



Customs Brokers & Forwarders Council of Australia Inc
**National Conference &
Exhibition 2008**

13 September 2008

Customs 2015

**Michael Carmody AO
Chief Executive Officer
Australian Customs Service**

**Sheraton Mirage Resort & Spa
Gold Coast**

CUSTOMS 2015

The future can catch up with you quickly. So while we focus on operating as efficiently and effectively as possible today, an imperative for all of us is to take time to reflect on the future and position ourselves as best we can to meet the challenges and to take the opportunities it presents.

For Customs that imperative has resulted in the production of our Strategic Outlook 2015 – a review of the global drivers of change over that period and the broad implications for border management.

The Customs Strategic Outlook 2015 can be accessed on www.customs.gov.au.

While there is much detail there, for today's purposes the outlook can be summarised as:

- a rapid and relentless expansion in the volume of transactions at the border reflecting the continuing globalisation of markets for goods and services; and
- a border protection environment characterised by continuing security concerns, an expanded range of border controls in response to, for example, rising product safety concerns and increasing sophistication of attempts to breach our borders.

The Strategic Outlook proposes the following broad strategies in response to these developments. They have been developed against the background of our overriding goal of providing effective border management for the Australian community while best supporting legitimate trade and travel.

- Increase the work ahead of the border to identify and manage risks.
- Maximise the number of cross border movements where intervention is not required.
- Focus on intelligence to identify risk-based interventions.
- Further develop non-intrusive technologies and unobtrusive intervention approaches.
- Be flexible and scalable in intervention approaches.
- Develop global partnerships to manage cross-border flows.
- Assist industry to participate efficiently in international trade and travel.
- Have a supportive workforce engagement and development model.

Before returning to what needs to be put in place now to position ourselves for such a future state we need to ground ourselves in an understanding of today's state.

Two recent studies are relevant for this purpose.

TRS Industry Survey

A Time Release Survey has been undertaken to help understand the factors impacting on the timing of release of cargo after arrival and identify opportunities for improvement. The Study involved an analysis of ICS data for the sample period 24 September to 30 September 2007.

Focussing on sea cargo, the Survey revealed that:

- some 20% of consignments arrived at the wharf without full documentation (reports and declarations) having been received by Customs;
- once full documentation was received, the risk assessment and intervention processes undertaken by Customs and AQIS took an average 1.4 days; and
- there was a further period averaging 2.3 days during which the consignments were held pending payment.

