referred to the NCTS and, recognising the delays incurred in the computerisation of the system, fixed 30 June 2003 as the new date for its implementation.

Beside the computerisation of transit, the temporary Committee of Inquiry made recommendations to improve and to simplify the legislation governing the Community and the Common Transit.

In this context, the Reform of the Community (Commission Regulation (EC) No 2787/2000⁵) and Common Transit legislation (Decision No 1/2000⁶ of the EC-EFTA Joint Committee) entered into force on 1 January 2001. The Reform of the Transit legislation notably established a new structure of the legal basis, made the Community and the Common systems more homogenous and redesigned the guarantee system.

All the amendments introduced by the Reform have also been implemented in the system specifications of NCTS.

² OJ C 7, of 12.01.1996, p. 1

³ OJ L33, of 04.02.1997, p. 24

⁴ OJ L13, of 19.01.2000, p. 1

⁵ OJ L330, of 27.12.2000, p. 1

⁶ OJ L9, of 12.01.2001, p. 1

2.2. NCTS and the economic operators

In line with the Reform of Community/Common transit mentioned above and in accordance with the Commission Regulation (EC) No 993/2001⁷, authorised traders⁸ must be connected electronically to the NCTS by 31 March 2004 at the latest. It is expected that this legal requirement would result in traders being connected to the system as soon as possible.

During the 9th meeting of the 'Transit Contact Group' (customs and operators) held in Brussels on 13 December 2002, the functionality of the NCTS, as described in the Functional Transit System Specification (FTSS), was presented to the audience and explained in detail on the basis of practical examples of transit movements. The aim of the presentation was to remind the representatives of the traders' associations of the wide ranging possibilities offered by NCTS and to highlight the advantages that the trade community can get by connecting to the computerised Transit system.

The traders were unanimous in confirming that the functional specifications fully met their requirements. However, they emphasised that, given the fact that the implementation of NCTS at national level was under the responsibility of the national administrations, the interface between customs and traders was different from country to country.

2.3. Future of NCTS

Initially, the NCTS project was restricted to transit procedures. However, given the possibilities offered by the system in terms of the exchange of information between customs administrations and given recent developments in terms of export control requirements, the US Container Security Initiative (CSI), the need to monitor the movement of excise goods, and the Commission's plan to develop the 'Electronic-Customs' project, the NCTS has become the backbone for all these projects. As a matter of fact, the philosophy of the NCTS, coupled with the structure developed for it and the way of exchanging information among administrations, will serve as a basis for all these projects. Actually, NCTS is paving the way for the different European customs administrations to work in a new way.

⁷ OJ L141, of 28.05.2001, p. 1

⁸ Review clause for authorised consignees, according to EC Regulation 993/2001

3. NCTS PROJECT AND ITS IMPLEMENTATION IN THE EU MEMBER STATES

3.1. Development of the NCTS project

The NCTS project covers those transit procedures carried out on the basis of the SAD (Single Administrative Document) declaration – independently of the mode of transport used - including the simplified procedures applied at the offices of departure and destination. This means that, for the time being, the NCTS project mainly concerns road transports. In fact for other modes of transport (rail and large containers, air, sea, pipeline) different specific procedures not based on the SAD apply: their consistency with the NCTS environment will be evaluated in due time.

The Commission has guided the NCTS project and has monitored closely its implementation by:

- establishing the necessary committee framework at decision making and operational level;
- suggesting the necessary legal and administrative improvements;
- defining the necessary system specifications;
- organising the essential communication between the parties involved in the project (helpdesk, conference calls, workshops);
- setting up and operating the ‘Customs Office List’; and testing tools for the national administrations;
- assuring the technical co-ordination and in developing the so called Minimal Common Core (MCC) (a Transit application); and
- co-ordinating and supporting the countries participating to the project.

After the initial implementation of the NCTS with a limited number of offices and limited functionality (in four countries Germany, Italy, Spain and Switzerland which started on 10 May 2000, with the Netherlands, Norway and the Czech Republic joining the system later in 2000 and 2001), the functionality was extended and the geographical extension began on 3 December 2001. To date some 200.000 movements have been handled by the system, with a weekly average of 7500 movements lately. There are now 868 (27% of the total) customs offices connected to NCTS.

