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REPORT FROM THE COMMISSION TO THE COUNCIL
on the application of the Airworthiness Regulation
(period 2014-2016)

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1 Introduction

1.1 General

Council Regulation (EC) No 1147/2002 ('the Airworthiness Regulation') provides for the temporary suspension of the autonomous common customs tariff duties on certain goods imported with airworthiness certificates¹. It enables simplified customs procedures for duty-free imports of parts, components and other goods from non-EU countries that are used to manufacture, repair, maintain, rebuild, modify or convert aircraft. In the past, these were imported under special customs procedures such as end-use, inward processing, customs or warehousing. Importing under the special customs procedures required prior and/or subsequent authorisation or supervision by customs, whereas under the Airworthiness Regulation authorisation can be granted upon presentation of a specific 'airworthiness certificate'. This procedure is less burdensome than the previous suspensive ones.

Under Article 4 of the Airworthiness Regulation, a report on the application of the Regulation must be submitted to the Council based on the information received from the Member States. The purpose of this report is to present findings and conclusions on the implementation of the Airworthiness Regulation based on the information received from Member States for the 3-year period 2014 to 2016 ('period considered').

1.2 Questionnaire

In order to collect the necessary information, on 29 June 2017 the Commission sent a questionnaire to all Member States. The questionnaire consisted of 11 questions which were divided into four areas:

1. effectiveness;
2. efficiency;
3. coherence; and
4. control activity.

The data Member States submit to the Surveillance database has also been used when assessing 'effectiveness' in this report.

Questionnaire replies were received from 21 Member States representing 93.1 % of imports under the Airworthiness Regulation in the period considered. Certain Member States provided answers and figures to all questions, whereas others were not always able to answer, in particular where quantifiable information was requested.

A fifth area, the 'relevance' of the Airworthiness Regulation, was assessed using information received from Member States in response to a survey on possible improvements of the Airworthiness Regulation that was conducted in June 2014.

¹ Council Regulation (EC) No 1147/2002 of 25 June 2002 temporarily suspending the autonomous Common Customs Tariff duties on certain goods imported with airworthiness certificates (OJ L170, 29.6.2002, p. 8.).

2 Report on findings

This section of the report presents the findings regarding the relevance, effectiveness, efficiency, coherence and control activities of the Airworthiness Regulation. These findings were derived from the information received from the Member States.

2.1 Relevance of the Regulation

As it stated in section 1.3, a survey of the Member States was conducted in 2014 to identify possible improvements to the Airworthiness Regulation. Their feedback provided important information on the implementation of the Regulation and useful guidance on certain areas that needed to be improved to take account of either legal or technological developments.

In responding to the survey, Member States pointed to the significance of the Regulation, as it reduces the administrative burden for customs officials by allowing them to use alternative customs procedures, than the granting of end-use authorisations and the following up and supervising of other special customs procedures (e.g. inward processing, warehousing).

However, a number of Member States pointed out that the Airworthiness Regulation needs further clarification with regard to the eligible authorised certificates for granting suspension of autonomous common customs tariff duties. In their view, clarity in this area would eliminate uncertainties as to which certificates are required and would encourage aircraft operators to make use of the possibilities under the Airworthiness Regulation. They also requested further improvements to the procedures for goods to be repaired.

Member States were also open to the possibility of further simplifying matters for aircraft operators by allowing duty-free imports on the basis of certificates for military aircraft too. This is because very often parts can be used for both types of aircraft and the end-use is not always known upon importation. This would also be consistent with Article 324(1)(c) of Commission Implementing Regulation (EU) 2015/2447, which does not distinguish between civil and non-civil aircraft in respect of the simplified discharge of the inward processing procedure. Also, it is also in line with and complements Regulation (EC) No 150/2003 suspending import duties on certain weapons and military equipment.

Responses were mixed regarding the listing of goods eligible for a suspension under the Airworthiness Regulation. Some Member State preferred the *status quo*, whereas others were in favour of a detailed list at CN heading or subheading level, provided it could be amended swiftly. It must also be recalled, in this respect, that the integration of the Airworthiness Regulation in TARIC has not been done for all CN codes of Chapters 25 to 97 of the CN, but that the list of codes was reduced during the discussions of the Customs Expert Group for TARIC matters.