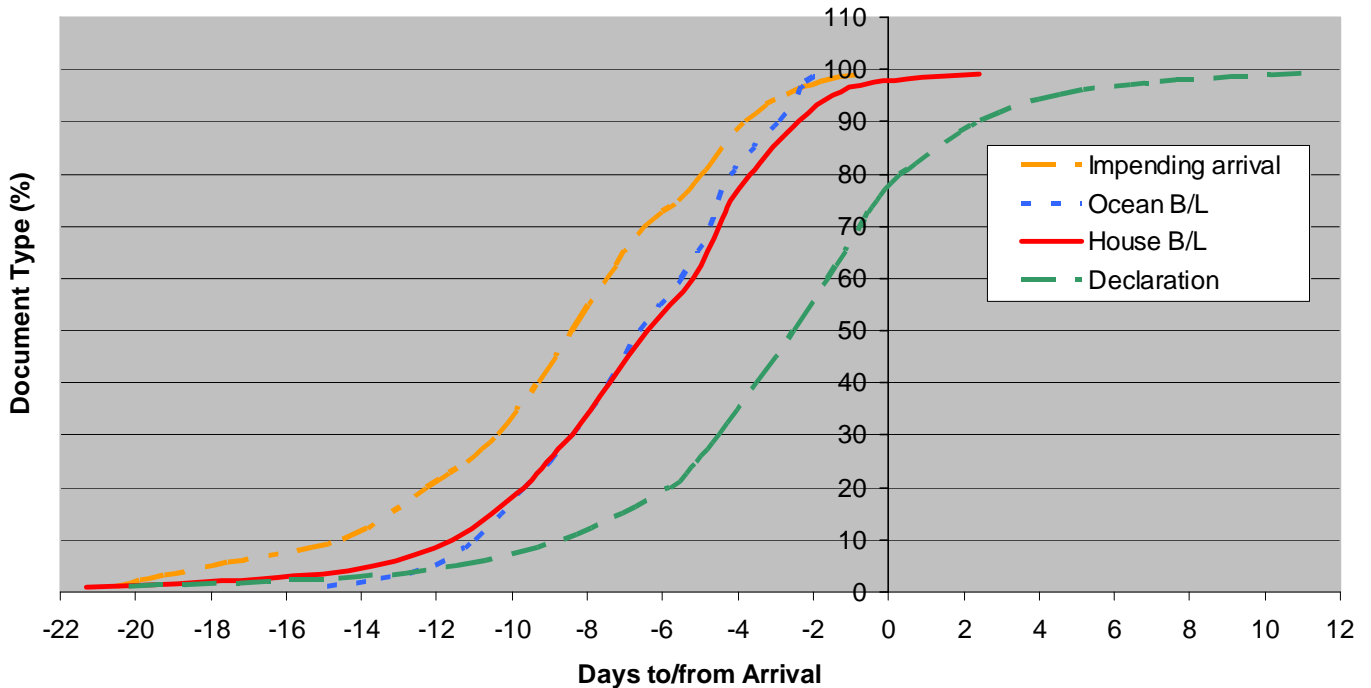
There will, of course, continue to be a need for risk analysis and intervention and while there is work to be done to improve these processes, the results of the Survey suggest the primary focus for achieving earlier release of cargo should be on moving forward the time by which full documentation is lodged.

This would seem to be borne out by comments received from a limited survey (9 importers and 9 brokers/forwarders) we undertook to better understand the implications of the Study.

The general view expressed was that Customs was not seen as a major impediment to timely clearance. However there do remain a number of lower level "irritants" that participants would like to see addressed, including more timely advice on status changes.

On reporting, the Survey suggests that more timely lodgment of the Full Import Declaration provides the greatest leverage point for an improvement in overall timeliness of release of sea cargo.

Document Receipt Breakdown - Sea



The comments from our limited Survey suggest the impediments to this are information dependencies up the supply chain, mainly suppliers and to a lesser degree transport providers.

The results of the Survey presented above are, as noted, averages and we will, of course, need to go beyond these in looking to improvement options.

Reflecting a generally more integrated and paperless environment the picture for timeliness of release for air consignments is well in advance of that for sea consignments.

Greater detail is provided in the following tables.

TRS 2007 Sea Averages: Overall & by Cargo Type (Provisional)

Interval	All Types (Days)	FCL	LCL	Break-Bulk	Bulk
Arrival to Documents (Docs)	-2.4	-2.8	0.1	-4.7	-5.2
Docs to Customs Unimpeded (CU)	0.9	0.9	1.0	0.8	0.4
Docs to Ready to Pay (RTP)	1.4	1.4	1.3	1.9	2.8
Arrival to RTP	-1.1	-1.5	1.4	-2.9	-2.4
Arrival to Discharge/Unpack*	0.7	0.7	4.1	2.1	1.8
RTP to CondClear	2.3	2.2	2.8	3.4	4.7
Arrival to CondClear	1.3	0.8	4.2	0.5	2.3
CondClear to Clear	0.5	0.6	0.2	0.6	1.2
Arrival to Clear	1.8	1.3	4.3	1.1	3.5

LEGEND:

Arrival - Carrying vessel arrived at berth at Discharge Port

Docs - Consignment fully reported and declared

CU - Unimpeded by Customs (except for requirement to Pay)

RTP - 'Ready to Pay' (ie unimpeded by Customs or AQIS except for requirement to Pay)

Discharge - Landed from ship (figure excludes LCL)

Unpack* - Deconsolidated (LCL only)

CondClear - Paid, may be removed from Customs control though subject to conditions, eg fumigation

Clear - Paid and Clear of any impediments, Customs or AQIS. May be delivered into home consumption.

