WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES
Established in 1952 as the Customs Co-operation Council
Créée en 1952 sous le nom de Conseil de coopération douanière

PERMANENT TECHNICAL
COMMITTEE
-
215th/216th Sessions
-
3 – 7 April 2017

PC0465E1a

Brussels, 6 March 2017.

INTEGRATED SUPPLY CHAIN MANAGEMENT

- Update of the ISCM Guidelines -

(Item II. (a) on the Agenda)

Introduction

1.   According to its Work Programme, the PTC is tasked to raise awareness of the Integrated Supply Chain Management (ISCM) Guidelines and explore further its key concepts, in particular, integrated Customs control, authorized supply chain, and connectivity among Customs administrations together with other stakeholders.

2.   At its sessions in March 2015, the PTC discussed the ISCM Guidelines in a break-out session, and drew a number of relevant conclusions including that the SAFE Working Group should look into potentially updating/adjusting the Guidelines during the next review cycle.

3.   In addition, the Policy Commission had at its 75th Session in July 2016 endorsed the Digital Customs Work Plan which envisages promotion and potential enhancement of the ISCM Guidelines.

Discussions at the SAFE Working Group

4.   The 17th Meeting of the SAFE Working Group which took place from 1 to 3 March 2017 discussed the enhancement of the ISCM Guidelines based on document LF0142 (attached hereto).

5.   There was general agreement for an update of the Guidelines. The Netherlands, which has the lead in this process and in the SAFE Mini Group which will be carrying out the technical work, informed the Meeting that a group has been established at national level to bring together the different stakeholders involved in the relevant projects such as

the CORE, Smart and Secure Trade Lanes (SSTL) and the AEO Mutual Recognition Arrangements/Agreements (MRA).

6.   New Zealand also expressed support for the process and offered to contribute the lessons learnt from the pilot they are currently conducting together with Australia that relates to the ISCM concept. In addition, the GEA offered support to providing expertise on supply chain management and tracking the movement of consignments.

7.   A delegate suggested that with regard to the proposal put forward in the document to clearly identify the different roles and responsibilities within the supply chain that the work already carried out in that respect under the Technical Experts' Group on Air Cargo Security is used.

Action required from the PTC

8.   Agenda item II. of the PTC includes a high-level panel discussion which will focus on the challenges and opportunities arising from the ISCM concept and its implementation and will steer discussion on the update of the ISCM Guidelines (based on document LF0142).

9.   The PTC is invited to:

-        discuss the update of the ISCM Guidelines based on the SAFE Working Group document attached and provide further guidance.

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SAFE WORKING
GROUP
-
17TH Meeting
-
1 – 3 March 2017

LF0142E1a

Brussels, 6 February 2017.

PILLAR 1 SAFE FRAMEWORK: CUSTOMS-TO-CUSTOMS NETWORK ARRANGEMENTS

g) Integrated Supply Chain Management (ISCM): Enhancement of the ISCM Guidelines

(Item V. (g) on the Agenda)

Background

10.	The Integrated Supply Chain Management (ISCM) Guidelines were adopted in June 2004 and are a key part of the SAFE Framework of Standards (Standard 1 of Pillar 1). They primarily focus on Customs-to-Customs exchange of data, with a view to harmonize export cargo/goods declarations and import cargo/goods declarations or even using the same declarations on both sides through a common identifier, for carrying out risk analysis and clearance, avoiding duplication of controls through mutual recognition, ensuring security and facilitation of the supply chain.

11.	The implementation of the ISCM Guidelines should take place at the national level. However, the ISCM Guidelines will only become truly effective when Customs administrations along the supply chain will have implemented common standards on Customs control, risk assessment and the authorized supply chain standards enabling mutual recognition and integrated Customs control and treatment of international transactions described in the Guidelines. Although bilateral arrangements will predominate, the focus should be on the eventual global implementation of the Guidelines requiring flexibility from all parties.

12.	The key to ensuring end-to-end supply chain integrity leading to enhanced security and facilitation is the exchange of information between and among Customs administrations and mutual recognition of controls. It would entail the development of an information pipeline for sharing information across the supply chain. In an integrated Customs control chain, Customs control and risk assessment is an ongoing and shared process commencing at the time when goods are being prepared for export by the exporter and, through ongoing verification of consignment integrity, avoiding unnecessary duplication of controls.

