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**COMMUNICATION FROM THE COMMISSION**

**Blue Belt, a Single Transport Area for shipping**

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#### 1. INTRODUCTION

The European Union is highly dependent on maritime transport for its trade with the rest of the world and within its internal market. 74%<sup>1</sup> of the goods imported and exported by the Union and 37%<sup>2</sup> of the exchanges within the Union transit through seaports. Compared to other modes of transport, maritime transport has advantages such as its lower costs, and a lower impact on the environment in relation to the amount of cargo carried.

Nevertheless, shipping is not always used to its full potential due to unnecessary administrative requirements.

Article 28 of TFEU allows for the free movement of Union goods<sup>3</sup> within the EU customs territory. However, as vessels that leave the MS territorial waters<sup>4</sup> are considered to pass EU external borders, vessels travelling between ports in two different Member States are deemed to have left the EU Customs Territory. As a result, customs formalities become necessary when the vessel leaves the port of departure and again when the vessel arrives at the port of destination, even if both are EU ports. While these procedures are required for economic, safety, security and financial reasons, they involve costs and lead to delays that put shipping at a disadvantage in comparison to other modes of transport, when it comes to the movement of Union goods in the EU internal market.

The reduction of costs as well as the simplification of all administrative procedures is a major objective for promoting the greater use of Short Sea Shipping and of seaborne trade between EU ports.

The establishment of a real internal market for Union goods carried aboard vessels would strengthen the competitive position of shipping versus other modes of transport and the whole economy, since the logistical chain would be rendered more effective, complementing trade facilitation measures already taken. It is important to create a level playing field between all modes of transport.

One of the existing trade facilitation measures is the regular shipping service scheme, a customs facilitation scheme for vessels that call on a regular basis in EU ports only carrying mainly Union goods. Nevertheless, according to the maritime transport industry, only 10-15% of maritime traffic, mainly ferries, is operating under this scheme. Given that the vast majority of vessels carry both Union and non-Union goods and stop frequently at both Union and non-Union ports (e.g. in Norway,

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<sup>1</sup> Source: ESPO, European Port Performance Dashboard, 2012

<sup>2</sup> Source: Eurostat

<sup>3</sup> Union goods means goods which are wholly obtained in the customs territory of the EU, which have been imported from non-EU countries and released for free circulation, or which are obtained or produced in the EU from goods falling in the preceding categories. Non-Union goods are other goods, essentially those which are imported from non-EU countries and have not been released for free circulation. (article 29 of TFEU)

<sup>4</sup> Territorial waters, or a territorial sea, is a belt of coastal waters extending at most 12 nautical miles (~22km) from the baseline (usually the mean low-water mark) of a coastal state. It is regarded as the sovereign territory of a state. (United Nations Convention on the Law of the Sea, 1982)

Northern Africa, Russia), a real facilitation needs to cover this type of shipping service if maritime transport is to exploit its full potential.

Therefore, this Communication creates a policy framework for the Blue Belt, as concept supported by the Council in 2010<sup>5</sup>, increasing the competitiveness of the maritime transport sector by allowing vessels to operate freely within the EU internal market with a minimum of red tape, including simplification and harmonisation measures for maritime transport from third-country ports. To achieve these goals, it presents the two necessary legal measures amending the Customs Code Implementing Provisions (CCIP), one already submitted to the competent Committee in June 2013, and a second to be proposed by the end of the year.

## 2. CONTEXT

The complexity of administrative procedures was identified as one of the key bottlenecks for the development of maritime transport in the Commission Communication and action plan with a view to establishing a **European maritime transport space without barriers**<sup>6</sup>. The action plan contained short and medium term measures as well as recommendations to the Member States. In relation to customs, it spelt out the need for the simplification of formalities for vessels sailing between EU ports carrying goods in free circulation as well as a facilitation for vessels making a call in a port located in a third country or free zone.