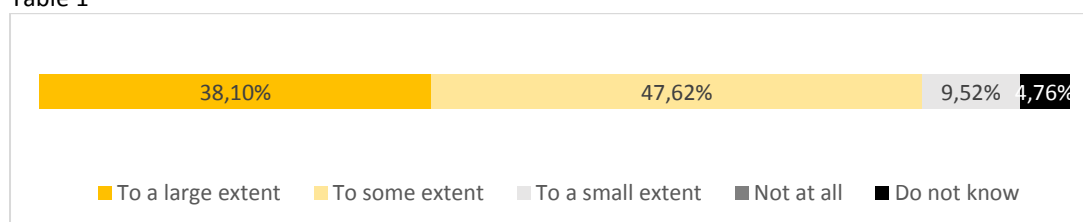
In response to these concerns, the Commission is in the process of preparing a proposal to the Council that will replace the Airworthiness Regulation and update, streamline and further simplify the procedures for duty-free imports of certain goods that may be incorporated in or used for aircraft. This process is expected to be finalised by the end of 2017.

2.2 Effectiveness

In assessing the effectiveness of the Airworthiness Regulation, three questions were addressed to Member States to identify the extent to which simplifying customs procedures for the economic operators and for customs authorities has helped achieve the objective of the Regulation. The responses are presented in the following graphs:

Q1. The Airworthiness Regulation achieved its objective in simplifying customs procedures for duty free imports of parts, components and other goods used for the manufacture, repair, maintenance rebuilding, modification or conversion of aircraft?

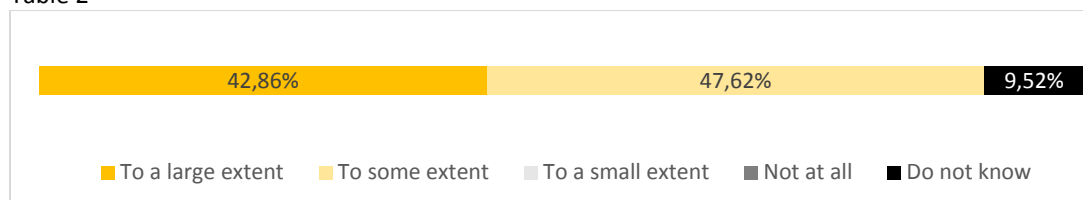
Table 1



Source: Member States' responses to the questionnaire

Q2: To what extent do you feel that the administrative burden for economic operators in the aircraft sector was alleviated by the Airworthiness Regulation in so far as it reduced the need for them to use suspensive customs procedures (e.g. end-use, inward processing, customs warehousing)?

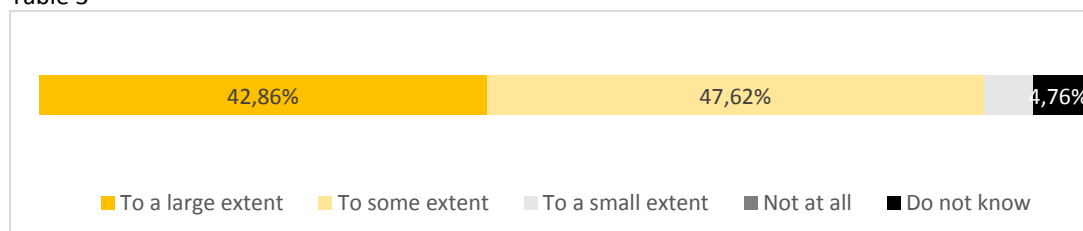
Table 2



Source: Member States' responses to the questionnaire

Q3: To what extent was the administrative burden for customs authorities alleviated by the Airworthiness Regulation in so far as it reduced the need for economic operators to use suspensive customs procedures (e.g. end-use, inward processing, customs warehousing)?

Table 3



Source: Member States' responses to the questionnaire

The Member States' replies show that the vast majority of administrations (more than 85 % of respondents) consider that the Airworthiness Regulation has achieved its aim of alleviating the administrative burden on economic operators in the aircraft sector. The vast majority also consider that the Regulation has helped reduce the administrative burden for the national customs authorities.

The cost savings for EU businesses importing parts, components and other goods under the suspension scheme can have wider benefits, such as boosting the competitiveness of the EU aeronautics industry, making production methods more efficient, and creating or keeping jobs in the EU.

