



WORLD CUSTOMS ORGANIZATION
ORGANISATION MONDIALE DES DOUANES

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HARMONIZED SYSTEM
COMMITTEE

-
23rd Session

NC0009E1
(+Annex)
O. Eng.

Brussels, 27 April 1999.

DEVELOPMENT OF HS AUDIOVISUAL TRAINING MATERIALS

(Item III. 2. on the Agenda)

Reference documents :

42.010 (HSC/21)
42.100, Annex C/4 (HSC/21 – Report)
42.398 (HSC/22)
42.495 (HSC/22)
42.736 (HSC/22)
42.750, Annex C/2 (HSC/22 – Report)
42.723 (PC/40)

I. BACKGROUND

1. The Harmonized System Committee (22nd Session, November 1998) considered the Report of the Working Group meeting of 9 September 1998 (see Doc. 42.495) on the question of developing HS audio-visual training materials. The Committee agreed that the project should be pursued in principle and asked the Secretariat to take further action to obtain the approval of the Finance Committee and Policy Commission.
2. The Policy Commission (40th Session, December 1998) considered the question, taking account of the conclusions of the HS Committee, and agreed that the Finance Committee should be invited to :
 - conduct a detailed cost/sales analysis in April 1999, on the basis of further data to be supplied by the Secretariat and taking into account the outcome of approaches which had already been made to Sweden for the use of its CD-ROM “Harmonizer” at the least possible cost to the Organization ; and
 - in the light of that analysis and the WCO’s overall budgetary situation, make recommendations to the Policy Commission and the Council as to whether the development of these training materials should proceed as proposed.

For reasons of economy, documents are printed in limited number. Delegates are kindly asked to bring their copies to meetings and not to request additional copies.

3. In order to prepare a working document for the consideration by the Finance Committee, a meeting of a Drafting Group (recommended by the HS Audio-Visual Working Group ; see paragraph 24 of Doc. 42.495) consisting of representatives of China, Germany, The Netherlands, The United Kingdom, Sweden and the Secretariat, was convened at the Headquarters of the World Customs Organization from 15 to 17 February 1999.

Drafting Group Meeting

4. The Drafting Group examined the possible development of a CD-ROM based on the Swedish "Harmonizer". The Drafting Group considered that, in view of the uncertainties concerning the cost of production and market potential of a new WCO product, the best option for the time being was to validate the Swedish "Harmonizer" and to endorse it as WCO product after making only essential changes. The expertise of the Swedish Administration could be sought to carry out the necessary modifications of the "Harmonizer" in order to convert it into a WCO product on an actual cost basis. The Group also prepared an action-plan and time-frame on that basis.
5. The Drafting Group further recommended that the WCO should maintain an Internet version of the CD-ROM with the expert assistance of the Swedish Administration. The Group noted that the Swedish product ("Harmonizer") was intended to impart basic training and that a new WCO product to meet mid level and advanced level training requirements could be developed in the future, taking account of feedback from users of the "Harmonizer" converted WCO product. The production and release of such a new version should coincide with the implementation of the year 2002 HS amendments.
6. The Report of the Drafting Group is reproduced in the Annex.

Cost of production

7. The Secretariat had been discussing with the Swedish Administration the possible transfer of rights to the "Harmonizer" to the WCO free of charge, in view of the fact that the WCO product was intended to promote the uniform application of the HS and was not intended for commercial exploitation. The Swedish Administration has responded positively to this suggestion and has agreed to undertake the work of converting the "Harmonizer" to a WCO product on a no profit / no loss basis. However, Sweden would like to maintain its commitments under contracts for the continued supply of the "Harmonizer" or the WCO modified product to certain administrations (i.e., Denmark, Ireland, Latvia and United Kingdom).

8. The estimated costs indicated by the Swedish Administration, in connection with this project, are as follows :

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|-------|---|----------------------|
| (i) | Incorporating WCO modifications in the "Harmonizer" | : 15,000 US Dollars; |
| (ii) | Production of a French language version | : 25,000 US Dollars |
| (iii) | Preparing a Master copy of the WCO CD-ROM | : 3,000 US Dollars |
| (iv) | Printing copies (1,000 copies @ 15 USD per copy) | : 15,000 US Dollars |
| (v) | Cost of maintenance of Internet version (per year) | : 25,000 US Dollars |

9. Based on the above estimates, the total cost to the WCO for producing 1000 copies of the CD-ROM would be 58,000 US Dollars (BF: 2,100,000). Maintenance of the Internet version would cost 25,000 US Dollars (BF: 900,000) per year.