An inquiry of national administrations made by the Commission during the second semester 2001 showed that while half of the EU customs administrations were making good progress towards the implementation of NCTS, the project plans of some others indicated that they were facing significant delays.

Therefore, in order to prevent any further delays in the implementation of NCTS, the Commission took the initiative to:

- write to the Finance Ministers of the Member countries on 28 February 2002, to express his concerns about Member States not meeting the deadline of mid 2003 for the full implementation of NCTS;
- intervene at the Internal Market Council on 1 of March 2002 to repeat his serious concerns because a number of Member States had not yet put the necessary infrastructure in place to implement NCTS;
- write to the President of the EU Parliament, and to the Chairperson of the COCOBU, on 12 April 2002 to draw their attention on the delays in the planning of implementation of NCTS in some Member States.

During the second half of 2002, the situation has improved. As a result, and as at January 2003, the situation regarding the implementation of NCTS in the EU Member States is described in the following paragraph.

3.2. Implementation of NCTS in the EU Member States

Based on reports given by the delegates to the last NCTS Steering Committee on 6 December 2002, confronted with the views expressed by the traders during the last Transit Contact Group meeting on 13 December 2002 and information at disposal from the Commission, the situation in the EU Member States appears as follows:

AUSTRIA – Has developed its own application. The software is completed and is currently in the testing phase. Austria will connect the first customs office during the second quarter 2003 and up to 30 June 2003 will connect all their customs offices, including those which are going to be affected by the enlargement.

Indeed, a majority of the Austrian customs offices will be affected by the accession of Czech Republic, the Slovak Republic, Hungary and Slovenia. As a matter of fact, approximately 1300 km of the current Austrian external border with these countries will become internal EU border as from the 1 May 2004 and most of the customs offices situated along this border could be closed.

Traders: Austrian customs administration and traders have a close working relationship and no major problems in adopting NCTS have been reported. Small companies however, report more difficulties due to the problems linked to the enlargement.

BELGIUM – Has implemented the MCC. The customs office of Antwerp should be the first to be connected at the beginning of 2003 and all the other customs offices in the Antwerp customs region should be connected by the end of March. The remaining customs offices will be connected by the end of May 2003.

Traders: The current customs clearance system is to be adapted to support NCTS and to provide the trade community with a single entry point for all applications. A legal act is currently being prepared to require traders to use electronic means to open transit movements as from 1 July 2003.

DENMARK – Has implemented the MCC. Denmark started operations on 2 December 2002 with all its customs offices acting mostly as offices of destination. Increasingly these offices are now issuing transit movements.

Traders: A number of Danish traders are now connected to the system and the Danish administration is committed to further encouraging traders to connect to the NCTS.

FINLAND – Has developed its own application. The software is completed and currently in the testing phase. The connection of customs offices will start soon and shall be completed by mid 2003.

Traders: Finland has reported positive contacts with its trade community. The first tests of the traders' software are expected in June 2003.

FRANCE – Has developed its own application. The software is completed and currently in the testing phase and should be implemented in all customs offices from May to June 2003. The French customs administration is confident it shall meet the deadline to have all customs offices connected by the end of June 2003.

Traders: France has reported good working relationship with the trade community and intends to open access to the NCTS for the trade from the end of May 2003. Various operators are adopting measures to adapt their system to the NCTS and this should be ready during the second quarter of 2003 at the latest.

GERMANY – Has developed its own application. Currently, 111 offices are connected to the NCTS. During the first semester of 2003, each month 60 offices will be connected so that, by the middle of June, all German customs offices will be connected to the NCTS. Germany was among the four countries to start operations on 10 June 2000 and has played a key role in the NCTS project as well as during the first international test campaign.

Traders: Several software companies have certified their transit applications for the traders. It is expected that a great number of authorised consignors and authorised consignees will connect to NCTS in the near future.

GREECE – Is developing its own application. The Greek customs administration is in the process of computerising all the customs procedures and customs houses and their integrated customs system should be fully implemented by the end of 2003. In the frame of the NCTS, the development of the application started during the second half of 2002 and, according to the customs administration, testing will start in March 2003, and all Greek customs offices will be connected by the deadline of mid 2003. This plan is very ambitious due to the short time available to complete it and, therefore, presents a considerable risk.