13.	To enable mutual recognition of controls, Customs will have to agree (bilaterally or multilaterally) on common control and risk management standards, the sharing of intelligence and risk profiles as well as the regular exchange of Customs data. Such

agreements could potentially include joint monitoring or quality control procedures to oversee the adherence to the standards.

Introduction

14.   At its sessions in March 2015 the PTC discussed the ISCM Guidelines in break-out sessions. The aim of the discussions was to explore how Customs administrations could use the ISCM concept for an efficient risk analysis and enhanced facilitation and how it could support regional integration initiatives in terms of regional/inter-operable Single Windows and Coordinated Border Management.

15.   There was general consensus that several concepts of the ISCM Guidelines were of strategic importance with complementary implications on supply chain security and facilitation issues. Delegates noted that the ISCM Guidelines were very much forward leaning and Members were either not fully aware of and/or still considering a number of issues/challenges to implement these Guidelines. That said, delegates also recognized that most of the concepts and principles of the ISCM Guidelines are primarily based on the RKC provisions and there were already a number of initiatives/projects around the globe in various trade corridors in that respect, which needed to be promoted and sustained.

16.   Finally, the PTC underscored the need for raising awareness on the ISCM Guidelines and also agreed to gather Members' experiences in implementing these guidelines as such and/or as part of the overall implementation of the SAFE Framework of Standards, in particular Standard 1. The PTC also agreed to keep the ISCM Guidelines futuristic and aspirational and recommended that the SAFE Working Group could potentially examine updating/adjusting the ISCM Guidelines during its next review cycle, in the context of the WTO Trade Facilitation Agreement (TFA) and other developments.

ISCM Guidelines update

17.   In addition to the ongoing discussions at the SAFE WG and the PTC, the Policy Commission had at its 75th Session in July 2016 endorsed the Digital Customs Work Plan which also envisages promotion and potential enhancement of the ISCM Guidelines.

18.   Under the leadership of the Chairperson of the PTC Mr. Rob Van Kuik, a number of interested Members (China, New Zealand, The Netherlands and US) and the Secretariat held discussions on the update of the Guidelines in early January 2017. Almost thirteen years after their adoption, it is felt that there is a need to update the Guidelines in three ways:

   o   Re-examine and enhance the ISCM concept to include today's realities and opportunities based on lessons learnt through the pilots carried out to date, such as the AEO Mutual Recognition Arrangements, the CORE project and the Globally Networked Customs proof-of-concept projects. The aim would be also to align the ISCM with the existing concepts in the SAFE Framework and potentially with other related instruments and tools;

    o   Further develop practical guidance on how to implement the ISCM concept by providing more detailed information on the different supply chain models, roles of different stakeholders, ways of identifying reliable data sources and data quality, data sharing and data pipelines, use of international standards and latest technologies, piloting, technical assistance and capacity building etc; and

    o   Add concrete examples from projects carried out in the past decade

19.   The discussions pointed out some of the areas and elements which could be reflected in the update of the Guidelines and would present a basis for the discussions at the meetings of the SAFE Working Group, the mini-group under the SAFE Review Group and PTC. These include:

1. The current reality is different from the one in 2004:
   - Some administrations consider that as much as 90% of cross-border trade is reliable;
   - The business is increasingly mindful of securing its own supply chains. The latest push for this development is that consumers are asking for transparency of production chains. Bio products are an example where complete information has to be available from end-to-end throughout the production cycle, including across borders. This business trend of securing the entire supply chain for commercial reasons offers a lot of potential for Customs to use and rely on the commercial data sources;.
   - Authorized Economic Operators (AEOs) and in particular Mutual Recognition Agreements/Arrangements (MRAs) have had a significant impact on security and facilitation of the supply chain and have advanced the implementation of the SAFE standards;
   - Customs procedures (import, export, transit) are however still being looked at separately, rather than from a supply chain perspective;
   - Regulatory requirements have increased, especially those relating to safety and security, and the business is expected to respond to them;
   - Latest technologies provide ample opportunities which are only to a limited extent utilized by supply chain stakeholders, including government authorities;
   - Pilot projects carried out in the past decade (Smart and Secure Trade Lanes, CORE project, Globally Networked Customs proof-of-concept projects) provide lessons learnt on what works and what doesn't in terms of legal framework, interoperability of IT systems, re-use of information, dematerialization of documents, use of international standards etc;

