



1. Meeting Agenda

Meeting Number: 03/08
Meeting Name: Trade Facilitation Forum
Date: Wednesday 27 August 2008
Time: 11.00am
Location: Customs House
10 Cooks River Drive
Sydney International Airport

2. Invitees/Attendees

Y-in attendance; A-apology

Customs

A Wayne Burcher (A/g Regional Director NSW)
A Catherine Asbridge (National Manager Cargo Operations North)
A Doug Greaves (Director Compliance NSW)
A Jim Fleming (Director Risk and Strategy NSW)
Y Pam Radin (Director Air Cargo Operations)
Y John Barber (Director Sea Cargo Operations)
A Rod Vaughan (Director Customs Information & Support Centre)
Y Sharon Hillier (A/g Manager Customs Information & Support Centre)
Y Brian Sheridan (Manager Trade)
Y Stan Pragnell (Manager Exports and National Industry Leads)
Y Mark Ellis (A/g Manager Compliance Risk)
Y Kim Simmat (Supervisor Risk and Strategy)
A Noreen Agius (Supervisor National Industry Leads – Service Providers)
Y Debbie Buck (Supervisor Revenue Assessments)

AFIF

A Brian Lovell (CEO AFIF)
A Paul Angel
Y Stuart McFarlane

CBCFCA

A John Law (President CBFCA NSW Branch)
Y Michael Hudson
Y Andrew Crawford
Y Paul Zalai
Y Tony Fatouros

CAPEC

A Robert Battistel
A Jackie Leckie

3. Agenda

Item No.	Subject	Presenter
1.	Welcome and Apologies	
2.	Minutes from the previous meeting	
3.	Matters arising from the previous meeting	
4.	Regional ICS issues	Customs
5.	Compliance Division Update	Customs
6.	NSW Trade Branch Update	Customs
8.	General Business	
9.	Next Meeting	

4. Minutes

Meeting commenced: 11.10am

ITEM 1 Welcome and Apologies

John Barber formally welcomed everyone to the meeting. He passed on apologies from Wayne Burcher, Catherine Asbridge, Doug Greaves, Jim Fleming, Rodney Vaughan, Brian Lovell, John Law, Paul Angel and Robert Battistel.

ITEM 2 Minutes from the previous meeting

The Minutes from the previous meeting, held on 25 June 2008, were accepted without change.

ITEM 3 Matters arising from the previous meeting

Action Item 1 - Warehouse Check Guidelines

Stan Pragnell informed the forum that Warehouse Check Guidelines had been developed and that copies of the guidelines would be distributed and discussed later in the meeting. Michael Hudson asked if the guidelines covered both 77 & 79 depot and warehouses and Stan confirmed that this was the case.

Action Item 2 – Alternative Point of Contact for Redline Enquiries

Stan responded to an issue raised by Andrew Crawford about how there needed to be an easier way for brokers to make direct contact with the appropriate redline areas, rather than calling the Customs Information and Support Centre (CI&SC). Stan said that he had liaised with a number of parties in regards to this issue, including the Director CI&SC. He advised that Customs is currently reviewing its red-line processes and that the review would also cover points of contact for industry and the public. Stan emphasised that until the review was completed, it would not be possible to identify one key point of contact for red-line issues.

However, Stan encouraged brokers and importers to continue to call the CI&SC for any red-line queries, and the operator will endeavour to identify the appropriate contact for the caller.

Andrew Crawford again emphasised the need to stream line the red-line process, be able to identify redline reasons and be able to contact specific redline areas. He asked if it was possible to be kept informed of the outcomes of the review process. Stan agreed to provide an update on the progress of the review at the next meeting.

Action: *Stan to report back on the progress of the review being conducted into red-line processing.*

Action Item 3 – Direct Australian Taxation Office (ATO) Contact

Stan advised the forum that he was unable to find a specific point of contact at the ATO for GST exemption enquiries except the general Business Tax Enquiries number. If brokers or freight forwarders want to contact the ATO to check on GST exemptions they should ring 13 28 66.

