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CUSTOMS REPRESENTATION IN SIMPLIFIED CUSTOMS PROCEDURES IN REPUBLIC OF CROATIA

ABSTRACT

When introduced in 2000 the use of authorized consignee and consignor status was not particularly popular among companies, despite its apparent advantages. The number of the status users compared to the total number of exporters and importers was almost negligible. The aim of this paper was to find out to which extent the simplified customs procedures have been accepted in Croatia through an objective outline of advantages and disadvantages that the companies - users of the simplified procedures face on a daily basis.

KEY WORDS

freight forwarding, freight forwarder, customs representation, single administrative document (SAD), simplified procedures

1. INTRODUCTION

Freight forwarding combines the two functions of organization and coordination of moving goods from the point of dispatch to the point of destination, and includes storing, packaging, quantity and quality control, insurance, and customs transaction services. One of the most important forwarding jobs is representation and carrying out of jobs related to goods customs clearance (customs representation).

The Law on Customs (LC) that came into force on January 1, 2000 greatly contributed to more efficient customs procedure and quicker customs formalities. Article 88 of LC, as well as some legal provisions in Chapter 5 of the Regulation on Carrying Out the LC prescribe the procedure of goods customs clearance and the responsibility of staff authorized to conduct customs clearance at their premises. The procedure is also made simpler by exemption from obligation to submit the goods to the relevant customs house through status of *authorized consignor* and *authorized consignee*.

The procedure simplification in export depends on whether the user is an organizer of collective shipments transit in export or an exporter. Authorized consignors for collective shipments are typically authorized customs forwarders who organize transport of collective shipments, whereas authorized consignor can be any exporter of goods. In that case the forwarder, doing the job of customs representation as goods exporter, acts in his/her own name. This procedure is specific insofar as the authorized consignor gets own stamp for verification of customs declarations and pliers for putting seals on transport vehicles. The type of vehicle is not limited, but the export shipment has to be identified by a seal. In order to make the simplified export comprehensive, the authorized consignor must also be the approved exporter for goods origin. They are approved by Customs Administration of the Republic of Croatia (CURH) upon testing the knowledge of the regulations on origin and stipulations of contract on free trade.

Procedure simplification in export cannot be granted for goods that are subject to special taxes. For groceries and consumer goods it is necessary to obtain the permit issued by the Ministry of Health.

Such customs representation as a specific form of forwarding job is known as "house customs". It offers numerous advantages to importers, exporters and customs service, as it directly reduces the costs of customs formalities and requires fewer customs documents. Furthermore, the carrier capacities are better used, goods trade is conducted in a speedy and simpler manner, storage costs and truck demurrage fees are reduced and there is a much higher goods flow. At the same time, however, the record-keeping jobs get more extensive - by computer or manual, depending on the possibilities of the user. Although the advantages are quite obvious and measurable, few importers are aware of them or have made use of them.

2. STATUS ANALYSIS AND EVALUATION

The purpose of simplified customs procedures is to enable more rapid growth of economy through rise of export. However, the increasing number of privileged status in import as compared to export means that companies are obviously more interested in simplified import procedures.

Table 1 - Number of granted permits for privileged status

	Number Of Granted Permits					Σ
	2000	2001	2002	2003	2004	
Authorized Consignor*		2			2	4
Authorized Consignor		18	9	5	13	45
Authorized Consignée	10	11	19	5	11	56
Total:	10	31	28	10	26	105
	10%	30%	27%	10%	25%	100%

Source: CURH, Zagreb, 2004

* Authorized consignor for collective shipments

Table 1 shows the acceptance of privileged status use by exporters and importers in the Republic of Croatia. From the year 2000, when the new Law on Customs made privileged status possible, till the end of 2004 a total of 105 approvals were issued. The authorized consignor status for collective shipments is used by freight forwarding companies that deal with parcel deliveries and collective shipments. It is different from dispatch by authorized consignor, used by exporters, and will not be discussed in further detail in this paper.

