

EXPLANATORY NOTE

Implementation of the “Single Window – Local Solution” Project in the Operations Area of the Pivdenna Customs and Ports of Odessa Region

Practices of work with PCIS during 2014 confirmed that improving the processes and procedures at sea checkpoints when processing vehicles, handling cargo or crossing the customs border of Ukraine with the use of information exchange in electronic format simplifies and accelerates the transportation of the foreign goods, reduces the load and cuts down the costs of the foreign economic activity players, increases the cargo turnover and, consequently, tax revenues of the state budget.

Sustainable use of PCIS in sea ports has actually led to a reduction of time spent on each of technological operations in port, optimized logistics by providing all the parties involved with operative, correct and legitimate information, enabled minimization of contacts between the business and officials, which reduced corruption risks and threats, created prospects for the international trade development, strengthened the resource potential of the businesses, incremental adaptation and practical application of international standards in the work of the state bodies and foreign economic operators.

The rapid development of the PCIS functionality and spread to major sea ports of Ukraine shows its great potential, demand for PCIS and the economic operators' interest in using the advantages of the process automation, electronic, information and document management, as well as the public authorities' need for the application of the modern effective tools for the transport and other interrelated sectors development in the context of the implementation of EU law, this country's integration into the European logistic chains, using international standards and improving the transit potential and competitiveness of Ukraine.

Currently PCIS is unparalleled in the logistics in Ukraine, which reduces the possibility of broad awareness of public authorities, participants of the transport and logistics activities, and society in general, of the principles and characteristics of its usage consequences. Accordingly, some individuals who prefer the previously-used tools of the “contact” solutions based on the bureaucratic mechanisms, various “grey schemes”, etc., accept no introduction of the simplifications by using PCIS as it causes them to spread false or distorted information about the system creation, functioning and opportunities for use.

On 01.12.2014 in Odessa held was an expanded meeting with the participation of the members of the Interagency Working Group for the “Single Window – Local Solution” technology introduction in the operations area of the Pivdenna Customs (now – SFS of the Odessa customs) and the ports of Odessa region (IWG), representatives of the Data Processing Centre (LLC “PPL 33-35”), Odessa customs of SFS, Odessa Border Detachment of the State Border Service, Odessa Regional Service of the Department for the Veterinary Control and Supervision at the State Border and Transport, Department of Ecological and Radiological Control at the State Border Checkpoints of the State Ecological Inspection for Protection of Environment of the Black Sea North-West Region, and SE “ASPU” of the Odessa Sea Port Administration.

The meeting discussed the arrangements made for the implementation of Item 1.7 of the Minutes of the IWG Session # 15 PF of 28.08.2014 №15 WG and it was decided to use the Odessa Customs SFS basis for establishment of a Joint Working Group for the practical implementation of the study of the goods release according to the methodology of the World Customs Organization³ at the Sea Port of Odessa composed of the involved responsible state regulatory authorities and the Administration of the Odessa Sea Port.

Note. In accordance with Item 1.7, Minutes of IWG Meeting dated 28.08.2014 # 15 PF, the participants agreed the following solution:

“Conduct a research of the goods release time according to the methodology of the World Customs Organization, with the participation of the State Fiscal Service of Ukraine, State Enterprise “ASPU”, business and professional associations and community councils.

Deadline: December 2014

Responsible: Secretariat of IWG, the State Fiscal Service of Ukraine, State Enterprise “ASPU”, LLC “PPL 33-35” and the Council of Entrepreneurs at the Cabinet of Ministers of Ukraine”.

There are different methods to achieve different goals depending on the common purpose and field of applying the measurement of time required for the goods release (hereinafter - RTM) in the meaning of certain provisions contained in the “Manual of Measuring the Time Required for Release of Goods”.