Andrew Crawford asked if it was possible to contact Customs with particular GST queries. Stan acknowledged that there were areas in Customs that handle and have some expertise in GST matters. He added that there may be some value in re-establishing a Customs point of contact for certain types of GST enquiries. Stan said that he would liaise with the GST group in Compliance to determine if this might be feasible.

Action: *Stan to liaise with GST group in Compliance and determine feasibility of establishing a GST contact in Customs and report back at the next meeting.*

Action Item 4 – Sea Cargo Reporting Issues

In response to a request to provide further details on the reason for NSW non-compliance in sea cargo reporting, Stan said that he had spoken to the officer responsible for statistical reporting for both air and sea cargo. After further discussion and analysis, Stan admitted that the specific reasons for the level of NSW non-compliance were not clear. Stan went on to offer some possible reasons for the levels of late cargo reporting in NSW.

Stan stated that a large proportion of sea cargo destined for Australia is often transhipped via Singapore and that the first Australian port of arrival for these voyages is generally Fremantle. He noted that the Singapore to Fremantle trip normally takes around five to six days. Stan said that Customs cargo reporting requirements necessitate that sea freight cargo must be reported at least 48 hours before arrival at the first Australian port. This allows Australian freight forwarders about three to four days to receive the paperwork from their overseas agents and report the cargo into the Integrated Cargo System (ICS). Stan pointed out however, that the process of receiving the necessary documentation can be onerous, particularly for smaller operators. He added that often the documentation will not be provided by Singapore until the ship has sailed and the cargo manifest has been reconciled. This can result in further delays which can reduce the amount of time that Australian reporters have to fulfil their reporting obligations to Customs.

Stan went on to explain that for cargo arriving in Fremantle for discharge in Sydney, many Sydney reporters mistakenly believe that they still have 48 hours to report before arrival at the port. However, Stan stressed that the legislation requires that the cargo be reported 48 hours before the first port of arrival, not the port of discharge. Stan also pointed out that cargo arriving into Sydney from New Zealand ports also experience problems with timely reporting due to the short voyage times (approximately four days).

Stan acknowledged that the time period covered in the graphs presented at the last Trade Facilitation Forum (TFF) meeting included figures for events that were not necessarily regular occurrences and this may have skewed the figures. He said that Customs measures the timeliness of reporting on the ‘Impending Arrival Time’ lodged into ICS by the shipping companies. If a ship is delayed at its overseas port of departure by a couple of days and the shipping company has amended their “Impending Arrival Time” into the first Australian port, then every cargo line on that ship will be shown as late reported. Stan emphasised that there can be hundreds of ocean bills on each voyage, with possibly thousands of associated house bills. If the “Impending Arrival Time” for one or more vessels arriving in a given month is incorrect in any way, then the overall late reporting figures will be affected significantly. Consequently, if a large ocean bill reporter fails to meet their reporting deadline it will affect the parties responsible for all the lower house bills. Stan explained that both these types of problems were represented in graphs presented at the last meeting.

Paul Zalai said that identifying the import vessel, for cargo transhipped via an intermediary port, is a major issue for both freight forwarders and Customs brokers in order for them to be able to accurately match their cargo reports / import declarations to shipping line reports within statutory timeframes. Paul stated that the CBFA had conducted a “straw poll” which indicated that this affects approximately 25% of import consignments. Paul stated that a potential solution exists by obtaining container list data via transshipment port authorities in order to overcome the current situation caused by some shipping lines not consistently providing this data in a timely manner or in a user friendly format.

Action Item 5 – Thai Free Trade Agreement (FTA) Certification Process

Stan explained that in relation to goods claiming Thai FTA preference, Customs takes a pragmatic approach. He said that Customs primary concern is that the goods description matches the invoice and that the gross weight is correct. This was also confirmed by Mark Ellis who said that “as long as the description and weight on the certificate can be matched to the shipment it will be fine”.