TRS 2007 Air Averages: Overall & by Cargo Type (Provisional)

Interval	All Types (Days)	Consolidated	Straight Line
Arrival to Documents (Docs)	0.0	0.0	2.1
Docs to Customs Unimpeded (CU)	0.1	0.1	0.1
Docs to Ready to Pay (RTP)	0.2	0.2	0.4
RTP to Conditional Clear (CondClear)	0.0	0.0	0.2
CondClear to Clear	0.0	0.0	0.3
Arrival to RTP	0.2	0.2	2.3
Arrival to Discharge/Unpack*	0.4	1.6	0.4
Arrival to CondClear	0.3	0.2	2.6
Arrival to Clear	0.3	0.2	2.8

LEGEND:

Arrival - Carrying aircraft arrived at Discharge Port

Docs - Consignment fully reported and declared

CU - Unimpeded by Customs (except for requirement to Pay)

RTP - 'Ready to Pay' (ie unimpeded by Customs or AQIS except for requirement to Pay)

Discharge - Landed from aircraft (figure excludes Consolidated)

Unpack* - Deconsolidated (Consolidated only)

CondClear - Paid, may be removed from Customs control though subject to conditions, eg fumigation

Clear - Paid and Clear of any impediments, Customs or AQIS. May be delivered into home consumption.

Straight Line - Cargo Type = 'Not Consolidated'. Cargo is delivered directly from discharge terminal.

Consolidated - Cargo Type. Cargo is delivered from 'Unpack' depot after deconsolidation

Industry perceptions survey

To better understand our industry stakeholders and their relationship with Customs we recently engaged an independent firm, TNS Social Research to undertake a comprehensive survey of industry participants that involved over 650 telephone interviews, 25 in-depth interviews and 50 on-line surveys.

The scope and objectives of this research included the following:

- explore the **state of the industry** and the role and activities of stakeholders within it;
- investigate the **current relationship** with Customs, in terms of interaction and operations;
- assess satisfaction with Customs **service delivery** and **stakeholder management**;
- identify **future expectations** and needs of stakeholders so that Customs is best positioned to meet these;
- examine potential **communication channels** and stakeholder **engagement** processes.

The full report of the industry survey can be accessed on www.customs.gov.au

The research highlighted the following key points regarding stakeholders and their relationship with Customs.

Stakeholders are a considerably diverse group and vary from minimal interaction and involvement with Customs to a daily, ongoing relationship.

The research suggests the following stakeholder segments:

- **Family middlemen** – characterised by undertaking multiple Customs-related roles and a medium or high number of activities, predominantly focused on imports. They are largely micro or small businesses, typified by business owners in charge of established family operations which are dedicated to Customs business.
- **Transporters** – do not undertake a large number of Customs-related roles and activities. In fact, their primary area of responsibility is in regards to storage, shipping and cartage of goods coming into and leaving the country.
- **Business Transactors** – their primary role is not Customs-related but is more likely as a business whose operations involve the import and/ or export of goods (e.g. a manufacturer).
- **Big players** – core business focused on Customs-related activity. They are more likely to be long established medium sized businesses, operating from multiple locations both within Australia and overseas. They are big players in the field, providing an end-to-end service in the importing industry.
- **Individual shippers** – undertake minimal Customs-related activity. They typically operate from micro or small business locations and may include individuals who import or export a small number of items each year.

Stakeholders are optimistic about future growth in the industry. The most challenges faced are in relation to time and client pressures rather than because of Customs.

Future of the industry

- Most stakeholders expressed optimism in regard to the future of the industry, with 77% optimistic about the future of the importing industry, and 61% optimistic about the exporting industry.
- The majority of stakeholders expressed the intention of growing their business – 59% of businesses were actively pursuing growth and a further 29% were hoping to grow, however they feel this is dependent on factors outside their control. Big Players were the most likely to report optimism with the future of the importing industry (87%) and a high proportion were pursuing an active growth strategy (82%) in this environment.