Understanding of the release time data contributes to the following tasks:

- (a) Identifying the bottlenecks in the international supply chain and/or limitations relating to customs clearance;*
- (b) Assessing the effectiveness of new and changed methodologies, procedures, technologies and infrastructure or administrative measures;*
- (c) Providing a basis for measuring the effectiveness of trade facilitation;*
- (d) Determining the potential in trade facilitation; and*
- (e) Using as a tool for comparing and evaluating the approximate ranking of the country.*

The main purpose of RTM following the results of Sub-item (a) is to identify bottlenecks in border procedures in order to determine the causes of delays called forth by the activities of the customs, other state agencies authorised to exercise control at the checkpoints and/or in the private sector, and, where appropriate, the formation of a plan of correction actions.

This can be achieved through the mechanism of finding out the specific reasons for a delay, for example, (1) –by means of fixing the time at each stage (recording the time of each event), (2) – through the further detailed analysis of the queries.

The administrations that periodically conduct such studies steadily reduce the time required for the goods release. This is due to the adjustments based on the outcomes of research and innovation. The RTM cycle includes step by step stages: planning; preparation of recommendations, data collection; testing/evaluation; calculation of the results; analysis; forming the conclusions; and preparation of the report.

An important step in ensuring the implementation of the requirements of Clauses 2, 7, 10, and 11 of the Standard Process Scheme of Admittance across State Border of Persons, Road, Water, Railway and Air Transport Vehicles of the Carriers and Goods that are Transported by them approved by Resolution of the Cabinet of Ministers of Ukraine dated 21.05.2012 # 451 is the development of “Regulation of Keeping the List of SE “ASPU” Container Lines approved by the Order of the State Enterprise “ASPU” on 13.11.2014 as # 222. Forming of the algorithm of managing the list of container lines as one of the documents of “The Format and Structure of the PCIS Documents” - PCS-CP-STR enables the further continuation of the data exchange electronic system development in accordance with user’s needs in the framework of ISPS and insuring the information exchange with government agencies at the sea border crossing checkpoints subject to the requirements of the legislation.

The interested parties have an opportunity to find more details of the said Regulation, Register of Container Lines, as well as the methods of cargo terminals encoding on the official site of “ASPU” ([http://uspa.gov.ua/ru/informatsionnaya-sistema-portovogo-soobshchestva/tekhnicheskaya-informat siya/reestry/reestr-kontejnerykh-linij](http://uspa.gov.ua/ru/informatsionnaya-sistema-portovogo-soobshchestva/tekhnicheskaya-informat-siya/reestry/reestr-kontejnerykh-linij)).

On 07.11.2014, at a joint meeting in Odessa, which was attended by Director General of the Association “Port community” V. A. Zubkov, President of the Association “Ukrzovnishtrans” and Deputy Head of the Interagency Working Group for the Introduction of the “Single Window –

Local Solution” (IWG) Technology O. I. Platonov, Chief of the Strategic Development Service of the SE “ASPU” V. I. Voronoy, experts of the SE “ASPU” specialized units, the Odessa and Illichivsk branches of the latter, PCIS Data Processing Center – LLC “PPL 33-35”, and representatives of the Odessa customs departments of the State Fiscal Service, presentation of the electronic data interchange with the use of PCIS during processing the export cargo in containers in the Odessa Sea Port took place.

According to the concept of the above mentioned presentation, consultations on make the necessary alterations in the legal acts have been initiated, phased introduction of its incremental implementation after bringing it to notice of and discussing with operators of container terminals has been planned, and the analysis of business processes in the processing the loaded export and transit containers in the Port of Odessa exported from Ukraine by sea has been carried out.

On 17.10.2014 in Illichivsk Sea Port the implementation of the preliminary customs clearance of import and transit cargoes in containers exported by road vehicles was started. The Port’s clients have the opportunity to obtain all the necessary documents for the export of containers from the state control services (including the customs and border service) before the vehicles arrival in the Port.

According to the data of the pass system of the Port Administration, on 11.12.2014 one of the forwarding companies had independently two containers released using the preliminary processing. The time of the carrier’s motor vehicles spent in the Port from the moment of their loading in the container terminal warehouse until the moment of the vehicles departure from the territory of the specialized cargo complex was 0:37 hours and 1:23 hours, respectively.

At present the work undertaken in pursuance of the Order of the SE “ASPU” Head dated 14.11.2014 # 87 concerning the introduction of the procedures for processing the loaded road vehicles in advance in the Sea Port of Illichivsk continues.