Action Item 6 – Enhancement of Sea Cargo Functionality

John Barber reported that Catherine Asbridge had discussed the enhancement of the sea cargo functionality with Information Technology (IT) in Canberra. He explained that all suggested ICS enhancements are considered against a set of criteria and are prioritised according to importance and impact on improving overall useability. John advised that the costs for such enhancements would be prohibitive and would only be of value to a few users.

Paul Zalai said that if it was “too hard” he would “let it go”, but disputed the claim that these type of enhancements would only benefit a few users.

Action Item 7 – Bulk Refund Amendments

Stan Pragnell pointed out that in the Customs Annual Plan 2008-2009 the Cargo Division has been given responsibility for exploring the feasibility of creating a bulk amendment facility in the ICS. However, at this stage it should not be assumed that the scope will include both payments and refunds. Stan assured the forum that more information will be provided when it becomes available.

Andrew Crawford again expressed his concern about Customs reluctance to accept bulk refund amendments and described the difficulties associated with preparing and lodging multiple refund amendments. He noted that he had had discussions with senior officers and has difficulty understanding why Customs has agreed to accept bulk amendments for payments, however, are apparently unwilling to consider a similar process of accepting bulk refund amendments.

Paul Zalai asked if he could have the names of contacts involved in the two reviews that have been mentioned – the review of Redline processing and the bulk amendment facility review.

Action: *Stan to provide Paul Zalai and Andrew Crawford with the names of the contacts involved in the reviews for Redline processing and the bulk amendment facility.*

ITEM 4 Regional ICS Issues

Sharon Hillier briefed the forum on a number of significant changes that would be affecting the CI&SC. She explained that the CI&SC has been reviewing its call patterns and after undertaking a service provision functional analysis, was now implementing a number of key changes. She advised that the main changes will be the alignment of certain functions, staff roster changes and changes to the hours of operation.

Sharon explained that the development of a new structure and roster system would allow for the delivery of appropriately skilled officers at the required times to meet client service delivery expectations. Consequently, there will be a reduction in the operating hours of the ICS from 0500 to 2300hrs seven days a week to the following:

- Information Calls - Monday to Friday 0830hrs to 1900hrs only.
- Cargo Support Calls – Monday to Friday 0600hrs to 2100hrs
- Saturday to Sunday 0700hrs to 1900hrs

Sharon added that there would be an On-Call Officer on duty outside of these hours and that an Australian Customs Cargo Advice (ACCA) outlining the details of the changes would be published shortly. John Barber sought clarification on the background behind these changes. Sharon provided a brief overview on the main reasons that led to the changes, including the instruction of the new call centre technology.

Paul Zalai said that he had responded to correspondence from Steve Pearce on the proposed changes and in his reply stated that he thought the changes to the CI&SC were appropriate. Paul noted that his only concern was with the hard copy prints of the “Delivery Point Release Request”. He said that he was concerned that the reduced hours for the provision of this service might cause delays in the release of cargo.

After some general discussion about hard copy releases and the way depots use the ICS, Paul said that he would be visiting a depot shortly. He advised that while he is there he would do some analysis on the number of hard copy releases that are required.

Sharon concluded by saying, that although the hours for the provision of hard copy releases were to be reduced, urgent requests/ clearances outside of these hours can still be made by contacting the Customs Urgent Clearance number on 02 6275 6100.

ITEM 5 Compliance Division Update

Stan Pragnell opened his presentation by distributing copies of the latest “Recently Identified Areas of Non-Compliance” report.

Luxury Car Tax

Stan reported that in the 2007- 08 financial year real time checking of import declarations for motor vehicles identified that many importations failed to declare the correct amount of Luxury Car Tax (LCT). Stan said that as with the previous year, the main issues related to data input errors by brokers, misinterpretation of the legislation/ guidelines and deliberate undervaluation (especially with very expensive vehicles).

Stan emphasised that there were recurring problems with the importation of limousines, and that some importers were contesting the applicability of the LCT through the ATO. He noted that the ATO has consistently held its position that these vehicles are in fact subject to LCT. Stan urged brokers to ensure that their clients correctly declare the value of their imported vehicles at all times.

