

e-Customs study

Private sector views on potential benefits of
further electronic customs developments in
Switzerland

Final report

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Granqvist M., Hintsa J., Lazarescu M., Tsikolenko V.

Cross-border Research Association
Lausanne, Switzerland

EXECUTIVE SUMMARY

Switzerland is a landlocked country surrounded by several EU member states. Customs regulations and cross-border formalities create administrative, logistical, non-compliance and possible other costs for Swiss enterprises when trading with companies located in EU member states and other regions of the world. This study explores the current state of play regarding cross-border trade and logistics operations in Switzerland, aiming to identify opportunities to reduce costs and to improve efficiencies in cross-border supply chains, covering procedures, tools and costs associated with import, export and transit procedures. The study was carried out by the Cross-border Research Association (CBRA), based in Lausanne, Switzerland. The study mandate was provided by the State Secretariat for Economic Affairs (SECO). The study lasted from May to November 2010. In total 70 companies participated in the study, either through written replies and/or verbal interviews.

The report presents the following conclusions and recommendations: Interactive and user friendly e-Customs services which facilitate the preparation, filing, tracking and storage of customs declarations, amongst other functions, can help to reduce costs and improve efficiencies in cross-border supply chains. Design and implementation of e-Customs services need to be driven by tangible benefits for the private sector, including facilitating export procedures, improving flexibility when working with customs, reducing the need to re-enter any customs data during the declaration processes, and enabling a seamless flow of data between the parties involved. The actual private sector needs vary a lot depending on the size and sector of the business in question – for example, driving down the cost of compliance appears to be a particularly important goal for the micro enterprises (10 or less employees). Other aspects on improving customs administration service levels towards the private sector include: early briefings of upcoming changes in customs procedures and data requirements, possibilities to operate outside the traditional customs opening hours, the option to have dedicated key account managers and to receive training delivered by customs experts to the private sector. The role of e-Customs regarding such ‘private sector wishes’ needs to be explored further.

At the same time, e-Customs should not be perceived as a silver bullet, as there are many policy-related, legislative, operational and technical issues and hurdles to overcome before relevant objectives can be achieved. Focused e-Customs service-prototyping exercises, as well as global e-Customs benchmarking initiatives, are recommended as important next step activities in Switzerland. The development process should be done in a highly collaborative and transparent manner with all relevant governmental and private sector parties involved. One should ensure the availability of adequate financial and human expert resources without taking out resources from the current developments. The outcomes should be fully voluntary for any Switzerland-based private sector actor to use (or not to use). And finally, any aspects supporting further cross-border trade and logistics harmonization, integration and automation between Switzerland and the EU should be taken into serious consideration.

Table of contents

- EXECUTIVE SUMMARY..... 2
- List of Figures and Tables 4
- Abbreviation 5
- 1 Introduction..... 6
 - 1.1 Background..... 6
 - 1.2 Methodology and structure 7
 - 1.3 Swiss situation 8
 - 1.4 Developments elsewhere..... 11
- 2 Study process and population characteristics..... 13
 - 2.1 Introduction..... 13
 - 2.2 Study questionnaire 13
 - 2.3 Sampling and population..... 14
 - 2.4 Study participants..... 16
 - 2.5 Data accuracy 20
- 3 Study findings 21
 - 3.1 Introduction..... 21
 - 3.2 Customs activities and transport..... 21
 - 3.3 Cross-border compliance costs 31
 - 3.4 Future investments in customs compliance management 39
 - 3.5 Benefit potential of customs interaction/e-Customs/e-government 41
 - 3.6 Open questions on potential future benefits..... 44
- 4 Summary, conclusions, and recommendations 47
- ACKNOWLEDGEMENTS 53
- References..... 54

Annex 1. Study questionnaire
 Annex 2. Follow-up questions

List of Figures and Tables

Figure 1.1. Structure and flow of this report.....	8
Figure 1.2. Import procedures for Swiss companies.....	10
Figure 1.3. Export procedures for Swiss companies.	11
Figure 2.1. Distribution of the respondents between the four customs districts.....	17
Figure 2.2. Distribution of respondents between the three main businesses.....	17
Figure 2.3. Distribution of survey respondents among manufacturing sectors.....	18
Figure 2.4. Usage of non-customs licenses among survey respondents.....	19
Figure 2.5. Distribution of the number of employees among survey respondents.	19
Figure 2.6. Companies that used the simplified procedure VAR (until 31.3.2010).....	20
Figure 3.1. Distribution of respondents involved in customs procedures.	22
Figure 3.2. Distribution of non-SME respondents between modes of transport.	24
Figure 3.3. Distribution of SMEs between modes of transport.....	24
Figure 3.4. Preparation and submission of customs declarations for all respondents.	26
Figure 3.5. Preparation and submission of customs declarations for SMEs.	27
Figure 3.6. Preparation and submission of customs declarations for non-SMEs.....	27
Figure 3.7. Distribution of respondents for import procedures between the four customs districts.	29
Figure 3.8. Distribution of respondents for export procedures between the four customs districts..	30
Figure 3.9. Distribution of respondents with customs simplifications in place.	31
Figure 3.10. Awareness of customs compliance costs among non-SMEs.....	32
Figure 3.11. Awareness of customs compliance costs amongst SMEs.....	33
Figure 3.12. Awareness of customs compliance costs for companies using customs brokers.	33
Figure 3.13. Awareness of custom compliance costs for companies not using customs brokers.	34
Figure 3.14. Average cost per declaration depending on number of declarations.....	36
Figure 3.15. Increase in customs compliance costs after the VAR procedure ended.....	37
Figure 3.16. Priorities of future investments, grouped by SME and non-SMEs.....	39
Figure 3.17. Priorities of future investments grouped by customs brokers and other methods.	40
Figure 3.18. Potential benefits of future e-Customs enhancements in Switzerland.	42
Figure 3.19. Potential benefits grouped by companies using customs broker and other.	43
Figure 4.1. 'Private sector wish list' on customs-trade interaction enhancements in the future.	52
Table 1.1. Swiss private business and employed persons by size, 2008.....	8
Table 2.1. SME definition, source: European Commission, 2010.....	14
Table 2.2. Distribution of study participants.....	16
Table 3.1. Approximate number of declarations per year.	22
Table 3.2. Percent share of the total number of declarations that are for the EU.	23
Table 3.3. Percent share of import/export (value) of company procurement/sales.....	23
Table 3.4. How companies store customs declarations.	28
Table 3.5. Total average cost and %-breakdown among the four cost groups.....	35
Table 3.6. Total average cost (CHF) per declaration for SME and non-SMEs.	35
Table 3.7. Total average cost (CHF) per declaration based on company size.	35
Table 3.8. Average cost per declaration for companies using brokers compared to other methods.	36
Table 3.9. New costs after the VAR procedure ended (CHF).	37
Table 3.10. Customs compliance cost in relation to overall logistics costs.....	38

Abbreviation

AEO	Authorized Economic Operator
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
ERP	Enterprise Resource Planning
EU	European Union
FVO	Swiss Federal Veterinary Office
ICC	International Chamber of Commerce
INCOTERM	International commerce terms are a series of international sales terms, published by the ICC and widely used in international commercial transactions.
IT	Information Technology
NCTS	New Computerized Transit System
SAD	Single Administrative Document
SME	Small and medium sized enterprise
VAR	Vereinfachte Ausfuhrregelung
WCO	World Customs Organization
WTO	World Trade Organization

1 Introduction

1.1 Background

Mandate, scope, and purpose of the study

The Federal Council has mandated the State Secretariat for Economic Affairs (SECO) to prepare a feasibility study in cooperation with the Federal Customs Administration and other Federal Offices on a direct interaction between the Swiss and EU customs systems. The study started at the beginning of May 2010 and the first draft report was delivered at the end of July 2010. The short time available for the study was due to the need to support the Federal Council in the decision making process upon the next steps in this matter by the end of year 2010. The feasibility study is part of the e-government package as laid down in the Federal Council growth policy 2008-2011.

This report on “e-Customs study - Private sector views on potential benefits of further electronic customs developments in Switzerland”, forms part of the overall feasibility study as described above. The objective is on one hand to study the cost implications of direct electronic data exchange between Swiss enterprises, in particular small and medium enterprises (SMEs), and the Swiss customs administration and on the other hand to look at the costs and benefits for companies from possible future simplifications by connecting the Swiss and EU customs clearance systems. This in particular concerns the harmonization of some simplified procedures as well as the mutual recognition of the principles governing the AEO-F (Authorized Economic Operator, customs & security) scheme of the EU.

The scope of this study also includes assessing whether Swiss companies will benefit in terms of reduced costs and other potential benefits from a fully fledged interactive web-based application (solution in compliance with e-government principles) as a way of carrying out customs procedures.

For the purpose of this study, following two broad definitions (from the literature) are used:

e-Customs = The use of Information Technology to carry out customs compliance using electronic communications channels replacing paper format customs procedures, thus creating a more efficient and modern customs environment.

e-government = The use of Information Technology to enhance the access to and delivery of government services to benefit citizens, business partners and employees.

Target sectors

For the purpose of this study there are four main (potentially overlapping) sectors to be analyzed: (1) companies using electronic certificates such as veterinary, phytosanitary or CITES related where a web-based electronic data exchange with authorities in trans-border commerce is already operational; (2) companies specializing in investment goods such as machinery production; (3) trading companies (import/export); and (4) companies with existing customs simplifications. The companies should be evenly drawn from the four customs districts (Geneva, Basle, Schaffhausen, Lugano), and should also cover the four main modes of transportation (road, rail, air, inland waterways).

1.2 Methodology and structure

In this study, the main instruments for data collection are a survey questionnaire combined with personal interviews. The data collection is carried out in two stages, a first round of survey distribution and on-site interviews. The second round consists of follow-up interviews to validate and clarify results from the survey. The methodology for this study is described in the following six steps:

1. Setting up the context for the study; defining the purpose and boundaries, describing the current cross-border trade procedures used by Swiss companies.
2. Surveying companies in Switzerland; defining the study population and sample size, creating and distributing the questionnaire form. Analyzing basic information about the survey respondents.
3. Analyzing the closed survey questions; involvement of Swiss companies in customs activities, customs compliance costs, priorities of future investments and anticipated benefits from future e-Customs upgrades.
4. Analyzing the open survey questions and live interviews; qualitative analysis of potential benefits with direct customs interaction / web-application, and possible simplifications / benefits if Swiss and EU customs were to interact in the future.
5. Interviewing a sub-group of the companies to validate and clarify results from the original survey.
6. Analyzing, combining, structuring all the study data towards final conclusions and recommendations regarding cost implications and potential benefits of future e-Customs development.

The structure and flow of this report is illustrated in figure 1.1 below.

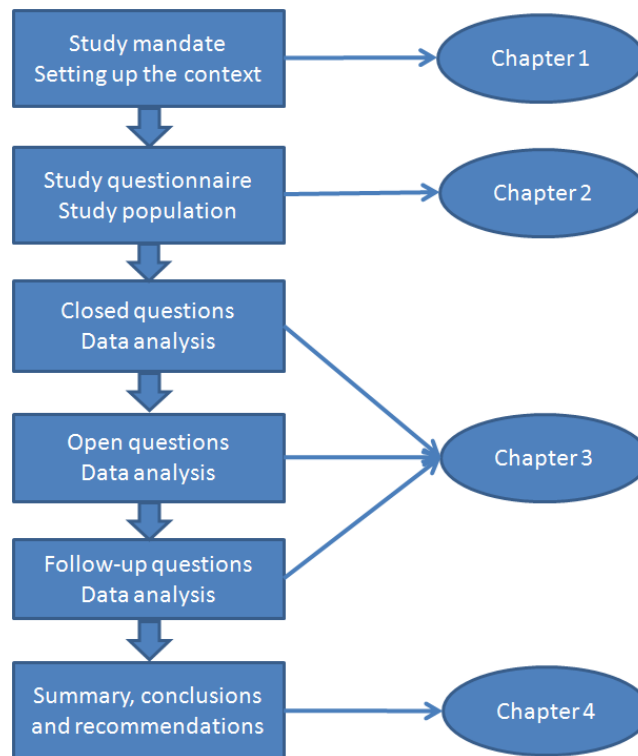


Figure 1.1. Structure and flow of this report.

1.3 Swiss situation

There are a total of 312'861¹ companies in Switzerland today; only about 1'000 (0,3%) of these are “non-SMEs”, i.e. companies that have more than 250 employees. The term 'non-SME' is used interchangeably with 'large companies' throughout this study. The remaining 99,7% of the companies are regarded as Small or Medium Enterprises (SMEs) employing less than 250 persons each. As indicated in Table 1.1 below, SMEs play an important role in the Swiss labor markets, while twice as many people are employed by SMEs than by large enterprises.

Table 1.1. Swiss private business and employed persons by size, 2008.
(Source: Business Census; data as of 29.03.2010)

Size	Businesses		Employed persons	
	Number	%	Number	%
<i>by full-time equivalent employees</i>				
SME (up to 249)	311'707	99,6	2'327'802	66,6
Micro enterprise (up to 9)	272'346	87,1	869'206	24,9
Small business (10-49)	33'183	10,6	760'780	21,8
Medium business (50-249)	6'178	2,0	697'816	20,0
Large business (250 and over)	1'154	0,4	1'166'269	33,4
Total	312'861	100,0	3'494'071	100,0

¹ Source: <http://www.bfs.admin.ch/bfs/portal/en/index/themen/06/02/blank/key/01/groesse.html>

There is a considerable gap between large companies and SMEs in export activities. Only 14% of the SMEs are engaged in export activities, while almost half of the large enterprises (45%) have export operations (KMU Landschaft im Wandel, 2008). At the same time, it is worth noting that 38% of SMEs with more than 50 employees are active in the export sector. When looking closer at the relation between full-time employment and export activities, it brings more uniform results for both SMEs and big enterprises: almost one out of four employees is dedicated to export activities. In medium-sized companies, the level of employees participating in export activities is actually about 37%². Conclusively, being competitive in international trade and facilitating cross-border operations are important success factors for the Swiss business sector as well as for the labor markets and the government.

Switzerland is a land-locked country in the heart of Europe surrounded by European Union (EU) member states, and a very important trading partner for the European Union. In 2009 Switzerland was the fourth biggest economy exporting to the EU and the second biggest economy importing from the EU, right after the U.S. (Eurostat 2010). In turn, this leads to a significant workload for customs administrations as well as administrative burden for Swiss companies. The following section illustrates the most commonly used customs procedures for export and import.

Import EU to Switzerland

In general, import from the EU to Switzerland can be done in two ways. The first method requires lodging an export declaration (ECS) at the customs office of export in the EU and then preparing and submitting an import declaration at the customs office on the Swiss side of the border. The import declaration can be prepared at the border office or in advance and then submitted to Swiss Customs together with other supporting documents. After customs clearance, including payment of relevant duties and taxes, the goods are released for free circulation in the Swiss market.

The second method is to first prepare a transit declaration in the country of export, transport the goods across the border to the final destination in Switzerland without having to go through import clearance at the border, and then submit the import declaration for release into free circulation, paying duties and taxes as applicable. Instead of release for free circulation, the transit procedure can be followed by a warehouse procedure, where goods can be stored until they are being supplied to their final destination.

² "KMU Landschaft im Wandel" 2008

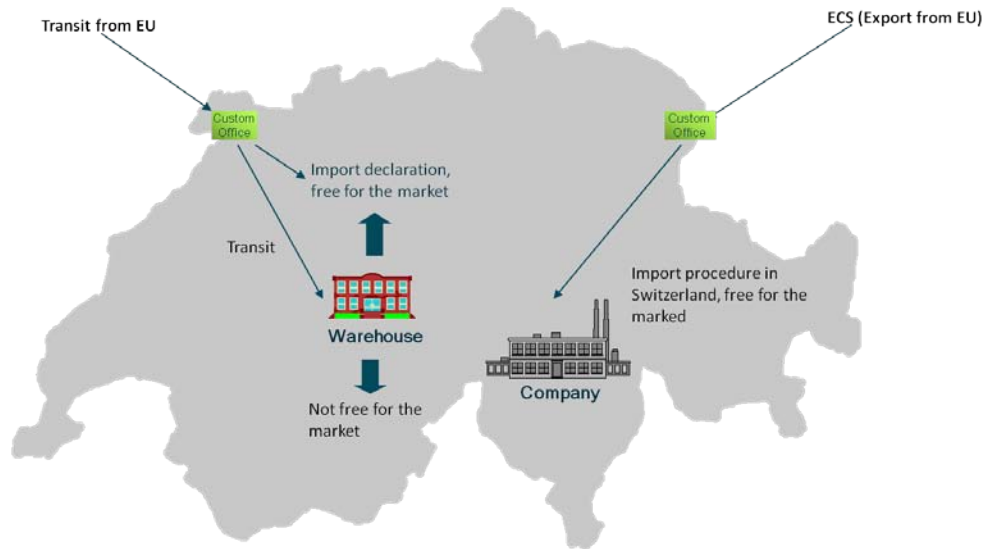


Figure 1.2. Import procedures for Swiss companies.

Export Switzerland to EU

Exporting from Switzerland to the EU can be done in two ways. The first method assumes the issuance of an export declaration in Switzerland and an import declaration in one of the EU countries. After export customs clearance and payment of relevant export charges, the goods can be delivered to the EU. Depending on the INCOTERMS³, and assuming that import customs clearance is the responsibility of the EU consignee, the interaction of Swiss companies with customs ends after the goods are cleared for export. The second method also applies the transit procedure. In this case, the goods are cleared for export in the same way as described above; then they are accompanied by a transit declaration until they arrive at their destination in the EU. At the destination, the goods can undergo the customs procedure of release into free circulation or any other customs procedure, including warehousing.

³ INCOTERMS or international commerce terms are a series of international sales terms, published by the International Chamber of Commerce (ICC) and widely used in international commercial transactions. These are accepted by governments, legal authorities and practitioners worldwide for the interpretation of most commonly used terms in international trade.