On 20.11.2014 a working meeting concerning the containers preliminary customs clearance implementation in the territory of the Checkpoint “Illichivsk Sea Commercial Port” (ISCP) was held in Illichivsk with participation of the freight forwarders, representatives of PE “CT Illichivsk”, experts of the Illichivsk branch of SE “ASPU” and Illichivsk Sea Port.

In discussing the numerous topical measures relating to Cl. 4 of the Loaded Road Vehicles Clearance Process Scheme arriving on ships and brought by road from the territory of the Illichivsk Port with the use of PCIS dated 31.07.2014 # 309 approved by Chief of the Illichivsk Sea Port Administration, those present familiarised themselves with a complex of technical and technological activities conducted to enable the implementation of the full cycle of the loaded vehicles advance clearance, which is applied to import and transit containers.

Following the discussion, the meeting adopted a number of decisions, in particular as follows:

- Recommend PE “CT Illichivsk” to consider optimisation of the periods of “time slots” for road vehicles filed for the preliminary customs clearance, and inform the Administration of the Illichivsk SP of the results;
- Order the Administration of the Illichivsk SP and PE “CT Illichivsk” to work together with the customs at the possibility of fixing to disbursement voucher of the note (SE “ASPU”) “Preliminary Clearance” in order to differ the preliminary clearance from the customs clearance held as usual;
- Request the Administration of Illichivsk SP to address an inquiry to the SE “ASPU” management about the technical provision by LLC “PPL 33-35” of entering additional tags in the ISPS for freight forwarders to mark the containers planned for preliminary customs clearance; and
- Ask the Administration of Illichivsk SP to initiate and send to SE “ASPU” a request to the Odessa Customs of SFS for the creation of equal operation conditions for the customs checkpoints in the

Odessa and Illichivsk Ports (increasing the number of the customs personnel involved in the containers releasing procedures).

The meeting considered the cases of the already held preliminary clearance, whose practices confirmed a significant reduction of time spent on processing the containers and its decrease (about an hour) their stay in the Illichivsk Port.

On 28.11.2014 a regular working meeting on the PCIS development was held in the Odessa Customs of SFS with the participation of experts of the Odessa Customs of SFS, SE "ASPU", and Data Processing Center (LLC "PPL 33-35"). The participants discussed the urgent issues that arise during the implementation of PCIS at the Ports of Odessa and Illichivsk when implementing control procedures by the customs authorities, and highlighted the steps for further improvement of electronic information exchange.

The meeting in question reviewed the activities undertaken to develop the decisions of the workshop 29-30.09.2014 in Odesa, which had discussed the problematic issues of practical implementation of the resolutions made by the enlarged meeting that took place in early September this year.

The participants were informed about the creation of a new PCIS module for entering the outcomes of the control carried out by state inspectors of the sections of the Authority for Risk Analysis and Counteraction against Customs Offenses of the Odessa Customs, SFS.

Such module operation, which at this stage of the PCIS work informs the customs departments of the Customs Checkpoints "Odessa Port" and "Illichivsk", freight forwarders and port operators about involving the representatives of the Authority for Risk Analysis and Counteraction against Customs Offenses of the Odessa Customs, SFS, in control procedures, and fixes the results of the corresponding decisions, was presented.

It should be noted that the format of the said module created based on the principle of feedback from the port community and government agencies, as a whole, provides transparency and acceleration of the compulsory and additional control forms, increasing the efficiency of analytical and law enforcement work of the SFS units with the use of the tools of process automation, analysis of preliminary information about cargoes, and improving the mechanisms of the automated and not nonautomatic risk management systems.

According to the module interface the notes on the need of visual inspection, weighing or scanning the goods in containers are certified with electronic digital signature of the official of the said Authority unit (like all entries in PCIS), which renders depersonalization of the customs officer-initiator of control procedures impossible and, accordingly, enables identification of its actions, and, if required, challenging the latter in accordance with the established procedure.

