



1. Meeting Agenda

Meeting Number: 02/09
Meeting Name: Trade Facilitation Forum
Date: Wednesday 24 June 2009
Time: 11.00am
Location: Customs House
10 Cooks River Drive
Sydney International Airport

2. Invitees/Attendees

Y-in attendance; A-apology

Customs

Y John Barber (Chair - Director Sea Cargo Operations)
Y Doug Greaves (Director Compliance Operations NSW)
Y Jim Fleming (Director Compliance Risk and Strategy NSW)
Y Tony Gorman (Supervisor – Cargo Examinations)
Y Rod Vaughan (Director Customs Information & Support Centre)
Y Craig Wilson (A/g Manager Import Audit 2)
Y Noreen Agius (Supervisor National Industry Leads – Service Providers)
A Andrew Hosking (Regional Director NSW)
A Catherine Asbridge (National Manager Cargo Operations North)
A Pam Radin (Director Air Cargo Operations)
A Paul Willard (Manager Container Examination Facility)
A Brian Sheridan (Manager Trade)
A Stan Pragnell (National Industry Leads Coordinator)

AFIF

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

CBFCA

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

CAPEC

Y Ben Somerville
A Robert Battistel

3. Agenda

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

4. Minutes

Meeting commenced: 11.20am

ITEM 1 Welcome and Apologies

John Barber formally welcomed everyone to the meeting. He passed on apologies from Andrew Hosking, Catherine Asbridge, Pam Radin, Brian Sheridan, Andrew Crawford, Brian Lovell and Robert Battistel.

ITEM 2 Minutes from the previous meeting

The Minutes from the previous meeting, held on 25 March 2009, were accepted without change.

ITEM 3 Matters arising from the previous meeting

Action Item 1 - Export Declaration Error Statistics

Director Compliance Operations NSW (Doug Greaves) reported that the cargo timeliness statistics have not been revised since the previous meeting. A new set of statistics will be provided at the next meeting.

ITEM 4 Compliance Division Update

Doug Greaves advised the national quarterly overview of "Current Issues in Compliance" has been delayed. He apologised that it was not available at this time however it will be available at the next meeting.

Doug gave a summary of a PowerPoint presentation that he recently delivered at the CBFCA Symposium in the Stanford Hotel in Sydney. He suggested that it may contain items of interest to non-CBFCA attendees.

The presentation covered the following issues:

- The respective roles of the Compliance Division, the Trade Division and the Cargo Division. He described a simple conceptual model showing how these three Divisions share responsibility for the ‘big machine’ that regulates international trade.
- The Compliance Division’s focus on *assessing* compliance and *improving* compliance (ie; finding and fixing problems, like the mechanic for the ‘big machine’).
- The *Compliance Continuum* and the ways in which this regulatory philosophy shapes the operational activities of Customs and Border Protection.
- The overall approach of the Compliance Division in identifying actual risks, assessing and quantifying those risks, then taking remedial action.
- The continuing progress of the Compliance Division towards a truly national and risk-based approach to the guidance and management of operational activities.
- Forthcoming changes in the approach of the Compliance Division in 2009–10, including:
 - A significant reduction in the number of broker audits
 - An internal restructure reflecting the three broad categories of Compliance work (post-transaction verification; pre-clearance intervention; and cargo control & accounting)
 - Centralisation of refund processing in Adelaide and the introduction of similar intervention rates for refund claims as for other declarations
 - The replacement of benchmark audits by alternative pre-clearance intervention arrangements (with the team doing this work based in Brisbane)
 - The growing focus on community protection risks (not just revenue collection).
- A snapshot of recent audit results, highlighting that 88% of targeted import audits identified errors, with misclassification and price accounting for 30% of all import errors detected, while 95% of targeted export audits identified errors, with 60% of all export errors relating to FOB Value.
- 61 infringement notices were issued nationally between July 2008 and February 2009, with the most common offences being S243T(1) ‘false or misleading statement resulting in loss of duty’ and S33 ‘move alter or interfere with goods’.
- Ongoing misuse of Self Assessed Clearances (SACs), especially Short Form SACs (SFSACs). Doug highlighted the original intent of the SFSAC as a replacement for the Informal Clearance Document (ICD); the apparent extent of current misuse; Customs concerns in this area; the identification of importers / brokers who have misused SFSACs; future operational activities against them; and recommendations to industry for remedial action.
- The importance of *cargo control* in ensuring *community protection*. Doug emphasised the need for industry to remain vigilant for breaches of cargo control and to report any suspicions to Customs.
- The new S36/37 offence provisions.
- A brief description of how to enquire about the Tariff Concession Scheme common reasons for rejecting TCO claims.