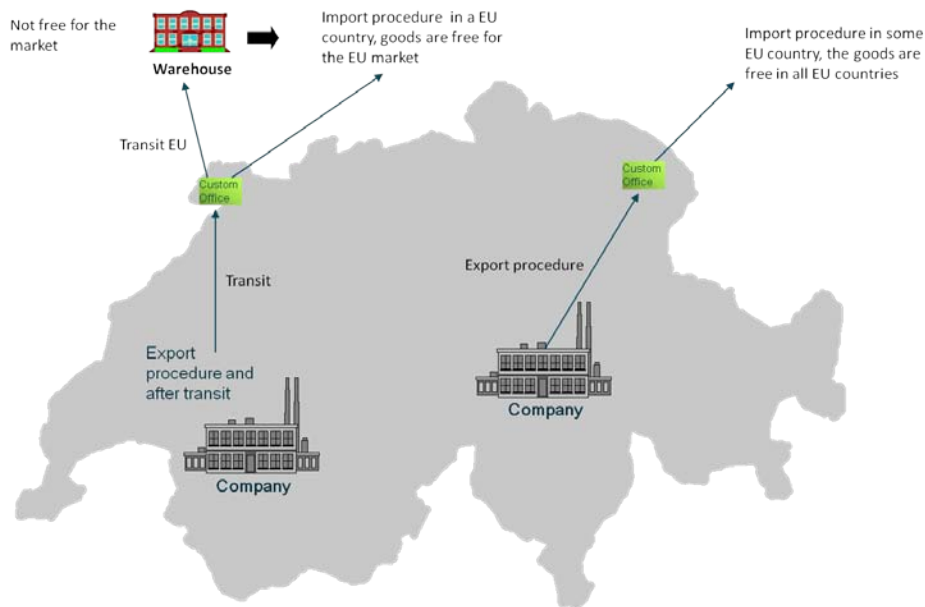


Figure 1.3. Export procedures for Swiss companies.

1.4 Developments elsewhere

The traditional role of Customs as a “gatekeeper” is changing due to developments in the international supply chain environment, including: the growth of international trade, reduced tariff and non-tariff barriers, crime and terrorism threats, new models of logistics and the supply chain, and the increasing use of information and communication technology (ICT) in international trade operations. These developments are putting pressure on customs administrations to update their operational models, according to Gordhan (2007) and Widdowson (2007). The use of information and communication technology enables processes to be more automated, which increases efficiencies and reduces the need for manual re-entries and validation of the same data (Wilmott 2007). Due to the elimination of redundant tasks, the public sector can take advantage of the automation by delivering faster services to companies and can also achieve time related and financial savings, according to Raus et al (2009) and Lewis (2009). Hesketh (2009) suggests that “electronic pipelines” would simplify customs procedures and facilitate all parties in the supply chain to acquire the information needed. However, Raus et al (2009) point out that there are barriers preventing companies from adapting ICT systems: (1) Costs — small and medium-sized companies may not have the required financial resources to acquire and implement new computer hardware and software; (2) Governmental agencies do often not provide a template specifying which new regulations apply; (3) High complexity in standardization of processes and procedures, especially SMEs, may not possess the required means for keeping multiple standards/systems; and, (4) The fear and resistance among employees to adapt new work procedures.

On global level, the World Customs Organization (WCO) designed the SAFE Framework of standards to secure and facilitate trade and logistics, as it comes to interaction (including possible disruptions)

between trade and customs in the 177 WCO member countries. The SAFE Framework consists of four core elements. First, it harmonizes the advance electronic cargo information requirements on inbound, outbound and transit shipments. Second, each country that joins the SAFE Framework commits to employing a consistent risk management approach to address security threats. Third, it requires that at the reasonable request of the receiving nation, based upon a comparable risk targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk containers and cargo, preferably using non-intrusive detection such as large-scale X-ray machines and radiation detectors. Fourth, the SAFE Framework defines benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices (WCO, 2007). However, Switzerland is not yet a signatory to the SAFE framework.

On European level, the European Commission has adopted two proposals (in 2005) to modernize the EU Customs Code and to introduce an electronic, paper-free customs environment in the EU. The first proposal aims to simplify and streamline customs processes and procedures. The second proposal is designed to make Member States' electronic customs systems compatible with each other; introduce EU-wide electronic risk analysis and improve information exchange between frontier control authorities; make electronic declarations the rule; and introduce a centralized customs clearance arrangement. The result should be to increase the competitiveness of companies doing business in Europe, reduce compliance costs and improve EU security (EC, 2008)

Denmark, Germany, and Portugal are examples of European countries that have a Web interface in place to facilitate cross-border trade, according to the CBRA survey (2010) and Bjorn-Andersen et al (2007). The Web-interface functions both as a way of carrying out customs declarations and as a hub for companies to acquire information, documents, and other related information. Germany has taken this one step further and does not accept paper declarations anymore, which means that companies are forced to use an electronic means of submitting customs declarations, with the Web interface being one option, while Portugal and Denmark still accept both paper and electronic documents (CBRA survey, 2010). The Italian customs administration allows for customs brokers to exchange information with Customs via the IT system "AIDA". The implementation process of AIDA is an example of barriers that can arise. Difficulties mentioned are the inability to gather all the necessary customs information in one place and to integrate the different IT systems. IT system integration is troublesome, resulting in multiple controls over the same data by different parties along the trade process (CBRA survey, 2010). Overall, a successfully implemented Web interface can save time and money for businesses operators.

2 Study process and population characteristics

2.1 Introduction

The aim of the survey is to explore a variety of customs compliance aspects with Swiss companies, i.e., manufacturers, traders, retail, and wholesalers. These are the companies that carry out customs compliance on a daily basis and have first-hand experience with current customs procedures, knowing which issues might exist but also how future development may bring benefits to enhance cross-border trade and logistics. The survey did not target logistics service providers specifically; however, answers provided by the sector were accepted and treated in the same manner as replies from any other companies.

First, the survey process focused on creating the questionnaire (Chapter 2.2), selecting the population and sample size, followed by distributing the survey (Chapter 2.3). Next, basic statistics on the survey participants is presented (Chapter 2.4), followed by a discussion of the data accuracy (Chapter 2.5).

2.2 Study questionnaire

The questionnaire is designed using both open and closed questions, where the closed questions are used to gather quantifiable data while the open questions are used to gather additional qualitative information. The questions were derived from literature research and consultation with several experts in customs matters. The survey questionnaire has a total of 31 questions, structured in the following five parts.

- Part 1. Basic information: This part is to gather general information about the company and also to get contact information for possible follow-up contacts. Companies can choose to be anonymous if for example economic figures are considered to be too sensitive. Other relevant information from this part includes number of employees, annual turnover, main sector, and any special licenses held.
- Part 2. Customs activities: This part is designed to acquire information about the kind of customs procedures companies are involved in, how they execute the procedures, and how companies submit and store customs information.
- Part 3. Costs related to cross-border transactions: Companies are asked to share specifics about customs compliance costs and the relevance of customs compliance costs. Companies are also asked to share information about priorities and future investments in the area of customs compliance management.
- Part 4. Benefit potential: In this part, companies are asked to express what improvements they expect in the future regarding customs compliance and e-Customs developments.

- Part 5. General expectations and suggestions: In this part, companies can make statements and suggestions to SECO and/or to the CBRA team. Companies can also indicate whether they would accept follow-up contacts.

Before distribution, the questionnaire was thoroughly reviewed by SECO, and a group of CBRA advisors (top specialists in customs matters). As Switzerland is a multi-lingual country, the questionnaire was translated into four languages: English, German, French, and Italian. Companies targeted with letter mail received the survey in their respective language to yield a higher response rate. Companies receiving the survey via e-mail were given the option to download the survey in a native language via the Cross-border Research Association website (www.cross-border.org). Companies were able to reply in several ways, including e-mail, fax, and letter mail.

2.3 Sampling and population

The population for this study is all Swiss companies in manufacturing and trade, with a special focus on small and medium-sized enterprises (SMEs). The replies given by logistics companies were also accepted. According to the European definition (European Commission, 2010), a SME has fewer than 250 employees (1-249) and a maximum annual turnover of 50 million euro. SMEs can be divided into micro, small and medium-sized, depending on the number of employees and annual turnover, see Table 2.1.

Table 2.1. SME definition, source: European Commission, 2010.

Enterprise category	Headcount	Turnover	or	Balance sheet total
medium-sized	< 250	≤ € 50 million		≤ € 43 million
Small	< 50	≤ € 10 million		≤ € 10 million
Micro	< 10	≤ € 2 million		≤ € 2 million

As all participating companies were not willing to share information about their annual turnover, company size was determined by the number of employees. Throughout the rest of the report, micro companies are defined as those with 1-10 employees, small companies as those with 11-50 employees, and medium-sized companies as those with 51-250 employees. As the focus of this study is on SMEs, it refers to companies with a maximum of 250 employees, while non-SMEs have more than 250 employees (251+).

Sampling

In order to guarantee a broad reach with the survey distribution, the research team used two sampling methods. The first method is a stratified sampling with the following four strata:

- Companies that used the simplified procedure VAR⁴: approximately 900 companies.
- Companies having an e-Cites⁵ license: 20 companies.
- Companies using the simplified procedure; Periodic summary declaration (PSA): approximately 800 companies.
- ETH (Swiss Federal Institute of Technology, Zurich): 100 companies, randomly generated.

Out of the strata, 439 companies were randomly selected and sent a letter mail with the survey in their assumed respective language.

The second sampling method was snowball sampling; Economiesuisse, Schweizerischer Gewerbeverband (SGV)⁶, and Swiss Shippers Council (SSC) forwarded the survey to their member institutes who in turn e-mailed the survey to their member companies. It was estimated that over 900 companies were reached by this method, bringing the total sample size to 1100–1300 companies, depending on a potential overlap between the two sub-populations.

⁴ VAR: Vereinfachte Ausfuhrregelung, RSE: la réglementation simplifiée à l'exportation

⁵E-CITES: The Swiss Federal Veterinary Office (FVO) is the enforcing authority of the "Convention on International Trade in Endangered Species of Wild Fauna and Flora" (CITES). The certificates are all handled electronically by FVO (interactive procedure).

⁶FR: l'Union suisse des arts et métiers

2.4 Study participants

The data for this study has been gathered in two steps, a 15 page survey questionnaire and a 1 page follow-up questionnaire. Table 2.2 summarizes the number of companies that participated in this study by sending a written reply and/or by participating in an interview. The first round of survey distribution was carried out during the summer 2010 which yielded a total of 64 written replies with various response rates per question. Four companies answered the questionnaire by participating in on-site interviews. In the second round of data collection, one additional reply to the original questionnaire was gathered and 12 companies interested in follow-up contacts were interviewed (including one new company that did not answer the original questionnaire). In total, 70 companies participated in this study, of which 16 companies participated in an interview.

Table 2.2. Distribution of study participants⁷

	Original questionnaire (see Annex1, 15 pages)	Follow-up questionnaire (see Annex2, 1 page)
Answering in writing, summer 2010	64	-
Answering in an interview event, summer 2010	4	-
Answering in writing, fall 2010	1	-
Answering in an interview event, fall 2010	-	12
Total responses	69	12

The basic information on study participants is described below in six parameters:

- Which is the primary customs district for the company? (Geneva, Lugano, Basel, or Schaffhausen)
- What is the main business type of the company? (Manufacturer, logistics services, or wholesale/retail/trade)
- What is the main industry sector?
- How many people are employed by the company?

⁷ 70 companies in total, where 69 replied to the original questions; 11 of these 69 replied also to the follow-up questions; and 1 company replied only to the follow-up questions.

- Which non-customs license the company has? (CITES, Phytosanitary, and Veterinary)
- Was the company a beneficiary of VAR procedures (until 31.3.2010)?

Primary customs district: Geneva vs. Lugano vs. Basel vs. Schaffhausen

Figure 2.1 presents the distribution among the respondents between the four customs districts in Switzerland. The respondents are fairly equally distributed among the districts of Schaffhausen (39%) followed by Basel (36%) and Geneva (22%), with the exception of the Lugano district, which is represented by only 3% of the respondents. The under-representation of the Lugano district is related to the sampling stratum in which there were only a few companies in the Lugano area.

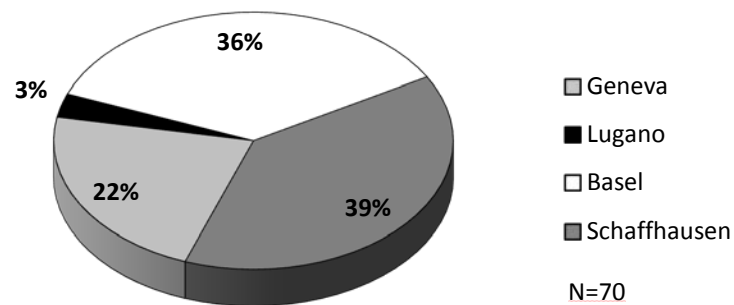


Figure 2.1. Distribution of the respondents between the four customs districts.

Main business: Manufacturing, logistics, or wholesale

Figure 2.2 presents the distribution of respondents according to the three main sectors. Manufacturers represent the biggest group in this survey (66%), and 22% represent the trader, retail, and wholesale sectors. The rest (12%) represent the logistics sector.

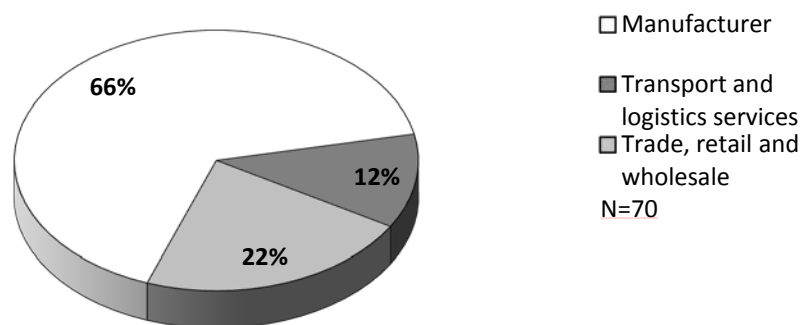


Figure 2.2. Distribution of respondents between the three main businesses.

Main industry sector of manufacturing companies

Manufacturing companies could indicate in a list with 33 options which industry sector best describes their company. Figure 2.3 presents the distribution of respondents between the dominating industry sectors. Out of the 33 sectors, ten sectors cover 87% of the respondents. The Metals sector is represented by 16% of the respondents, followed by Industrial and Farm equipment (11%) and Chemicals (11%). Industry sectors with only one respondent were grouped together as “Other” in the graph below.

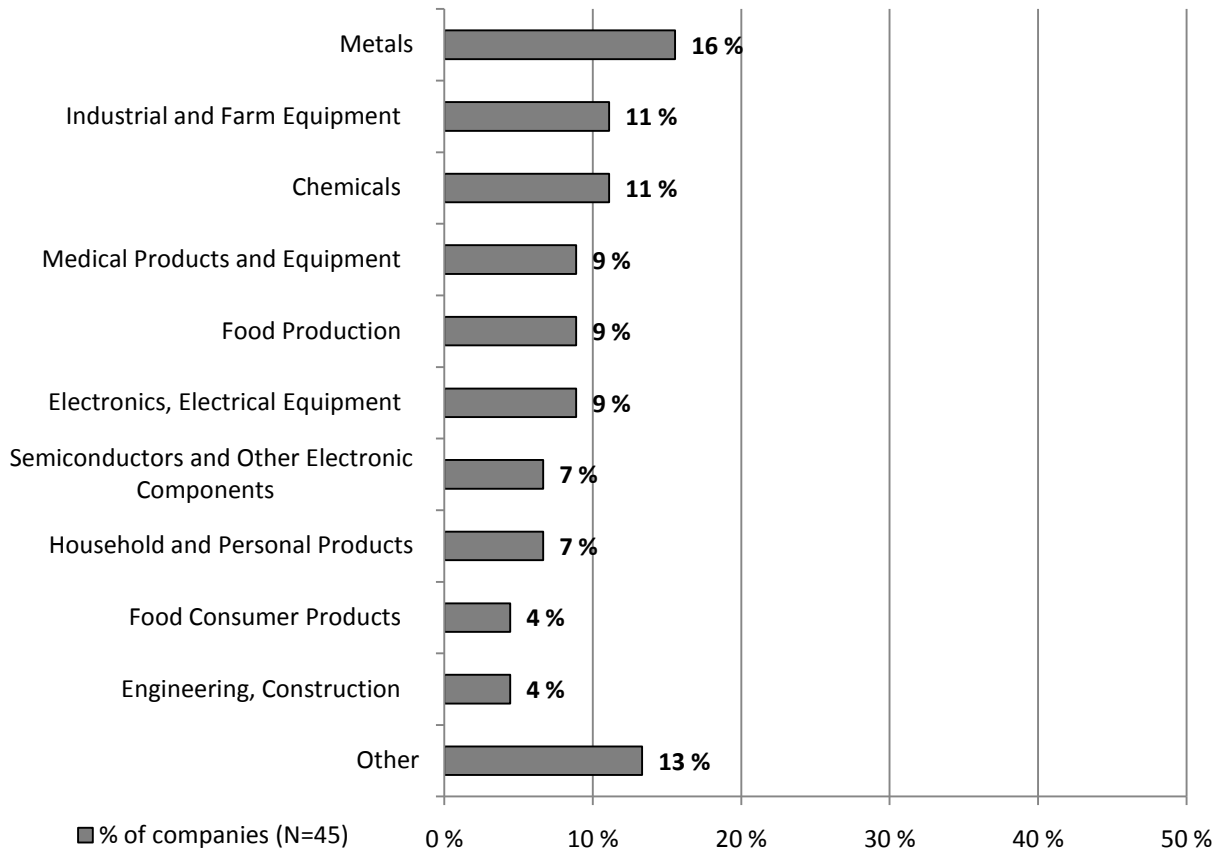


Figure 2.3. Distribution of survey respondents among manufacturing sectors.

Non-customs licenses: CITES, Phytosanitary and Veterinary

Figure 2.4 illustrates the usage of non-customs licenses among the survey respondents. Within the survey respondents, 24% had some kind of non-customs license (either e-CITES, Phytosanitary, or Veterinary), with Veterinary controls being the most common (16%), followed by Phytosanitary controls (12%) and CITES licenses (6%). (Note: individual companies can have two or more of such licenses in place).

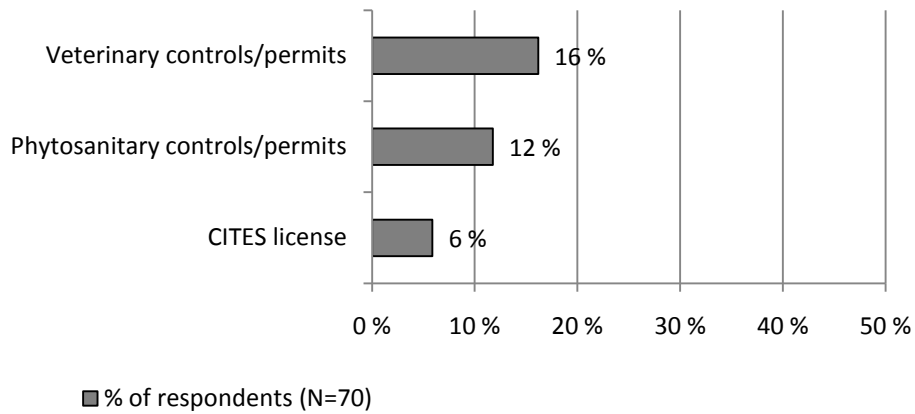


Figure 2.4. Usage of non-customs licenses among survey respondents.

