

AEO status is a competitive advantage

Scott Dimmock, from Ascent Consultancy & Training, explains that as Authorised Economic Operators (AEOs), logistics companies would not only save having to arrange a new guarantee for a bonded warehouse, but meaningfully reduce their deferment account guarantee

European Union-based companies trading internationally face the challenge of acquiring AEO (Authorised Economic Operator) status by May 2016 or suffering the consequences. The race is on.

AEO status is awarded by EU member state Customs authorities to organisations who can demonstrate their ability to comply with high standards of international supply chain security and quality. May 2016 is the deadline after which legislation will require many non-AEO organisations to hold mandatory financial guarantees with the local Customs authority.

The legislation at the centre of the change is the Union Customs Code (UCC). Its key implementing acts are scheduled to be confirmed by the end of May this year and will apply from May 2016.

Subject to last minute changes, after May 2016 any organisation that is not an AEO and utilises a customs special procedure such as a bonded warehouse, inward and outward processing, or end use will be required to hold a mandatory financial guarantee.

These procedures are utilised and relied on by thousands of companies across the EU. Specifically, companies that form part of international supply chains including manufacturers, retailers, bonded warehousing businesses and air, sea, road freight logistics operators.

This is a step change from the current system which allows an EU member state the discretion to decide when a guarantee is or is not required. Under the UCC guarantees will be mandatory. The guarantee amount will be based on the volume of goods under the procedure, the length of time the goods remain under the proce-

cedure and the revenue that would be due at the time they entered the procedure. In light of this many companies have taken notice and are preparing AEO applications which, if successful, entitle them to a full or partial guarantee waiver.

The UCC provides further incentive to attain the accreditation by awarding a 70% reduction in the guarantee requirement for duty and VAT deferment accounts. Any organisation operating a large deferment account will benefit substantially from the reduction, in many cases achieving considerable savings.

Ascent Consultancy and Training, a specialist AEO consultant in the UK, has received a significant increase in enquiries from multiple sectors, but specifically from aerospace, large importers and logistics organisations, as these businesses tend to operate Customs special procedures and large deferment accounts that will be impacted by the new legislation.

An example scenario would be a logistics company operating a bonded warehouse, and a large deferment account on behalf of import clients. In May 2016 the company would be required to arrange a bank guarantee with, for example HM Revenue & Customs in the UK, in addition to their deferment account guarantee. As AEOs they would not only save having to arrange a new guarantee for the bonded warehouse, but meaningfully reduce their deferment account guarantee.

Companies with existing ISO Quality Assurance programs, Known Consignor or Regulated Agent status have a head start as they are able to capitalise on their investment in these accreditations

as a number of the AEO requirements would already be in place.

Originally, the AEO legislation was conceived in response to the World Customs Organisation (WCO) developing a framework of standards to Secure and Facilitate Global Economy (known as Safe).

Over 100 countries have agreed to implement the framework and AEO is Europe's response. Countries that mutually recognise the accreditation are currently US, Japan, Norway and Switzerland, with China and Canada likely to follow by the end of the year.

This means fast track mechanisms through security controls and Customs in these countries, a significant advantage for customers paying a premium for air-freight in time-sensitive industries.

More countries will recognise AEO in the future, only adding to the international currency of the accreditation. As a result, increasing numbers of overseas companies require European suppliers to be AEOs as part of their buying criteria and quality programs.

The knock-on effect is that suppliers scramble to gain accreditation to compete, and in turn will require accredited logistics companies to maintain the integrity of their AEO supply chain.

The UCC has developed AEO into an accreditation with far greater significance and appeal to a wider audience.

Combined with continued international recognition, it is clear the game has very much become adopt AEO status now and it will be a competitive advantage, leave it late and it could lead to loss of business to accredited competitors.