Traders: a plan for the Traders' connection is currently being devised by the Greek customs administration, with a view to connecting them by the 1st Quarter 2004.

IRELAND – Has implemented the MCC. The first Irish customs office will be connected to the NCTS in March 2003 and gradually all the remaining 40 offices will be connected in advance of the deadline of 30 June 2003.

Traders: As the current customs data entry system is not suitable to handle the NCTS, the Irish administration launched the development of a new trader interface in January 2003. The reactions of the trade to this development are positive.

ITALY – Has implemented its own application. All Italian customs offices are linked to the NCTS. Italy was among the four countries to start operations on 10 June 2000 and has played a key role in the development of the NCTS project and currently contributes a major part of the movements in operation (40% of the total).

Traders (who do not use simplified procedures) have had the possibility to submit transit declaration on line since July 2002. Tests are being carried out for the application for authorised consignors and consignees, which should become operational by the end of April 2003.

LUXEMBOURG – Belgium and Luxembourg are going to share the MCC platform. Luxembourg is currently analysing this solution with the assistance of the Commission. According to its plan, Luxembourg should connect all customs offices to the NCTS between April and June 2003. This plan seems increasingly difficult to achieve.

Traders will be connected to the NCTS via the current customs system.

NETHERLANDS – Has implemented the MCC. The Netherlands has been in operation since the end of 2000 but has so far contributed only a few movements, about 1.4% of the total. With the exception of nine offices in Rotterdam, that will be connected in March 2003, all Dutch customs offices are linked to the NCTS.

Traders: Five Traders are currently connected to the NCTS, while six software houses have developed NCTS applications that are on the market. Therefore, it is expected that the number of traders connected will increase sharply in the near future.

PORTUGAL – Has implemented the MCC and is currently training staff. According to the national plan, the first customs office should be linked to the NCTS on 1 April 2003 and the roll out to the remaining offices should be completed by the end of June 2003.

Traders: The administration is adopting measures to assist traders to present declaration by various technical means.

SWEDEN – Has implemented the MCC. All Swedish customs offices were connected to the NCTS on 2 January 2003.

Traders: There is a close co-operation with the trade, forwarding agents and software companies and the first EDI message will be exchanged in March 2003. By the end of 2003, a large proportion of the declarations should be presented by EDI.

SPAIN – Has developed its own application. All Spanish customs offices are connected to the NCTS. Spain has been a forerunner during the entire implementation of the NCTS and has played a major role in the success of the project. Currently Spain contributes a major part of the movements in operation (40% of the total).

Traders: All Spanish authorised consignors and authorised consignees are connected to the NCTS.

UNITED KINGDOM – Has implemented the MCC. The six first customs offices were connected on 6 January 2003 and all the remaining offices are expected to be connected by the end of June 2003.

Traders will be able to connect to NCTS by e-mail as from April 2003.

3.3. Assessment

General:

As indicated above, the plans from Belgium, Finland, France, Ireland, and Portugal all contain tight schedules to meet the deadline set by the EU Parliament and the Council for full implementation of NCTS. The administrations concerned are fully aware of this situation and have announced that they have taken the necessary measures to meet the deadlines.

Greece:

Greece is committed to meet the deadline of the 30 June 03. However, after repeated changes in the project strategy and its management, Greece was not able to start, until the second half of 2002, the development of its transit application. This is the reason why the Commission has doubts concerning the viability of the Greek implementation plan for NCTS. The Greek national plan, to connect the first customs office on 30 May 2003 and the remaining ones one month later, looks particularly optimistic, especially since the application is not yet fully developed. Taking into consideration the time necessary for: completing the development of such an application, the different test phases that are required, the training of staff and for the local implementation of the application, the Greek plan will be extremely difficult to deliver.

Austria:

Austria is committed to meet the deadline of end June 2003 for all their customs offices, including those that will be affected by the enlargement. However, the action plan to reach this objective is extremely tight in view of the set of actions yet to be successfully performed and does not contain any contingency.