2. Complexity of supply chains needs to be taken into consideration and further examined:
   - Different modes of transport (air, land, rail, express, postal) and their combinations provide different supply chain patterns. Air cargo supply chain has been explored the most, while train for instance, very scarcely;
   - Mapping of the different supply chains with concrete examples would provide a better understanding and improved visibility of the supply chains and increase opportunities for supply chain management. Results of a number of ongoing projects to help visualize the entire supply chains, as well as accountancy projects could also be useful in that respect;
   - E-commerce creates a multitude of business models which also need to be examined separately by exploring the results from the ongoing discussions on this subject within the WCO Working Group on E-commerce

3. Multiple stakeholders and their different roles in supply chain management need to be considered:
   o Stakeholders at international level such as the manufacturer, exporter, importer, carrier, freight forwarder, Customs broker, port/airport, terminal operator, warehouse etc, could all have a role to play in sharing/re-use of information;
   o Stakeholders with an AEO status and their potential contribution to implementing the ISCM concept could also be explored;
   o Stakeholders at national level such as agencies within a Single Window context including Customs, border inspection agencies and other government authorities are already in a position to share information amongst each other and contribute to the ISCM objectives.

4. The role of data and the data pipeline are critical for ISCM implementation:
   o Current practices show three different levels of electronic data availability within the supply chains:
       a) E-commerce where most of the data is readily available in electronic form, (the different e-commerce business models are now being explored under the WCO Working Group on E-Commerce);
       b) A more traditional supply chain with less electronic support than under a);
       c) A supply chain with low level of connectivity;
   o Key elements for integrating supply chain management include, but are not limited to:
       • a sound legal framework for sharing information,
       • identifying reliable data sources and ensuring high level of data quality,
       • developing a data pipeline with access by all relevant stakeholders and ensuring re-use of available data,
       • data harmonization and use of international standards, such as the WCO Data Model,
       • using a unique identifier, such as the Unique Consignment Reference (UCR) to track the shipment throughout the supply chain; etc
   o E-commerce platforms are an important source of information and exploring them could provide valuable information and input to enhancing the ISCM concept and practice;
   o Data governance including data privacy and data security, as well as international standards, such as the ISO standards, need to be applied.

5. Latest technologies could potentially provide relevant solutions:
   o Latest technologies such as the Track&Trace, Internet of Things (IoT), Blockchains, articifical intelligence (AI) and others could play an important role in supporting ISCM implementation. However, their potential applicability in the ISCM context would need to be examined in more detail. This could potentially be done by the Virtual Working Group on the Future of Customs.

6. Piloting today and in the future:
   o There is a number of pilot projects which can provide valuable lessons learnt and would need to be examined in more detail. In particular, the challenges and successful solutions would need to be shared;
   o Opportunities for the future and potential piloting projects would need to be identified.

7. Technical assistance and capacity building can contribute to the progression of ISCM adoption at global level:
   o Members are at different stages of development, especially in terms of IT support and connectivity. As the ISCM context envisages connectivity at global level, it would require technical assistance and capacity building support to Members.

Schedule of the update and the mini-group under the SAFE Review Sub-Group

20.　　　　The SAFE Working Group is expected to start the technical work on the update, while the PTC will at its sessions in April 2017 hold a high-level panel discussion on the same topic and provide further guidance to this work.

21.　　　　The Meeting is therefore now presented with an outline of the update which includes a non-exhaustive list of elements (paragraph 10) to be reflected in the updated Guidelines. The Meeting is invited to discuss these elements and provide further information and guidance on the content of the ISCM Guidelines update.

22.　　　　The outcomes of these discussions will provide the necessary input for the drafting, while the updated tool is expected to be endorsed by the SAFE WG and the PTC at the latest in spring 2018 and finally by the Policy Commission and Council in June/July 2018.

23.　　　　The SAFE WG delegates are invited to join the mini-group established under the SAFE Review Sub-Group which was tasked to carry out the potential update of the Guidelines.

Conclusion

24.　　　　The SAFE WG delegates are invited to:

- Discuss the outline of the update of the ISCM Guidelines;
- Provide guidance on the other elements which would need to be considered in the update; and
- Express their interest in participating in the Virtual Working Group on the Update of the ISCM Guidelines.

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