



AEO and SME

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The AEO according to WCO:

Party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national customs administration as complying with WCO or equivalent supply chain security standards

Includes SME as these are a vital part of the secure supply chain

Importance of SMEs

According to SMEDA SMEs comprise:

- +/- 90% of all firms in the world (99% in the EU)
- Account for an average of 40% to 50% of countries' GDP
- In APEC region SMEs account for over 80% of all businesses and employ as much as 60% of the work force
- In the EU 99% of the firms are SMEs

Definition of SME (1)

- Definition of the term SME is not standardised
- EU (EU Recommendation 2003/361): less than 250 employees and turnover \leq € 50m (balance sheet total \leq € 43m)
- Australia: less than 300 employees
- USA: less than 1000 employees
- South America: it can go from 1 to 500 employees

Definition of SME (2)

- SMEs are all different:
 - in terms of size,
 - complexity of the business,
 - type of goods handled,
 - position in the international supply chain etc.
- Example:
 - an AEO applicant with 51 employee importing glasses would be dealt differently than an AEO applicant with 249 employee importing weapons and which has already implemented various security measures;
 - a customs agent with 4 employee acting as a subcontractor for another 150 employee manufacturer also illustrates the variety of the SMEs' situation.

What are the needs of SMEs

WCO Secretariat was mandate to take up these 3 tasks (2004):

- Identify new trends in international trade;
- Conduct further research into new business models that are emerging;
and
- Recognize and understand the needs of SMEs.

What are the needs of SMEs

- Transparency and predictability
 - Obligations, requirements, conditions and other elements relating to security should be clearly defined in national laws and regulations.
 - Easy access and understanding of the procedures.
- Capacity building
 - Adequate support, training and guidance
- Support for SMEs to be certified as AEOs
 - Tangible benefits
 - Support in terms of AEO certification
 - Self-assessment and self-policing process
 - Regular communication between SMEs and national Customs administration

Challenges:

- Reach and educate the SME community
- Without clear, tangible and demonstrable benefits, no incentive to commit
- Cost impact of security investment is greater

Benefits:

- Status of AEO itself: important factor to choose certified business partner
- A reduced data set for cargo release
- Expedited processing and release of shipments
- A minimum number of cargo security inspections
- Priority processing by customs during periods of elevated threat conditions or following an incident requiring the closing of a port and/or borders. etc.
- MRA

Study BASC (Business Alliance for Safe Commerce): low cost security investments lead to:

- Improved oversight of the shipping process and activities
- Clearer and more transparent organizational roles and responsibilities
- Better employee hiring and exit processing policies and practices
- Enhanced internal security management practices
- Greater accuracy in shipping information and recordkeeping
- Increased precision in the qualitative evaluation of business partners

Study by researchers from Stanford University on behalf of the Manufacturing Institute.

Many SME are reluctant to invest on security because they look only to the direct expenses and not on the collateral benefits.

The conclusion of this study is that supply chain security investments are outweighed by benefits, such as:

- Improved product safety (38% reduction in theft, loss, pilferage)
- Improved inventory management (14% reduction in excess inventory, 12% reported on-time delivery)
- Improved supply chain visibility (50% increase in access to supply chain data, 30% increase in timeliness of shipping information)
- Speed improvement (29% reduction in transit time, 28% reduction in delivery time window)
- Higher customer satisfaction (26% reduction in customer attrition and 20% increase in the number of new customers)

Implementation cost of an AEO programme

- Implementation costs by business size

Potential Implementation costs	Less than \$10 million	\$10 million to less than \$100 million	\$100 million to less than \$10 billion	\$10 billion or more
Improving physical security	\$16,793	\$23,160	\$43,718	\$98,673
Improving in-house awareness	\$2,628	\$4,200	\$12,778	\$20,588
Salaries and expenses of personnel	\$9,808	\$24,220	\$39,523	\$67,317
Improving cargo security	\$6,488	\$14,090	\$18,577	\$45,619
Improving personnel security procedures	\$2,928	\$10,670	\$13,728	\$30,743
Improving identification system	\$2,871	\$4,971	\$9,574	\$33,349
Improving personnel screening procedures	\$2,093	\$6,842	\$13,117	\$13,671
Improving IT systems and databases	\$6,570	\$27,160	\$53,979	\$44,862
Improving use of security for personnel	\$7,093	\$36,992	\$39,419	\$73,202

Costs to maintain the C-TPAT programme for all businesses

Annual maintenance costs of ongoing expenditures to maintain the C-TPAT programme

Maintenance costs	% incurring costs	Average cost
Maintaining physical security	47.5	\$13,141
Maintaining in-house education, training awareness	45.0	\$4,945
Maintaining cargo security	41.4	\$7,110
Salaries and expenses of personnel	36.3	\$28,454
Maintaining identification system	35.8	\$6,241
Maintaining IT systems and databases	34.4	\$8,752
Maintaining personnel security procedures	33.1	\$5,437
Maintaining personnel screening procedures	33.1	\$3,723
Maintaining use of security for personnel	22.4	\$40,441



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Thank you!