However, two Member States reported there are still cases where economic operators insist on the inward processing procedure and do not use the simplified procedures offered by the Airworthiness Regulation.

2.3 Efficiency

Data from the Surveillance database were used to quantify the value of imports under the Regulation in the period considered. This information is given in section 2.3.1, broken down by origin of imports, importing Member State and by CN subheading.

2.3.1 *Value of imports*

Table 4: Import value in EUR for 2014-2016, by country of origin

Import values per country of origin	2014	2015	2016	Grand total for 2014-2016
United States of America	8 658 536 103	11 112 281 769	14 010 541 826	33 781 359 698
Canada	630 774 271	822 536 320	960 885 100	2 414 195 690
Singapore	253 882 594	252 674 439	255 790 579	762 347 612
Japan	184 631 396	242 008 025	278 012 288	704 651 709
Turkey	85 705 800	173 137 100	233 401 407	492 244 307
China	111 280 770	172 631 537	168 208 313	452 120 619
Mexico	72 617 669	155 400 109	205 357 625	433 375 404
Switzerland	135 621 526	97 256 260	103 608 054	336 485 840
Philippines	47 909 481	63 139 468	164 470 527	275 519 476
Taiwan	50 860 474	76 550 593	66 832 444	194 243 511
Grand total of top 10 countries	10 231 820 084	13 167 615 619	16 447 108 162	39 846 543 865
Grand total of all countries	11 289 774 034	14 906 427 347	18 522 590 954	44 718 792 334

Source: Surveillance database

The total value of all imports into the EU for the period considered, amounted to EUR 44 718 792 334. The top 10 countries of origin by the volume of imports make up EUR 39 846 543 865 (89.1 %) of the grand total amount. The table above shows a steady increase in import values in the period considered.

The table clearly shows that the United States of America was by far the main country of origin in EUR trade value for the entire period considered. Canada recorded the second highest trade value with rising trends in the period considered. Singapore had the third highest trade value, with a value of exported goods remaining rather stable over the period considered. The value of imports increased significantly for Japan (+51 %), Turkey (+172 %), Mexico (+182 %) and the Philippines (+243 %).

Table 5: The first and last column of Table 4, transposed into chart format showing the percentage of the values of imports (top 10 countries of origin and the grand total of all countries of origin for 2014-2016)