3. THE USE OF SIMPLIFIED PROCEDURES

Only by using several privileged statuses simultaneously do the companies become aware of all the possibilities. The customs procedure is made faster and simpler and there is also a rise in the market competitiveness by 24 hour/day dispatch and receiving of goods.

The total number of issued approvals includes only 79 companies, which makes 1.33 permits per company. Although some companies have obtained permits, they do not use them for a number of reasons. The most common reason is the change in company from predominantly importing to predominantly exporting one, change in product range or difficulties in applying new regulations in compliance with the EU

Table 2 - Number of companies with privileged status

	No. Of Companies With Status
Authorized Consignor*	4
Authorized Consignor	20
Authorized Consignee	33
Consignor + Consignée	22
Total:	79

Source: CURH, Zagreb, 2004

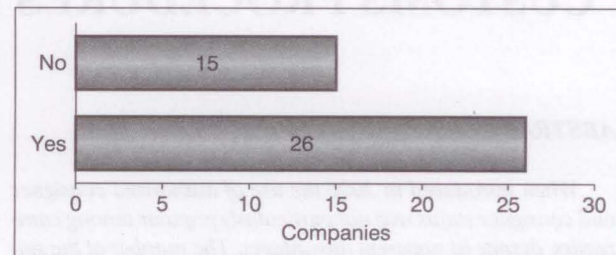


Figure 1 - Use of external forwarders' services

Source: Author's research

regulations. Insufficient familiarity with regulations is the cause of fear of possible problems in implementation. The results show that 20% of respondents have been using the house customs clearance for more than four years, 28% more than three years, 23% more than two years, and 20% for less than a year. The conclusion reached by comparing the data from Table 2 is that both exporters and importers do not make use of the possibility of house customs clearance at the time they obtain the permit. The reason is that as many as 26 or 63% of companies use the services of other forwarding companies and are not in a hurry to start applying.

3.1. The Internet

The use of modern technologies in forwarding jobs is manifested through submitting the transit customs declaration (the official term is the Single Administrative Document, further in the text referred to as SAD) via the Internet. This is used only in regular procedures and for submitting supplementary declarations. It enables access to declaration accepting system of CURH for data check on SAD and obtaining the system number with the aim of quicker data receiving and processing.

The survey among the users of simplified procedures showed that 59% use the possibility of electronic data exchange for submitting SADs and all who do find the procedure simpler. This would have to encourage others to use the Internet more often. The users with large numbers of shipments are faced with

Table 3 - Use of the Internet

	Y	N
Do you submit SAD via the Internet	24	17
Does it make the custom-clearance procedure simpler?	24	17
	59%	41%

Source: Author's research.

line congestion in submitting the supplementary declarations, which is considered the largest disadvantage.

3.2. Vehicles

Exporters and importers in simplified procedures use mostly road transportation. As many as 71% of export goods and 62% of import ones are by road vehicles. This requires certain parking space for customs clearing of shipments and weighbridges for checking the goods quantities, particularly bulk goods.

Table 4 - Which vehicles do you use for receiving / dispatching goods?

Transportation Means	Export		Import	
	No.	%	No.	%
Road	25	71%	34	62%
Rail	6	17%	47	13%
Container	3	9%	11	20%
Other	1	3%	13	5%
	35	100%	55	100%

Source: Author's research

With road vehicles the handling at loading and unloading point is made quicker and easier. All cargo inspections by forwarding representatives, customs officials, as well as veterinary, sanitary and fito services are much simpler. Also, door-to-door delivery is made possible.

Special conditions in export do not allow the use of the railways on a larger scale partly because the identity of goods is guaranteed by putting seals and sealing the cargo with own pliers. Road vehicles usually have one or two such marks, while one railway wagon requires putting four to 12 seals for the same goods quantity. Before railway dispatch, the consignor has to inform the customs house in charge and the Croatian Railways (HŽ). It is also physically impossible for the exporter to separate the privileged status wagons from others. In railway transport there is greater possibility of all cargo not crossing the borderline simultaneously due to technical shortcomings on a wagon, transport organization, or *force majeure*. This creates difficulties in proving what goods have actually crossed the border and in timely submitting supplementary declarations to the relevant customs branch office.

