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**Securing Borders, Cargo and People**

Ultimately Customs exists for the protection of the safety, security and commercial interests of the Australian community.

In brief, our role in achieving that is to provide effective border protection while supporting legitimate trade and trade.

Yesterday you heard about our role in mitigating and managing civilian threats in Australia's maritime domain through the operations of the Border Protection Command.

Today I will concentrate on the sea cargo environment.

The threat of terrorism and in particular the risk of weapons of mass destruction being shipped to Australia on cargo vessels is perhaps the most high profile security threat in this environment.

Certainly the consequences of such an incident requires vigilance. However the nature of the sea cargo environment itself helps mitigate this risk.

As Deputy Commissioner Jayson Ahern of US Customs and Border Protection stated on 2 April this year in testimony before the Homeland Security Subcommittee of the House Committee on Appropriations:

*“While the maritime environment does contain some element of risk for a weapon of mass effect to be transported in a maritime container the logistics movements which involve multiple hand offs amongst various parties throughout the supply chain may in fact*

*itself be a deterrent to a terrorist considering using a maritime container.”*

Perhaps the more imminent safety and security risks are those posed by the use of sea cargo by criminal syndicates to import illicit drugs, firearms, tobacco and counterfeit goods.

The threat to public safety by counterfeiting poorly manufactured and hazardous goods is increasing, placing greater emphasis on the integrity of consignments entering Australia – food, children’s products, medicines, explosives, precursors and other hazardous chemicals.

### **Current Approaches**

Customs border protection approaches start off-shore. Customs is an active participant in a number of international counter-terrorism and counter proliferation forums, including the Chemical and Biological Weapons Conventions, the Nuclear Suppliers Group, the Missile Technology Control Regime and international forums focused on developing border security capabilities.

We also participate in international exercises, such as the Proliferation Security Initiative, a global initiative aimed at impeding the movement of weapons of mass destruction by rogue states and terrorist groups. These exercises are invaluable in testing our abilities to respond to potential terrorist incidents, and provide valuable lessons in how to develop our capabilities. The most recent of the exercises was in New Zealand last month.

In our region, we are actively assisting South-East Asian and Pacific nations in building their border controls including in response to the threat of terrorism. This helps protect all nations in the region, by raising the strength of the 'weakest links' in the region's security.

At Australia's doorstep, we risk assess all incoming vessels, crew and cargo.

Advance reporting requirements for commercial vessels and crews together with any available intelligence supports risk assessment of all vessels prior to arrival.

Based on this vessels may be boarded at arrival and further boarding of a vessel may occur at intermediate and/or last port if intelligence supports it.

The boarding process involves a range of activities, some of which are undertaken depending on the risk assessment of the vessel and crew. We undertake face to passport checks for all persons on board. Customs officers also examine a variety of documentation on board the vessel, such as the ship's articles and assorted ship's logs, as well as examining crew and their quarters.

We have a specialist capability for complete ship searches which we deploy on a risk basis, generally where supported by strong intelligence.

The introduction from 1 July last year of Maritime Crew Visa requirements supports improved identity matching for crew. It has the further significant advantage of identity screening at the time of issue of the visa.

Some 9 000 vessels are expected to be boarded under this program this year.

Based on risk assessments Customs undertakes a targeted inspection regime of cargo on arrival utilising a range of detection technology to detect radioactive and hazardous materials, explosives, firearms and illicit drugs as well as physical examination of consignments of interest. This year we will inspect some 134,000 Twenty Foot Equivalent containers.

Our business planning has identified the need to implement a program of campaign activity around key border risks to test our knowledge and understanding and to assess the effectiveness of our risk assessment approaches. You may see more Customs presence in the sea ports environment as we roll out our campaigns.

## **Future Developments**

To help shape future developments in the way we perform our role we have produced the *Customs 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](http://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.

Responding to the outlook for 2015 will involve a combination of short and medium term initiatives that will help position us for the future challenges identified in the *Outlook* and maintaining a watching brief on developments that offer potential challenges and opportunities.

### **Earlier Provision of Cargo Information**

The community wants effective border protection. Industry shares that view but faces increasing commercial pressure for timely release of cargo, made all the more pressing by growing port congestion.

Timely information reporting to government agencies is the key to resolving the tension inherent in these demands.

On average it takes less than a day and a half from lodgment of all documents for consignments to be cleared by Customs and AQIS.

A business model that provided pre-discharge certainty of status for consignments is feasible provided all documents are lodged a day or so prior to arrival of the carrying vessel at the port of discharge.

Currently some 20% of consignments arrive at the port of discharge without full documentation supplied. Typically it is the Full Import Declaration that is lacking.

Feedback from industry is that the impediments to earlier supply of declarations are information dependencies up the supply chain, mainly suppliers, overseas freight forwarders and transport providers.

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 documents 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 movement 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 all 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.

## **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 Jayson 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.

## **Authorised Economic Operators**

An emerging model for supply chain security would see an exporting country certifying the security of containers which, under mutual recognition agreements, provide the importing country a level of confidence in the security of an arriving container.

We have completed a feasibility pilot of an Authorised Economic Operator program, working with four countries and five companies engaged in international trade.

The 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.

In particular, the proposed US 100% screening regime would compromise the program for many.

Clearly, however, this is an area we will keep under close review. The work on trade resumption protocols that we and Singapore are taking the lead on under the auspices of APEC and the World Customs Organization could shift the value proposition to the extent differential treatment is provided for recognised trusted traders; as would any shift in the proposed US screening regime to a more risk-based one recognising trusted traders from low-risk countries.

We will also remain alert to the possibility that any growing international network of Authorised Economic Operator programs may develop into a form of trade barrier for Australian traders.

On balance I expect to see the future implementation of an Australian Authorised Economic Operator program.

For the moment, however, we see investment in improving our risk assessment capabilities through the development of entity-based risk assessments as the more immediate priority.

### **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!