Luxembourg:

Luxembourg expressed as well their commitment to meet the deadline of 30th June 2003 and is currently analysing the means to achieve the deadline. However, the planning is extremely tight considering the remaining actions to be completed until June 2003, which will entail most likely the development of an extension to the NCTS environment of Belgium. Moreover, the planning of Luxembourg has little if any contingency in case of unforeseen difficulty arising in the set up of their NCTS system.

4. STATE OF IMPLEMENTATION OF THE NCTS IN THE OTHER COUNTRIES

4.1. In the Contracting Parties to the Convention on a Common Transit procedure

State of implementation of the NCTS in the other Contracting Parties to the Convention on a Common Transit Procedure can be summarised as follows:

SWITZERLAND – Has developed its own application. All Swiss customs offices are connected to the NCTS. Several traders are currently linked to the NCTS and it is expected that this number will increase because several software packages have been certified and have come on the market.

In its report, the temporary Committee of Inquiry drew attention to the difficulties linked to the administrative co-operation with Switzerland and requested the Commission to report on it.

Switzerland has played a key role in the conception phase of the NCTS project and in the implementation of the NCTS. It has collaborated very closely with the Commission and the other national administrations in order to introduce NCTS at short notice and in the best conditions. Switzerland was one of the first countries to start operation on 10 June 2000. In addition, Switzerland has provided the Central Project Team with invaluable support participating actively at the international testing phase, and has organised a fruitful evaluation workshop. It has also participated actively in all meetings and review sessions held in the context of the NCTS.

Moreover, the Swiss customs authorities recently announced to the participants to the EU-Switzerland Joint Committee (Chiasso, October 2002) their plan to develop the customs infrastructure in Chiasso (on the Swiss-Italian border) in order to increase the number of traffic lanes and to make full use of the NCTS information to optimise the management of the customs facilities. This plan would result in speedier customs clearance of some 5000 trucks a day and so will eliminate a current bottleneck of the North-South traffic in Europe.

NORWAY – Has implemented the MCC. All Norwegian customs offices are linked to the NCTS and a majority of the Norwegian traders are linked to it. The Norwegian customs has used the MCC for their national transit operations and have processed several tens of thousands of transit movements with no difficulty.

ICELAND – Has a limited role in Transit. As a matter of fact, Iceland only terminates a very small number of Transit movements.

For the time being, Iceland has not provided its plan for the implementation of the NCTS. However, and according to informal contacts, Iceland is going to connect its few customs offices to the Norwegian NCTS system.

CZECH REPUBLIC – Has developed its own application. Nine customs offices are currently linked to the NCTS and the roll out to all the remaining offices will be completed by the end of first quarter of 2003.

Traders: Seven software packages will soon be available on the market. The customs administration of the Czech Republic has decided to make the NCTS compulsory for all Transit movements opened by authorised traders as from 1 July 2003.

HUNGARY – Will implement the MCC. Hardware and software should be installed in all customs offices by February 2003. The installation of the CCN/CSI gateway in Hungary will take place in June 2003. The connection of the customs offices is planned for mid 2003.

Traders: The EDI specifications were delivered to the trade in November 2002. The authorised consignors must be connected to the NCTS from June 2003 while all remaining traders must be connected to the NCTS by March 2004.

POLAND – Will implement the MCC. The CCN/CSI gateway should be installed by June 2003. Recently, Poland has reported delays in the project. Therefore, it will not be operational by mid 2003, but later in the year. According to the national project plan, all Polish customs offices will be connected to the NCTS by the time of accession.

Traders: Poland currently has no strategy for a trader connection. However, according to the project plan, traders should be connected to the NCTS by the time of accession.

SLOVAK REPUBLIK – Is currently developing its own application that includes functionalities other than transit. The tests of this application will start after the installation of the CCN/CSI gateway, currently foreseen for June 2003. According to the national plan, all customs offices should be connected to the NCTS by mid 2003.

Traders: Two suppliers are currently developing software applications for the trader interface, and, these should be available from May 2003.

4.2. Implementation of NCTS in other Countries

CYPRUS – is planning to install the MCC as a stand-alone solution. The installation of CCN/CSI gateway will take place in September 2003. The Cyprus authorities are confident that the NCTS will be fully operational by the time of accession.

Traders: Cyprus will not connect traders to the NCTS, due to the minimal number of Transit movements each year.