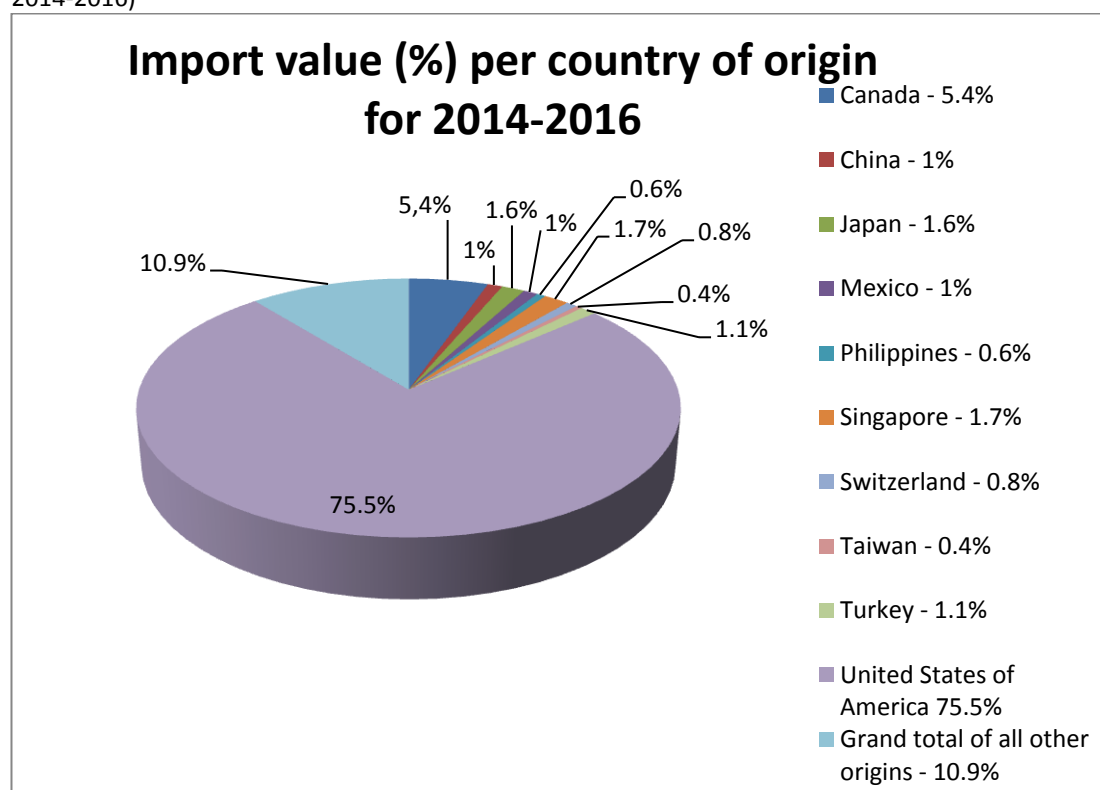
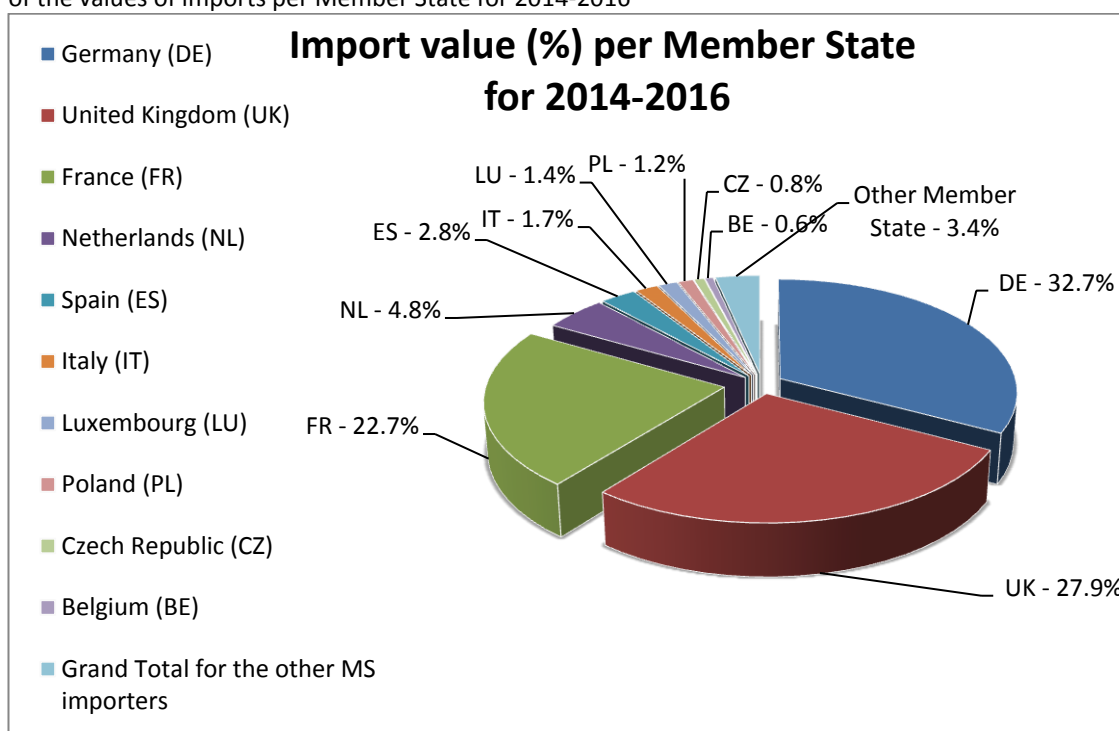


Table 6: Value of imports in EUR by Member State for 2014-2016

Import values per Member State	2014	2015	2016	Grand total
Germany	3 953 545 804	4 888 963 973	5 801 425 448	14 643 935 225
United Kingdom	3 067 202 607	4 112 329 609	5 302 307 837	12 481 840 053
France	2 283 119 979	3 402 016 736	4 453 822 183	10 138 958 898
The Netherlands	577 602 997	717 607 299	865 998 485	2 161 208 781
Spain	406 207 547	391 394 246	432 677 834	1 230 279 626
Italy	142 749 661	269 796 330	361 276 115	773 822 106
Luxembourg	204 498 753	210 331 595	225 266 316	640 096 664
Poland	131 030 197	168 749 737	214 885 793	514 665 727
Czech Republic	81 283 683	153 500 591	114 602 786	349 387 060
Belgium	76 789 159	80 363 341	120 178 533	277 331 033
Grand total of top 10 Member State importers	10 924 030 386	14 395 053 456	17 892 441 331	43 211 525 173
Grand total of all Member States	11 289 774 034	14 906 427 347	18 522 590 954	44 718 792 334