Concerning the technical capabilities of the data processing and exchange the work with the module permits of the following:

a) Controlling the flow of goods in containers into the customs territory by fixing the so-called "marker", which sets the appropriate forms of control (selected from the exhaustive list of their grounds);

b) Releasing the PCIS users (stevedoring companies or forwarders) from the circumstances of "blocking the containers on the terminal" in the absence of obvious grounds for or causes of their stoppage;

c) Reducing the risk of corruption or bureaucratic barriers in determining and implementing the forms of control;

d) Contributing to the legality of actions of the transport process players when passing control; and

e) Implementing by the PCIS users civil control mechanisms provided by law.

In addition, taking into account the users' suggestions, the ISPS modules possess additional technical abilities that exclude the simultaneous opening and processing of more than 2 electronic applications (orders) by an official of the department of the Odessa Customs, SFS.

In general, the implementation of the relevant PCIS modules ISPS for the units of the State Border Service, Authority for Risk Analysis and Counteraction against Customs Offenses of the Odessa Customs, SFS, and Security Service of Ukraine, the automated exchange of the data concerning operative decision-making in the framework of interaction when performing the tasks provided by the legislation and conducting the law enforcement events, and electronic informing the users (foreign economic activity participants) is a practical measure aimed at creation of preconditions for:

- a) Accelerating the procedures of the state control at the checkpoints;
- b) Saving resources and reducing the load on the transport-forwarding process participants;
- c) Optimising the open dialogue between the business community and the state; and
- d) Implementing preventive measures and detecting and combating the bureaucratic mechanisms and schemes that may have the signs of corruption.

The participants of the meeting noted that the more substantial the positive results in the work and development of PCIS are the greater the opposition of the unfair competition representatives is. The attention was drawn to the fact that groundless appeals of individuals containing distorted facts and conditions as to provision for implementation and operation of PCIS received by the state executive bodies and law enforcement authorities give rise to concerns about their being focused on obstructing the PCIS development and compelling to take the necessary retaliatory measures.

Following the meeting, which was held in the format of a working session, the participants reached agreed conclusions that the ports, domestic producers, foreign economic activity participants and other entities that are the PCIS users ISPS, which is a domestic product, by implementing international software projects supported at the national level and by the European community strengthen the economic interests of the state, participating in the creation of the Ukrainian transport corridors quality infrastructure, and the sea ports in particular.

In the meantime let us inform that the operation of the PCIS module "free pratique" implemented by the Order of SE "ASPU" dated 06.03.2014 # 31 is continued in the Sea Port "Yuzhny". According to the information of SE "ASPU", on the basis of negotiations held with the company "TIS" management an agreement on the implementation of the module "electronic order" at the container terminal of the stevedoring company "TIS" in February - March 2015 was achieved.

Following the discussion on the issues related to the planning and implementation of the processes that support the procedure of PCIS introduction at the ports of Ukraine (Workshop dated 31.10.2014 as part of SE "ASPU" measures, Odessa), the meeting on "free pratique" implementation issues was held by the Administration of the Illichivsk Sea Port.

The event was attended by the top managers of the Illichivsk Sea Port Administration and representatives of regulatory agencies: SES on water transport, Customs Checkpoint "Illichivsk", department of Border Service "Illichivsk", as well as environmentalists and representatives of veterinary control and plant quarantine services.

The term "free pratique" means the supervisory authorities permit for entering the port given to a foreign-going ship that may start loading operations without the committee on board that boards the ship in order to perform the formalities at the port of entry.

Before starting the implementation of the innovation the port managers have studied the experience of their colleagues from the Ports of Odessa and Yuzhny in detail.

It is planned to introduce the innovation in PE “Container Terminal Illichivsk” at the first stage, and then – in LLC “Illichivsk Grain Terminal”. The future plans include connection of other port operators acting in the territory and waters of the Illichivsk Sea Port to the system.

