

Authorised Economic Operators (AEO)*

Customs and International Trade

New legislation introduced by the European Commission (EC) has confirmed the introduction of a World Customs Organisation (WCO) approved, supply chain certification programme.

What is it?

AEO is an EC initiative that requires companies to maintain high levels of security throughout their supply chain in order to gain recognition from Customs that they are a secure trader and obtain the associated privileges.

The AEO concept was introduced by a security amendment in 2005 as a WCO approved initiative, similar to C-TPAT in the US. Following refinements by the EC, a number of pilots were run and finalised in 2006. The scheme is now to go live on 1 January 2008.

Who is it for?

The project is of major interest to companies importing or exporting goods into and outside the EU. A company must be established in the EU and have a good compliance review record to qualify.

AEO status will be particularly important to the following companies:

- Those importing into more than one EU country;
- Those who import high risk goods that want to adopt the highest standards of security possible (e.g. importers of defence goods, pharmaceuticals, excise goods, high value commodities etc);
- Those that wish to export goods to countries with similar security systems (e.g. US and Far East);
- Those that require immediate clearance of goods (e.g. just-in-time supply chain operators, importers of perishable goods, etc);
- Companies who regard themselves as socially responsible and are keen to show their suppliers,

partners and market that they have quality systems in place; and

- Companies that are SEC registered.

What are the benefits of operating AEO?

The EC's review of the pilot projects broadly outlined the benefits as:

- Improved clearance times;
- Improved supply chain security resulting in reductions in stock loss;
- Addition to an AEO certified participants' database, which could be the beginning of a pan-EU, best practice, preferred suppliers list;
- Companies currently authorised for customs regimes and simplifications would already broadly meet the required profile, leading to a simpler authorisation process;
- Access to a service co-ordinator. A designated contact point will be assigned by the customs authority, ensuring all customs queries are addressed quickly;
- Credibility in business partnerships – companies may prefer to trade with AEO authorised partners, as is the case in the US with C-TPAT participants;
- Recognition of the status by other jurisdictions;
- Certification demonstrates that enhanced security is in place at key points in the supply chain process; and
- Reduced information required to clear goods at the frontier.

AEO authorisation process

The EC has issued guidelines that allow companies to carry out detailed self-audits to demonstrate that they comply with the requirements before submitting a formal application. This will be followed by a detailed audit from the corresponding customs authorities. Companies are also likely to be asked to demonstrate that there are adequate controls and processes in place to manage declarations of valuation, origin and classification.

Next steps

Companies must consider whether AEO is appropriate to their model and where it is, should consider when they want to be authorised.

How PwC can help

We can offer help and advice according to your existing import and export profile. The following might be an indicative menu:

Stage 1 – Understanding if AEO is right for your company

An initial review to identify a company's eligibility and the benefits and obstacles faced in obtaining certification, including:

- Reviewing the company's operations and how it fits with the concept, benefits and key implementation dates
- Undertaking a high-level review of EU operations to map relevant operators for AEO consideration

- Conduct pilot review of AEO eligibility - compliance record, security aspect of AEO status and commercial benefits

Stage 2 – Pre-Application

- Identify which entity will be the lead AEO applicant
- Carry out a detailed pre-application audit of customs and/or security procedures
- Identify and address any critical weaknesses arising from above
- Prepare outline project plan/timeframe for implementation

PwC's international trade experts will also be able to benchmark a company's procedures against best practice.

Stage 3 – Achieving AEO status

- Submission of formal application and liaising with customs authorities to deliver the best AEO solution for you
- Implementing the terms and conditions (including specific control processes and procedures to ensure compliance) of the AEO certification
- Carry out periodic certification reviews to ensure ongoing compliance

If you have any further queries relating to any of the items referred to in this document, please contact:



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