Doug also mentioned that under the current interim structure, the Compliance Division is reporting to the National Director Trade, Sue Pitman. In that role, Sue is now acting as the ND of both Trade and Compliance.

Paul Zalai asked who is the National Manager for Compliance and Doug advised that it is Craig Somerville.

Jim Fleming (Director Risk & Strategy) stated that a national project has been coordinated from WA in response to a profiling vulnerability for Short Form Self Assessed Clearances (SFSACs). Project team looked at data identifying multiple users of SFSACs for high-weight consignments. As part of verification program, a series of S240AA and S240AC notices have been issued to importers and their brokers. So far, only four sets of documents have been provided, even though the 14 day period for document production has expired.

Jim advised that SAC profiles have been initiated as part of the project and they are detecting non-compliance. For example, a shipment of hydraulic pumps with a declared value of \$0.00 had an actual value of \$68,800.00 and was entered on a SAC. Because these were returned Australian goods, it may have been assumed that a SAC would suffice to enter the goods, as there was no revenue payable. However, Jim stressed that the SAC threshold of \$1000 is a value threshold, not a revenue threshold.

Michael Hudson noted that brokers may sometimes correctly declare a low value when machinery is broken and is imported for repair, as the value at the time of importation may be far lower than the value after the repair is done.

Tony Fatouros talked about Treatment Code usage. The Integrated Cargo System (ICS) does not allow the use of the repair and return Treatment Codes in FIDs for duty free goods. Instead, it is necessary to use the substantive tariff item and insert a GST exemption code. Jim Fleming confirmed that this is the correct approach for 'repair and return' goods; not the use of a SFSAC.

Jim Fleming further reported on SAC profile results in NSW. He mentioned that a racing car with a declared value of \$191.54 was discovered to have real value of \$66,289.06. Another example was a SAC for cardboard packages with a declared value of \$549.01 that was later discovered to have a real value of \$26,556.95.

Jim advised that the mandatory document retention period for owners is five years and that for service providers this period is one year.

Paul Zalai asked if there will be a review of the SAC system and whether limits will be placed on who can utilise them, or whether compliance-improvement methods will be used instead. Jim Fleming responded by stating that in the short term, intensive compliance monitoring will be performed, in order to gather more information about the misuse of SACs. The long term strategy will depend on the extent of ongoing misuse.

Doug Greaves talked about the Cargo Control Review and how it highlighted the need for more attention to the cargo control function. He noted recent publicity about criminal infiltration of the waterfront. The aim of the review is to ensure a nationally consistent and risk-based approach to the cargo control function.

Ben Somerville asked if Frontline should be alerted if suspicious activity is detected. Doug agreed with alerting Frontline, if the company concerned is a member. He further advised that cargo industry participants are very welcome to contact Compliance direct if they have any concerns or suspicions, or if they want to clarify a point or just discuss an issue.

Doug discussed the new section 36 and 37 offences. He advised that an ACN will be issued in the near future, while the offences won't come into effect until about November 2009.

Ben asked about the use of a Pre-Clearance Intervention process to replace the benchmark audit activities and he asked whether this process will involve physical examination of the consignments concerned. Doug advised that most cargo will be released as soon as the documents are received from the broker, but there might occasionally be a need for a physical examination. This process will be run out of Brisbane, with a new staff of 10 commencing on about 1 July 2009.

ITEM 5 Regional ICS Issues

Rod Vaughan reported that the following outages in ICS have occurred since the last meeting:

- 7 April - Telco had a hardware failure which made the internet unavailable, which affected Customs Interactive Users. The outage lasted for 4 hours and 30 minutes.
- 15 April - The F5 switches in the gateway had a failure which caused an outage to CI users and caused problems in downloading EDI reference files. BCP invoked and 85 files received and the CI&SC experienced extremely high call volumes. The outage lasted for 3 hours and 15 minutes from 14:40 - 17:45.
- 27 May - A system user account in a CCF server expired causing database connection failures shortly before a scheduled outage on 27 May. The outage was during standard Cargo outage window.
- 5 June – No EDI messages were being sent between 22:00 - 23:36, two ICS officers attended the office.
- 10 June - No EDI messages were being sent between 20:26 - 21:32.

There was also a slight issue with Qantas system on 23 June causing outage. Rod Vaughan asked if there were any issues with response from CI&SC during the outage. No comments were received from the forum. Paul Zalai asked what the effect of the Qantas outage was and if it was handled adequately. Rod replied by stating that Qantas has lost email system and that a meeting was being arranged with Qantas to review the outage.