As part of the action plan, the Commission adopted **Regulation (EU) No 177/2010**<sup>7</sup> introducing streamlined procedures for the so-called "regular shipping services" (RSS) performed by authorised companies. Another part of the action plan, is the **e-Maritime initiative**, which aims to foster the use of advanced information technologies for the maritime transport sector by promoting interoperability and facilitating the electronic communication between the different actors involved in maritime transport. A first step to implement the e-Maritime initiative is **Directive 2010/65/EU**<sup>8</sup> according to which ship reporting formalities shall be transmitted and exchanged electronically via National Single Windows (NSW).

In a broader context, the **2011 White Paper for the future of transport**<sup>9</sup> (Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system) advocates a genuine Single European Transport Area in which all residual barriers between modes and between borders are to be eliminated. In particular, it calls for a Blue Belt in the seas around Europe which would simplify the formalities for ships travelling between EU ports.

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<sup>5</sup> The topic was discussed under Belgian Presidency at the Informal Transport Council in Antwerp on 15-16 September 2010 and resulted in Council Conclusions of 2 December 2010 on the "Full integration of waterborne transport into the EU transport and logistics chains".

<sup>6</sup> COM(2009) 10 final

<sup>7</sup> OJ L52 of 3.3.2010

<sup>8</sup> OJ L283 of 29.10.2010

<sup>9</sup> COM(2011) 144 final

### **3. BLUE BELT, A WAY OF COMPLETING THE INTERNAL MARKET FOR MARITIME TRANSPORT**

#### **3.1. The Blue Belt objective**

The administrative burden for shipping companies and their customers and the delay times in ports have a negative impact on their competitiveness. The efficiency of customs clearance procedures for goods transported between EU ports has a considerable impact on the timely and efficient flow of trade between EU companies and businesses. Additional costs are either borne by the shipping company, constituting an economic drag in an ever more competitive marketplace, or passed on to their clients with a price increasing effect for the EU consumer.

The Blue Belt is an area where vessels can operate freely within the EU internal market with a minimum of administrative burden while safety, security, environmental protection as well as customs and tax policies are enhanced by the use of maritime transport monitoring and reporting capabilities (processes, procedures and information systems).

Its main objective is to improve competitiveness of the maritime sector through the reduction of administrative burden and costs. Enhancing the attractiveness of maritime transport and Short Sea Shipping in particular stimulates employment, reduces the environmental impact of transport. In short, it promotes real Blue Growth<sup>10</sup>.

The efficiency of intra-EU maritime transport services will be improved and costs are expected to decrease once the Blue Belt measures are in place and consequently, the competitiveness of European shippers, freight forwards and manufacturers will be enhanced; a level playing field between all modes of transport is created. This further facilitation of intra EU goods transport will be significant both from an economic and environmental perspective and would generate real effects on the ground.

#### **3.2. Blue Belt pilot project**

In order to validate this concept, the Commission initiated in 2011 a Blue Belt pilot project in cooperation with the European Maritime Safety Agency (EMSA). The pilot aimed at demonstrating to national authorities, including customs, the services which SafeSeaNet<sup>11</sup>, the vessel traffic monitoring and information system managed by EMSA, could offer to support their work, while reducing the administrative burden for maritime transport. As many as 253 vessels participating in the pilot exercise were monitored and customs authorities received a notification report before arrival, giving information on routes, ports of call and vessel behaviour (e.g. encounters at sea).

An evaluation of the project as well as some possible follow-up actions, such as extending the monitoring to all vessels involved in purely intra-EU transport or to vessels calling in non-EU ports, giving other user authorities access to the information, also through national single windows, and developing more automated

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<sup>10</sup> COM (2012) 494 final

<sup>11</sup> SafeSeaNet is a system established by Directive 2002/59/EC as amended, hosted and technically developed by EMSA which puts a reporting and notification obligation on Masters, operators or agents of ships enabling Member States to provide and receive information on ships and their hazardous cargoes. It provides, among others, the identification, position and status of a ship; times of departure and arrival; incidents reports, details on hazardous cargoes.

formalities for intra-EU shipping, were described in a Commission Staff Working Paper<sup>12</sup> and discussed at the Transport Council in June 2012. Transport Ministers expressed strong support for developing the Blue Belt, and invited the Commission to come forward with specific proposals.