Source: Surveillance database

Table 7: The first and last column of Table 6, transposed into a chart format showing the percentage of the values of imports per Member State for 2014-2016



Three Member States [DE, UK and FR] have the highest import values for the period considered, which can be explained by the fact that the largest aviation manufacturer in the EU has production facilities there. Their imports constitute EUR 37 264 734 176 (83.3 %) of the total value of EUR 44 718 792 334 for this period. However, the import values for the other Member States (notably NL, IT and PL) also increased over the period considered.

Table 8: 15 most used CN subheadings in EUR for 2014-2016

15 most used CN subheadings	Description	Grand total for 2014-2016 in EUR
8411 91	Parts of turbojets or turbopropellers	19 384 532 811
8803 30	Other parts of aeroplanes or helicopters	3 383 005 487
8411 12	Turbojets of a thrust exceeding 25 kN	3 329 771 994
9014 20	Instruments and appliances for aeronautical or space navigation (other than compasses)	1 200 399 757
8803 20	Undercarriages and parts thereof	840 848 278
8537 10	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 8535 or 8536, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus of heading 8517 — for a voltage not exceeding 1.000 V	734 716 410
8411 22	Turbopropellers of a power exceeding 1.100 kW	673 655 101
8481 80	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves	516 308 529

	and thermostatically controlled valves	
8411 99	Parts of other gas turbines	508 717 133
8411 21	Turbopropellers of a power not exceeding 1.100 kW	472 935 098
9032 89	Automatic regulating or controlling instruments and apparatus: (other than manostats and thermostats)	448 780 830
8544 30	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	354 191 153
8411 11	Turbojets of a thrust not exceeding 25 kN	350 993 592
8526 91	Radio navigational aid apparatus	334 871 961
9031 80	Measuring or checking instruments, appliances and machines, not specified or included elsewhere	324 608 356
Source: Surveillance database		

The goods with the highest trade volume for the period considered are under the subheading **8411 91** — Parts of turbojets and turbopropellers (2.7 % duty rate), and **8803 30** — Parts of aeroplanes or helicopters (2.7 % duty rate). Subheading 8411 91 accounts for 43.3 % of the total import value.

2.3.2 *Gains from reducing administrative burden*

Information that makes it possible to quantify the gains from any reported reduction in the administrative burden on customs authorities is very valuable in assessing efficiency.

To further assess efficiency, Member States were asked the following question:

Q4: What are the estimated gains in terms of full time equivalents by the reduction of the administrative burden that this Regulation has achieved for your administration?

Member States indicated that using the simplified customs procedure under the Regulation has a significant impact both for their customs administrations and for economic operators. However, they cannot quantify the estimated gains in terms of full time equivalents brought by the reduction in administrative burden, either because they have not estimated the statistics or because they are impossible to determine.

Member States were of the opinion that using airworthiness certificates — for which no customs authorisation or supervision is required — had significantly reduced the administrative burden because it saved time which would otherwise be needed to grant the end-use authorisation or supervise the inward processing or warehousing procedures.

The significant value of goods imported under the Airworthiness Regulation shows the magnitude of efficiency gains for operators that this Regulation has generated.

