



1. Meeting Agenda

Meeting Number: 01/09
Meeting Name: Trade Facilitation Forum
Date: Wednesday 25 March 2009
Time: 11.00am
Location: Customs House
10 Cooks River Drive
Sydney International Airport

2. Invitees/Attendees

Y-in attendance; A-apology

Customs

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

AFIF

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

CBFCA

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

CAPEC

A Robert Battistel
Y Ben Somerville

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

Andrew Hosking formally welcomed everyone to the meeting. He passed on apologies from Catherine Asbridge, John Barber, Jim Fleming, Rodney Vaughan, Paul Willard, Paul Zalai, Andrew Crawford and Robert Battistel.

ITEM 2 Minutes from the previous meeting

The Minutes from the previous meeting, held on 5 November 2008, were accepted without change.

ITEM 3 Matters arising from the previous meeting

Action Item 1 – Identifying a GST (Goods and Services Tax) Contact in Customs

Stan Pragnell reported that he had not yet been able to identify an appropriate GST contact in Customs. He stated that rather than waiting until the next meeting to provide this information, he would endeavour to inform meeting members separately when a contact has been established.

Action Item 2 – Cargo Reporting Data

At the last meeting Doug Greaves undertook to find out if it was appropriate to provide cargo reporting timeliness graphs that have been modified to exclude CAPEC data, as some industry members had stated that they thought that the inclusion of the CAPEC data might be distorting the overall results.

Doug indicated that there had been ongoing discussions since the previous meeting about these graphs and there were some reservations within Customs about separating the data, following a submission from CAPEC members requesting that their data not

be shared during the forum meeting. Doug advised that he would address this in more detail during this Compliance update report.

Ben Sommerville from CAPEC then advised that Paul Zalai from the CBFCA was still keen to see the data separated. Following further discussion, Ben stated that the CAPEC members did not have any objections to separating their data or sharing it with the other forum participants. He suggested that rather than referring to CAPEC by name, it might be worthwhile to split the data into “air express carriers” and “others”. Brian Lovell emphasised that this request was not made along association lines, but was done to identify more clearly what the data says about the performance of separate industry sectors.

Doug noted that this discussion had left no doubt that there is now consensus on the data being separated and shared with all the forum participants. He advised that he would hand out two sets of graphs during his presentation, one of which will also be used during Steve Moore’s presentation at the CBFCA convention on the weekend.

Before moving on, Brian Lovell again stressed the need to move away from this being solely an issue related to producing graphs relevant to membership groupings as a number of businesses were members of more than one industry association group. Andrew Hosking agreed.

ITEM 4 Compliance Division Update

Doug Greaves presented the following in his Compliance Division update:

National consistency

Doug advised that the Compliance Division is currently undertaking several initiatives that are intended to improve national consistency in relation to cargo compliance issues. He said that industry may notice changes in coming months as these initiatives take effect. Doug stated that these initiatives relate to:

- Broker audits (reduced number; more consistent approaches);
- Benchmark audits (may move to intervention/desktop checks rather than audits);
- Refunds (centralised in South Australia; using a risk-management approach);
- Pre-clearance intervention (consistent national profiles; revised profiles);
- Cargo control (comprehensive review of the purpose and nature of this work).

Risk management

Doug pointed out that in previous meetings the National Industry Lead (NIL) structure was explained. He reported that the Compliance Division has recently disbanded the Mining NIL and absorbed its functions within the Automotive & Transport NIL and the General Business NIL. In its place, a Restricted Goods NIL has been established.

Doug advised that in early 2008, the Compliance Division adopted an improved *risk assessment and planning model*, which produced a Risk Management Plan for the current financial year (2008-09). While it is still early days, it seems that this Plan is bearing good results, in terms of efficient use of our resources and improved compliance with cargo-related laws.

He added that the new risk assessment and planning model also includes improved processes for assessing and responding to emerging risks. This enables Compliance to deploy operational resources in a nationally-consistent and integrated way.

Doug said that the design and implementation of this new approach was guided by the new national Risk and Strategy Section (based in Sydney and led by Jim Fleming), with support from the eleven NILs (located in Brisbane, Melbourne and Sydney).

Doug stated that Compliance is currently finalising its national *Risk Assessment Report 2008-09*, which identifies and ranks all the cargo-related risks that Compliance must address. He noted that it is this document that will guide the development of the *Compliance Action Plan* for 2009-10. Doug advised the forum that as an organisation, Customs and Border Protection will further expand its risk management capability in 2009-10 through corporate initiatives in relation to *Business Intelligence* and *Entity-Based Risk Management*.

Broker audits

Doug reported that the risk management improvements in 2007-08 allowed Compliance to improve its efficiency, by reducing the number of audits for lower-risk entities. He offered the example that there were very few audits of licensed Customs brokers undertaken this year.

