

The benefits of AEO

Achieving authorised economic operator status brings clear benefits to companies trading internationally, despite the postponed introduction of the Modernised Customs Code

The news that the implementation of the Modernised Customs Code (MCC) is likely to be delayed until 2015 has been greeted as a mixed blessing by our members, especially those who have already committed to the authorised economic operator scheme (AEO). These members have committed considerable time, effort and money to obtaining the certification, and now wonder if it has been worth the effort.

It is difficult to give a precise answer to these doubts and those members who are still undecided as to the advantages of the programme. In the final analysis, it has to be an individual decision based upon individual market activity and business aspirations. Prior to AEO, numerous well-intentioned but misguided panaceas for the industry's problems had been suggested, with many forwarders having badly designed BS5750 Part II systems inflicted on them, which then became ISO 9002 and in some cases Total Quality Management. Now we have AEO, another kitemark or badge of excellence and competence.

There are some significant differences to what has gone before. It is perceived that AEO has two distinct main elements – customs compliance and safety and security. In the background there is a third and often overlooked element, which is overall process control and management. Unlike the previously mentioned standards, the accreditation covers wider elements of the company's business, including financial solvency, security and IT solutions, than is required for ISO9002.

Every member we have spoken to on this subject has confirmed that its AEO procedures are more precise and require a greater degree of understanding of the business processed than other standards,

which are inherently of a more generic nature.

To achieve and retain AEO status requires significant commitment. It is a clear statement that the AEO holder takes customs compliance, security and its overall business compliance seriously and intends to meet those responsibilities. The fact that HM Revenue & Customs' (HMRC) audits are generally regarded as the strictest and most demanding in the EU reinforce this concept.

It is believed that customers of AEOs have a greater degree of confidence in their accredited supplier's capability to deliver consistent service over a longer period of time than if they had not obtained the accreditation. Whilst not a tangible benefit, it is one that many members have referred to. It is still a fairly elite club in the UK, but the very fact many of our industry's biggest players have joined it speaks for itself.

International importance

Doubters of the AEO scheme usually seriously under-estimate its international importance. As has been previously discussed, it is a clear indicator to trading partners of your compliance and trustworthiness. AEO is the EU's response to protecting the international supply chain and is appropriate to all parties involved in international trade.

Other countries, including China, Japan and Canada have recognised the importance of AEO, and adopted the standard. Elsewhere certain countries, most notably the US, are aligning their systems to the World Customs Organisation's SAFE Framework to create the Customs Trade Partnership Against Terrorism (C-TPAT). Whilst the negotiations between the US and EU on mutual recognition of the two systems are protracted, it is anticipated that they will be concluded by the end of



2011. We have already seen mutual recognition agreements between the EU and Japan that became effective on 1 June this year.

As AEO holders are regarded as trusted partners, it is anticipated that where traders have obtained AEO status, their goods will be subject to fewer interventions by the authorities. In the UK, unless dictated by EU policy, there are usually fewer customs inspections than in other countries.

However, reduced intervention levels abroad will assist trade by reducing delays and helping to bring a degree of certainty to the supply chain. It is envisaged that achieving these goals will allow companies to better manage their inventory, reduce stock levels, and therefore their costs.

In order to ensure the maximum benefits of AEO, all parties in the supply chain need to be accredited. Therefore, agents who have not achieved the standard may find