Tony Fatouros said that racing cars was another area that needed to be looked at and made reference to an ATO ruling that says something to the effect that “if a car cannot be registered anywhere in the world, it may be exempt from LCT”. He then offered a racing Ferrari as an example. Tony asked if it was possible to clarify the issue around racing cars and determine whether they were exempt or not. Stan agreed that he would investigate and report back at the next meeting.

Action: Stan to determine whether there is an ATO determination/ ruling relating to racing cars and LCT.

Inadequate Description of Goods on Declarations

Stan advised that audit activity over the 2007- 2008 financial year has shown a continuing trend of poor or inadequate data in the Goods Description field in import declarations lodged with Customs. He stressed that often the description of the goods is too vague or too general to allow Customs to check the tariff classification that has been applied. This then compels the auditor to call for commercial documents or supporting Illustrative Descriptive Material (IDM) which can lead to delays in completing of the audit.

Stan provided an example where during a number of audits of pharmaceuticals importers, their medications were found to be generically described as:

- Other medicaments;
- Chemicals;
- Other chemicals;
- Capsules; and,
- Food supplements.

Stan said that in some cases, medications were simply described by their product code, which although convenient in the short term, may end up causing delays, inconvenience and additional costs in the long term. Stan urged brokers to ensure that the descriptions provided in import declarations are sufficiently informative to ensure that Customs can identify the goods for classification purposes. Kim Simmat added that it was helpful to have goods described, even in a general way, but not just as “Other”.

Andrew Crawford said that there were instances where generalisations were used for security reasons and offered commodities such as high value jewellery and pseudo-ephedrine as examples.

Misuse of Tyre TCO

Stan informed the forum that recent audit activity has identified recurring problems with the use of Tariff Concession Order (TCO) 96130014. He said that the TCO relates specifically to “tyres, off road, motor car circuit or drag racing, pneumatic”. The TCO also makes reference to tyre marking features such as section width, outside diameter, type of type and rim diameter. Stan said that Customs has found that this TCO has often been misused during the importation of 4WD tyres used on road-going vehicles.

Stan reported that between August 2006 and August 2008, Customs recovered unpaid revenue of approximately \$2.24 million arising from the misuse of this TCO. Stan noted that the revenue was collected from thirty-three separate importers. Stan added that it was likely that there would be further scrutiny of the use of this TCO. Stan took the opportunity to encourage brokers with clients who import tyres to check for previous use of this TCO, and if appropriate, make voluntary disclosures and amendments before Customs initiates verification activities.

Incorrect GST Exemption Claims

Real time checking of import declarations has shown a range of problems in the application of GST exemptions. Stan offered the following as two of the main reasons for inappropriate GST claims:

- Misunderstanding of the GST exemption guidelines; and,
- Clerical errors – for example where the GST exemption has been claimed on the wrong line.

Stan informed the forum that in the 2007- 2008 financial year, Customs identified incorrect GST exemption claims worth \$588,803. He also noted that in the same period, Customs identified GST overpayments of \$239,123. Stan said that in the case of overpayments, Customs notified all brokers or importers concerned. He emphasised that Customs was concerned with collecting the correct revenue, not just underpayments.

Stan went onto offer the following notable examples:

- A large company took over a smaller company and then subsequently failed to claim GST exemptions on the new range of items – a GST overpayment of \$143,000 was identified by Customs.
- In June 2007, GST overpayments of \$480,000 were detected on aircraft parts. The company had paid the GST on the total value of the goods, not just on the value of the repairs made to the goods.
- With foodstuffs generally, importers or brokers often overlook GST exemptions on products such as fruit, butter, soup, packet meals and other ingredients. In some instances, GST has been paid on ordinary food imported by health food companies.

Stan concluded by saying that if in doubt, brokers are urged to contact the ATO for rulings or guidance. He emphasised that although Customs collects GST on behalf of the ATO, Customs cannot provide advice on eligibility for GST exemptions.