The generalised preliminary analysis of the electronic applications (orders) processing for the purpose of verifying the customs complying with the forms of control of the goods in containers provided by the legislation based on the decisions entered in a corresponding PCIS module (without consideration of a combination of several TCM and customs inspection) showed the following:

Illichivsk Sea Port, 2014	Processed data (containers)	Unavailable appointments of technical control means (scanning, weighing) or visual inspection, %	Scanning, (%)	Weighing, (%)	Customs inspection (%)
November	3,399	67.26	0.50	30.51	8.88
October	3,854	64.01	5.81	29.76	8.38
September	3,866	63.89	5.79	29.90	8.48
August	2,602	54.80	5.11	40.24	9.07
Odessa Sea Port, 2014					
November	9,649	56.93	0.00	40.24	11.22
October	10,348	53.83	0.02	45.18	10.03
September	10,351	53.81	0.02	45.19	10.60
August	9,719	55.79	0.00	42.32	8.05

According to these data of e-surveillance during four months (November, October, September, and August 2014) the vast majority (over 50%) of the imported goods in containers were cleared in the Odessa and Illichivsk Sea Ports without the application of any technical control means (scanning, weighing) or inspection. Monthly positive trend of increasing the number of such decisions remains.

Close attention should be given to the fact that the volume of weight control (weighing) is significant. Application of the control procedures in the form of scanning is minimal.

It is obvious that cutting the number of customs inspections down to a 5-per cent level alongside with overall effectiveness being up to 30 per cent (the European level), as it was declared by the representatives of the State Fiscal Service during covering the issues in the field of the state customs business at the 8th Black Sea Container Summit (Odessa, 10-12.09.2014), has not been achieved yet.

As part of a stage-by-stage transition from the parallel usage by the Odesa Customs of SFS of the local program “Logbook of Goods Entering the Customs Territory of Ukraine on Foreign-Going Ships and Exported from the Customs Control Area and Port” (“Red Container” database) to exchange information through PCIS, the experts of SE “ASPU” and Odessa Customs of SFS held joint workshops on cooperation resulting in the coordination of a technical task for the Data Processing Center on designing a new module in the system with more features of electronic information exchange with the foreign trade operators, maritime agents, port operators and other stakeholders of forwarding activities.

After reviewing the statutory preliminary notification by the sea port agents of the state authorities in the maritime border crossing checkpoints, we inform that in the near future the marine agents will enter in PCIS advance information on the goods in containers that are coming to the ports of “Great Odessa”; that will enable the Customs to make a preliminary analysis of the risks and proactively inform the cargo owners (through marine agents) about the forms of control that may be applied to such goods.

In addition, the port operators will soon supply ISPS with the information about the actual flow of goods in containers to Checkpoint “Odessa Commercial Sea Port”. Such module has passed testing on the exchange of information with SE "GPK Ukraine". After updating of its own software this module will be joined by LLC “Brooklyn-Kyiv Port”. The works on providing for the implementation of electronic information exchange with PE “Container Terminal Illichivsk” also continue.

The next step is connecting other weight complexes available of Odessa and Illichivsk Ports to PCIS. Currently, there are discussions of adapting their software to the format and procedure of information transmission to PCIS, while the consultations on the optimization of the electronic data required under the legislation and technological procedures of the cargo handling and clearance in the port are in progress.

As of 10.12.2014 SE “Administration of Sea Ports of Ukraine” had **signed 546 agreements on information cooperation** provided by the Resolution of the Cabinet of Ministers of Ukraine dated 21.05.2012 # 451 (as amended on 03.07.2013 # 553) including:

8 agreements with the state control and law enforcement bodies: the Odessa Border Detachment, SI “Laboratory Centre of Derzhsanepidsluzhby of Ukraine on Water Transport”, State Ecological Inspection of the Black Sea North-West Region, the Odessa Regional Service of State Veterinary and Sanitary Control and Supervision on the State Border And Transport, the State Phytosanitary Inspection of Odessa Region, the Central Department of the State Sanitary and Epidemiological Service on Water Transport, the Security Service of Ukraine and the State Fiscal Service of Ukraine;

538 agreements were concluded with the business entities operating in the sea ports, namely:

27 - with marine agents;

2 - with port operators;

8 - with road hauliers; and

501 - with cargo owners or their authorized persons.

The **main indicator of the success of the project implementation** is that today the information for the clearance of more than **280 thousand containers** has been entered in PCIS.