Market Analysis

10. The Secretariat also carried out a sample survey by contacting some administrations to ascertain the potential demand for the CD-ROM. Though the response to the survey was very limited, there are indications that the demand would be considerable if the price were kept reasonable. For example, the demand varied from 60 to 13 copies per administration at a price of less than 100 US dollars, while it was from 40 to 6 if the price were in the range of 100-200 US Dollars. However, the demand was much less (8 to 0) if the price were to be fixed above 200 US Dollars.

11. The Secretariat considers that the sales potential of a WCO HS training CD-ROM is very good and that at least 1,000 copies could be sold if the price were around 100 US Dollars per copy. Assuming sales proceeds of 100,000 US Dollars, it would easily recover the cost of production (58,000 US Dollars) and incidental expenses. In this connection, it should also be recalled that the HS Commodity Data Base CD-ROM had very good success with about 1,000 copies having been sold, bringing substantial profits to the WCO.

12. The Secretariat is of the view that it would also be desirable to maintain an Internet version so as to have on-line interaction with users and to update the product on a regular basis. The Swedish Administration has agreed to maintain an Internet version on behalf of the WCO. The cost (25,000 US Dollars per year) could be recovered from the users. The prospective users could access the product from the WCO public site through a hyperlink and on a payment basis.

13. The pricing policy of the training CD-ROM, as well as its Internet version, should be examined in consultation with the Swedish Administration, as the costs indicated are on a no profit / no loss basis. If the actual sales were to generate profits, the Swedish Administration would justifiably ask for a share of those profits.

14. The above analysis would indicate that the costs of production of the proposed HS training CD-ROM and its Internet version could be recovered from the sales of the products.

II. CONCLUSION

15. The Committee is invited to examine the development of the project , i.e., possible development of a CD-ROM based on the Swedish “Harmonizer” and give appropriate instructions to the Secretariat as to what further actions should be taken for ensuring the successful of the project.
16. The Committee will be informed, at its 23rd Session, of the recommendations of the Finance Committee(75th Session, April 1999) to the Policy Commission and the Council concerning the marketability of the project.

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ANNEX

REPORT OF THE MEETING OF THE DRAFTING GROUP

ON HS AUDIO-VISUAL TRAINING MATERIALS

1. Following the recommendation of the HS Committee (22nd Session) that the project on HS Audio-Visual Training Materials should be pursued in principle, the Policy Commission (40th Session, December 1998) considered the question and agreed that Finance Committee should be invited to :
 - conduct a detailed cost/sales analysis in April 1999, on the basis of further data to be supplied by the Secretariat and taking into account the outcome of approaches which had already been made to Sweden for the use of its "Harmonizer" CD-ROM at the least possible cost to the Organization; and
 - in the light of that analysis and the WCO's overall budgetary situation, make recommendations to the Policy Commission and the Council as to whether the development of these training materials should proceed as proposed.
2. In order to prepare a working document for the consideration by the Finance Committee, a meeting of a Drafting Group (recommended by the HS Audio-Visual Working Group; see paragraph 24 of Doc. 42.495) consisting of representatives of China, Germany, The Netherlands, The United Kingdom, Sweden and the Secretariat, was convened at the Headquarters of the World Customs Organization from 15 to 17 February 1999. The list of participants is set out at Appendix II.
3. The Drafting Group examined the possible development of a CD-ROM based on the Swedish "Harmonizer" (the list of points considered is at Appendix I).

Possible options

4. The Drafting Group considered the following two basic options to proceed with the work :
 - (i) WCO to endorse the Swedish CD-ROM with minimum changes of content;
 - (ii) Develop a new WCO CD-ROM on the basis of the Swedish product (Harmonizer).
5. The Swedish representative indicated that an Internet version of the "Harmonizer" was under development and that its future maintenance should also be taken into account. He also stressed the need for an early decision by the WCO on the question of making use of the Swedish "Harmonizer" for developing the WCO product. He added that the Swedish Administration was receiving enquiries from other administrations for purchase of the "Harmonizer" and that the marketing of the Swedish product was being kept in abeyance pending the WCO decision. The Swedish Administration would, however, maintain its

commitments under contracts with the Danish, Irish, UK and Latvian Administrations for the continued supply of the "Harmonizer" or the WCO modified product.