Andrew Crawford asked whether declarations claiming GST exemptions all went Red-line? Stan was unable to provide a definitive answer to this question and said that he would make some enquiries and let Andrew know at the next meeting. The question generated more discussion about the redline process. Michael Hudson asked whether he could talk to anyone about “not having to constantly respond to the same, low risk Notice to Produce Documents (NPD) advices”. Stan said that although he couldn’t see a way around this he would make some enquiries.

***Action:** Stan to make enquires to determine whether all declarations claiming GST exemptions go redline.*

***Action:** Stan to investigate whether options available to brokers to reduce the level of documentation required to be submitted for low risk redline declarations.*

Cargo Reporting

Stan referred to a number of sea and air cargo reporting graphs in the handout he distributed earlier and explained how they show recent trends in the timeliness of cargo reporting. Stan again stressed the importance of timely and accurate cargo reporting and the how vital it is in enabling Customs to undertake adequate risk analyse.

Stan said that overall the national trends were promising but there were still large numbers of cargo reports being reported late.

Paul Zalai asked if it would be possible to request a couple of modified air cargo statistics graphs. Stan advised Paul that he could liaise directly with Kim Simmat on this issue.

***Action:** Paul Zalai to liaise with Kim Simmat to discuss the type of air cargo statistical graphs required.*

Before concluding his presentation, Stan referred to the handout entitled “Warehouse Checks by Customs”. He offered a brief summary of the content of the document and pointed out that there was an additional type of warehouse check, the Audit, which

needed to be added to the list. Stan invited comments on the information provided in the handout.

ITEM 6 NSW Trade Branch Update

Brian Sheridan presented the forum with an overview of his area's recent workload statistics. He commenced by saying that the Tariff section received 159 tariff advice (TA) requests in July and added that 189 TA had actually been processed in that month. Brian advised that of the decisions made in July, 39% did not support the applicant's submission. Brian reported that 254 refund applications had been processed in July and of these, 18 applications were rejected with a value of \$45,590.

Brian went onto to say that over the last eight months the Tariff Concessions Section of the Trade Services Branch has been undertaking a project to review refunds activity. The project examined the legislation covering the refund process, the business process of Customs and the risks associate the current refunds process. The review also looked at how the refunds process aligned with the other activities Customs and the broader objectives of Customs.

Brian said that on conclusion of the project a decision was made by the Senior Executive to adopt a different business process approach to refunds. This decision was based on the low level of risk associated with the refunds process, that it is more in keeping with Customs compliance continuum policy and reflects the high level of compliance by the importer/broker community on refund applications. Brian advised that the project is now moving into the second stage and that the Tariff Concessions Section will be working with Compliance to determine how refund activities will be undertaken in a post audit environment (e.g. as part of the desk-top audits carried out by Compliance Division).

Brian noted that it was believed that the re-design of refunds would not impact on the workload for compliant importers/brokers, and in fact it is expected that workload will be reduced because there will be fewer random refunds applications selected for assessment. Brian stated that the new arrangements were not expected to come in effect until early in the New Year. Paul Zalai enquired about whether a notice would be going out about the changes. Brian replied by saying that external stakeholders would probably not notice a great change except that there may be less redline refunds. Although he had not yet been briefed on whether the changes will be published, Brian said that this was likely to happen closer to the date of implementation.

ITEM 7 General Business

Paul Zalai referred to a matter raised by a CBFCA member pertaining to the Tourist Refund Scheme (TRS) processing at Melbourne airport. John Barber undertook to address this matter by referring the CBFCA to an appropriate contact within Customs.

***Action:** John Barber to liaise with the CBFCA and determine an appropriate Customs contact to address the specific TRS issue.*

Andrew Crawford informed the forum that a lot of work has been done on redesigning the interactive software used by brokers/ importers so that it looks more like the ICS. He said that the new software should be ready to be rolled as early as next month.

ITEM 8 Next Meeting

Due to a scheduling clash, it was decided that the date of the next meeting would be moved from 26 November to 19 November.

The next TFF meeting is therefore scheduled for **Wednesday 19 November 2008**.

Meeting concluded: 12:45pm.