The Blue Belt pilot project showed that useful information could be provided to customs on the voyages of the vessels. Nevertheless, customs authorities pointed out that the information regarding the vessels should be completed with information regarding the goods carried, in particular on their status (Union versus non-Union). This distinction allows customs authorities to ensure the appropriate customs supervision of non-Union goods while at the same time facilitating the procedures for Union goods.

### **3.3. Single Market Act II**

On 3 October 2012, the Commission proposed in its Communication "Single Market Act II, Together for new growth"<sup>13</sup> a set of actions to further develop the Single Market and exploit its potential as an engine for growth. Blue Belt was identified as a key action, to consist of a package with legislative and non-legislative initiatives to reduce the administrative burden for intra-EU maritime transport to a level that is comparable to that of other transport modes (air, rail and road).

This key action also refers to the Ports Policy Review<sup>14</sup>, adopted on 23 May 2013. The review complements the aim of the Blue Belt initiative. It intends to promote the competitiveness of European sea ports and unleash their growth potential. The review also imposes a requirement to consult stakeholders and public administrations operating in the port area on the efficiency of administrative procedures in ports and, where appropriate, possible measures to simplify them.

## **4. THE BLUE BELT PACKAGE**

The Commission believes that to create swift and real operational results, the Blue Belt package should contain two measures, i.e. an enhancement of the Regular Shipping Service scheme and, considering economic reality, a facilitation mechanism for vessels that call also in third-country ports. In addition, the planned revision of Directive 2002/59/EC on Vessel Traffic Monitoring and Information Systems<sup>15</sup> and the implementation of the Reporting Formalities Directive will support the implementation of this expanded Blue Belt concept.

### **4.1. Present situation**

#### *4.1.1. Current facilitations*

Union goods aboard ships that during the course of the voyage leave the Member States' territorial waters included in the customs' territory of the Union, lose their Union status and are subject to certain procedures regardless of whether they circulate only between EU ports or not. This means that for example Union goods on a truck voyage between Tallinn and Lisbon benefit fully from the single market<sup>16</sup>,

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<sup>12</sup> SWD(2012)145 final

<sup>13</sup> COM(2012) 573 final

<sup>14</sup> COM(2013)296 final and COM(2013)295 final

<sup>15</sup> OJ L208 of 27.06.2002

<sup>16</sup> On the condition that the truck remains within the EU customs territory and, for example, does not use a route via Kaliningrad or Ukraine.

while a vessel carrying the same goods between Tallinn and Lisbon is still considered to have undertaken an international voyage.

Existing legislation already provides for a simplification for goods transported inside the EU territory through the Regular Shipping Service procedures. These goods are considered to be Union goods, unless established otherwise. Certain conditions need to be fulfilled in order to make an operator eligible:

- vessels can only ply between EU ports on a pre-determined route
- prior authorisation

Non-Union goods can be shipped on regular shipping service vessels as well, subject to being placed under the external Community transit procedure<sup>17</sup> to ensure customs supervision. For this purpose traders may use simplifications based on the use of a manifest, a solution which is often used by carriers. This is without prejudice to the application of controls for other purposes, including those related to the protection of animal, public or plant health of the Union.

It is up to the shipping company to decide whether or not to apply for regular shipping service according to its individual business needs. Such decision will be based on the advantages in practical terms, depending on whether the vessels carry mainly Union goods (in which case regular shipping service may be an option since no proof of Union status is required) or mainly non-Union goods (in which case the use of regular shipping service may not be an option because there is no obligation to use the transit procedure outside the service).

#### 4.1.2. *Existing information systems used for the collection of customs related information from ships*

The EU has adopted measures requiring Member States to establish "National Single Windows" allowing traders to lodge information through a single interface to meet all import or export-related regulatory requirements.

