



Authorised economic operator – AEO

Comes into enforcement on 1 January 2008, applications can be submitted NOW in most Member States.

After the terrorist attacks in New York and Madrid, major countries in the world started to debate on how to enhance the safety and security in international trade without disrupting the trade flows themselves. The European system of AEO certificates allows the identification of “safe” operators that apply strict safety and security control measures and, in exchange, **will be granted favorable treatment at the borders**. There will be three different sorts of AEO certificates. Some of the benefits will apply to all of them, some only to one or two. The types of AEO certificates are:

- AEO – customs simplifications
- AEO – security and safety
- AEO – customs simplifications/security and safety (combining the conditions and benefits of the previous two)

All operators with an AEO certificate will experience considerably **less frequent controls** at the borders and, in case they are controlled, **their consignment will be given priority** over the consignments of other operators. This means that normal operators will face important delays, while watching AEO consignments pass smoothly through the control process. Figures presented by Belgian customs show that the percentage of non-AEO consignments being checked could increase, in the worst scenario, from the current 5% to 25% over the next 5 years.

Also, AEOs will be given the possibility to have their consignment checked away from the regular premises of the customs authorities to create the least disturbance possible to their logistics processes.

Those operators applying for an AEO – customs simplifications certificate will be spared a major part of the checking procedure that precedes the granting of an important number of Community customs simplifications.

The operators with an AEO – Security and safety certificate will need to supply substantially less information about their loads in the so-called “summary declarations”, due to be filled in for all imported (and some exported) goods



starting from 1 July 2009. On the basis of these declarations, holders of the AEO – security and safety declarations will in many cases be **notified in advance that their load has been selected for further physical control**. Once again, this benefit will leave the operators enough time to adjust their logistics operations to the foreseen delay. At the same time, controls of non-AEO goods will still be made by surprise, heavily distorting the flows in their respective logistic chains.

The participation in the AEO scheme is entirely voluntary. However, it is apparent that **staying out may prove extremely costly** for an operator. Non-AEO consignments will queue at the boarder for control by customs officers, who will be bearing in mind that they are checking an “unsafe” load. At the same time, AEO consignments will go rapidly through the “green lane”, checked only occasionally after prior notice.

The situation may dramatically worsen for the non-AEOs if another international catastrophe of a scope comparable to September 11th leads to further tightening in checking and security control procedures. In such a case, it is probable that “unsafe” operators will be literally paralysed by the importance of checks they’ll be imposed.

Even if such a dramatic scenario doesn’t occur, it is expected that **parties will be less willing to enter into contractual agreements with non-AEOs**. Indeed, in order to make use of the benefits linked with his status, an AEO must prove that his business partners in the logistics chain also respect similarly strict security measures. For the sake of respecting these legislative provisions, but also for personal prestige and safety, AEOs will create lasting business relationships only with other AEOs.

According to some European Commission estimates, the average costs of introducing a security management system compatible with the requirements for an AEO certificate will be of 5.000 euros for a micro company (<10 employees), 50.000 euros for a small one (<50 employees), 135.000 euros for a medium one (<250 employees) and 300.000 euros for a large one (>250 employees). On the basis of these estimates, **the Commission expects ¼ of all companies involved in customs operations responsible for ¾ of the flows to join**. However, the Commission doesn’t mention the daily security maintenance costs which, according to BDI (Bundesverband der Deutschen Industrie) can reach 130.000 euros per year for a medium company. This indeed may prove to be a prohibitive cost for smaller enterprises.



It is expected that a majority of large operators, for whom even a yearly expense of several hundreds of euros is easily bearable, will apply for AEO certificates, while most SMEs will stay out of the system. The most obvious consequence for the vehicle logistics sector is the domination of the market of transports to and from non-EU countries by large companies. Another possible outcome would be the quasi-elimination of non-EU companies (that cannot apply for an AEO certificate) from the European market, at least until mutual recognition agreements are signed with their countries of origin. The system can also have repercussions on the intra-Community transport if for reasons of enhancing their prestige OEMs choose only to deal with AEOs. Finally, the introduction of AEO certificates will give yet another blow to European subcontractors, most of whom will not be able to cope with the security requirements.

It is now urgent for each company to estimate its individual costs and benefits of complying with the AEO security standards. The costs quoted above are average, and do not take into account the fact that some companies have been implementing rigorous security measures for a long time and will comply with the new regulation at only a small additional cost. It is also worth underlining that an investment in safety and security, especially in vehicle logistics, can bring a positive return in the form of lower damage and theft rates. Depending on these two and other factors, applying for one of the AEO certificates may prove beneficial even for small and medium companies.

Where the requirements for the AEO status are not totally clear yet, it is important to know that companies are expected to be self-assessing or self-auditing that they meet compliance with the requirements. A company found in violation of the rules on AEO can be sanctioned by the Customs by losing the AEO status for 3 years. This could mean that a company is literally out of business. For this reason companies should be very careful in their decision making process and not only go for the certificate as such, but adapt the organisation to the requirements of the AEO status.

If you wish to apply for one of the AEO certificates, you will first have to fill in the standard application form and send it to the customs authority that has the best knowledge of your company's customs related activities. The form together with explanatory notes can be found in **Annex I to the Regulation 1875/2006**.¹ Information on how to choose the right customs authority and on other topics

¹ Available at: http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_360/l_36020061219en00640125.pdf.



related to the granting of the certificate can be found in the **Guidelines**.² Make sure you read them carefully, as they have been written to guide you through the application process. It is also advisable to read the **Regulation 1875/2006** itself, as it explains in details the procedure of granting an AEO certificate.

Links to the abovementioned documents, as well as other relevant information can be found on the **European Commission's webpage dedicated to Customs and Security**.³ In case you have other questions concerning the Authorised Economic Operator, you can also contact Jan Szulczyk at the ECG's Brussels office (jan.szulczyk@eurocartrans.org or +32 2 706 82 80).

² Available at: http://ec.europa.eu/taxation_customs/resources/documents/customs/policy_issues/customs_security/AEO_guidelines_en.pdf.

³ Available at: http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_security/index_en.htm.