Challenges

- The biggest challenges reported by stakeholders are the pressure of deadlines (59%), attracting and retaining staff (56%), meeting client expectations (54%), and quarantine regulations (51%).
- Overall, issues related to Customs were considered less of a challenge than the other issues presented.

Overall, stakeholders are satisfied with Customs and accepting of the service provided by the organisation.

Satisfaction with Customs

- The majority of stakeholders expressed satisfaction (55%) or high satisfaction (26%) with Customs overall.
- The majority of stakeholders considered that their experience with Customs over the past twelve months had been as expected (76%), and a further 9% found their expectations had been exceeded.
- In regard to Customs staff, most stakeholders expressed satisfaction in relation to the professionalism (72%) and helpfulness (68%) of staff. However, the level of staff knowledge about Customs issues is an area for improvement (16% dissatisfied).

Perception of ICS

- Perceptions of the ICS system were positive, with most stakeholders indicating that the ICS had stayed the same (46%) or improved over the past twelve months (47%). The majority of stakeholders also indicated that the ICS meets their business needs (71%).

Areas of communication offer most potential improvement in terms of access, information provision, consistency and an evolving two-way relationship.

Future relationship with Customs

- When asked if they would like to see the current relationship they have with Customs change, around one half (53%) of stakeholders indicated that they were happy with the status quo. Of the remainder, the majority (47%) said that they would like some changes made.
- The most commonly suggested changes included better communications, more knowledgeable staff and more personal interaction/ relationships.

There is considerable desire for greater consultation and collaboration between industry and Customs on an ongoing basis moving forward.

The Survey also provides a broad breakdown of perceptions by Stakeholder group.

These reveal that brokers are more optimistic about the future (at least about the future of the importing industry) – 85% compared to 77% for all stakeholders.

You tend to be less satisfied with Customs and its services, with your overall satisfaction rate being 78% compared to 81% for all stakeholders. Correspondingly you are more likely to be seeking a change in the current relationship with us, 59% compared to 47% for all stakeholders.

You rate business challenges in much the same order but tend to rate them as more pressing than stakeholders generally.

Finally you show a much greater awareness of an industry body (88% compared to 58% for all stakeholders) and, I am sure pleasingly for the organisers of this conference, you are much more likely than stakeholders generally to be a member of an industry body (74% compared to 39%).

The Way Forward

Our planning for the way forward is being informed by this understanding of the current state and the outlook for 2015.

That way forward will involve a combination of:

- short-term actions to address to the extent possible some of the irritations and improvement options identified in the surveys released today;
- medium-term development of initiatives that will help position us for the future challenges identified in the Strategic Outlook; and
- a watching brief on developments that offer potential challenges and opportunities.

The Industry Perceptions Survey has only just been finalised. I have given a commitment to industry representatives at the Customs National Consultative Committee that we will consult with them on the findings and options for how we might address some of the improvements sought through the feedback.

Something for us to ponder is whether the categorisation of stakeholders developed in the report provides a basis to better tailor our communication and relationship management approaches.

I propose to conduct surveys of this type on an annual basis.

Supporting earlier lodgement of Full Import Declarations

Last year we undertook a joint feasibility study with industry into the benefits of adopting a US-style 24 hour pre-load cargo reporting model.

The model promised the potential to support earlier reporting and clearance through the opportunity to better leverage upstream data holders for the supply of information prior to cargo loading. However, the detailed study of the model in operation revealed that it would not support the current ability in Australia to release single consignments, particularly where other consignments within the same report had not been cleared.

In the light of these findings Customs and industry representatives agreed implementation of the model would not be of benefit at this time, although we would continue to monitor international developments in this area.

We are currently exploring other suggestions including that:

- shipping lines and/or stevedores may be able to make container information available after leaving the port of departure – something that would be of assistance to those brokers who have complete commercial document days before arrival;
- the development of unique and standardised bill of lading identifiers by shipping lines, much like an airway bill, would provide a much more reliable

linking mechanism for cargo reports than the reliance on vessel and voyage numbers, with the result that there would be greater confidence in earlier lodgement of declarations; and

- some importers who effectively control the end-to-end move of consignments may be able to provide all the information required for risk assessment at the time of or shortly after export.