Number of personnel employed

First, Figure 2.5 presents the distribution of respondents between eight groups. As this study has a special focus on small and medium-sized companies (SMEs), the respondents have been grouped into two segments: SME and non-SMEs. SMEs include four employee groups (1-5, 6-10, 11-50, and 51-250), while non-SMEs include companies with more than 250 (251+) employees. This distinction is used to generalize the analysis for all SMEs in the following chapters. A more detailed analysis using number of employees as a variable is used when a distinction within the SME group appears to be relevant.

Second, companies from all size groups participated in the survey, the biggest group (46%) has between 11 and 50 employees. The survey respondents are mainly SMEs (1-250 employees) with a combined share of 77%, which reflects the orientation of the survey sample towards SMEs. Non-SMEs (occasionally referred to as large enterprises) are represented by 23% of the respondents.

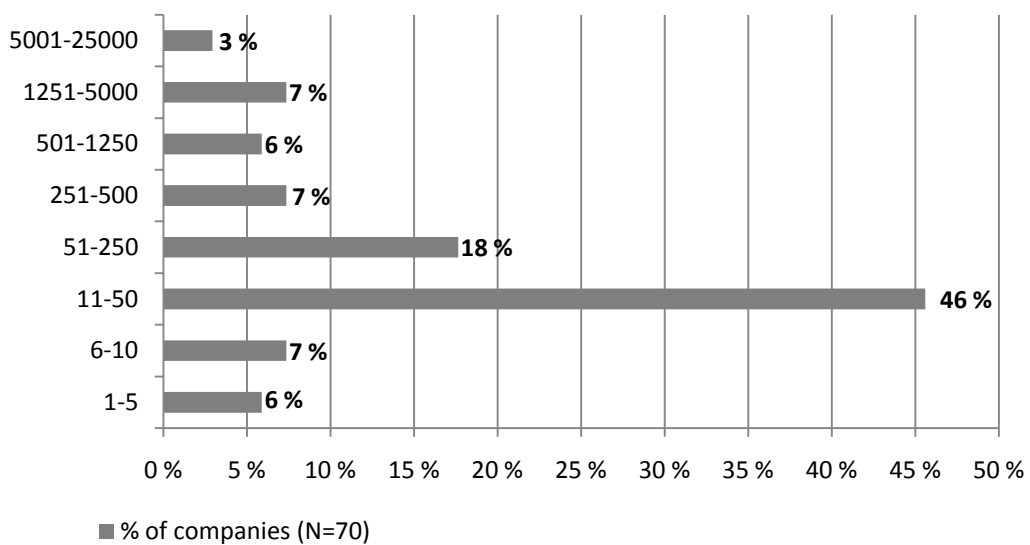


Figure 2.5. Distribution of the number of employees among survey respondents.

VAR beneficiary

Figure 2.6 presents the distribution of all respondents between users and non-users of the simplified procedure VAR, divided between SME and non-SMEs. The majority (64%) of respondents are former VAR users, where 43% are SMEs and 21% are non-SMEs. The high percentage of former VAR users reflects the survey's bias toward users of simplified procedures such as VAR in the survey sample.

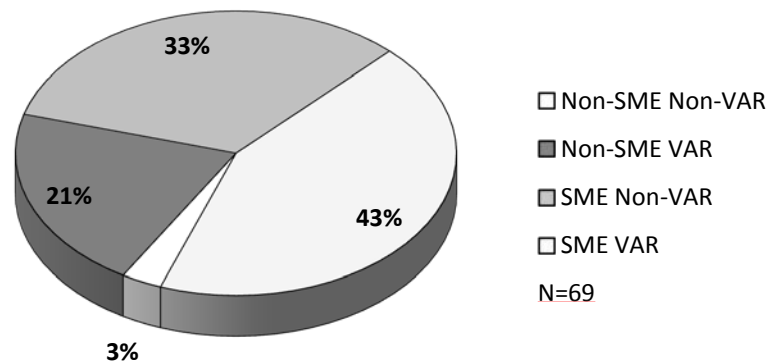


Figure 2.6. Companies that used the simplified procedure VAR (until 31.3.2010).

2.5 Data accuracy

Since sample survey data do not provide a specific number but a range in which the data will vary, it is important to evaluate the survey's margin of error. To evaluate the margin of error, the confidence level needs to be determined, i.e., what risk is acceptable for the survey sample data to be invalid for the whole population? The margin of error then states in percentage points above or below the percentage reported, how close the result is to the "true" figures, i.e., the figures for the whole population. Basically, margin of error states the error (difference in percent) between the sample figures and the actual figures (actual figures = data if **all** Swiss companies were to answer the survey).

The survey generated a total of 69 replies. Accepting an industry standard confidence level of 95% gives a margin of error of 12.5%. This means that the results presented is valid in an interval between the percentages reported plus or minus 12.5% and that there is a 5% **risk** that the sample survey data is not representative of all Swiss companies.

3 Study findings

3.1 Introduction

This chapter presents the main findings of the survey analyzing different aspects of customs compliance management. First, statistics on the involvement in cross-border trade are presented (Chapter 3.2), followed by an analysis customs compliance costs (Chapter 3.3). Next, future investment plans to enhance cross-border operations and customs compliance management are presented (Chapter 3.4), followed by anticipated benefits of future e-government/e-Customs enhancements (Chapter 3.5). Finally, an analysis of the open answers in the survey is presented in Chapter 3.6

3.2 Customs activities and transport

In this section, four different aspects on how companies are carrying out customs activities and transports are analyzed;

- Import, export, and transit activities
- Main modes of transport
- Preparation, submission, and storage of custom declarations
- Customs simplifications in place

Import, export, and transit activities

First, Figure 3.1 presents the distribution of respondents that are involved in import, export, and transit procedures divided between SME and non-SMEs. Over 75% of all respondents are involved with import and export procedures, while less than 25% use transit procedures. In general, the involvement in cross-border customs procedures is higher among the participating non-SMEs than the SMEs, especially on the export side of the business.

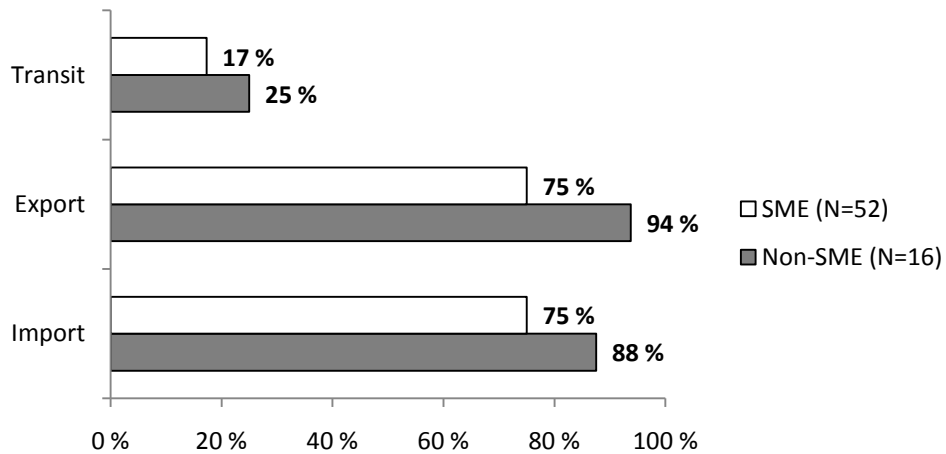


Figure 3.1. Distribution of respondents involved in customs procedures.

Second, Table 3.1 presents the annual number of customs declarations. This analysis is based on the number of employees as a variable, which gives a more detailed view of differences within the SME segment. The **median** value in Table 3 shows that the number of import and export declarations increases proportionally with company size. Micro companies (1-10 employees) average 50 declarations per year, small companies (11-50 employees) average 500 declarations, medium companies (51-250 employees) average 1000 declarations, and non-SMEs average 3000 declarations per year. The **median** value is more meaningful to analyze because of the large differences between the Max and Min value in the number of declarations for each group of companies.

Table 3.1. Approximate number of declarations per year.

	Employees	Mean	Median	Maximum	Minimum	N
Import	1-10	52	49	120	11	6
	11-50	2482	485	20 000	20	16
	51-250	14 993	1000	100 000	50	7
	251+	7708	3000	46 700	30	10
Export	1-10	317	300	500	150	3
	11-50	2693	600	28 000	25	20
	51-250	5600	1875	25 000	270	8
	251+	18 140	4250	100 000	50	12
Transit	1-10	-	-	-	-	0
	11-50	1801	470	9000	5	7
	51-250	5050	5050	10 000	100	2
	251+	982	630	2300	15	3

Third, Table 3.2 shows that over 90% of import declarations are from EU countries, with no significant difference for company size. The EU is also the main geography for export declarations, with a slightly higher percent share of export declarations in the EU for SMEs than for non-SMEs.

Table 3.2. Percent share of the total number of declarations that are for the EU.

	Employees	Mean	Median	Maximum	Minimum	N
Import	1-10	99,5 %	99,5 %	100	99	2
	11-50	75,9 %	90,0 %	100	10	16
	51-250	79,7 %	95,0 %	100	8	7
	251+	91,9 %	90,0 %	100	80	7
Export	1-10	80,0 %	90,0 %	90	60	3
	11-50	68,7 %	72,5 %	100	3	22
	51-250	81,3 %	82,5 %	100	50	8
	251+	69,0 %	62,5 %	100	25	10
Export	1-10	-	-	-	-	0
	11-50	86,4 %	100,0 %	100	15	7
	51-250	92,5 %	92,5 %	95	90	2
	251+	-	-	-	-	0

Fourth, the percent share of import as total procurement and export as total sales was asked. Table 3.3 shows that imported goods and items represent 60-70% of the purchase value; there is no significant differences reflected by company size. The export of goods and items constitute over 75% of total sales value of the participating companies. Micro companies (1-10 employees) depend the most on cross-border trade; approximately 90% of their total sales are exported.

Table 3.3. Percent share of import/export (value) of company procurement/sales.

	Employees	Mean	Median	Maximum	Minimum	N
Import	1-10	61,4 %	70,0 %	90	20	8
	11-50	47,7 %	60,0 %	98	1	25
	51-250	65,6 %	70,0 %	90	25	9
	251+	61,3 %	67,0 %	99	10	6
Export	1-10	85,0 %	90,0 %	100	60	5
	11-50	58,6 %	75,0 %	99	1	24
	51-250	67,6 %	76,5 %	95	25	10
	251+	57,0 %	75,0 %	99	1	11

Main mode of transport

Companies were asked to provide information about transportation modes for goods and items. Because a company may use several different ways of transporting goods, companies were asked to indicate the **main** method of transportation for import, export, and transit procedures.

Figure 3.2 and 3.3 present the distribution of respondents between modes of transport for each customs procedure for SME and non-SMEs. In general, the main modes of transport used by the respondents are road carriage, followed by air, rail, and inland waterway carriage; the latter two have a combined share of less than 10%. There is no significant difference between SME and non-SMEs.

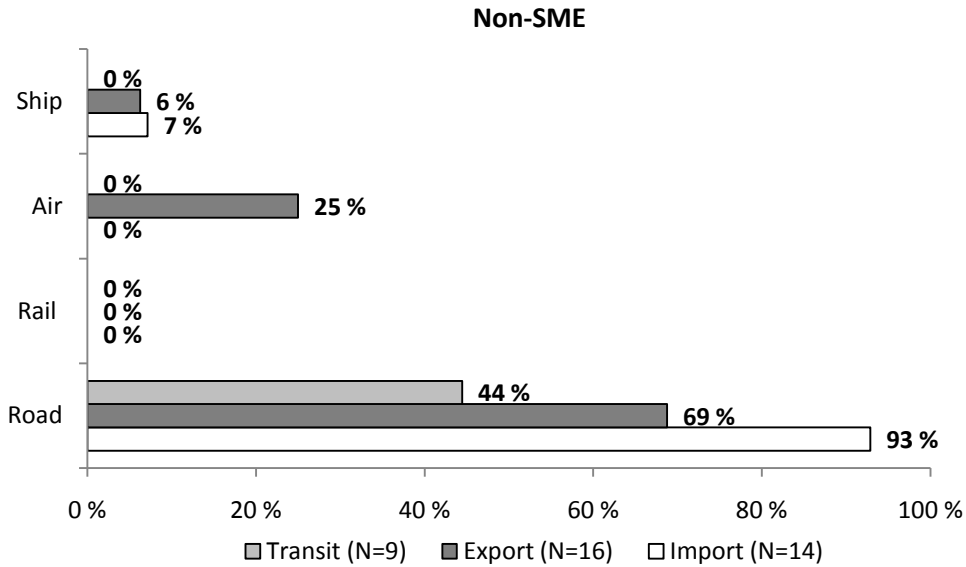


Figure 3.2. Distribution of non-SME respondents between modes of transport.

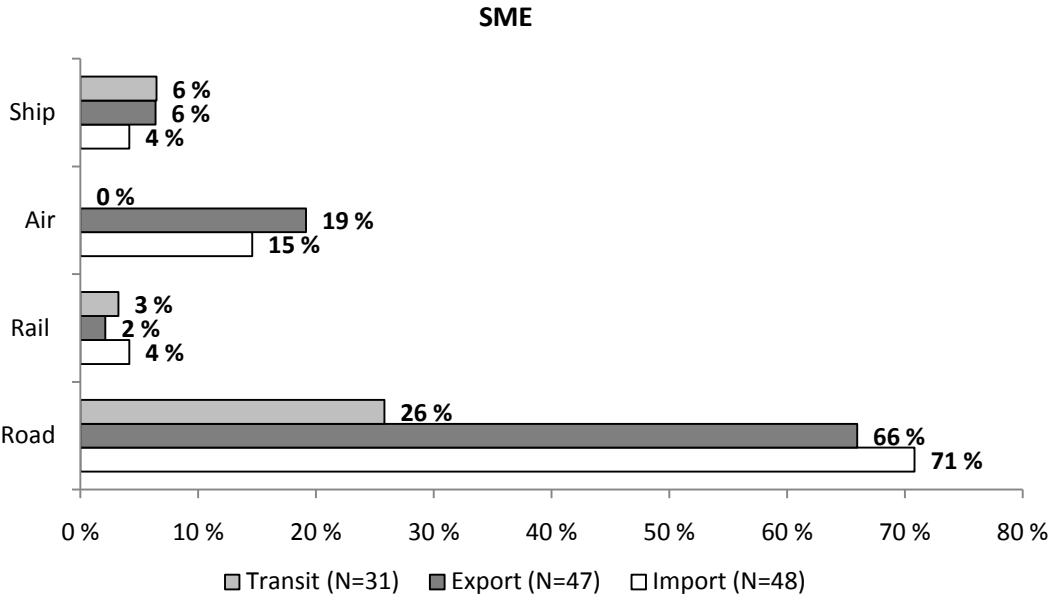


Figure 3.3. Distribution of SMEs between modes of transport.

Preparation, submission, and storage of customs declarations

The submission of customs declarations is an important part in the supply chain for companies dealing with cross-border trade. There are various levels of automation in the procedures, ranging from manual paper forms (= “zero-automation”) to fully computerized handling and submission of electronic declarations directly to the customs administration.

Companies were asked to share information about how they prepare, submit, and store customs declarations for each procedure. As one company may use several methods of submitting customs declarations, companies were asked to indicate all methods in use.

First, Figure 3.4 presents the distribution of respondents between different methods of preparing and submitting customs declarations (percentage of respondents on the x-axis, methods for submission on the y-axis). According to the survey, the majority (57%) of respondents use a freight forwarder or customs broker during the import process. The combined use of fully automated systems, such as in-house ERP or rented/leased software, is less than 10% for imports. For export procedures, ERP/in-house systems are used by 30% of the respondents, and about 9% use rented/leased software. The “e-dec” module is applied by 67% of the respondents for export declarations. Paper-based forms for submission of import declarations are used by 17% of the survey participants.

Transit procedures are mainly carried out via a customs broker or freight forwarder by 46% of the respondents, followed by 31% using the New Computerized Transit System (NCTS). Third-party IT services are used by about 15% of the respondents.

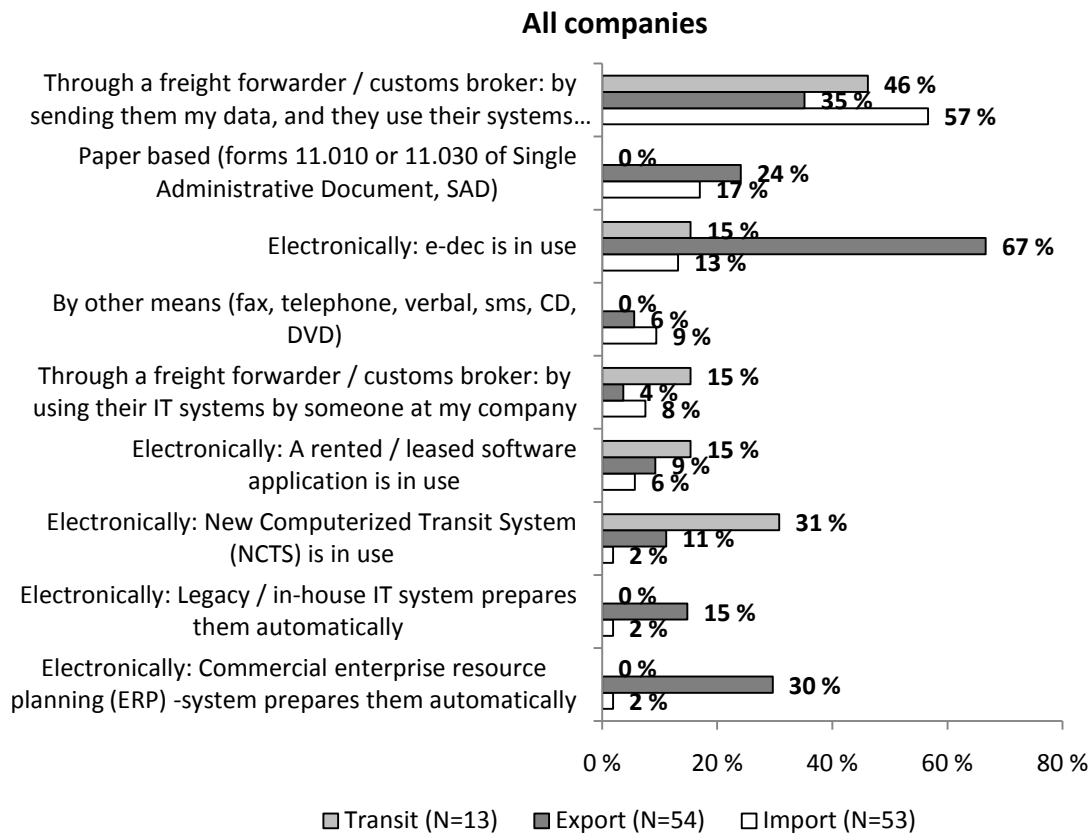


Figure 3.4. Preparation and submission of customs declarations for all respondents.