The research showed that one kind of transport does not exclude the other. The use of one or the other depends on the kind and quantity of goods and infrastructure of the users. A combination of both is also common. The use of Piggyback (Huckepack) and Bi-modal technologies could cause the privileged status-goods to be transported by railway more frequently.

3.3. Staff for implementation

One of the basic prerequisites for house customs clearance is the training of staff for carrying out the simplified procedures; i. e. passing the state exam for authorized customs representatives. This is a rather long process that requires long and thorough study of customs regulations and goods handling, alongside the procedures used by the company. It also requires a lot of responsibility of staff. That is why the number of staff employed is not large.

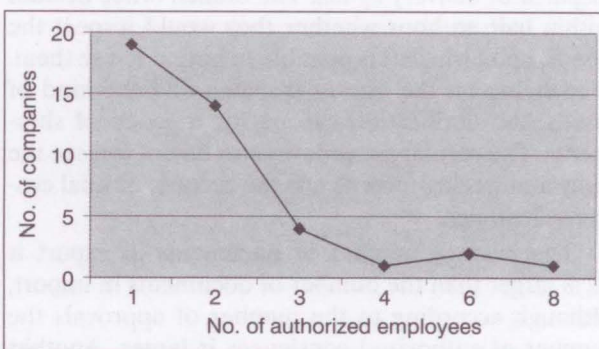


Figure 2 - Number of authorized customs representatives in companies with house customs

Source: Author's research

Although simplified procedures make employment of one's own staff possible, the costs of training and long time for acquiring the status do not stimulate companies to employ a large number of staff. The number of staff with permit for customs representation predominant is one (19 or 46%); two (14 or 34%); three (4 or 10%), and 4 or 9% of companies have over three employees. With regard to the data on ranking freight forwarding companies in the Republic of Croatia, all companies that have privileged status can be considered small forwarders.

This does not come as a surprise, since the application of simplified procedures does not see forwarding as the core business of a company, but rather gives the opportunity to exporters and importers to round up the whole procedure in export and import of goods. It provides a quicker access and use of goods; the costs of demurrages and storing are reduced and timely quality control of in-coming goods is possible.

Table 5 - Ranking of freight forwarding Companies In Republic of Croatia

Freight Forwarding Companies in Republic of Croatia	Small		Medium		Large		No. of companies	employees
	No. of companies	employees	No. of companies	employees	No. of companies	employees		
2001	452	2209	16	1078	3	1387	471	4674
2002	488	2296	14	1069	3	1532	505	4897
2003	500	2376	17	1078	5	1814	522	5268
Average No. of Employees	4.78		68.62		430.27		9.91	

Source: Made by the author based on Statistical reports of Croatian Chamber of Economy, Zagreb, 2001- 2003

3.4. Documents

The number of employees depends on the scope of work to be done and the number of documents for processing.

The privileged exporters and importers are obliged to notify the customs house in charge of any planned dispatch or delivery by fax. The branch office decides within half an hour whether they would inspect the goods, upon which it is possible to have and use them. Depending on the size of dispatch and the kind of goods, the notification can be for a group of shipments. The regular procedures also do not foresee the daily and weekly records nor the records of final customs clearance.

The average number of documents in export is 32% larger than the number of documents in import, although according to the number of approvals the number of authorized consignees is larger. Another advantage of customs representation in simplified procedures is the possibility of periodical customs clearance of several same-type shipments. The supplementary declaration combines all shipments from the past week. The submission time can be longer, depending on the time needed for the documents to return from the border branch offices to authorized consignor and on the obtained approval.

The average savings of exporters in the Republic of Croatia are 6.56 times lower costs for documentation processing as compared to regular procedure. The average costs of importers are 2.61 times lower. The results show that on the average 2.14 employees are employed and each of them processes 966 documents a year. The costs of document processing are 4.58 times lower than those in regular procedure.