ITEM 6 NSW Trade Branch Update

Noreen Agius gave apologies for Brian Sheridan who is currently on three months leave. She advised that his replacements will be Greg Scott, Simon Bowering and Mark Jackson (Trade QLD), for one month each, in turn. Noreen also passed on some statistics from Trade. There were 126 Tariff Advices (TA) lodged in May and the

decisions given on TAs in May varied to that of the claimed heading on 71 occasions reflecting a 40% variation rate.

Noreen also advised that the current Director of Tariff Policy, Ms Judy Sutton, is due to retire in August and that her replacement will be Ms Anita Langford.

Noreen stated that Trade Services is currently undergoing a reorganisation in the allocation of some workloads. As part of this reorganisation some reviews of TA decisions will be done by senior tariff officers in the regions. It should be noted that no state will review their own decision. These reviews were previously done by Central Office staff.

John Law asked as a result of the reorganisation, will the review process of tariff decisions speed up. He further added that some companies are waiting up to 6-8 months for a tariff review from CO staff. John also added that if this was the case, it is a very positive move as it will quicken the review process.

Paul Angel requested for an update on the reviews at the next meeting.

Tony Fatouros commented on TCO usage. He stated that there is a lack of national consistency, as some officers may accept that a TCO applies and others may not. Often the TCO is rejected and replaced with another, but brokers will generally not argue as they at least still get the use of a TCO.

ACTION ITEM 1: Trade Branch to provide an update on review process to the forum in the next meeting.

ITEM 7 Cargo Examination Programming Arrangements

Tony Gorman informed the forum that a recent review of cargo examination programming was conducted. He stated that discrepancies were noted with booking arrangements in each region. In NSW exam bookings are made at counter, in Victoria bookings are arranged via email and in SA booking requests are made via faxes.

Tony explained that the process had been reviewed in NSW and that a trial with FedEx had been conducted whereby exams were booked by email. This was shown to be successful and enabled transparency in the process. He further added that whilst face to face booking at the counter will not be discontinued at this stage, this process is to be introduced for all examinations (including Carnets & personal effects).

Tony advised that the email system is now available for those who wish to make use of the facility. A State Notice will be issued.

John Law enquired as to how and when industry representatives will be informed. It was then decided that the intention is to wait until a State Notice is released.

ITEM 8 General Business

Refund Applications

Paul Zalai spoke about underbond movements. He also raised the issue of refunds and possible/perceived delays in processing refund claims since the centralisation of the refunds function in South Australia. He queried if this was an industry-wide issue.

Further discussion suggested that there seemed to be a belief amongst industry that South Australian processing staff are taking longer, as they are new to the task and don't want to make errors, whereas NSW staff were more familiar with the processing of refunds and could process applications more efficiently.

ACTION ITEM 2: Customs to provide statistical data on refund processing times for next meeting. Paul Zalai also requested that the data be provided to him before the next meeting.

Container Examination Facility Targets

Paul Zalai observed that industry had been notified that there would be a reduction in containers being targeted by Customs for inspection at Container Examination Facilities (CEFs) nationally and asked if that reduction applied equally across all CEFs. John Barber responded that Customs inspections of imported containers were linked to container throughput at ports and therefore the number of containers inspected will vary from port to port.

EOI Checks

John Law and Paul Zalai raised some concerns with *evidence of identity* checks (EOI). John Law questioned the effectiveness of photocopies containing drivers licence details. Often the driver/person cannot be identified after having their licence photocopied, due to degradation of the image quality. John proposed that a photo ID should be issued to service providers, identifying them as brokers. John also pointed out that some service providers have taken to dropping off clients at the front counter, because this means their personal effects will be cleared more quickly.

There are also some concerns with regards to senior broking staff having to identify themselves whenever they come to CHSIA in order to present documents to Customs. This can impede the process of lodging documents, leading to delays in clearance and result in storage fees.

Rod Vaughan informed the forum that a review of the EOI process is currently in progress in Central Office.

General Discussion

Michael Hudson spoke about direct debits and he asked if Customs & Border Protection could send reminder notifications to the Service Provider industry, advising them of expiry dates for the relevant certificates/authorisations and the need for renewal.

John Law suggested that lodgement of requests for Tariff Advice could be done by email, in the same manner that exam bookings are now being made. Currently, physical lodgements are required.

ITEM 9 Next Meeting

John Barber concluded the meeting by advising that the next TFF meeting will be held on **Wednesday 26 August 2009**.

Meeting concluded: 12:30pm.