Second, Figure 3.5 and 3.6 present the same question divided between SMEs and non-SMEs, which allows for differences to be identified. The main difference in preparation and submission of customs declarations between SME and non-SMEs is the usage of ERP or other automatic systems for export procedures: 33-60% for large enterprises compared to 8-18% for SMEs. Instead, SMEs use customs brokers and paper-based forms more frequently than large enterprises.

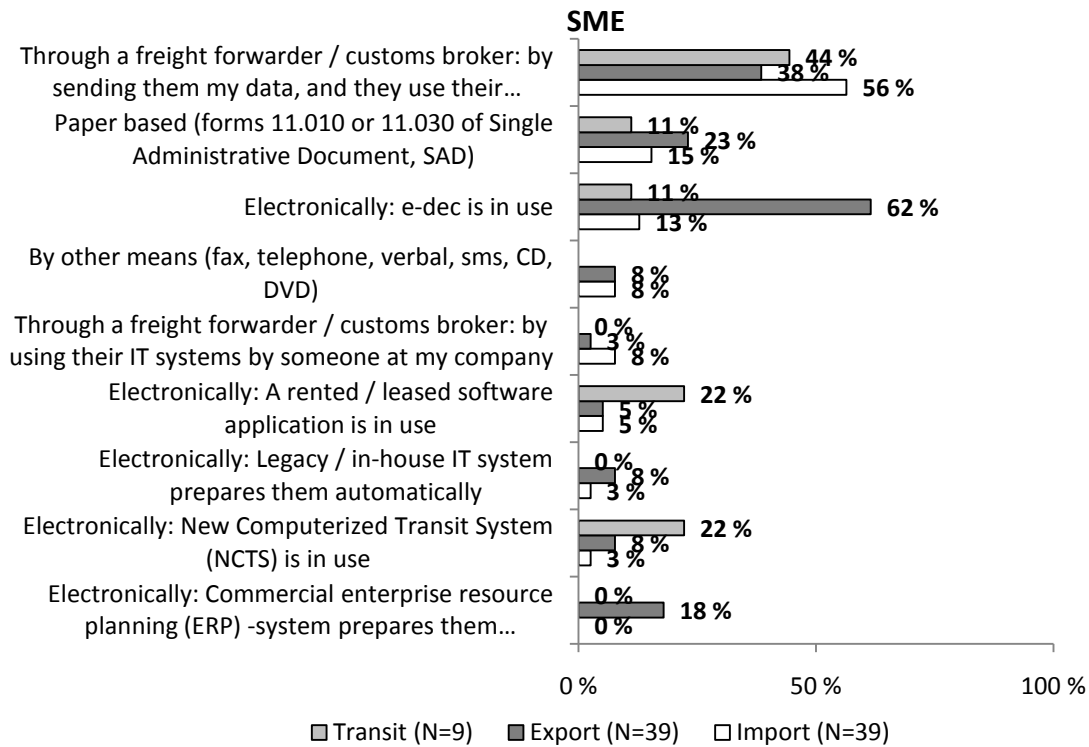


Figure 3.5. Preparation and submission of customs declarations for SMEs.

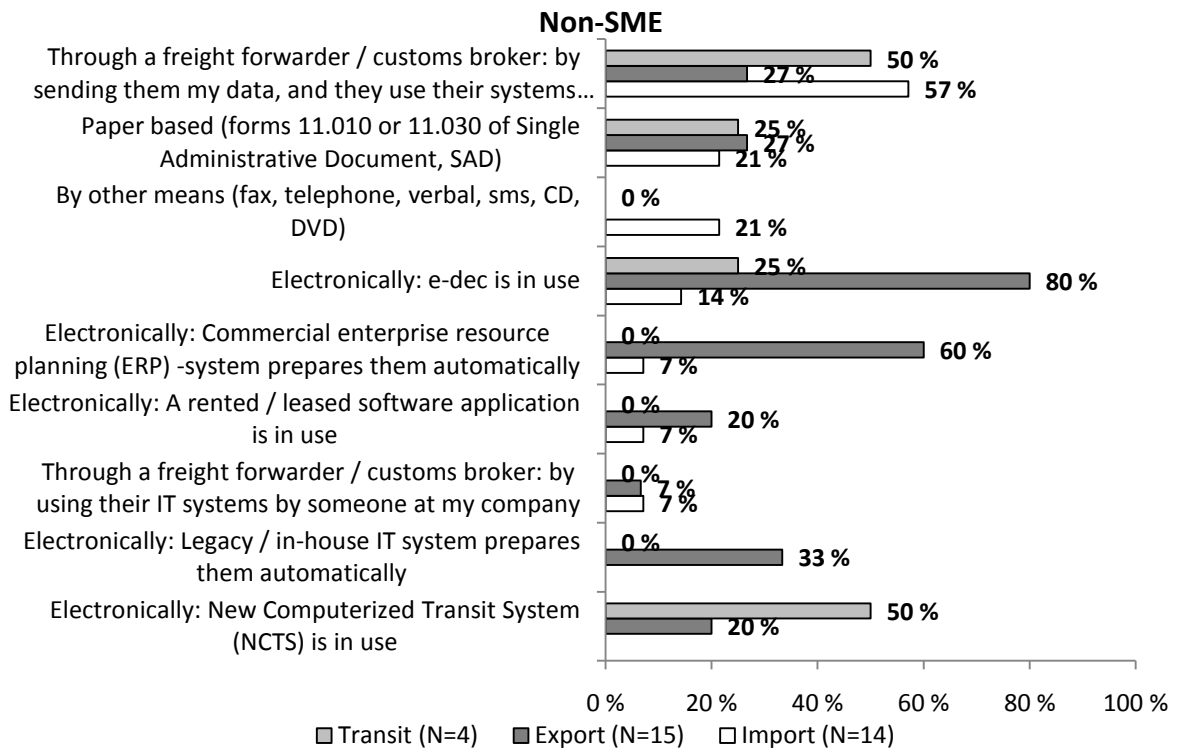


Figure 3.6. Preparation and submission of customs declarations for non-SMEs.

Third, companies were asked to specify how they store their customs data, either as paper-based storage or digital storage.

Table 3.4 presents the percent share of respondents using paper-based and/or digital storage for each procedure divided by company size. Paper-based storage is used by all respondents for storage of import declaration; up to 17% of the respondents also use digital storage in combination with paper-based storage. There is no significant difference depending on the company size.

For exporting, digital storage is more frequently used than for importing; 7-17% for import, 56-100% for export. There is a slight difference showing that micro companies have a higher usage of digital storage compared to the general SME population. Paper-based storage is used by 50-80% of respondents for export procedures.

Table 3.4. How companies store customs declarations.⁸

	Employees	1-10	N	11-50	N	51-250	N	251+	N
Import	Digital	17%		17%		11%		7%	
	Paper	100%	6	100%	24	100%	10	86%	14
Export	Digital	100%		64%		56%		100%	
	Paper	80%	5	68%	25	67%	9	47%	15
Transit	Digital	-	0	-	-	-	-	-	-
	Paper	-	0	57%	7	100%	2	50%	4

Fourth, the data was analyzed based on main customs districts. Figure 3.7 presents the distribution of respondents for import procedures between the four customs districts. The main difference between customs districts is the usage of customs brokers and paper-based forms. Over 70% of the companies in the Schaffhausen district use customs brokers, which can be compared to 58% in the Basel district and 33% in the Geneva district. On the other hand, companies in the Geneva district are more frequent users of paper-based forms compared to the other customs districts.

⁸ The reason why some of the numbers do not add up to 100% is that some companies left certain fields empty. For example for transit, four large enterprises stated that they are involved in transit procedures but only two answered this question - the other two companies leaving a blank answer - thus it is known that 50% use paper storage.

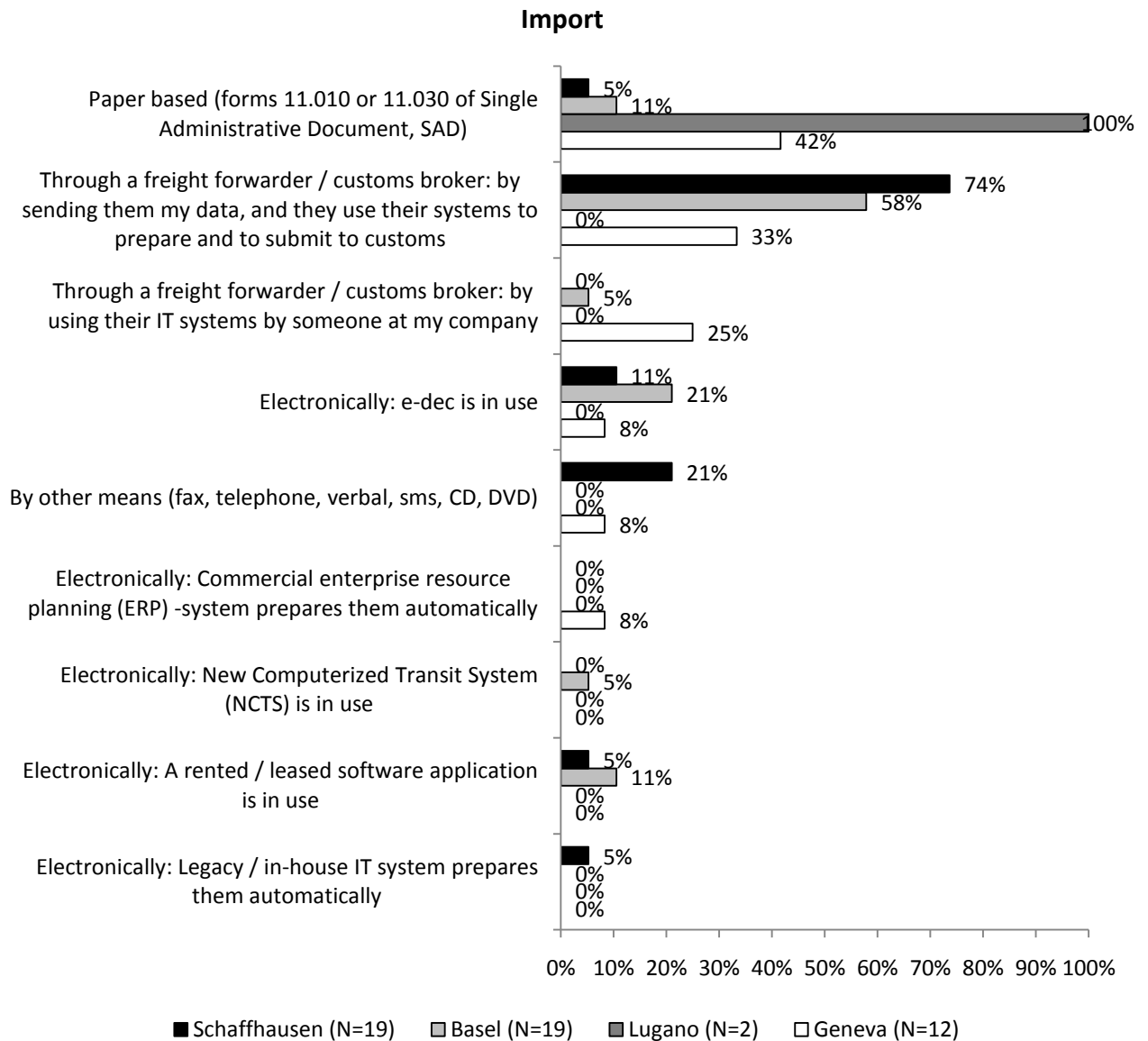


Figure 3.7. Distribution of respondents for import procedures between the four customs districts.

The data analysis regarding export procedures (Figure 3.8) reveals a similar pattern. A general observation is that the usage of the e-dec-module is equally high (62%) for the Basel and Schaffhausen districts, which can be compared to 82% in the Geneva district. Similarly to import procedures, companies in the Geneva district are more frequent users of paper-based forms and rely less on customs brokers compared to the other customs districts.

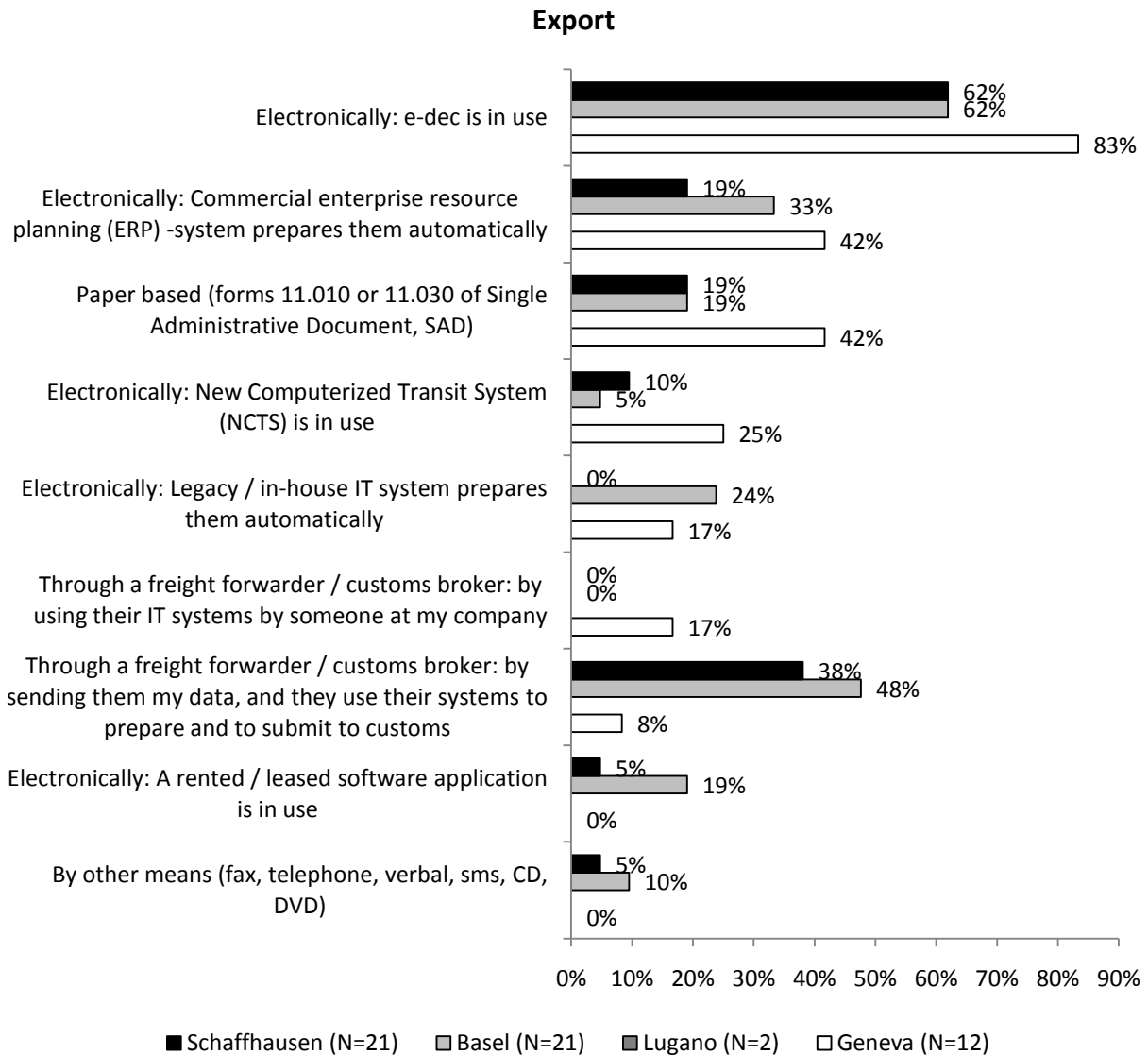


Figure 3.8. Distribution of respondents for export procedures between the four customs districts.

The number of respondents involved in transit procedures is too small to draw any meaningful conclusions. Nevertheless, a general observation is that the usage of customs brokers is especially high among companies in the Schaffhausen district.

Simplified customs procedures

Figure 3.9 presents the percent share of respondents that have simplified customs procedures in place for import and/or export procedures between SME and non-SMEs (Yes or No question). One-fifth of SMEs have a simplified customs procedure in place for imports; one company mentioned the simplified procedure “Sammelrechnung” (“periodic invoices”) in the open questions. For exporting, 67% of SMEs indicate they are using some sort of a simplified customs procedure, with e-dec being the most frequently mentioned.

One-third of the non-SMEs indicate they have simplified customs procedures in place for imports, mentioning “deferred payment” as a concrete example. As with SMEs, large enterprises also mention the e-dec module as the most common simplification used for exports. Other simplifications mentioned in the open questions include “Authorized exporter⁹”.

About half of the non-SMEs involved in transit procedures indicate they are using a customs simplification without mentioning anything specific (note: this could refer to “authorized consignee” and “authorized consignor”).

The survey revealed that companies do not limit the term-simplified procedures to legally applicable procedures as specified in the Swiss customs act, but include all possible simplification and facilitation leading to streamlining procedures and reducing administrative burden. In this respect, the “e-dec” module is the most frequently mentioned customs simplification, even though “e-dec” is not a simplified procedure in the legal sense.