3.5. Working hours

Increasingly strong competition on the market requires better adjustment of exporters and importers to as fast, cheap, safe and timely delivery of goods to the end-user as possible. The limiting factor in this system are the working hours of customs branch office set for customs clearance of shipments. Companies that deal with customs representation in simplified procedures take great responsibilities for accurate and timely processing of export and import shipments. However, they have a possibility to clear the goods out of the regular working hours of the customs branch office, by appointment.

The results of the research show that only a small number of surveyed companies (12 or 29%) uses the possibility of receiving or dispatching goods outside the regular working hours, while the majority do it

Table 6 - Number of documents in simplified procedures

	No. of Documents in Export																	Average
	1200	180	700	90	150	700	1200	400	450	6200	1500	350	2700	380	1600	700	450	
KZI	1200	180	700	90	150	700	1200	400	450	6200	1500	350	2700	380	1600	700	450	1115
DP Export	1200	160	600	50	80	350	500	120	110	1500	275	60	360	50	150	50	12	331
Σ Export	2400	340	1300	140	230	1050	1700	520	560	7700	1775	410	3060	430	1750	750	462	1446
JCD in DP	1	1.13	1.17	1.8	1.88	2	2.4	3.33	4.09	4.13	5.45	5.83	7.5	7.6	10.7	14	37.5	6.56

	No. of Documents in Export														Average
	300	600	350	230	200	1400	100	450	100	2500	580	1000	1900	747	
KZU	300	600	350	230	200	1400	100	450	100	2500	580	1000	1900	747	
DP Import	300	600	320	200	150	1000	65	250	50	1100	120	200	200	350	
Σ Import	600	1200	670	430	350	2400	165	700	150	3600	700	1200	2100	1097	
JCD in DP	1	1	1.09	1.15	1.33	1.4	1.54	1.8	2	2.27	4.83	5	9.5	2.61	

Table 7 - Working hours of house forwarding in Republic of Croatia

	No. of companies	
Only during working hours of CBO	29	71%
As required	10	24%
24 h/day	2	5%

Source: Author's research

only during working hours of the customs branch of office involved (29 or 71%). The reasons are that some goods require fito, sanitary, or veterinary tests that the relevant institutions do only during their regular working hours. Some companies do not work in shifts because of a small number of trained staff, or because they cannot organize non-stop acceptance and dispatch of goods. Additional costs are incurred by the lack of understanding of some customs branch offices involved, that either do not approve work outside regular working hours, or request an extra check by customs officials for every shipment.

In spite of that, 98% of companies (40 out of 41 surveyed) that dispatch and receive goods outside regular working hours think it makes a simpler and quicker customs procedure.

3.6. Problems in implementation

The aim of the survey among simplified procedures was to obtain impartial indicators of both advantages and disadvantages of their use. In evaluation of the problem issues, for reasons of simplification, only five first-ranking answers were included.

It is to be concluded from Figure 3 that the biggest problem is paperwork. For the simplified procedures CURH requires additional records not used in regular procedure.

