

# Customs procedures for Express operators within Ukraine

**Kiev, Ukraine**

# The Express industry – facts and figures

The 4 members of the European Express Association (EEA) comprise the world's largest express parcel operators, DHL, FedEx, TNT and UPS.

Within the EU the Express industry:

- **Currently employs more than 250,000 people**
- **Expects direct employment to reach 500,000 by 2013 if the industry is allowed to grow unconstrained**
- **Delivers more than 450 million packages each year (almost half the intra European air cargo market)**
- **Handled 23.6 million non document export shipments, and 24.7 million non document import shipments in 2004**
- **Made a direct contribution to GDP of EUR 10.5 billion in 2003**

# Background

**In March 2006 delegates of the EEA visited Kiev at the request of the Ukrainian Express Association to discuss with Customs ways to improve operating procedures for our members**

**Following on from this a delegation of senior Ukrainian Customs officials, and company representatives undertook a fact finding tour of the express operations in Brussels, Liege and Cologne in January 2007. The purpose of the visit was to enable the officials to discuss first hand with Belgian and German Customs the application of simplified electronic procedures for express operators and to see them in operation. The clear message following this was that Ukraine would implement simplified electronic procedures as soon as practical.**

## The aim

### **“Customs Regulations and Procedures**

**78. The new Ukrainian Customs Code, which was signed by the President in August 2002, will enter into force from January 2004 and should allow for an efficient and smooth movement of goods into and out of Ukraine and will eliminate the legal uncertainty and lack of transparency for economic operators under which the customs authorities are currently working. The EC expects that the new Customs Code should also simplify the procedures for customs clearance, e.g. by moving to a ‘one stop’ system and thus, eliminating the current complex and time-consuming procedures for customs clearance. This would significantly facilitate trade.”**

**Joint Report on the Implementation of EU UA PCA 2003**

# Technology Order 405

Technology Order (No 405) for courier companies was approved in 2000. Among other measures this allowed express operators to remove goods from the border to their own premises for customs clearance

**A new Customs Code was introduced in 2004 along with Cabinet Minister Order No 1948 which gave general guidance on future development.**

It was found that Order 405 in many ways contradicted Order 1948 and the Customs Committee therefore prepared a replacement order for courier companies.

## Changes since January 2007

The believed customs intention is to introduce electronic simplified procedures in Ukraine and replace paper documents with electronic transactions. We are obviously in agreement with this. However in reality what has been introduced so far has been very labour intensive and seemingly of no value to either operators or customs themselves

- an electronic database into which operators have to enter details of all import and export shipments. This is apparently for customs hold management and ultimately risk management, but is not used by them and we are still obliged to provide paper manifests and have virtually 100% physical inspection of goods

## Changes since January 2007

- the database is also intended to provide controls for customs to ensure all entries have been submitted. However it is not understood how this can operate as the entry software and the database are not connected. Additionally in the space of one month DHL, who are trialling the system internally recorded 40 entry reconciliation enquiries, whereas for the same period Customs recorded 1080.
- **within the EU it is usual for operators to provide a pre advice of shipments against which customs make any examination selections. Then on arrival of the goods a discrepancy report showing under and over shipments has to be provided. Under the new system, in addition to the paper based pre advice, an electronic scan based manifest has to be produced as the customs operation will not accept a discrepancy report**

## Changes since January 2007

- while it is appreciated the database is a first step there seems no progress in introducing a system that will accept and release electronic customs entries. At present we have to produce paper entries and supporting documents that require multiple customs stamps on every page.

## Other issues

The express industry faces additional issues in Ukraine

- **within the country there is a low value limit of 100 Eur under which duty is not paid. In the EU the low value limit is based on the intrinsic value of the goods themselves, whereas in Ukraine the limit is based on the value, plus the transport costs. Given that using express is by necessity a premium product the combined cost has the effect of taking most goods above the 100 Eur limit**
- **the Ukrainian Postal service has a distinct advantage over express operators. Not only do they not have to include the transportation cost in the calculation of the low value limit but they also have higher limits. Additionally on export there is no limit on the value of goods a private individual can export, whereas under express the maximum is 200 Eur.**

## Other issues

- express non document shipments are subject to sanitary, phytosanitary and ecological controls, whatever the value. Obtaining the necessary stamped paperwork for these is not only time consuming and delays customs clearance, but could become prohibitively expensive as the Ecological ministry are looking at the possible introduction of a \$10 charge per shipment
- for all import customs processes it is necessary on arrival to take copies of the commercial invoice and waybill and have these, with the originals stamped by customs before the start of the clearance process. This takes considerable time and manpower effort

# Conclusion

The EEA and the Ukrainian Express Association are concerned about a wide number of developments that are, and potentially could, cause significant problems to the industry and the customers they serve. This presentation is only a brief review of these and a detailed paper can be prepared by UEA upon request.

Our prime concerns are

- the introduction of an electronic database which seemingly has no value to either operators or customs but requires considerable extra resources and effort on our part

# Conclusion

- the seemingly growing gaps between internationally accepted practices and current Ukrainian reality. In particular
  - the exchange of information
  - the improvement of working methods
  - the simplification of inspections and formalities in respect of the carriage of goods
  - the support in the introduction of modern customs systems

Our general impression is that little if nothing is moving forward on these issues.

# Why we need help from the USUBC

**It is fully appreciated that Ukrainian Customs are trying to modernise in a period of political instability.**

**The express companies in Ukraine have worked with Customs to advise and help the modernisation process and safeguard and improve the procedures under which we operate. However while we are big multinational companies we can not affect the changes required on our own, and therefore seek to increase our partnership with the USUBC to work together for the benefit of not only our companies and customers but for all businesses trading between the Ukraine and the world**