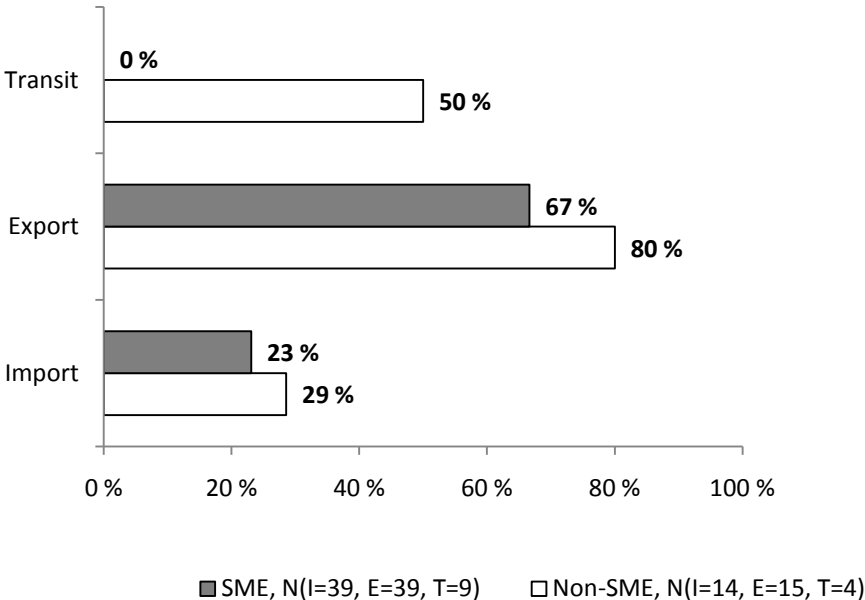


Figure 3.9. Distribution of respondents with customs simplifications in place.

Follow-up interview findings related to customs activities

Companies conducting business in multiple customs districts were asked to indicate if Swiss customs apply procedures consistently across the country. The majority of respondents say that they do not see any significant differences between the customs districts and that the same rules and procedures apply for most of the cases. The respondents also stated that the minor differences there might exist today, the future developments in e-Customs services are likely to remove as declarations will be submitted and processed electronically, to a larger extent.

⁹ Approved or authorized exporter is an exporter who has met certain conditions imposed by the customs authorities and is allowed to make out invoice declarations.

3.3 Cross-border compliance costs

In this sub-chapter, customs compliance costs are analyzed from four different perspectives:

- Overall awareness/knowledge of customs compliance costs
- Customs compliance cost data (Cost in CHF)
- Cost implication due to the loss of VAR simplification (end of March 2010)
- Relevance of customs compliance costs as part of the total logistics costs

Customs compliance costs awareness

Companies were asked to share information about their knowledge of customs compliance costs for each customs procedure. Respondents could choose between the following four options: “No, such data is not known to us”, “Yes, we can make educated guesses”, “Yes, quite accurate per annum”, or “Yes, quite accurate per declaration”, whereby the latter two options indicate a high awareness about customs compliance costs.

First, Figures 3.10 and 3.11 present the distribution of respondents between the four options for each customs procedure, grouped by SME and non-SMEs. A general observation is that the knowledge about customs compliance costs is low, especially amongst SMEs. Only about 40% of SMEs and less than 55% of large enterprises have accurate cost estimations for import and export procedures, either as cost per declaration or cost per annum. The knowledge about customs compliance costs is the lowest for transit procedures, where more than 80% of respondents did not have any cost data at all.

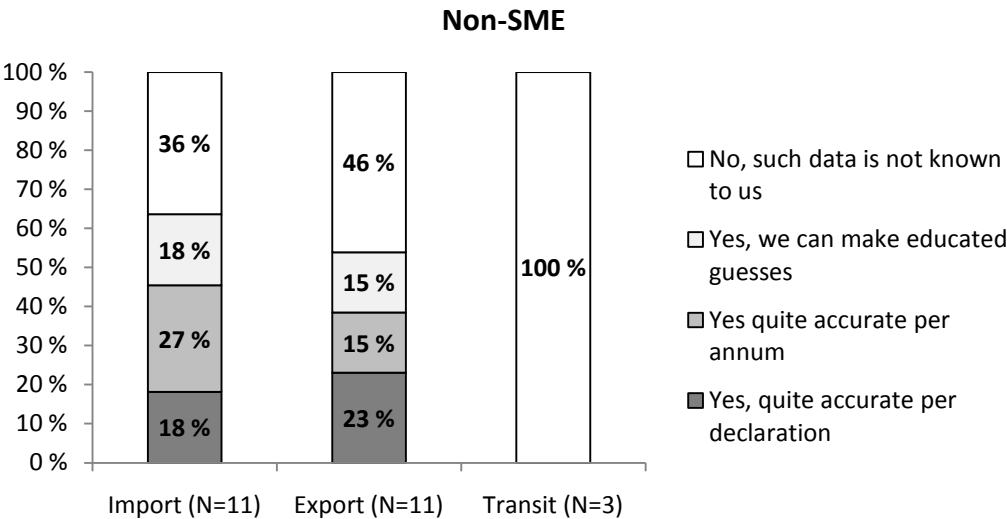


Figure 3.10. Awareness of customs compliance costs among non-SMEs.

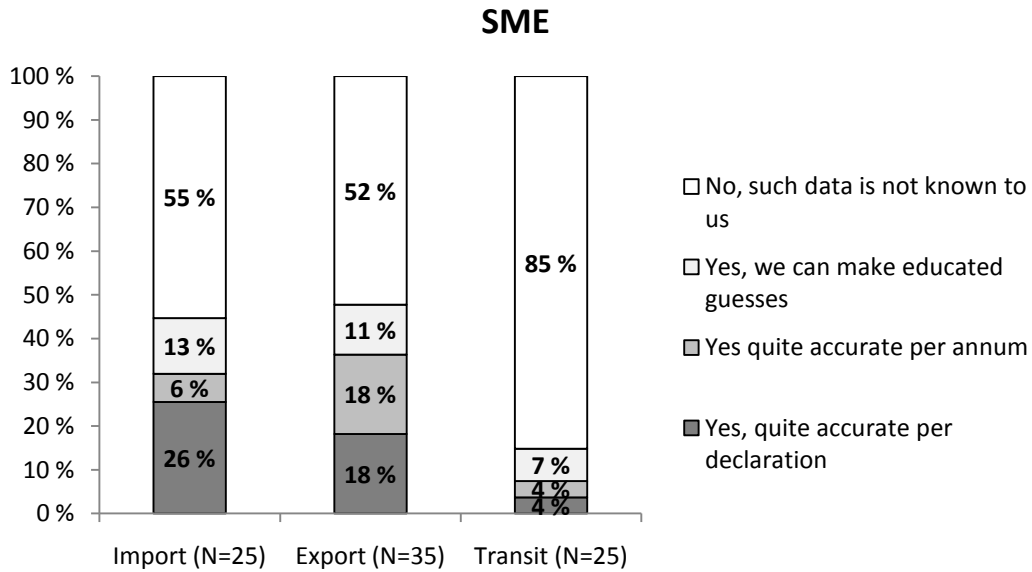


Figure 3.11. Awareness of customs compliance costs amongst SMEs.

Second, this raises the question whether companies utilizing external customs services have higher cost awareness. Figures 3.12 and 3.13 illustrate the distribution of respondents between the four cost awareness options, grouped by companies that use customs brokers and those who do not use such services. There is no significant difference in cost awareness for the handling of import procedures between companies that use a customs broker compared to other methods. For export procedures, 53% of respondents that use brokers have accurate cost estimations, compared to 30% of companies not using customs brokers. This indicates that the use of external services can result in higher cost transparency.

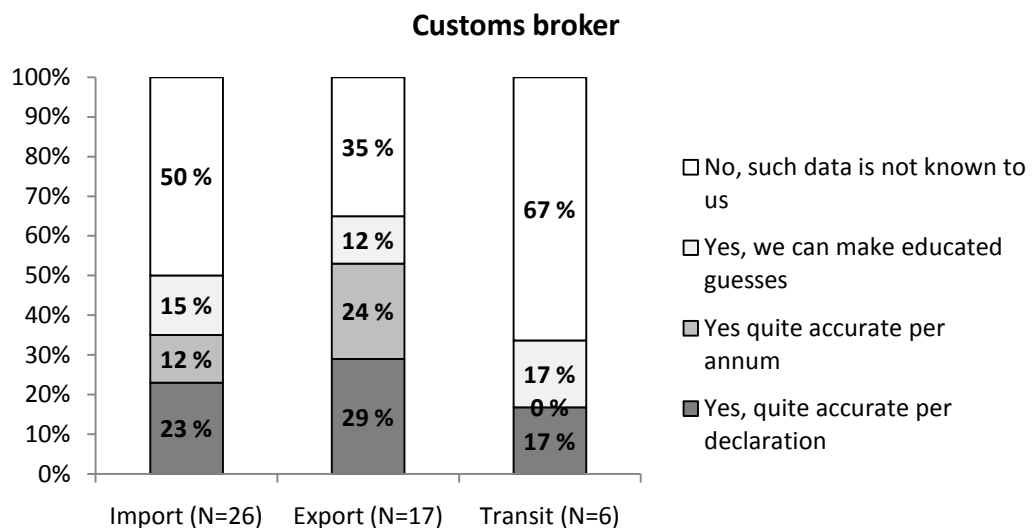


Figure 3.12. Awareness of customs compliance costs for companies using customs brokers.

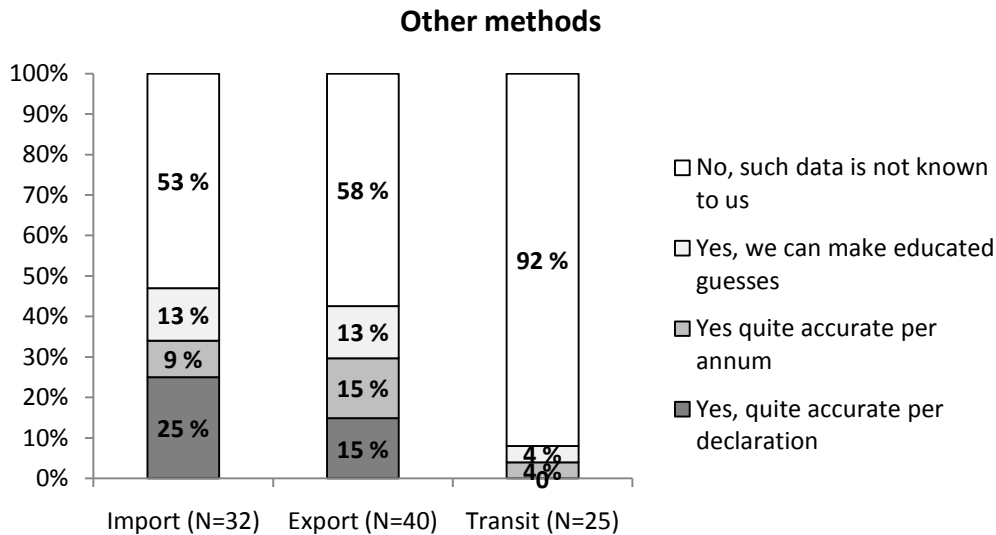


Figure 3.13. Awareness of custom compliance costs for companies not using customs brokers.

Customs compliance costs

First, companies were asked to provide cost details for carrying out customs procedures. As cost items may be different depending on how a company fulfils the customs legal requirements, four standardized cost groups were presented in the survey form:

1. Internal IT systems for cross-border automation: In-house ERP systems, purchase/maintenance of computer hardware and software, servers for storage, etc.
2. Internal customs compliance experts, human resources: staff members working with customs compliance matters.
3. External IT solutions for cross-border automation: Exploiting IT-systems of customs brokers or freight forwarders; rented/leased software from a third-party provider.
4. External customs compliance services: Services provided by customs brokers and freight forwarders, or other external service providers.

Specific cost items not related to any of the above provided cost groups were to be classified as "Other cost".

First, Table 3.5 presents the percentage of each cost group in total costs, based on the average total cost in each cost group. Internal customs experts (human resources) is the major cost group with 54% of the average total cost, followed by external IT solutions (21%). The two groups, Internal IT systems and external customs expertise, have a combined share of 25% of the total cost.

Table 3.5. Total average cost and %-breakdown among the four cost groups.

	Mean	Median	Maximum	Minimum	N	% (Based on Median)
Internal IT systems	36 528	18 000	120 000	2 000	9	16%
Internal customs experts	177 600	60 000	1 000 000	1 200	7	54%
External IT solutions	32 256	23 500	92 000	3 350	8	21%
External customs experts	172 894	9 600	1 200 000	700	8	9%

Second, companies were asked to share cost details either as cost per declaration or as a total cost per annum. All the given data was recalculated into cost per declaration based on cost details and number of customs declarations. Table 3.6 presents the average cost per declaration for all companies and separately for SMEs and non-SMEs. As expected, the average cost per declaration is higher for SMEs with an average cost of 62 CHF compared to 37 CHF with non-SMEs.

To further assess possible relations between custom compliance costs and company size, a more detailed analysis within the SME group is presented in Table 3.7. Medium-sized companies (51-250 employees) have the lowest average cost (42 CHF) of SMEs. The analysis shows that small companies (11-50 employees) have the highest average cost (73 CHF), while micro companies (1-10 employees) are in-between with an average cost of 49 CHF.

Table 3.6. Total average cost (CHF) per declaration for SME and non-SMEs.

	Mean	Median	Max	Min	N
All companies	56	37	186	3	22
SME	62	43	186	3	17
Non-SME	37	20	100	3	5

Table 3.7. Total average cost (CHF) per declaration based on company size.

Employees	Mean	Median	Maximum	Minimum	N
1-10	49	37	100	23	4
11-50	73	77,5	186	3	10
51-250	42	20	100	5	3

Third, an assumption was made that the average cost per declaration decreases with increasing numbers of declarations. This assumption is based on the potential relevance of economies of scale in cross-border compliance management. Figure 3.14 presents the distribution of average cost per declaration depending on number of declarations (with average cost on the y-axis and number of declarations on the x-axis, complemented with a straight line based on the data). The graph shows a large variation in the average cost per declaration without clear linear correlation to the number of declarations. However, by analyzing the slope of the straight line fitted to the data, it can be

concluded that the average cost per declaration decreases with increasing numbers of declarations, from approximately 100 CHF down to 20 CHF per declaration.

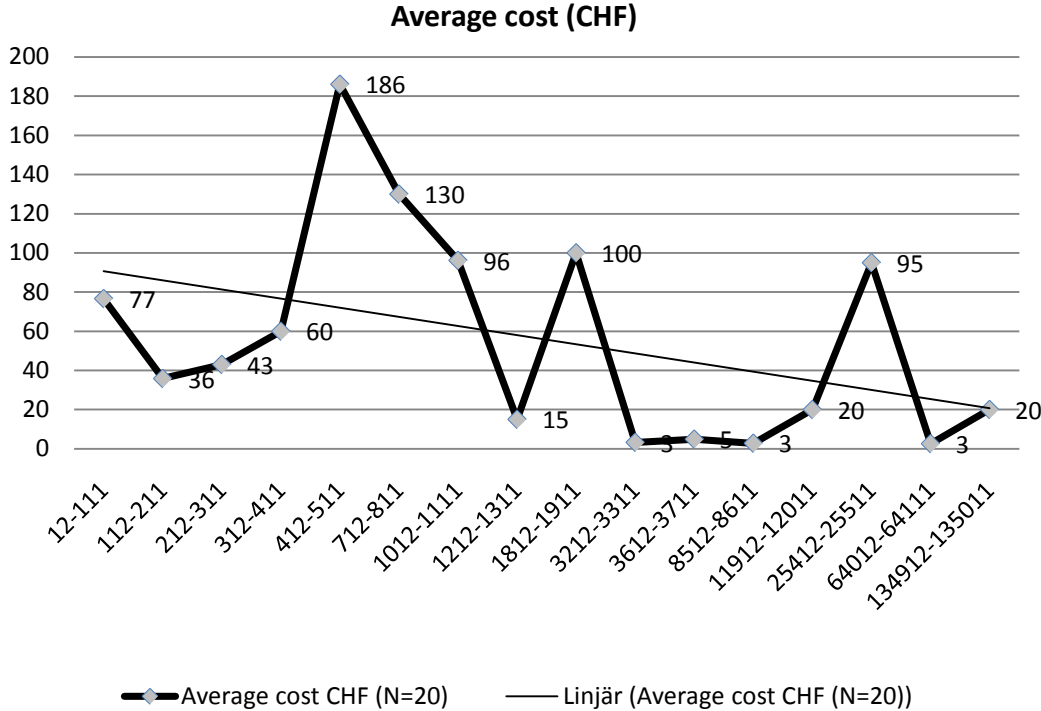


Figure 3.14. Average cost per declaration depending on number of declarations.

Fourth, it is also meaningful to analyze whether companies using external customs services such as customs brokers or freight forwarders have a different cost per declaration compared to companies doing it “in-house”. Table 3.8 presents the average cost per declaration for import and export procedures, grouped by companies using customs brokers and those who do not. (Transit procedure is not included since companies involved in transit procedures did not provide any cost data.) The analysis shows that there is no significant difference in average cost per declaration for carrying out import procedures, while for companies using customs brokers for export procedures have a 30% higher average cost per declaration compared with the rest of the population.

Table 3.8. Average cost per declaration for companies using brokers compared to other methods.

Broker	Import		Export	
	Yes	No	Yes	No
Mean	56	61,6	68,1	51,6
Median	43	59	60	26,5
Maximum	186	130	186	130
Minimum	2,8	15	17,5	2,8
N	11	10	9	12

Cost implications due to loss of VAR

Companies were asked to indicate whether the loss of the simplified procedure VAR had increased costs. Figure 3.15 presents the percent share of former VAR users who experienced an increase in customs compliance costs, grouped by SME and non-SMEs. The impact is equal for SME and non-SMEs with approximately 70% of former VAR users indicating an increase in customs compliance costs since VAR ended 31.3.2010.

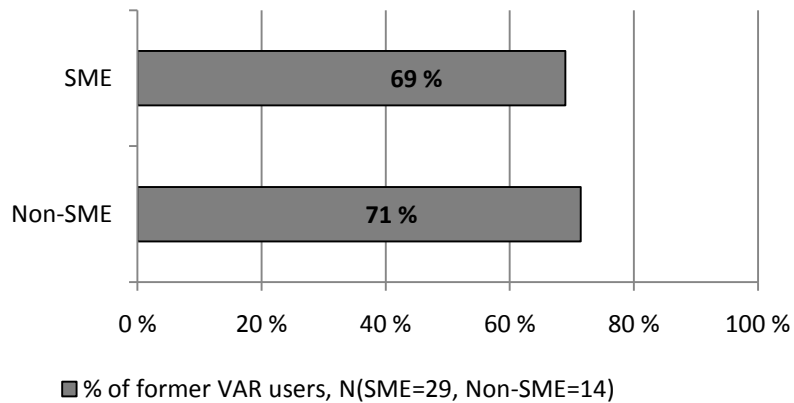


Figure 3.15. Increase in customs compliance costs after the VAR procedure ended.