ESTONIA – The Estonian customs administration is developing a national application and will install the MCC as a fallback solution. The CCN/CSI gateway will be installed in June 2003. All the Estonian customs offices are computerised and connected to their national network. A transit module for that system is being developed and should be ready for testing during the fourth quarter of 2003. The Estonian customs authorities are confident the transit module will be operational by the time of accession.

Traders: The publication of the specification for traders is planned for May 2003. Traders should be connected by the time of accession.

LATVIA – There have been numerous strategy changes in the project. Latvia will decide in May 2003 whether to develop a national transit application or to use the MCC. According to the plan it provided, Latvia will connect all customs offices by the time of accession.

LITHUANIA – Will implement the MCC. Lithuania is currently working on the functional and technical specifications prior to implementation. Lithuanian authorities are confident that the NCTS will be fully operational by the time of accession. In case of any difficulties by the time of accession, the NCTS application can be used (temporarily) as a stand-alone solution.

MALTA – By the time of accession, the Maltese customs administration will implement a new integrated customs system that will include the NCTS (module based upon the MCC).

SLOVENIA – Will implement the MCC. At the operational level, the customs administration has put in place an organisational structure which will be able to manage the common transit procedure. All Slovenian customs offices will be linked at the time of accession. Slovenia is committed to connect their traders in time for the accession.

BULGARIA, ROMANIA and TURKEY are participating to the NCTS workshops as observers and are preparing to implement the NCTS in a later stage.

4.3. Assessment

Particular attention must be paid to the candidate countries. Indeed, as part of the ‘acquis communautaire’, the full implementation of the NCTS is a prerequisite for the candidate countries.

At an early stage of the NCTS project, it had been decided that the candidate countries should implement the NCTS and join the Convention on a Common Transit Procedure one year before their accession to the EU. However, given the shift both in the calendar for the full implementation of the NCTS among the EU Member States and the timing for the accession, the requirements from the candidate countries have been modified. They are requested, by the time of their accession, to have:

- NCTS implemented;
- all their customs offices connected;
- all their authorised traders connected.

Out of the ten candidate countries, four of whom are members of the Convention on Common Transit Procedure, the Czech Republic has already started operations in nine customs offices. Hungary and the Slovak Republic will fully implement the NCTS before their accession.

The situation in the remaining seven candidate countries calls for the following comments:

Poland

There have been numerous changes in the organisation of the Polish customs administration and in particular with the staff in charge of the NCTS project. It is difficult to get a precise picture of the real situation concerning the development of the NCTS project. The Commission is following closely the developments of the situation in this country.

Latvia

There have been numerous strategy changes in the project. While Latvia will decide in May 2003 whether to develop a national transit application or to use the MCC, it is expected that the MCC will be used. Based on current delays and past experience, there is a high risk that Latvia will not be operational at the time of accession.

5. CONCLUSIONS

Thanks to the co-ordinated effort of the three institutions – the Council, the Parliament and the Commission- the EU Member States have taken the necessary steps to comply with their obligations and the situation appears to be satisfactory, with the understanding that Austria, Greece and Luxembourg take the essential steps necessary for them to be ready on time.

It is recommended that close attention is paid to the development of the situation in Austria, Greece and Luxembourg and, within the framework of the NCTS, to encourage the trade community to connect to the computerised Transit system.

With regard to the Contracting Parties to the Convention on a Common Transit Procedure, no problems are to be expected from Switzerland and Norway since all their customs offices are linked to the NCTS. Similarly no problems are to be expected from the Czech Republic, since all their offices will be connected shortly, or from Iceland, since this country has only a limited impact on transit.

It seems likely that the Slovak Republic and Hungary will start operations before their accession to the Union. However, for Poland potential difficulties can already be identified and need to be closely monitored.

The other candidate countries, even if they are not part of the Convention on a Common Transit, will have to fulfil the conditions imposed for enlargement. Therefore, the Commission intends to follow closely the steps being taken in implementing the NCTS. The situation in Latvia needs to be especially monitored.

Finally in order to preserve the benefits of NCTS for the fully operational customs administrations and their traders, the Commission envisages, if necessary, requesting those customs administrations that are not fully operational to introduce ad hoc measures so that transit movements started under the NCTS will be completed without delay, even if the movements end at an office which is not connected to the NCTS.