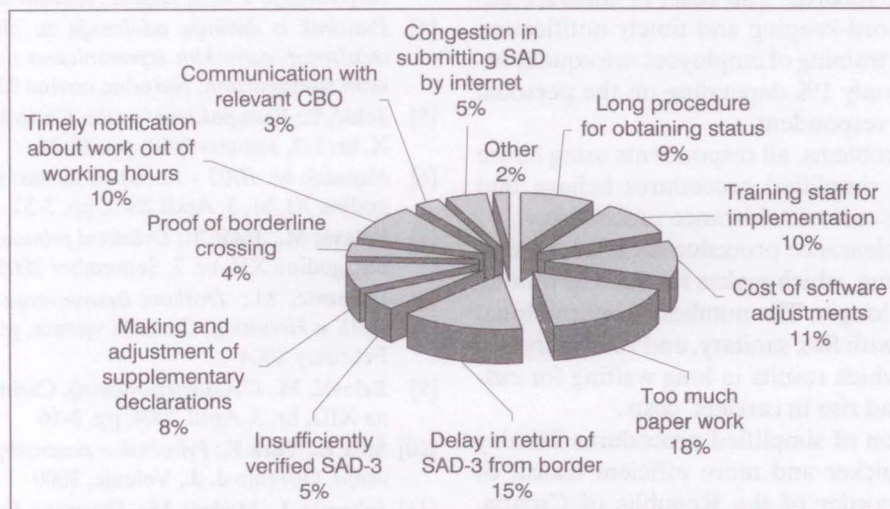


Figure 3 - Frequency of reply in total number of replies

Source: Author's research

The return of document from the border in export accounts for 15% of the problem. Depending on the geographical position of the exporter, the return of document from the border is done in several ways at the same time. The deadline for submitting documents to the relevant customs house depends on approval and is commonly one week. However, some documents either do not return and have to be searched for or are incorrect or incomplete, but they have to prove the correct and timely borderline crossing.

Table 8 - Return Of Documents

Type of return	No. of companies	
Mailbox	21	49%
Directly – driver	12	28%
Some other method	10	23%
Return time JCD-3	No. Of Days	
Up to 5 days	9	32%
5 - 12 days	13	46%
More than 12 days	6	21%

Source: Author's Research

The costs of computer software adjustment depend on the specific features and differ from company to company. There is no software on the market that would make record-keeping possible without additional adjustments or they are especially charged. Only several companies can use their own software. Good connections of all parts and users of the procedure give an additional security to employees doing these jobs, the company management, and customs administration (CURH) in control procedure.

The timely notification of work outside regular working hours to the relevant customs branch makes it possible for importers and exporters to arrange a balanced delivery and dispatch of goods according to

their own needs and the needs of customers or suppliers. Unfortunately, this facility has not been sufficiently used, because some of the branch offices' interpretation is that this is not explicitly allowed in the approval (permit), or they require being present at receiving or dispatch of such shipments. The users of simplified procedures do not want to avoid customs supervision and control, but only consistent interpretation and application of regulations will ensure equal conditions to all users.

A long procedure needed for obtaining the permits is what still makes companies hesitant in their decision to adopt the simplified procedures. Some minor but not quite unimportant problems are the communication with the relevant customs house, submission of additional declarations, congestion in submitting the declarations by the Internet and others.

4. CONCLUSION

Only a small number of exporters and importers in the Republic of Croatia use customs representation through simplified customs procedures. The differently defined advantages and disadvantages by every single respondent show that there is more than one problem. The research showed major disadvantages in the application and also that the real problems were asked for in the survey. Too much paperwork and return of documents from the border make 1/3 of all the problems.

The improvement can be done by making it possible to submit all declarations in simplified form by the Internet through wider access to application for accepting declarations of CURH. This would mean reduction of paper records and would enable obtaining the certificate on goods borderline crossing without returning the SAD-3 from the border, only by checking the computer records. The costs of software adjustments for record-keeping and timely notification of work as well as training of employees are equally arranged and vary only 1% depending on the personal evaluation of the respondent.

Despite the problems, all respondents using house customs through simplified procedures believe that this simplifies the customs clearance procedure.

The customs clearance procedure at border crossings is still very long, which makes the time of waiting for vehicles even longer. The number of international border crossings with fito, sanitary, and veterinary services is limited, which results in long waiting for customs clearance and rise in carriers' costs.

The application of simplified procedures 24h/day should enable quicker and more efficient transit of goods over the border of the Republic of Croatia, which is of national and international importance, especially for the EU. By introducing electronic data ex-

change in all parts of the simplified procedures, most of exporters and importers' problems will be reduced and the number of users in the Republic of Croatia will increase.

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SAŽETAK

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KLJUČNE RIJEČI

špedicija, špediter, carinsko zastupanje, jedinstvena carinska deklaracija (JCD), pojednostavljeni postupci

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