Furthermore, companies were asked to specify the reason for these new costs and, if possible, estimate the costs in CHF. Table 3.9 presents the average cost increase for SME and non-SMEs. Almost all respondents attribute investments in computer hardware and software as the main reason for the new costs, which averaged 14'000 CHF for SMEs and 100'000 CHF for non-SMEs.

Table 3.9. New costs after the VAR procedure ended (CHF).

	Mean	Median	Maximum	Minimum	N
SME	13'462.5	7'750	35'000	3'350	4
Non-SME	101'500	101'500	128'000	75'000	2

Relevance of customs compliance costs

Companies were asked to indicate the relevance of customs compliance costs in relation to overall logistics costs on a scale from 1 to 3 (1=insignificant; 2=relevant; 3=significant). Table 3.10 presents the ranking averages grouped by company size. A general observation is that the relevance of customs compliance costs in relation to overall logistics cost is quite low, averaging between insignificant and relevant. The exception is micro companies (1-10 employees), which rank customs compliance costs between significant and relevant. There is no main difference in the ranking between import, export, and transit procedures.

Table 3.10. Customs compliance cost in relation to overall logistics costs.

Employees	Import	N	Export	N	Transit	N
1-10	2,2	6	2,5	4	-	0
11-50	1,5	27	1,5	27	1,4	5
51-250	1,6	11	1,9	10	2,0	2
251+	1,3	13	1,5	15	1,3	4

Follow-up interview findings related to customs compliance costs

First, companies were asked to indicate possible reason(s) to the low cost awareness. According to the respondents, low cost awareness is related to a lack of transparency in customs compliance activities. Compliance management processes are often masked and not seen as cost drivers and/or related overhead costs are hard (or too costly) to monitor. A few respondents also say that customs compliance costs have a low priority within the top management.

Second, given the calculated average cost per declaration of 37 CHF for larger enterprises and 62 CHF for SMEs, companies were asked to share their view on these numbers. According to the respondents the calculated average costs are representative as costs were estimated to be between 40 to 70 CHF per declaration (including companies which could not provide calculated cost details in the survey questionnaire). A few respondents point out that it is difficult to know which cost-items to include in the calculations.

Furthermore, companies were asked to indicate which factor(s) affect variation in customs compliance costs. Based on the interviews responses, the higher costs are due to: low (annual) declaration volume (increases the cost per declaration); high product variety; exceptions with products, transport mode etc.; searching of information, forms etc.; end of VAR simplification scheme; introduction of new IT-systems / modules; and IT-system changes

Third, new investments due to the loss of VAR was also emphasized in the interviews indicating that the new costs may be even higher as one respondent (non-SME) mention a total cost of 500,000 CHF for upgrading their entire IT system.

3.4 Future investments in customs compliance management

Here companies were asked to rank, on a scale from 1 to 4 (4 = highest; 1 = lowest), the areas of customs compliance they are most likely to invest in, with the same areas of investment as the four cost groups:

- Internal IT systems, for cross-border automation
- Internal customs compliance experts, human resources
- External IT solutions, for cross-border automation
- External customs compliance services

Only 21% of the SME respondents had an investment plan for future customs compliance, compared to 50% of the non-SME respondents. Figure 3.16 presents the ranking averages of respondents grouped by SME and non-SMEs. (Investment areas are displayed on the y-axis, and ranking averages on the x-axis.) For SMEs, the most favorable areas to invest in are; internal IT systems and internal expertise to improve customs compliance; these were ranked close to “high”. For non-SMEs, one respondent said that their plan was to invest in “eVV¹⁰ import implementation”, but in general, external IT solutions and improving internal knowledge about customs procedures are the two areas that ranked the highest.

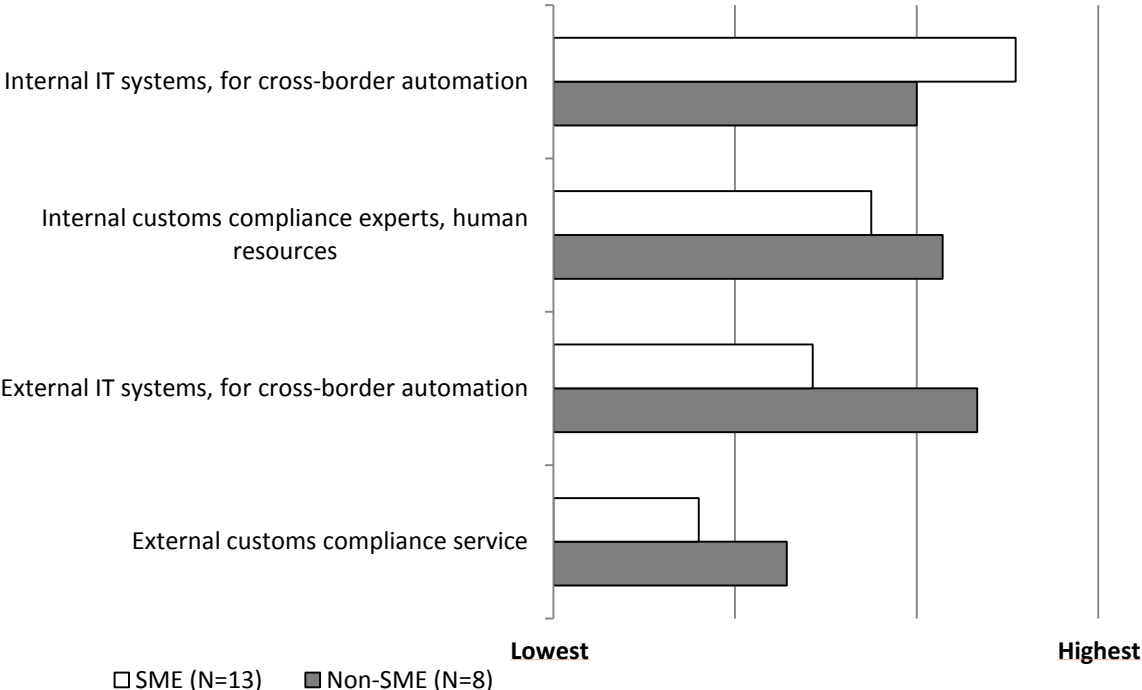


Figure 3.16. Priorities of future investments, grouped by SME and non-SMEs.

¹⁰ Electronic assessment authorizations

Second, an analysis was done on whether companies that use external customs services have different priorities for future investments compared to companies doing it “in-house”. Figure 3.17 presents the ranking averages of respondents grouped by companies that use customs brokers and companies using other methods. Investment in internal IT systems is ranked highest by both companies using customs brokers and companies using other methods with a “high” priority. The main difference is the priority for external customs compliance services: companies that already use customs brokers rank it close to “lowest”, while companies using other methods gave it a “medium” priority.

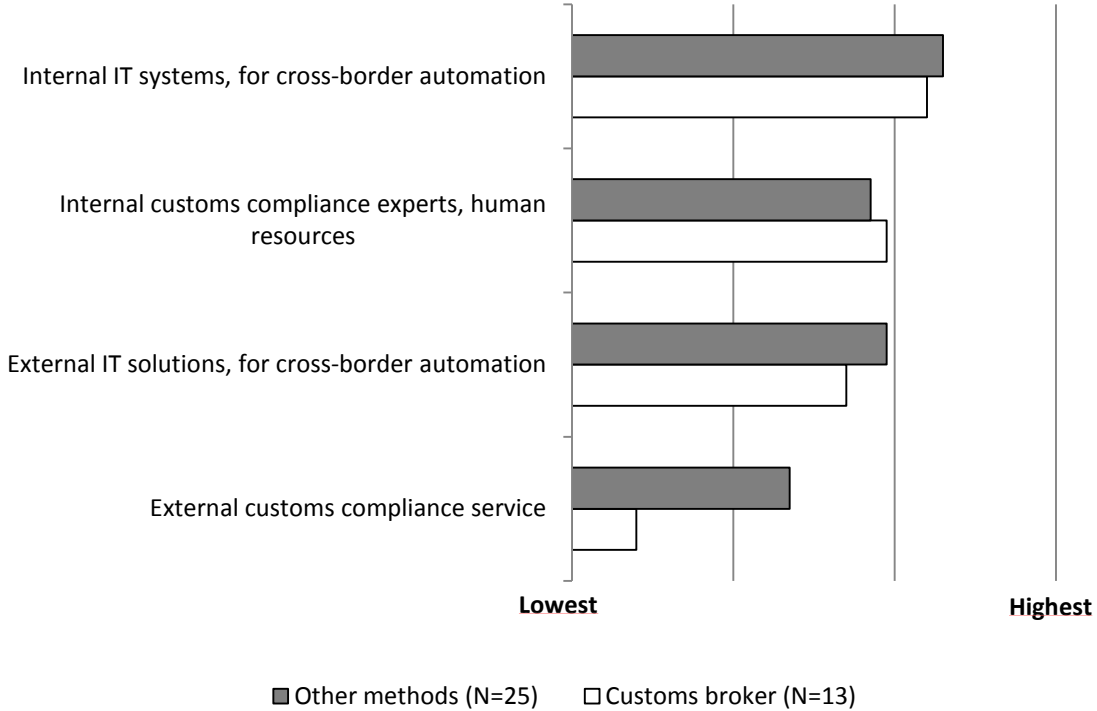


Figure 3.17. Priorities of future investments grouped by customs brokers and other methods.

Follow-up interview findings related to investments in customs compliance

Companies were asked to describe on what basis investments in customs compliance is made. According to the respondents, the general view is that investment in electronic solutions is seen as a necessity in order to gain better control over the supply-chain, especially for large enterprises. There are exceptions, as one SME respondent pointed out that they don’t have a choice: they are forced to make the (minimum) investments to comply with customs regulations. Common for both SMEs and large enterprises is that new investments are evaluated in terms of costs-benefits, to the extent feasible.

3.5 Benefit potential of customs interaction/e-Customs/e-government

The survey findings on the potential benefits of future e-Customs/e-government upgrades are presented next. Companies were asked to rank 15 potential benefits on a scale from “no impact” to “very high impact”. Figure 3.18 presents the ranking averages in descending order of preference for all survey respondents, and SMEs versus non-SMEs separately. The respondents rank the following five potential benefits on top: “Facilitate export procedures”, “Improve flexibility when working with customs”, “Reduce the need to re-enter any customs data”, “Enable a seamless flow of data between the parties involved and allow re-use of data”, and “Reduce other administrative costs”. The main difference between SME and non-SMEs is that SMEs rank “Reduce compliance costs” high while non-SMEs put this among the bottom three. Large enterprises rank benefits regarding efficiency in the customs procedures such as “Reduce the need to reproduce documents” and “Reduce data entry errors” higher than SMEs.

It is also meaningful to analyze whether companies that use external customs services rank benefits differently. Figure 3.19 presents the ranking averages in descending order of preference between companies using customs brokers and those who do not. A general observation is that, on average, companies that use a customs broker rank all benefits as having a lower impact compared to companies using other methods. Companies that use a customs broker rank the following three benefits on top: “Facilitate export procedures”, “Improve flexibility when working with customs”, and “Enable a seamless flow of data between the parties involved and allow re-use of data”. Companies that use other approaches for preparing and submitting customs declarations rank the following three areas at the top: “Reduce the need to re-enter any customs data”, “Improve flexibility when working with customs”, and “Facilitate export procedures”.

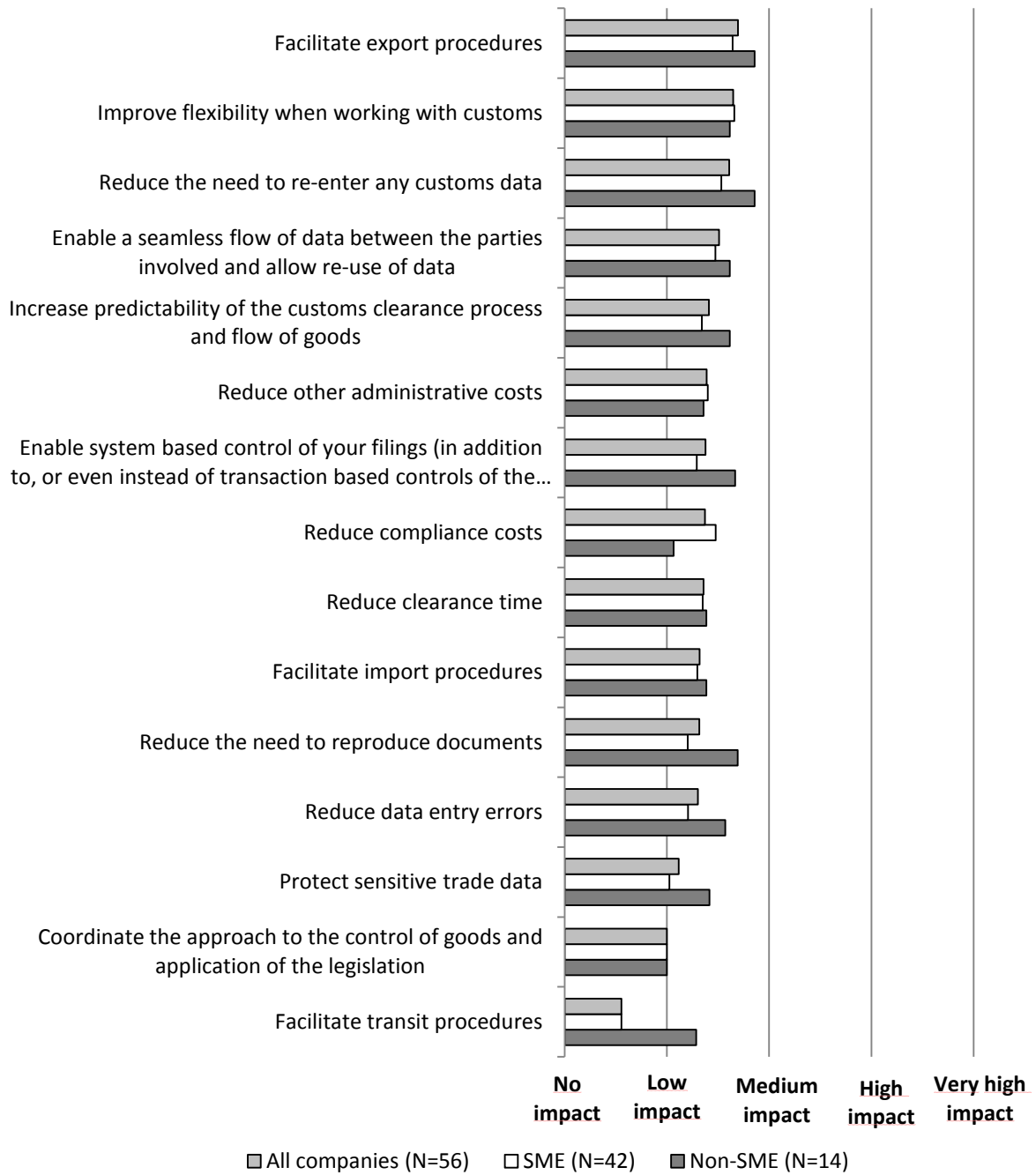


Figure 3.18. Potential benefits of future e-Customs enhancements in Switzerland.

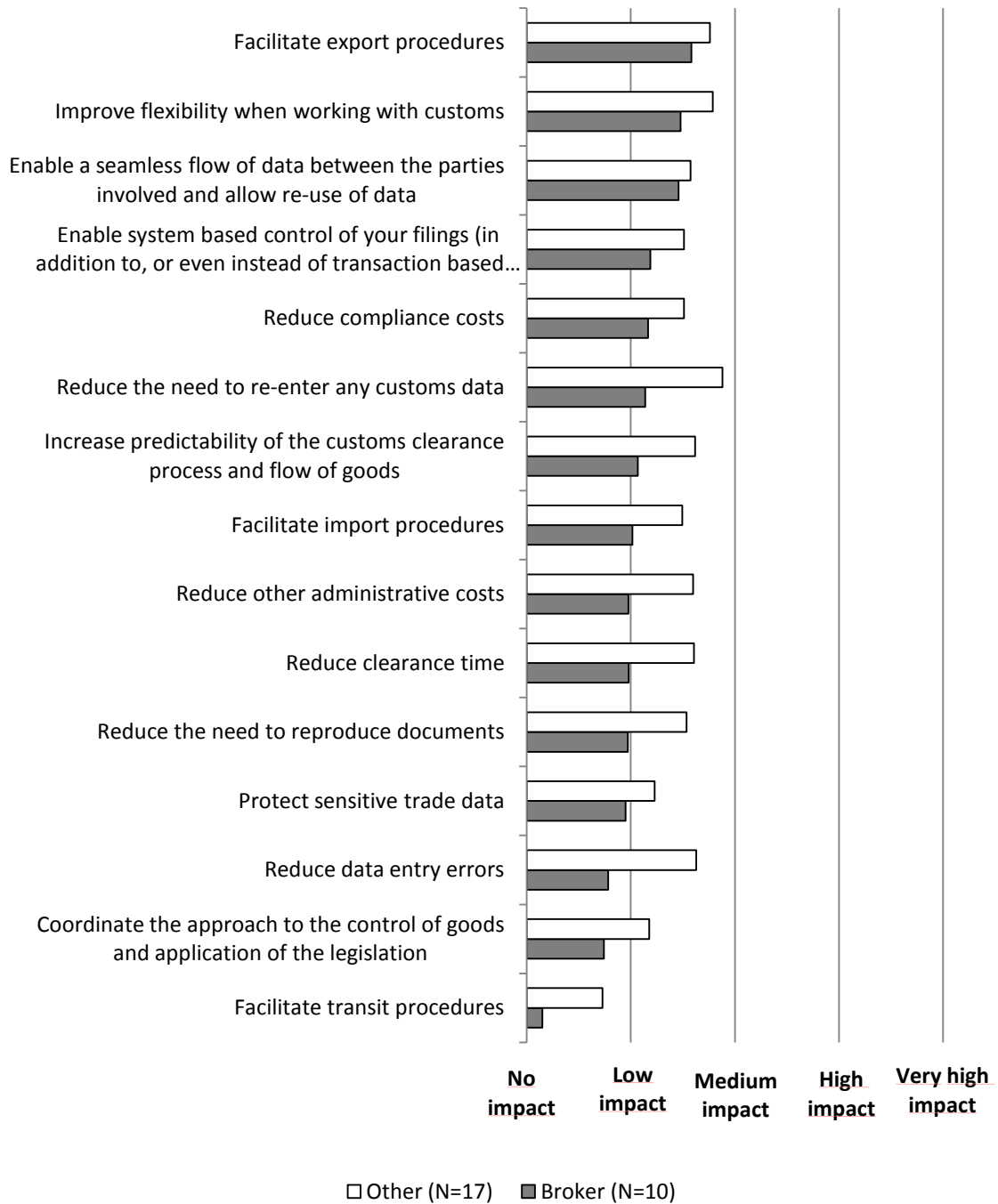


Figure 3.19. Potential benefits grouped by companies using customs broker and other approaches.