In examining these, and in other areas, we are working closely with AQIS to ensure that their requirements are properly integrated into any solutions.

Entity Based Risk Assessment

A cargo environment categorised by rapidly increasing volumes, complexity of risks and demands from industry for faster clearance through Australia's congested ports, demands of Customs a more efficient and effective risk management process. Our current approach to risk assessment is largely transaction-oriented.

We are exploring whether a new approach, that integrates all critical information about an entity (a person or company involved in cross-border activity) into a single view, would offer the potential to assess the risk posed by that entity's activities overall, thereby increasing the effectiveness of current risk assessment methods.

The proposition we are testing is whether integration of entity information would allow earlier and more effective identification of high risk entities - possibly before transactions are reported to Customs. This would give us the ability to better plan more effective intervention activities designed to disrupt criminal activities.

Similarly we want to test whether integration would give us a better capability to identify low risk traders by capturing historical transactions, assessments and interventions, avoiding inappropriate cargo interventions that cost both Customs and the trader time and money.

Paperless Trading

Paperless trading between government and across borders is seen as a critical component in meeting the challenges posed by our 2015 Outlook. However, industry feedback suggests widespread adoption of paperless trading in the international trade sector is some years off and in response we are exploring the feasibility of developing a "paper free" capability as an important first step to capture, via a "single window" the remaining documents not already lodged electronically.

The provision of a "paper free" environment for industry to electronically lodge scanned documents offers the potential for efficiency gains and cost reductions for industry by minimising the need to physically present paper documents as part of the clearance process. This may in turn lead to faster clearance times. It also offers the potential for government agencies such as Customs and AQIS to review these documents from any location at any time, enabling better workforce planning and more efficient workload management practices.

Authorised Economic Operators

We have completed a feasibility pilot of an Australian Authorised Economic Operator Program, working with five companies engaged in Trans-Tasman trade.

This pilot has demonstrated that accreditation of security measures is achievable. However the value proposition for the investment by companies and, indeed, government is yet to be settled.

This is an area we will keep under close review. Perhaps the work on trade resumption protocols that we and Singapore are taking the lead on under the auspices of the World Customs Organization will help shift that value proposition.

US 100% Sea Cargo Screening

Any consideration of the outlook for trade and security developments cannot ignore the US SAFE Port Act that requires the 100% screening of sea containers destined for the US.

Although the US legislation has been passed through Congress, it will not come into force until 2012. Critical details of the Act's operation are unclear and Congress will be informed by pilot programs underway at selected overseas ports.

We have raised concerns on behalf of Australian industry and are continuing to liaise with US officials to clarify proposed arrangements and monitor potential implications for Australian traders. I wrote to the US Customs and Border Protection Commissioner in March 2008 reinforcing Australia's strong support for risk-based approaches as an alternative to 100% screening.

Evidence put before the US Senate in June 2008 by CBP Deputy Commissioner Jay Ahern supported risk based approaches. He also testified that 27 countries, nine international trade organisations, two international associations and other groups have written to the US with concern that the implementation of 100% screening would have adverse economic impact and that money, resources and time could be better spent focussing on the areas of greatest risk to border security.

I note that in recent developments Singapore has decided not to participate in the Secure Freight Initiative trial. Singapore was to have been part of a second group of trial ports.

Clearly this is an area that we will continue to closely monitor. I suspect that we will have to await the arrival of a new administration for the situation to be clarified.

Port Congestion

One of the challenges from the relentless growth of trade volumes is port congestion in both sea and air environments, particularly in the larger Australian capital cities.

Several State and industry-led initiatives are underway. We are looking to be engaged with authorities in these developments.

Clearly there are advantages for government and industry in incorporating border agency requirements in the design phase of these developments. Retro-fits invariably limit innovation and efficiency.

Overall the plan for the way forward I have touched on today is one of measured progress tuned to future developments and opportunities.

I hope it is clear from what I have said today that it also involves close engagement and co-design between border agencies and industries.

I look forward to working with you as the future unfolds, perhaps in unexpected ways!