

# Q&A for the AEO

*Analytiqa answers  
the key questions  
surrounding AEO  
accreditation*

Analytiqa provides commercially relevant business intelligence, in the form of reports, bespoke research, strategic advisory and supply chain consulting services, to multi-national clients across a number of industry sectors from logistics and distribution through to retail, manufacturing, allied and professional services.

Headed up in the UK by Mark O'Bornick and in Ireland by Conor Anderson, Analytiqa's team of analysts and consultants offer expertise across all areas of the supply chain.

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At Analytiqa, we have found that many companies are still looking for more clarification on what Authorised Economic Operator (AEO) certification actually is, and what it can do for them. In this article, we have set out the typical questions that we are asked on regular basis – and have done our best to answer them.

#### Informed decision

While each organisation must decide on the merits of AEO status for itself, we hope this article will assist you to make informed decisions, understanding the positive affect that AEO status can bring.

#### What is AEO?

AEO status is a certified standard issued by Customs administrations across the European Union (EU). It certifies that an organisation has met certain standards in relation to their security, management systems, compliance with Customs rules and ongoing solvency. Under a **World Customs Organization (WCO)** initiative, AEO certification may eventually be recognised worldwide.

In adopting AEO, the EU is aligning with similar measures being introduced by other countries, including the United States, Canada, China and Japan. The accreditation provides qualified businesses with a status, subject to regular audits, which demonstrates the integrity of their security measures, and ensures that their internal procedures and staff training is effective and compliant.

#### Why has AEO been introduced?

After the events in the US on 11 September 2001, governments worldwide realised that the international supply chain could be vulnerable to terrorist exploitation.

In an effort to reduce this vulnerability, the WCO designed a new model for increasing supply chain security.

However, these new security measures have the potential to slow down the movement of goods through Customs controls, so in order to lessen the impact of the new controls, the concept of AEO was introduced.

#### What are the different types of accreditation?

There are three types of AEO accreditation. While applicants are free to choose whichever type of accreditation best suits their business, Customs administrators recommend that if an organisation can meet the qualifying criteria, it should apply for the full AEO Simplifications/Security and Safety Certificate. This type of accreditation gives the organisation a wider international standing.

The three types of AEO accreditation are:

- Security and safety: issued to any organisation that fulfils the criteria of Customs compliance, appropriate record keeping standards, financial solvency, and maintains appropriate security and safety standards
- Customs simplifications: issued to any organisation that fulfils the criteria of Customs compliance, appropriate record keeping standards and financial solvency;
- Customs simplifications/security and safety: issued to any organisation that fulfils the criteria of Customs compliance, appropriate record keeping standards, financial solvency, and maintains appropriate security and safety standards and wants to receive the benefits of both types of AEO.

#### Who can apply?

AEO status is open to organisations of any size that are involved in cross-border trading activities. The conditions and criteria for achieving AEO status apply to all organisations, regardless of their size. However, the means to achieve compliance will vary and be in direct relation to the size and complexity of each organisation and the type of goods manufactured and handled, etc. Manufacturers, exporters, freight forwarders, warehouse operators, clearance agents, carriers, logistics providers and importers may all apply for AEO accreditation.

#### Do I have to become AEO accredited?

As more organisations apply for, and achieve, AEO status, the more secure the

international supply chain will become. However, it is up to each organisation to decide if AEO is for them and this decision will probably be based on an assessment of the likely benefits, the organisation's role in the supply chain and the cost, in both people time and money, of applying for and maintaining AEO status.

Already in the UK, household names such as **AstraZeneca, BMW, Boots, British Airways, BP, General Motors, IBM, Imperial Tobacco, Novartis and Rolls-Royce** are among the organisations that have achieved accreditation, together with leading logistics operators such as **CEVA Logistics, DHL, Damco, Geodis, Kuehne + Nagel, Panalpina, Schenker, TNT, UPS, Wincanton** and **Yusen Logistics**. In Ireland, it is a similar story: **Apple, Diageo, GE Healthcare, Pepsi-Cola, Xerox, DHL, DSV, Panalpina, Schenker and UPS** are among those with AEO accreditation.

### **Why should I apply for AEO accreditation?**

The broad intention of AEO accreditation is that organisations that achieve AEO status will be given benefits that will lessen the impact of increasingly tighter and more restrictive security measures in the supply chain, compared to non-AEO accredited businesses.

The benefits of AEO accreditation can be spread across many disciplines within each type of organisation. For logistics service providers, in particular, used effectively as part of a marketing and communications strategy, AEO accreditation is a highly valuable differentiator that sets your organisation apart from its competitors and highly visible use of the AEO logo is actively encouraged.

Additionally, benefits of achieving AEO accreditation include:

- providing a logistics service provider the ability to respond to increasing numbers of tenders from international companies that require AEO specification
- facilitating greater efficiency of processes within local operations, improving lead times

- offering accredited companies the incentive that they will be subject to less physical inspection and document checks by Customs and organisations gain priority shipping status in times of heightened security, or in the case of strikes or any other disturbances to the supply chain

- encouraging the effective management of, and reduction in, the risk of theft, counterfeiting, contamination or grey market shipments

- improving delivery times, customer satisfaction and client retention.

### **How do I apply?**

Prior to submitting an application for AEO status, organisations should undertake a self-assessment of their processes and procedures to ensure that they are in a position to meet the qualifying criteria. In this regard, Analytiqa has designed a self-assessment questionnaire to help organisations evaluate their current practices. This self-assessment is a great way to understand how close an organisation is to the current requirements and how much work, time and cost it may take to get to achieve AEO accreditation.

Where gaps exist, Analytiqa can provide complete support for your AEO accreditation application, end to end. Only when an organisation is confident that it will meet the qualifying criteria should it then submit an application to a local Customs Office.

### **Who will carry out the evaluation of applications?**

Local Customs staff undertake the evaluation of each AEO application. The evaluation will always involve a physical inspection of an organisation's premises covered by the application. Depending on which type of AEO accreditation each organisation has applied for, some on-site audits will take longer and go into greater detail.

Analytiqa assists throughout the process so that organisations seeking accreditation should be comfortable that they meet minimum standards in each category of the application. Any issues highlighted by Customs may require

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corrective action and, if needed, a new date can be set for a follow up review once such issues have been resolved.

Some of the key areas of focus for the Customs administrators that issue AEO certificates include:

- an appropriate record of compliance
- a satisfactory system of managing commercial, and where appropriate, transport records, which allows appropriate customs controls
- proven financial solvency
- appropriate security and safety standards (when applying for a security and safety AEO certificate).

### **What happens if I decide not to apply for AEO status?**

There will be no loss of existing authorisations or simplifications if an

organisation decides not to apply for AEO accreditation. Current clearance times in the UK for businesses that do not have AEO status will not be affected immediately.

However, once the AEO system has bedded in, Customs will start to focus controls on supply chains that do not include AEOs and are deemed to be less secure. Profiling will become more commonplace and organisations without AEO status may face more examinations and delays than those operating with the AEO accreditation.

### **How can Analytiqa assist?**

Analytiqa can assist organisations to achieve AEO accreditation, as an independent advisor with core expertise and market insight across the global

supply chain. This enables it to provide complete support for each AEO accreditation application that it assists with, end to end.

The process of achieving AEO accreditation should not be underestimated. It may take considerable time to progress an application, depending on the complexity of each organisation. However, its role and status with the supply chain is growing in importance as the Modernised Customs Code proceeds towards completion and adoption across the EU.

The increasing number of household names, from the manufacturing, retail and logistics sectors that are AEO accredited is testament to the growing importance that clients place on using AEO qualified supply chains.