3.6 Open questions on potential future benefits

The main findings from the open questions of the survey are presented below, first with SMEs, and then with the large enterprises.

SMEs

Regarding the potential benefits resulting from the **introduction of a new interactive web-interface with Swiss customs in the short-term (1-2 years)**, several SMEs highlighted the need for reducing the administrative and/or IT and software costs of customs clearance activities. Overall reduction in paperwork and minimizing the need to search for various forms were also pointed out by a couple of respondents. One SME expects improved responsiveness and flexibility in managing shipments. And a few of them appear to appreciate better availability of compliance information and immediate access to up-to-date information on customs regulations, formalities, procedures, etc. A couple of additional issues, such as the potential benefits of a new interactive web-interface, were identified as follows:

- Shipment of goods that are not included in the ERP and/or e-dec systems (tariff number, item number, etc.);
- Seamless data exchange between related companies on both sides of the border, to avoid the recapture of data and improve consistency;
- Direct contact with the customs field office when clarification is needed, and one dedicated contact person at the customs office.

In the long-term (5 years +), assuming that **Swiss–EU customs clearance systems are interacting with each other and simplified procedures are mutually recognized and applied** (i.e., AEO-F), the benefits expected from companies include faster delivery times and improved customer service levels (particularly with clients in the EU). Better quality of information retrieved directly from the e-Customs platform, as well as improved information transparency, were also perceived as key benefits. *“Cost savings in the supply chain are achievable (through) better transparency and comparability”*, stated one of the SME respondents. Each of the following were expressed by a different company:

- Possibility to manage customs transactions directly from Switzerland for goods arriving at (foreign) seaports.
- Since the core of the business of our company is made between Switzerland and France (our subsidiary company), it would allow managing in a comparable way the two accounts with no redundancy.
- Increased security between the parties (e.g., a known shipper, freight).

Other messages from SMEs included the following:

- *“Given the current situation, the customs players, importer, traders and exporters, are forced to make investments into [an] IT infrastructure that German colleagues can use freely... the*

high price of the “island” Switzerland, which is therefore put at a disadvantage in international competition.”

- *“No further absurd tightening [of rules] but rather easing [of rules] regarding the import/export of materials with CITES requirements is important.”*

No visible benefits (or minor or not definable) was the conclusion of half a dozen SME respondents. One respondent stated, *“Until now, no benefits are known to me. On the contrary, we perceive the e-dec to be a more complicated program that is more prone to errors and downtimes.”*

Large enterprises (non-SMEs)

The possible **introduction of a new interactive Web interface with Swiss customs in the short-term** (1-2 years) is welcomed by a handful of non-SMEs. *“Any simplification of procedures and operations would be welcome...competing with EU firms, our company must seek all possible reduction of impact related to customs clearance Switzerland-EU”*, one company stated. Proactive understanding of upcoming changes in customs procedures; capabilities to extract statistics and to print documents; and secure storage of data to minimize the risk of breakdown/data loss, were also listed as potential short-term benefits for the industry.

Assuming that **Swiss–EU customs clearance systems are interacting with each other and simplified procedures are mutually recognized and applied** in the long-term future (5 years+), non-SMEs see opportunities for easier and faster access to other markets, and even a chance to *“completely eliminate the discriminatory element that is the existence of the Swiss–EU customs for Swiss businesses operating within the EU”*, as one non-SME put it. AEO was also seen as a potential market/customer requirement by one of the respondents. Two non-SMEs made the following two statements:

- *“With the advent of AEO mutual recognition, we would hope to benefit from better integration between customs authorities across the EU and Switzerland. If procedures are harmonized, we would like to see electronic interfaces between all customs authorities in order to share information about imports and exports. The ability to report data once for each transaction would be a tremendous benefit. For example, the company would be able to report information for an export which would then be transmitted to the importing country's customs authority and used for the import declaration. Such integration would reduce paper flow and transport costs as well as reduce costs for personnel and brokers/freight forwarders. The company would also like to see the tariff codes harmonized between the EU and Switzerland in order to make declarations easier. For example placebos are classified differently in the EU and Switzerland.”*
- *“We see significant advantages especially for the business processes between our global manufacturing facilities and our global sales/service and distribution centers. Integration of the customs system would greatly reduce our personnel expenses, external costs of customs clearance services, [and] expenses for adjustments in the IT system. In addition, we see ourselves as having only a limited capability to keep up with the many new local requirements regarding computerization in customs. There must be a fundamental change in*

this regard, because otherwise in 5 years time our customs clearance costs will make up a very significant proportion of the logistics costs.”

Other messages by non-SMEs include the following:

- *“Our main competitors are companies outside the EU. As for example in Asia there are no or only lenient regulations in the area of AEO application, we incur additional costs and thus competitive disadvantages.”*
- *“When the customs authorities announce new rules or data requirements, the changes should be announced well in advance of the effective date. Such changes often require changes to IT systems which take time to complete.”*
- *“EZV homepage could be more user friendly and better structured. For example links from the bulletin should take the user directly to the information instead of the EZV homepage where the user must search for the information.”*

No or limited benefits attached to e-Customs initiatives or other customs modernization activities were foreseen by couple of non-SMEs:

- *“e-Customs (and any web-based interface) is not interesting in terms of reducing the costs”*
- *“The respondent already has a fully integrated export [and] partially integrated import process. Information for the declarations is pulled directly from SAP and is electronically transmitted to the Swiss customs authority using a direct link between servers. Therefore we would likely not use a web based interface to make our declarations. Below answers given consider the fact, that we already implemented/use the different e-customs/e-dec applications”*
- *“The respondent can’t see any benefit currently (we are already trusted by administrations) and besides, which standard is going to be used by the EU, as every member state applies its own Authorized Operators’ concepts? On the contrary, the respondent had changed his mind after he realized that as soon as one member state agrees on standards and implements the concept, every other partner willing to trade with it [will] have to adapt as well.”*

4 Summary, conclusions, and recommendations

The last chapter of this report summarizes the main findings of the study, draws relevant conclusions, and makes recommendations for future enhancements and upgrades in trade-customs interaction and e-Customs services in Switzerland.

Summary of the study process and survey population

Following the study mandate from SECO, CBRA carried out a **study on the future of e-Customs** and other possible enhancements in trade–customs interaction in Switzerland. A 15-page **survey form** with approximately 30 questions was used as the main data collection instrument, and survey data was collected from a total of 70 companies, between June and November 2010. The survey form was sent out via **multiple channels**, including Economiesuisse, Swiss Shippers Council and SGV associations, and ETH-, VAR-, and PSA-lists¹¹. In addition to the survey form, over ten follow-up interviews were conducted to get an in-depth knowledge and also to discuss and clarify results from the survey data. The **main population** for the survey was Swiss-based manufacturing and trade/retail/wholesale companies with import or export and/or transit operations. Over 80% of the survey respondents were involved with **import and/or export procedures**, while less than 20% were using transit procedures. (Note: due to the nature of the study, every company was involved in at least one type of customs procedure). **Non-customs license** requirements (CITES¹², veterinary, or phytosanitary) were in place for around one-quarter of the companies. The survey participants can be considered as **active players in international trade**: over 60% of purchase value was imported to Switzerland, and over 75% of the sales value was exported from Switzerland.

The spread in terms of **number of customs declarations** was broad. For example, for imports, the minimum number of declarations per year for each company was 11 and the maximum was 100.000. The European Union (**EU**) was clearly the most important trading partner for the survey respondents. For imports, over 90% originated in the EU. For exports, over 70% were destined for the EU. The majority of the companies were **small and medium-sized enterprises** (SMEs) with less than 251 employees. Almost half of the respondents had between 11 and 50 employees. The most commonly used **customs district** was Schaffhausen, followed by Basel and Geneva. The district of Lugano was represented by only two survey participants. The main **mode of transport** used by the respondents was road, followed by air, rail, and inland waterway – the latter two had a combined share of less than 10%. While accepting a confidence level of 95%, the **margin of error** in the survey was approximately 13%. Questions such as “reduction of duty levels (with specific commodities)”, “revamping customs organization”, and “full integration with the EU” were left intentionally **out-of-scope** for the study.

Summary of the study main findings

Not surprisingly, the survey respondents **prepare, file, and store their declarations** in a variety of ways, the variation being due to the relatively high level of automation. Around one-quarter of the companies use some sort of **in-house/ERP system** with automated processes for these tasks. **Rented**

¹¹ See detailed description on sampling and population under chapter 2.3.

¹² CITES = Convention on International Trade in Endangered Species of Wild Fauna and Flora

or leased software is in use by about 15% of the companies, particularly for transit and export procedures. The **e-dec (gateway) application**¹³ is used by over three-quarters of the companies for export declarations. **Paper-based forms** are still used by about 24% of the companies, and 6% of the survey participants still file declarations by "other means", i.e., by fax, telephone, orally, etc. **Storage of files** is done still very much paper-based, especially for imports, where virtually all the companies maintain paper-based records. Some import data is also stored digitally by 15% of the companies. With export files, digital storage is much more common. **Third-party services** (freight forwarder, customs broker, or similar) for the preparation and submission of declaration data to customs was exploited by about one-half of the participating companies, import being the most common, followed by transit and export procedures.

Around half of the companies have no **knowledge on overall customs compliance costs**, while the other half either claims to be able to make "educated guesses" or to have the real cost data per annum or per declaration. The **average cost per declaration** was calculated to be 56 CHF, varying between the minimum of 3 CHF and maximum of 186 CHF per declaration. Out of the **four typical compliance cost components**, internal human resources is the biggest (about 50% of the total cost), followed by external IT systems (about 20% of the total cost). Regarding **budgets for the years 2010-2011**, internal IT systems were considered as the highest area of investment, while new investments in external customs compliance services were considered as the lowest priority. An additional aspect of the **compliance costs and usage of third-party service providers**: for export procedures, the cost per declaration is about 30% higher for companies who use external services than for companies who do not use such services. For import procedures, no such difference exists. *(Note: this difference of approximately 30% may have many reasons behind it: besides high third-party service premiums, it is possible that companies who do not use external services do not take into consideration all of the internal (labour) costs while ensuring customs compliance with their export shipments.*

Regarding the **potential benefits of possible future upgrades** in trade–customs interactions, and e-Customs and e-government services in Switzerland, the following **six aspects were ranked on the top**: facilitating export procedures; improving flexibility when working with customs; reducing the need to re-enter any customs data during the declaration processes; enabling seamless flow of data between the parties involved, and allowing the re-use of data; the increasing predictability of the customs clearance process and flow of goods; and reducing other administrative costs. *(Note: for the high priority items, the reason could be either that these items are not yet in good shape and/or that they simply have a high priority.)* On the bottom of the scale, the **three lowest priority aspects** were: facilitating transit procedures; coordinating the approach to the control of goods and the application of legislation; and protecting sensitive trade data. *(Note: for the lowest priority items, the reason could be either that these items are already in good shape and/or that they are simply of low priority).*

¹³ Proprietary (with costs) electronic export tool

Summary of the study findings specific for SMEs

As the study had a special focus on customs compliance and e-Customs-related expectations, services, costs, and benefits for small and medium-sized enterprises (SMEs), this sub-chapter summarizes the **SME-specific findings from the survey** and how they differed from the findings for the large companies. In fact, about three-quarters of the survey participants were SMEs, with 1-250 employees, thus providing a large population basis for the analysis.

First, looking at the **preparation and filing of customs declarations**, SMEs use IT systems (in-house or ERP) to a lesser extent than large enterprises. Depending on the type of IT system and on the customs procedure in question, between 0% and 18% of SMEs exploit the data and/or functionalities of these systems, while the rest have to rely on less automated approaches. **Other types of automation**, including e-dec and NCTS ('new computerized transit system') are also less common amongst SMEs compared to their bigger counterparts. On the contrary, **storage media of the past declarations** (digital versus paper) and **reliance on 3rd-party services** (mainly customs brokers and rented software) are on a similar level as with the large enterprises. Second, analyzing the **awareness of customs compliance costs**, SMEs are less knowledgeable of such costs, either per declaration or per annum, compared to the large enterprises. The difference is biggest with costs on import processes, where 55% of SMEs do not know the costs, compared to 36% of large enterprises. Concerning the **cost value per declaration**, SMEs have an average cost of 62 CHF, while large enterprises have an average cost of 37 CHF per declaration, confirming a typical "economies of scale" applicability with the world of customs compliance. Regarding **customs compliance development budgets** for 2010-2011, SMEs plan to have internal IT systems as the main investment target, while larger companies count on investing more in external IT solutions/services. Third, looking at the **benefit expectations for the future**, SMEs rank the following five on top: improve flexibility when working with customs; facilitate export procedures; reduce the need to re-enter any customs data; reduce compliance costs; and enable a seamless flow of data between the parties involved. The main difference between SMEs and large enterprises is that SMEs rank the goal to reduce compliance costs very high, whereas large enterprises rank this goal at the lower end of the impact scale.

Main issues with today's situation on trade–customs interaction

When asking the private sector about **issues with customs administrations** anywhere in the world, there is normally no lack of issues raised, because the "dual role" of customs in controlling and facilitating trade is challenging by nature and always open to complaints. In this sub-chapter, the intention is to highlight a limited set of core issues with the survey participants, while aiming to be as specific as possible in the criticism expressed.

First, problems with long **cross-border lead-times** were pinpointed by at least 15 companies (out of the 69) in the open questions section of the survey questionnaire. The comments varied from the generic (e.g., "lead times need to be reduced") to specific concerns about competitiveness (especially with competitors in the EU), customer service levels, etc. One company shared the following example of "too long lead times" for the European transports: "*Transport from Switzerland to Stuttgart (Germany) takes 3 days, where customs requires 1 day; while transport to Asia takes 4 days*". Second, several companies raised their concerns about the **overall costs for customs compliance**. In the open questions of the survey, at least 12 companies highlighted the relevance of cost reduction in relation to any type of future e-Customs enhancements. The most alarming point was made by micro enterprises (1-10 employees), who ranked customs compliance costs as part of total logistics costs as

'relevant', while companies with over 11 employees saw them as 'insignificant' on average. (*On a scale of: significant – relevant – insignificant – does not apply*). Third, criticism on the **e-dec gateway solution** was expressed by a couple of respondents, complaining about inflexibility, error-rates, and costs related to updates. As one respondent explained, *"We have lots of problems between communications with systems ...e-dec has data, which customs cannot see."* Another claimed that *"until now, no benefits (of e-Customs) are known to us. To the contrary, we find e-dec being complicated and prone to computer errors..."*

Last but not least, over 60% of the companies replying to the survey were **former beneficiaries of the VAR simplification**, which ended on 31.3.2010. (*Note: this aspect of the study population is biased and not representative of the overall Swiss situation.*) About 70% of the former VAR beneficiaries experienced higher compliance costs since VAR ended, mainly due to investments in new software and some hardware. Six companies shared detailed cost numbers, which varied from a minimum cost of 3'400 CHF (for an SME) to a maximum cost of 128'000 CHF (for a large enterprise). In one case, costs per declaration increased by 50% after the loss of VAR at a company which uses a broker for imports and exports. (This was without actual new investments.) Another respondent put it, *"At the moment, costs are too high for companies in the export industry. The end-customer is not prepared to pay for these costs. The current solution is too difficult to use and too expensive. The VAR procedure was easier, cheaper, and faster"*.

Summary of follow-up findings

A part of this study consisted of interviewing companies to discuss survey results regarding calculated costs, future investments and the impacts Swiss customs have on Swiss enterprises. First, the calculated average costs per declaration is seen as representative by the respondents with the addition that customs compliance costs are hard (or too costly) to track and do not often have a high priority within the top management, this also being the main reasons for low cost awareness. Furthermore, number of declarations is seen as the prominent cause to variation in customs compliance costs. Second, the respondents say that investment in internal IT systems or electronic solutions in general is a necessity to improve the control over the supply chain. Given experiences by companies abroad with other customs administrations, Swiss customs enjoys a high reputation among Swiss enterprises.

Final conclusions and recommendations

Switzerland is a landlocked country surrounded by several EU member states. Customs regulations and cross-border formalities create administrative, logistical, non-compliance and possible other costs for Swiss enterprises when trading with companies located in EU member states and other regions of the world. Through the free movement of goods mechanism, competitors located within the EU territory have a cost advantage for EU trade compared to Swiss companies; that goes without saying. From the private sector perspective, well designed and implemented *e-Customs* services can provide a means to drive down customs compliance costs and to make the overall cross-border operations more efficient. However, attention has to be paid to many details during the design and implementation phases of an *e-Customs* initiative (or a set of initiatives) – as no silver bullets exists.

e-Customs content and functionalities driven by business benefits

An *e-Customs* platform can consist of many different services in terms of content and functionalities, with the overall goal of making cross-border compliance faster and cheaper for the private sector.

Typical *e-Customs* elements identified by the study participants include the following:

- Preparation of customs declarations
- Filing of customs declarations
- Tracking of status of filed customs declarations
- Storage of customs declarations
- Filing and storage of any other documents from the private sector to custom, including monthly reports with specific commodities
- Storage and sharing of any cross-border trade and logistics related forms, including non-customs forms

In addition, functionalities enabling printing of import/export/transit documents (assuming paper prints are still needed); extracting import/export/transit statistics; and back-up service for the declaration data, were seen as potential components of future *e-Customs* solutions in Switzerland. Looking at *e-Customs* examples from other countries, one could also consider adding elements such as: interactive tariff classification system, official exchange rates, and binding rulings, amongst other possible elements.

While setting up the priorities for the content and functionalities, the **focus should be put on the ultimate end-user benefits**, where the commonly quoted ones include the following: facilitating export procedures; improving flexibility when working with customs; reducing the need to re-enter any customs data during the declaration processes; enabling seamless flow of data between the parties involved, and allowing the re-use of data; the increasing predictability of the customs clearance process and flow of goods; and reducing other administrative costs.