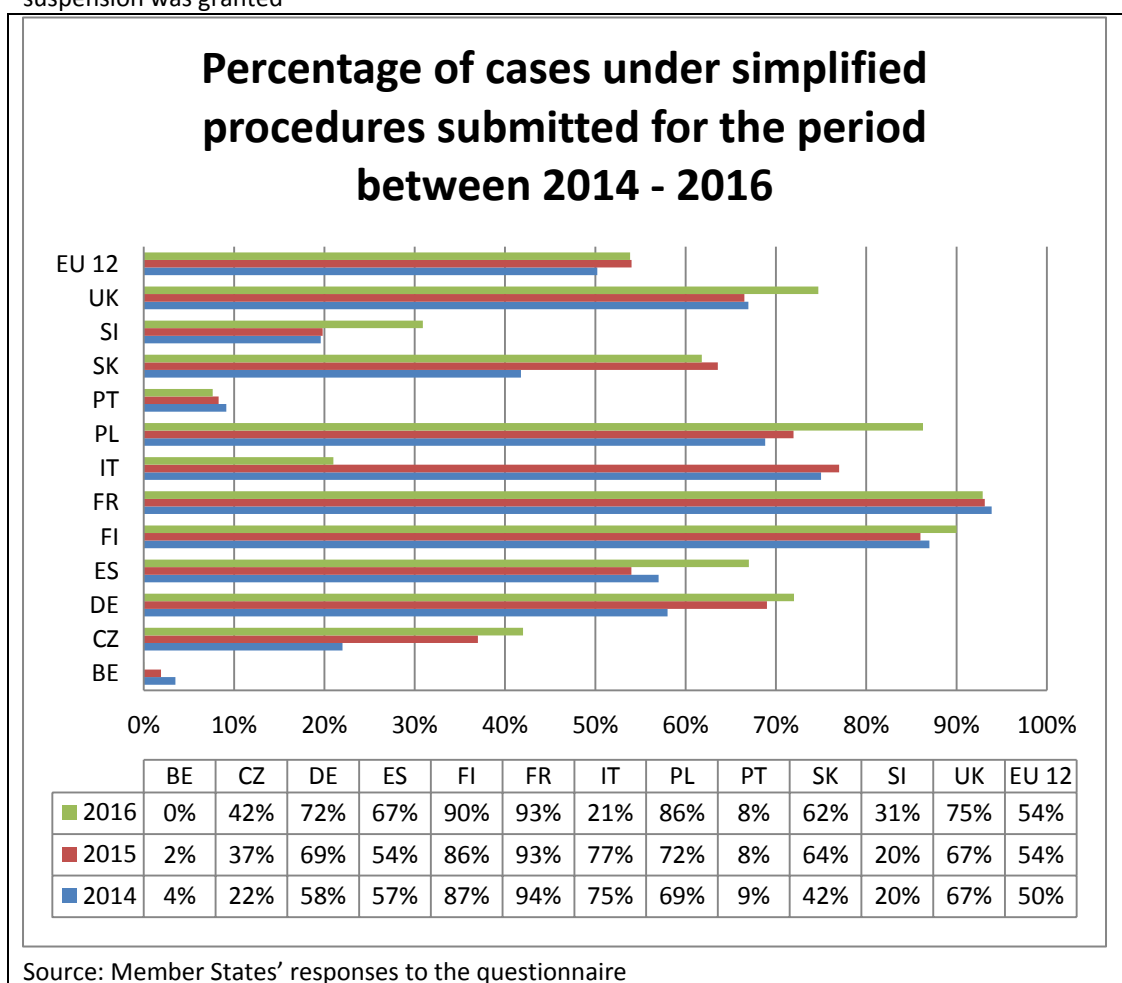
2.4 Coherence

Under Article 2(3) of the Airworthiness Regulation, simplified procedures can be applied when goods are released for free circulation. The questionnaire included two questions on

this, aiming to measure the complementarity and coherence of the Regulation with other areas of customs legislation:

Q5 and Q6: Which is the number of cases in the period considered where the goods under suspension were released for free circulation under simplified procedures (field 44 of the Single Administrative Document was filled in) and what is the percentage of simplified procedures in relation to the total of cases where suspension was granted?

Table 9: The percentage of simplified procedures in relation to the total number of cases where suspension was granted



The chart shows that the number of cases submitted under simplified procedures remained steady in relation to the total number of cases where suspension was granted. The figures on import values for 2014-2016 show that cases under simplified procedures account for slightly over 50 % of the total number of cases where suspension was granted.

The above reporting by Member States shows that the Airworthiness Regulation is complementary with customs legislation regarding simplified import procedures.

2.5 Control activities

In addition to normal customs controls based on risk analysis, the Airworthiness Regulation acknowledges the risk of falsified airworthiness certificates and provides for recourse to expert opinions from representatives of the national aviation authorities.