A first step towards establishing national single windows has been accomplished with the launching of the e-customs project. The project, resulting from Decision No 70/2008<sup>18</sup>, aims at replacing paper format customs procedures with EU wide electronic ones, thus creating a more efficient and modern customs environment. Customs related information concerning the outcome of the health controls could be retrieved from the Trade Control and Expert System, introduced by Decision 2002/459/EC<sup>19</sup>, which creates a trans-European network for the notification, certification and monitoring of imports, exports and trade of sanitary and phyto-sanitary products. In addition, regulation (EC) No 648/2005<sup>20</sup> introduced risk analysis to base customs controls and the improvement of their efficiency and effectiveness in all areas (security, safety, fiscal).

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<sup>17</sup> This procedure is defined in article 91(1) of the Community Customs Code. It allows in particular the movement of non-Community goods from one point to another within the customs territory without such goods being subject to import duties and other charges or to commercial policy measures.

<sup>18</sup> OJ L23 of 26.1.2008

<sup>19</sup> OJ L159/27 of 17.06.2002

<sup>20</sup> OJ L117 of 4.5.2005

National customs authorities have also developed and operated since 2011 the Import Control Systems<sup>21</sup> for receiving automated Entry Summary Declarations<sup>22</sup> primarily for safety and security risk screening purposes. Entry summary declarations are lodged by the responsible parties at the first EU customs office of entry for vessels departing from non-EU ports. The interoperability of import control systems already allows customs at the first point of entry to pass results of safety and security risk analysis on to other Member State customs offices whose ports are listed in the entry summary declarations.

Directive 2010/65/EU on reporting formalities for ships arriving in and/or departing from ports of the Member States aims to “simplify and harmonise the administrative procedures applied to maritime transport by making the electronic transmission of information standard and by rationalising reporting formalities”. It requires Member States to establish national single window services for receiving the ship port call notifications by 1 June 2015. As the information will need to be submitted only once, it will have to be shared between the relevant administrations, such as customs and border control.

For such purposes a link has been established between the Reporting Formalities Directive and the Vessel Traffic Monitoring and Information Systems Directive, particularly as regards using and developing the SafeSeaNet's platform in this context. In order to use existing resources and investments efficiently, avoid duplication and, where possible, reduce the administrative burden both for industry and administrations involved, SafeSeaNet should also be used for additional exchange of information for the facilitation of maritime transport. To achieve this it should be interoperable with other monitoring and reporting systems. The overall objective is to guarantee the monitoring of vessels in a system (or interlinked system) that would be to the benefit of various needs at the national, EU and international level enabling the establishment of a European maritime transport space without barriers.

Information relating to cargo which is required by customs and other authorities are collected via a cargo declaration or “cargo manifest” transmitted by the shipping company. Despite the adoption of a standardised cargo declaration in the FAL Convention<sup>23</sup> and the existence of an electronic format recommended by the World Customs Organization, there is no harmonised structure for the cargo manifest which has been implemented by the Member States and that could be used for electronic administrative clearance systems.

## **4.2. The future Blue Belt environment**

### *4.2.1. Enhancements to the concept of Regular Shipping Service*

Operating a Regular Shipping Service is subject to prior authorisation by the customs authorities. The application must be submitted to the customs authorities of the Member State in whose territory that company is established or, failing this, in whose territory it has a regional office. The authorising customs authority seeks the

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<sup>21</sup> The Import Control System, a system for electronic information exchange based on common specifications, provides for the handling of pre-arrival declarations and the link of the information with risk analysis.

<sup>22</sup> An Entry summary declaration is a declaration referred to in article 36a of the Customs Code to be lodged for goods brought into the customs territory of the Union.

<sup>23</sup> The FAL Convention is a convention for the facilitation of international maritime traffic, adopted by the International Maritime Organisation on 9 April 1965 as amended.

agreement of the customs authorities of the Member States concerned, i.e. those Member States in whose ports the company wishes to call. Adding new ports of call in other Member States requires a new authorisation procedure to be launched.

In 2012, the process of application for regular shipping service and the subsequent management of the authorisation were updated and streamlined, in particular through the use of an electronic information and communication system. The procedure for authorisation was shortened through a reduction of the consultation phase from 60 to 45 days and subsequent registration of vessels and routes was made easier.