Improving customs administration service levels towards the private sector

The open questions of the survey revealed few areas where the private sector sees the need for enhancements from the customs side towards them. Some of these areas could potentially be linked with new *e-Customs* services, assuming that possible policy, legal, operational and/or technological obstacles can be overcome.

First, several respondents would appreciate being **informed as early as possible** about upcoming changes and updates, were they connected with procedures, data requirements or any other regulatory matters. This way the companies could avoid the 'last minute hassle' when upgrading their own processes and/or systems, training their personnel, etc. An *e-Customs* platform could be used as a proactive information delivery channel to support this request. Second, being able to 'do business with customs' **on a continuous basis**, i.e., not being tied to office hours, was seen as an important objective by a couple of respondents. Understanding that many aspects do require the participation of officers in duty, an *e-Customs* platform could create a sort of 'virtual 24/7 customs office' for the benefit of the private sector operators wanting to operate during night and/or weekend hours. Third, a wish of being able to deal with '**key account managers**', or customs officers with detailed knowledge of specific commodities/supply chains, was presented by at least one respondent. This way companies could avoid the process of 'having to teach customs' on the specifics of their business, over and over again. An *e-Customs* platform could facilitate this process by

supporting efficient interaction between specific companies and dedicated customs officers, even on a country-wide basis. Fourth, somewhat related to the previous three items, some private sector actors would appreciate receiving more **training from customs** on current and future aspects of cross-border compliance management. Such training could be facilitated by an *e-Customs* platform, assuming adequate resources would be made available for achieving this objective.

Finally, a **‘private sector wish list’** of total of nine elements to enhance trade-customs interaction in the future is visualized in Figure 4.1 below.

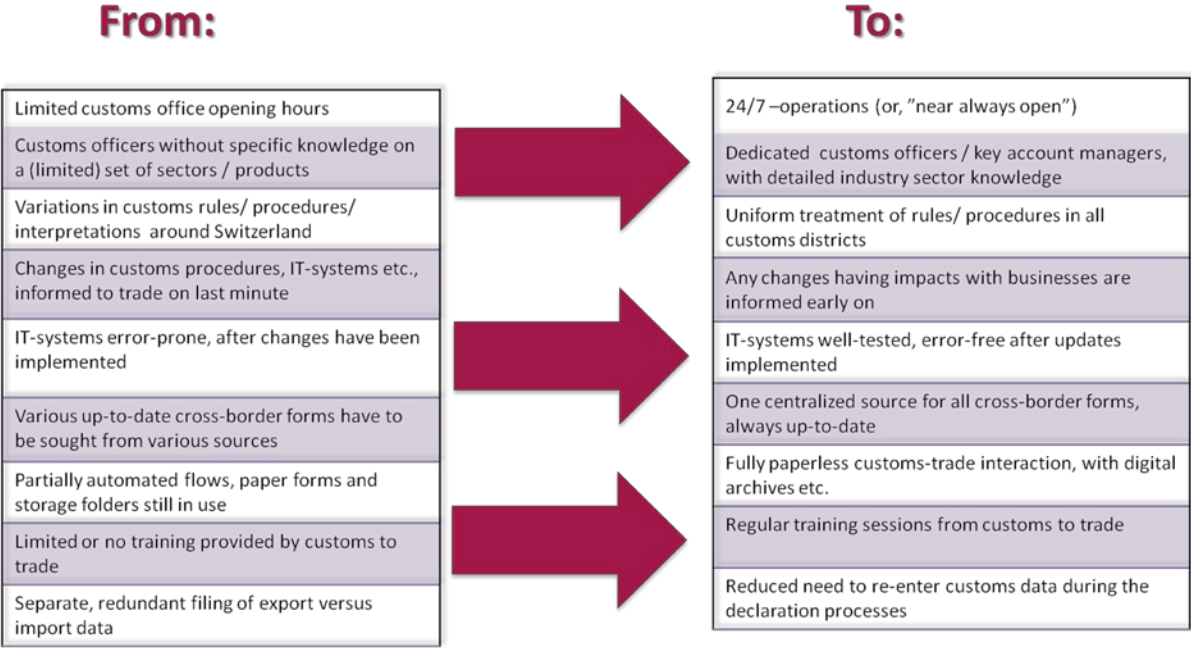


Figure 4.1. ‘Private sector wish list’ on customs-trade interaction enhancements in the future.

Prototyping and benchmarking exercises for an e-Customs platform

As indicated above, an interactive *e-Customs* platform can provide tangible benefits for the private sector in Switzerland by lowering customs compliance costs and by making the cross-border processes and even physical flows faster and more efficient. However, as *e-Customs* projects are likely to be expensive investments, **careful attention should be paid in the design and prioritization phases**. One way of doing this is to arrange for a scoping workshop on two separate days: one for companies with cargo interest, and a second one for logistics service providers, including customs agents and brokers. Companies of various sizes, from micro to large enterprises, covering multiple commodities and transport modes, should be represented. The workshop(s) should be facilitated by top experts in e-government services and in customs compliance, preferably two separate persons. And the main outcome should be a tangible roadmap for the development of *e-Customs* services in Switzerland, with a next level of cost-benefit analysis attached to it.

Regarding benchmarking with *e-Customs* services in the EU and the rest of the world, it is recommended to spend some resources to learn about **good practices and lessons learned on a variety of e-Customs aspects** elsewhere. A practical forum for this is provided by the World Customs Organization (WCO) Partnership in Customs Academic Research and Development (PICARD) program

and the International Network of Customs Universities (INCUI), the annual PICARD conference in Abu Dhabi, November 2011, providing a suitable kick-off forum for such activities.¹⁴

Final notes

Well designed and implemented *e-Customs* services can pave the way towards 100% electronic management of all customs-related data. The ultimate goal is to exploit export declaration data automatically as well as import (and possible transit) declaration data between two or more countries. However, many policy-related, legislative, operational and technical challenges must be overcome – *e-Customs* services cannot enable such changes of paradigm on their own. If and when decisions are made to move on to develop the next generation of *e-Customs* services in Switzerland, one should ensure the availability of adequate financial and human expert resources without taking out resources from the current developments. The outcomes should be fully voluntary for any Switzerland-based private sector actor to use (or not to use). The development process should be done in a highly collaborative and transparent manner with all relevant governmental and private sector parties involved. And finally, any aspects supporting further cross-border trade and logistics harmonization, integration and automation between Switzerland and the EU should be taken into serious consideration.

ACKNOWLEDGEMENTS

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¹⁴ See <http://www.wcoomd.org/> or <http://www.picard-abudhabi.com/> for more information

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Annex 1. Study questionnaire



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra



Please return the filled questionnaire by 15.7.2010, by email to:

seco-study@cross-border.org or by fax to: +41-21-625 53 36 or by letter-mail (CBRA, BMT, Avenue d'Echallens 74, 1004 Lausanne).

Any questions on the questionnaire, please call Mr. Hintsä/ CBRA: +41-76-589 09 67

THANK YOU FOR YOUR PARTICIPATION!

We guarantee that the information and data herewith collected shall be handled with utmost confidentiality and will not be forwarded to any other administrative unit.

CBRA is not in control of the emailing channels for the survey; therefore we apologize in advance if you get the survey from multiple sources.

If you feel uncomfortable of replying to a specific question in the survey, please leave it empty.

1. Person and company details

1a. Please provide the details of your company and the main person answering this survey

(You can leave section 1a empty, if you prefer)

Person name:

Person title/function:

Email:

Phone:

Name of the company:

Address (zip-code, city and canton):

Can you please indicate who sent you this survey (*in case you did not get it directly from CBRA*)?

1b. Please provide basic information about your company

Which is the primary customs district for your company? (*Tick one*)

- Geneva
- Lugano
- Basel
- Schaffhausen

What is the main business for your company? (*Tick one*)

- Manufacturer (sector details are asked below)
- Transport and logistics services (no sector details asked)
- Trade, retail and wholesale (sector details are asked below)

If you are a manufacturer, which sector? (*Tick one*)

- Aerospace and Defense
- Apparel
- Beverages
- Building Materials, Glass
- Chemicals
- Computer Peripherals
- Computer Software
- Computers, Office Equipment
- Electronics, Electrical Equipment
- Energy
- Engineering, Construction
- Food Consumer Products
- Food Production
- Forest and Paper Products
- Furniture
- Household and Personal Products
- Industrial and Farm Equipment
- Information Technology Services

- Medical Products and Equipment
- Metals
- Mining, Crude-Oil Production
- Motor Vehicles and Parts
- Network and Other Communications Equipment
- Oil and Gas Equipment, Services
- Packaging, Containers
- Petroleum Refining
- Pharmaceuticals
- Publishing, Printing
- Scientific, Photographic, and Control Equipment
- Semiconductors and Other Electronic Components
- Tobacco
- Toys, Sporting Goods
- Transportation Equipment

If you are a trader, retail and wholesale, which sector? (*Tick one*)

- Commodities trading
- General Merchandisers
- Specialty Retailers
- Wholesalers: Diversified
- Wholesalers: Electronics and Office Equipment
- Wholesalers: Food and Grocery
- Wholesalers: Health Care

Number of employees (full time equivalent)? (*Tick one*)

- 1-5
- 6-10
- 11-50
- 51-250
- 251-500
- 501-1250
- 1251-5000
- 5001-25000

25001-100000

100001-

Annual turnover, in CHF? (*Tick one*) (m = million, b = billion)

Less than 350.000 CHF

350.000 CHF to less than 1,4 mCHF

1,4 mCHF to less than 2,8 mCHF

2,8 mCHF to less than 14 mCHF

14 mCHF to less than 70 mCHF

70 mCHF to less than 140 mCHF

140 mCHF to less than 350 mCHF

350 mCHF to less than 1.4 bCHF

1.4 bCHF to less than 14.0 bCHF

14.0 bCHF or more

Does your company have (a) legal entity (ies) only in Switzerland?

Yes No

How many customs IDs do you have in your company?

What is the approximate %-share of imports (value) of your total procurement?

What is the approximate %-share of exports (value) of your total (sales) revenues?

Is your company involved with CITES licenses?

Yes No

Is your company involved with (phyto)sanitary controls/permits?

Yes No

Is your company involved with veterinary controls/permits?

Yes No

Was your company beneficiary of VAR procedures (until 31.3.2010)?

Yes No

2. Customs activities

2a. In which customs activities is your company involved? *(Tick all which apply)*

	YES	NO	If YES, how many customs declarations approximately per year:	If YES, how many % of customs declarations are with the EU:
Import	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Export	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Transit	<input type="checkbox"/>	<input type="checkbox"/>	_____	_____
Any other customs procedures with economic impact:	_____	_____	_____	_____

2b. Do you have any customs simplifications in place? *(Tick all which apply)*

	YES	NO	If YES, can you share any details on them? <i>(please write below)</i>
Import	<input type="checkbox"/>	<input type="checkbox"/>	_____
Export	<input type="checkbox"/>	<input type="checkbox"/>	_____
Transit	<input type="checkbox"/>	<input type="checkbox"/>	_____

2c. What is the dominant mode of transport for each of the three procedures? *(Tick one per procedure)*

Road Rail Air Ship Does not apply

Import	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2d. How do you prepare and submit your customs declarations today? (Tick all that apply)

	Import	Export	Transit
Electronically: Commercial enterprise resource planning (ERP) -system prepares them automatically:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronically: Legacy / in-house IT system prepares them automatically:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronically: A rented / leased software application is in use:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronically: e-dec is in use:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronically: New Computerized Transit System (NCTS) is in use:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Through a freight forwarder / customs broker: by sending them my data, and they use their systems to prepare and to submit to customs:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Through a freight forwarder / customs broker: by using their IT systems by someone at my company:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paper based (forms 11.010 or 11.030 of Single Administrative Document, SAD) :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
By other means (fax, telephone, verbal, sms, CD, DVD), please share details below. :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2e. How do you store your customs declarations today? (Tick all that apply)

	Import	Export	Transit
Digital storage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Paper files

Other means:

2f. How would you describe yourself in terms of "overall customs business"? (Tick one per procedure)

	Frequent	Occasional	One-off	Zero declarations
Import	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Costs related to cross-border transactions

3a. Do you know the total cross-border compliance costs for your company? (Tick all which apply)

	YES, quite accurate per declaration	YES, quite accurate per annum (total)	YES, we can make educated guesses	NO, such data is not known to us
Import	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you can share the cost figures with us, either per declaration (average over all customs declarations) or per annum (total with all customs declarations), please answer 3b (and skip 3c).

3b. Please share the cost data, in CHF: (Give just one figure per row, i.e. either average per customs declaration or annual total cost)

Cost component	Average cost per customs declaration:	Annual cost total with all customs declarations:
Internal IT systems, for cross-border automation:	<input type="text"/>	<input type="text"/>
Internal customs compliance experts, human resources:	<input type="text"/>	<input type="text"/>
External IT solutions, for cross-border automation:	<input type="text"/>	<input type="text"/>
External customs compliance services:	<input type="text"/>	<input type="text"/>
Other cost items: _____	<input type="text"/>	<input type="text"/>

If you cannot share cost numbers with us, please skip 3b above, and answer 3c below instead.

3c. Please give an approximate %-breakdown of customs compliance costs (the total sums up to 100%).

Cost component

%-share of each cost type:

Internal IT systems, for cross-border automation:

 %

Internal customs compliance experts, human resources:

 %

External IT solutions, for cross-border automation:

 %

External customs compliance services:

 %

Other cost items:

 %

TOTAL = 100%

Next question, 3d, applies only to companies which were enjoying VAR-procedure until 31.3.2010

3d. Have you experienced increases in your cross-border compliance costs, after VAR-procedure finished on 31.3.2010?

	YES	NO	If YES, can you share any details on possible new costs?
VAR-procedure was in place:	<input type="checkbox"/>	<input type="checkbox"/>	

Everyone, please reply the last two questions of section 3 below: 3e and 3f

3e. In case you have investment plans and/or budgets to enhance your cross-border compliance operations, please identify the major cost items planned during years 2010-2011? Set priorities: 1 = highest; 4 = lowest

Cost component	Ranking of importance (start with 1 = highest)
Internal IT systems, for cross-border automation:	<input type="text"/>
Internal customs compliance experts, human resources:	<input type="text"/>
External IT solutions, for cross-border automation:	<input type="text"/>
External customs compliance services:	<input type="text"/>
Other cost items: _____	<input type="text"/>

No investment or budgeting plans are available (if this is the case, just tick this option, and skip the numbering above)

3f. How would you describe the overall relevance of customs compliance costs for your company, in relation to your overall logistics costs? (Tick one per procedure)

	Significant	Relevant	Insignificant	Does not apply
Import	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Benefit potential with direct customs interaction / e-customs / e-government enhancements in Switzerland: short, medium and long-term views

4a. For the short term, 1-2 years: Please explain the main benefits you believe your company will achieve in the case of having a new interactive web user interface available linked to the Swiss customs data system? (Write inside the box)

4b. For the medium term, 3-4 years: Please rank various potential benefits from the list below: what are your expectations for e-customs related upgrade / enhancement / modernization in Switzerland? (Tick one per potential benefit)

	<i>Very high impact</i>	<i>High impact</i>	<i>Medium impact</i>	<i>Low impact</i>	<i>No impact</i>	<i>Unknown impact</i>
Facilitate import procedures:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilitate export procedures:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilitate transit procedures:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce compliance costs:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce the need to re-enter any customs data:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce other administrative costs:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce clearance times:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce data entry errors:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reduce the need to reproduce documents:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coordinate the approach to the control of goods and application of the legislation:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Enable a seamless flow of data between the parties involved and allow re-use of data:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enable systems based control of your filings (in addition to, or even instead of transaction based controls of the individual filings) :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Protect sensitive trade data:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improve flexibility when working with customs:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increase predictability of the customs clearance process and flow of goods:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Any other potential benefits? Please list them below:

1: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4: _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4c. For the long-term, 5 years+: Assuming that the Swiss and EU customs clearance systems are interacting, and that the simplified procedures as well as the concept of AEO-F (Authorized Economic Operator, full = security + customs) are harmonized and mutually recognized, what would be the benefits for your company? (Write inside the box)

5. Final wishes, greetings and follow-up contacts / workshops / visits

5a. Please identify any possible customs modernization activities in the future which could bring tangible benefits for your company, including but not limited to: future simplifications; harmonization with EU procedures and systems; further automation; training / consultation provided by customs for trade etc.? *(Write inside the box)*

5b. Any other wishes / worries / greetings, to the CBRA research team and/or to SECO? *(Write inside the box)*

5c. Can CBRA research team make follow-up contacts / workshops / on-site visits with your company, if seen necessary? (Tick one)

Follow-up actions

Tick one

No follow-up contacts, please:

Follow-up questions can be made by email or by phone:

We have interest to participate in a multi-company follow-up workshop:

Annex 2. Follow-up questions

1. One of the key findings made so far is that many companies who participated in the survey are not aware of their customs compliance costs. What do you think could the main reasons be?
2. The companies which were aware of their customs compliance costs, provided figures below (as mean, minimum and maximum, CHF per declaration). Would you consider these figures as representative? If not, where do you see problems?
 - Small/ medium sized enterprises (SMEs): mean=66CHF (min=3CHF; max=186CHF)
 - Larger companies (non-SMEs): mean=37CHF (min=3CHF; max=100CHF)
3. Based on your experiences, which factor explains best the variances in the customs compliance costs: a) the company size (turnover in CHF), or b) the total number of declarations (per year), or c) the product / commodity type, or d) other factor, which? Can you please justify your choice.
4. In case your company used to be a beneficiary of the VAR simplification (until 31.3.2010): can you please provide an estimate of the cost increase per customs declaration (or a cost range, in CHF) your company experienced after VAR was removed?
5. In case your company has experiences in two or more customs districts in Switzerland: do you feel that Swiss customs applies procedures consistently across the country? If inconsistencies exist, can you please provide examples.
6. On what basis does your company make investments in customs compliance capabilities (including staff and systems; both internal and external costs) in the future? Please provide some details or examples, if possible.
7. How do you perceive Swiss customs' overall impact on your business and competitiveness? Please explain, use examples if possible.
8. Do you think Swiss customs is doing enough in terms of trade facilitation and reducing cross-border trade and logistics costs for Swiss businesses? If yes, please explain what services you particularly value. If no, please highlight areas you think need improving.
9. Do you see any links between supply chain security and e-customs services? If yes, can you please explain the mechanism(s).