The questionnaire therefore included questions regarding the controls customs administrations carry out to implement the Regulation.

Q7: In the period considered how many customs controls have your administration carried out on goods imported under this Regulation?

Member States pointed out that economic operators are expected to provide the customs authorities with all relevant information for the customs control. If they wish to apply the simplified customs procedures under the Regulation, economic operators are required to present an airworthiness certificate. This is a condition for granting favourable tariff treatment for release for free circulation. The customs authorities therefore have to carry out the requisite checks and verify whether the airworthiness certificate corresponds to the model of the certificate.

Member States provided different answers regarding the number of controls carried out. In addition to the total number of customs controls, some Member States also provided numbers on control activities such as documentary checks, physical checks and post-clearance audits.

Table 10: Customs controls carried out on goods imported under the Airworthiness Regulation for the period 2014-2016

Question 7:	Number of controls
Physical checks	97
Documentary checks	13 981
Certificate checks	142
Post clearance audits	7
Customs controls (not specified)	6 705
Total	20 932
Source: Member States' responses to the questionnaire	

Q8: In the period considered what is the total amount of duties collected in view of irregular behaviour or operators?

Most Member States did not have statistics on this, nor have they detected any serious irregularities regarding the use of the Airworthiness Regulation. The majority of Member States reported that they carry out post-clearance audits to check the validity of the procedure. The highest amount of duties collected by a Member State after detecting irregularities was EUR 21 681. It is noteworthy that there were cases where declarations

with preference code 119 were refused by the Member States' customs authorities because airworthiness certificates were in fact certificates of conformity, which are clearly not covered by the Airworthiness Regulation. Some Member States also responded that their customs authorities always request a certification of consignment in addition to the customs controls (documentary or physical). This is to ensure that the components accompanied by the airworthiness certificate have indeed been incorporated or used in the aircraft. If a certificate of consignment is not provided, Member States reported that they would initiate the procedure to recover the relevant duties.

Q9: In the period considered on how many occasions has your administration requested an expert opinion from a representative of the national services of your national aviation authorities (Article 3)?

The Member States' replies showed that if they have good reason to suspect that airworthiness certificates have been falsified, they do request an expert opinion from a representative of the national aviation authorities. Furthermore, in several cases, Member States proceeded to informal consultations with the national civil aviation authorities to validate the authenticity and accuracy of the certificates.

Q10: What is the total number of falsified certificates detected by application of Article 3 in the period considered?

None of the Member States had detected falsified certificates in the period considered. However, most of them had received a copy of the certificate with a 'TRUE COPY' stamp on it.

Q11: From the application of Article 3 of the Regulation what has been the average cost of procuring the expert opinion from your national aviation authorities?

Most Member States did not provided any statistics for this question because they had not requested formal expert opinions. Member States that had requested expert opinions had received them free of charge, in most cases as an 'informal consultation'.

Member States' checks of imports under the Airworthiness Regulation revealed only few cases of irregular behaviour.
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3 Conclusions

For the 2014-2016 period, Council Regulation (EC) No 1147/2002 was assessed in terms of relevance, effectiveness, efficiency, coherence and control activities. Measured against all these factors, the Regulation had a significant, positive impact on economic operators and customs administrations alike.

The Regulation provides for the temporary suspension of the autonomous common customs tariff duties on certain goods imported with airworthiness certificates. It has simplified customs procedures for duty-free imports of parts, components and other goods used to manufacture, repair, maintain, rebuild, modify or convert aircraft, previously imported under the inward processing procedures.

In addition, the cost savings for EU businesses importing parts, components and other goods under the suspension scheme can have wider benefits, such as boosting the

competitiveness of the EU aeronautics industry, making production methods more efficient, and creating and keeping jobs in the EU.

The information received from the Member States clearly shows that the core rationale for simplifying customs procedures and suspending the common customs tariff remains valid. The Regulation ensures clarity, simplifies procedures, reduces administrative burden for economic operators and customs administrations and helps boost the competitiveness of the EU aeronautics industry.

In response to concerns expressed by Member States, the Commission has submitted a proposal to the Council to replace the Airworthiness Regulation in order to update, streamline and further simplify the procedures for duty-free imports of goods incorporated in or used for aircraft. This process is expected to be finalised by the end of March 2018.