Despite the proven benefits of these facilitations, the procedure to operate a regular shipping service is still considered to be cumbersome and not flexible enough by the shipping industry, with the consequence that many carriers still refrain from applying for this status. Therefore, some additional modifications could improve the RSS procedure and make it faster and more flexible.

To introduce further facilitations of the regular shipping service scheme, an amendment of the current Customs Code Implementing Provisions<sup>24</sup> (CCIP) was submitted by the Commission to the competent Committee in June 2013.

The amendment covers:

- A shortening of the authorisation period by further limiting the consultation period between Member States to 15 days.
- An extension to future port calls. Currently, operators applying for regular shipping service authorisation must specify the Member States concerned by the service. If subsequently they wish to extend it to another Member State, another consultation is required. Allowing applicants to specify in advance Member States which could be covered in the future as well as those actually covered would save time when the business case arises.

#### **Blue Belt facilitation - Example 1**

**An operator, wanting to offer a regular shipping service between Felixstowe in the UK, Rotterdam in the Netherlands and Copenhagen in Denmark and in the future perhaps to Gdansk in Poland, will be able to profit from the enhanced regular shipping service scheme. The operator will have to ask for an authorisation to the UK customs authorities to operate this service and will also be given the opportunity to indicate which Member States might be added to the service in the future, in this case Poland. The UK authorities will contact all of the relevant customs authorities, i.e. in the Netherlands, Denmark and Poland and ask for their permission to grant the authorisation. Member States will have up to 15 days (instead of the current 45 days) to answer. An authorisation will then be granted and the operator will be able to offer the service at a relatively short notice. Later on, if the operator wishes to modify the service to include the port of Gdansk in Poland, this can be done in a very smooth way, without having to launch a new authorisation procedure.**

<sup>24</sup> Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code, OJ L 253 of 11.10.1993



#### 4.2.2. *The eManifest, a tool to facilitate voyages of vessels calling also in third country ports*

Notwithstanding its benefits, the concept of regular shipping services is only attractive to a limited number of business operations and often does not correspond to the needs of shippers, manufacturers, importers and exporters, trade and industry. Since only intra-EU shipping services meet the conditions for authorisation and operation, ships involved in intra-EU trade but calling also at a foreign port are excluded from its scope. It is estimated that only 10-15% of maritime traffic, mainly ferries, is operating under the regular shipping service scheme. Given that the vast majority of vessels carry both Union and non-Union goods and stop frequently at both Union and non-Union ports (e.g. in Norway, Northern Africa, Russia), a real facilitation needs to cover this type of shipping service if maritime transport is to exploit its full potential.

The status of the goods carried on-board (i.e. Union or non-Union, Export, Freight Remaining On Board, etc.) needs to be known in order to determine the appropriate customs supervision. Therefore, facilitations can be achieved by introducing a tool for easy notification of the required information, including information to be provided by the shipping company to customs on the status of the goods. This will allow the authorities to determine the procedure to be applied according to the status of the goods. Such a tool will allow customs at the discharge port to arrange for a swift release of Union goods while ensuring that non-Union goods remain under necessary customs and other administrative controls, such as health controls, pending their release for e.g. free circulation.

**The electronic cargo 'eManifest' with information on the status of goods is considered a practical solution to achieve this. The eManifest would take the form of a harmonised and electronic cargo manifest and is an instrument to achieve further facilitation of maritime transport for vessels calling at EU and also at third country ports.**

When the eManifest is lodged in an EU port, the Union status of the goods on board will be indicated and, if confirmed, customs controls would no longer be needed for Union goods apart from random checks. This represents a considerable facilitation of trade for shippers and shipping companies, as well as a simplification for customs authorities not required to check Union goods, unless identified for random or specific checks.

Goods loaded at non-EU ports would by definition be non-Union goods and be mentioned as such on the eManifest. In addition, if a vessel calls at a third country port between two EU ports but Union goods remain on board, the goods will maintain their status as declared upon departure from the last EU port. Furthermore, the verification of accuracy of the information provided from the port of departure to the port of arrival will be facilitated due to the harmonised eManifest.