6. The Drafting Group considered that development of a new WCO product would necessitate many steps in the production process as indicated in the list of points considered (see Annex I). It would involve participation of experts at various stages spread over a long period of time. It was also difficult to obtain precise estimates in terms of expenditure and market potential. Under the circumstances the best option for the time being was to validate the Swedish "Harmonizer" and endorse it as a WCO product after making the minimum changes necessary. It was, however, noted that the WCO had to be satisfied about the accuracy of the information contained in the CD-ROM. This would also limit the cost of production (conversion of "Harmonizer" to a WCO product) to the minimum and would alleviate the marketing concerns. The Drafting Group considered the further course of action on this basis and arrived at the following conclusions.

Time-frame

7. It was recognized that a final decision by the WCO Council on the project would be available only by June 1999. In the meanwhile the following steps will be completed :
- (i) Members of the Drafting Group (China, Germany, The Netherlands, The United Kingdom and Sweden) will undertake a review of the content and presentation of the Harmonizer in consultation with the trade and send their comments to the WCO Secretariat within one month (end of March 1999).
 - (ii) The WCO Secretariat will undertake its own review of the contents for their accuracy and essential modifications/additions needed in the script and presentation (by end of March 1999).
 - (iii) The WCO Secretariat should send its consolidated comments, taking into account the comments received from the Drafting Group members to the Swedish Administration (by April 1999).
 - (iv) The Swedish Administration will incorporate the modifications requested by the WCO Secretariat (by June 1999).
 - (v) Bilateral consultations will take place between the Swedish Administration and the WCO Secretariat regarding reimbursement of costs and marketing strategy (March-June 1999).
8. The above time-frame assumes that the Finance Committee (April 1999), HS Committee (May 1999), Policy Commission and the Council (June 1999) will approve the project. The production and marketing of the WCO CD-ROM will be undertaken in July 1999.

Internet version

9. It was agreed that the Internet version of the Harmonizer should also be modified in the same way (contents) as the CD-ROM. The responsibility for its updating and maintenance of contents should be with the WCO. However, it could make use of the Swedish expertise for that purpose under terms and conditions to be agreed upon on a bilateral basis.

Costs

10. The Swedish Administration will furnish the estimated cost of conversion of "Harmonizer" to the WCO Secretariat as soon as possible. This would include the following costs:
- (i) Cost of incorporating the changes (English version) requested by the WCO;
 - (ii) Cost of making the French version (including translation of script);
 - (iii) Cost of printing copies (cost per unit)- single language version
 - (iv) Cost of printing copies – dual language version (English and French);
 - (v) Cost of incorporating WCO changes in the Internet version;
 - (vi) Cost of maintenance of the Internet version (cost per year).

Future revision

11. It was recognized that the Swedish "Harmonizer" was intended to impart basic training and that a future revision should take into account middle and advance level training requirements. It was therefore felt appropriate to undertake a thorough review of "Harmonizer" as soon as possible for developing a new WCO product. It should also take into account the feedback from users of the "Harmonizer" converted WCO product. The production and release of the new version should coincide with the implementation of the year 2002/HS amendments (1 January 2002).

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APPENDIX I

**AGENDA FOR THE MEETING OF THE DRAFTING GROUP
ON HS AUDIO-VISUAL TRAINING MATERIALS**

(15-17 February 1999)

Points for discussion

- I. Audience of the training CD-ROM
- II. Content (nature of materials to be included)
- III. Review of the script (and audio-visual materials) of "Harmonizer" and selection of materials for inclusion in the WCO CD-ROM
- IV. Modification of the script (content, method of preparation)
- V. Method of preparing visual materials
- VI. Identification of various stages of production and time-frame for each stage
- VII. Method of production :
 - (a) Participants
 - (b) Contribution of administrations
 - (c) Review of contents and approval
 - (d) Technical support (data input, visuals, videos)
 - (e) Printing copies
- VIII. Role of the WCO Secretariat
- IX. Preparation of "Project Plan"

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APPENDIX II

LIST OF PARTICIPANTS

CHINA

Mr. Feng GU
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GERMANY

Mr. Joachim Fey
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NETHERLANDS

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