The eManifest would introduce a further simplification: the indication of the goods' status in the eManifest could be endorsed by an operator if he is authorised to do so. Traders who do not have such an authorisation will have to rely on confirmation by the customs authorities.

The eManifest needs to be made available electronically to the customs authorities in the subsequent EU port of call where goods will be unloaded, the Union status of the goods being used to guarantee a quick release. A reference in the eManifest to the

cargo-related information collected in previous ports of call would provide an additional element for tracking compliance not only with the fiscal but also with the safety and security requirements of the EU.

The eManifest will need to be fully harmonised across the EU. IT systems also need to be fully interoperable for the eManifests to be lodged and information to be exchanged between authorities. However, the intention is not to create a new system which would imply additional costs, but to build on existing systems or systems which are being developed, such as the National Single Window, developed in the framework of the Reporting Formalities Directive, which would allow the eManifest to be exchanged between national customs administrations and with other relevant authorities.

**With this solution, Union goods will benefit from the internal market, and this even for voyages with calls in third countries ports, while non-Union goods will be subject to the same full compliance requirements that exist today. Customs authorities will be able to devote more resources to risk assessment and clearance of non-Union goods while Union goods can circulate more freely.**

In order to introduce this facilitation, the Commission is preparing to present by the end of 2013 an amendment of the current Customs Code Implementing Provisions (CCIP), including provisions to establish the eManifest. The Commission expects the eManifest to be fully operational as of June 2015. This amendment will take into account work which has already been carried out in implementing the Reporting Formalities Directive which requires the closer cooperation between all parties involved both at national and EU level. In addition, eManifest requirements need to be taken into account when revising the Vessel Traffic Monitoring Information Systems Directive and during the further implementation of the Reporting Formalities Directive.

#### **Blue Belt facilitation - Example 2**

**A ship sailing from Shanghai in China calls at Limassol in Cyprus. All goods on board arrive from outside the EU. A risk assessment on the type and level of risk has been carried out on the basis of the entry summary declaration lodged prior to departure from Shanghai. All cases on immediate threat will be subject to all necessary controls, such as health controls, safety and security, veterinary controls, etc. For those goods from China unloaded in Cyprus, all usual controls will be performed in Cyprus. For the goods remaining on board and that present a risk that is not an immediate threat, information is passed to all routing Member States, in order to enable the customs authorities at unloading ports to perform the necessary controls. The ship then loads EU cargo to go from Cyprus to Marseille in France. With the Blue Belt facilitation in Limassol the operator of the vessel will update the eManifest which includes the indication of the status of its cargo (respectively non-Union and Union goods) in the electronic document. On its way to Marseille, the vessel makes a stop in Tangier to unload goods from China and load additional goods. The eManifest is updated again and a new entry summary declaration is lodged for safety and security risk assessment purposes for the goods loaded in Tangier. All goods coming from China and additional goods loaded in Tangier are considered to be non-Union goods. When the ship arrives in Marseille, Union goods loaded in Limassol, their status declared in the eManifest, can be quickly released by customs based upon their Union status indicated in the eManifest. All non-Union goods will be subject to the appropriate controls, such as security, safety, health, veterinary, fiscal, etc.**

## **5. REPORTING**

The Commission will report by mid-2016 to the European Parliament and the Council on the Blue Belt initiative, including on its implementation, effectiveness, impact on EU economy, further evolution, etc.

The Commission will also inform on a regular basis stakeholders on the implementation and effectiveness of the Blue Belt initiative.

## **6. CONCLUSION**

Recalling the objectives of the Single Market Act II to create a real single market for maritime transport, the Commission confirms its commitment to develop the Blue Belt concept until its full implementation, including the expanded simplification measures for third country calls.

Therefore, the Commission calls for the support of the European Parliament and the Council as well as the technical involvement of the shipping industry to put the Blue Belt initiative into practice. Simultaneously, Member States' customs and maritime authorities are asked to continue and enhance their cooperation as only a joint effort can make the Blue Belt work and create – to use the yardstick of the Single Market Act II – real effects on the ground!