He informed the forum that Compliance's risk assessment process for 2008-09 indicated that licensed Customs Brokers (as an industry sector) were generally compliant. He said that this assessment was based on analysis of the outcomes of past broker audits and it allowed us to assign broker audit activity a lower priority.

In turn, he said that this allowed Compliance to undertake better-targeted and more efficient compliance activities. Doug noted that results for the year-to-date have been encouraging:

- audits numbers down;
- coverage up; and,
- revenue recovery well up.

Pre-clearance intervention

Doug pointed out that, unlike broker audits, one of our high priority areas is our Import Intervention activity, where we intervene in import declarations, before the consignment is cleared and delivered for home consumption or warehousing.

Doug went on to say that Compliance's use of pre-clearance intervention has increased in recent years and this trend is likely to continue. He said that Compliance find that intervention is more effective in reducing non-compliance than post-clearance activities (such as audits). It is also more efficient, as audits are very resource-intensive.

In order to make best use of our pre-clearance intervention activities, Doug advised that Customs and Border Protection undertook a national Pre-clearance Intervention Review in recent months, led by the Director Compliance Operations WA/SA (John Davies). He added that the outcomes from this work will be implemented shortly.

Doug emphasised that this review has led to major improvements in our recording of results and reporting capabilities, which enable both a better understanding of the underlying non-compliance and better targeting.

He concluded by saying that intervention work in each region will be aligned with national priorities and will be managed nationally, allowing Compliance to change its focus on particular risks quickly, when changes are identified in patterns of non-compliance.

Cargo control

Doug advised the forum that Compliance have recently commenced a similar national review of our Cargo Control activities, with a report due by 30 June 2009. He stated that as an organisation, we attach great importance to cargo control and accounting, as it is the foundation for all our other systems and processes. Vulnerability in the control of cargo by industry can make all other efforts ineffective.

Doug informed the forum that a national Working Group will meet on 3 April 2009. He said that the Working Group will describe an overarching strategy for our cargo control work, including the kinds of checks that need to be conducted in ports, airports, CTOs, depots and warehouses. After that is resolved, a series of sub-groups will design the fine details of each kind of check, including performance measures and governance processes.

Doug noted that this review should lead to greater consistency between regions in:

- the range and nature of compliance checks that they undertake; and
- each region's response to non-compliance.

He added that it should also increase the amount of scrutiny being received by non-compliant companies, due to better targeting processes.

Refunds

Doug revisited the new arrangements for the processing of refunds. He noted that in recent months, Customs and Border Protection reviewed the processing of refund claims. He informed forum members that the main outcomes of the review are that:

- Responsibility for managing refund-related risks has transferred from the Trade Division to the Compliance Division.
- Refunds are now subject to the same risk management approach that the Compliance Division applies to all other revenue risks.
- Pre-payment checking of refund claims will be centralised in Adelaide (although, as an interim measure, it is currently centralised in Melbourne).

He stated that Compliance's risk management approach to refunds includes:

- A benchmarking program (to assess underlying rates of non-compliance);
- The targeting of high risk transactions for verification (either before or after payment);
- A quality assurance program; and
- Consistent application of the Infringement Notice Scheme.

Benchmark audits

Doug introduced this topic by stating that Compliance has a benchmark program, which assesses the error rates in the overall populations of import transactions. He pointed out however, that the program doesn't include some aspects of industry, such as the tobacco, alcohol or petroleum sectors, due to their unique features.

He explained that this program allows the ANAO to assess the extent of revenue leakage, so the Government can decide if that leakage is within acceptable limits.

Doug said that the current approach to benchmarking relies entirely on audit activities. These are time-consuming and resource-intensive for brokers, importers and Compliance staff. He advised that a national review is currently underway, to explore whether the same kinds of data can be obtained by other means, such as 'desktop' verification checks or pre-clearance intervention checks. He noted that this change may achieve greater coverage with fewer resources than the current audit-based approach.

Doug concluded by saying that further work on developing these options is needed, before Compliance can engage with stakeholders on the implications of any new approach.

Emerging border risks

As mentioned earlier, Doug stated that the new risk assessment model includes improved processes for formally assessing and responding to emerging risks, thereby enabling Customs and Border Protection to deploy operational resources to address border risks in a nationally-consistent and integrated way. He noted that a number of emerging risks are currently subject to analysis, including:

- Self-Assessed Clearances (SACs)
- Deliveries without authority
- Global economic crisis.

Doug said that the results of this analysis may well lead to changes in how Customs & Border Protection addresses these risks.

Self-Assessed Clearances

Doug expanded on the topic of SACs. He reported that between 2006 and 2007 there has been a 6% increase in the number of Full Import Declarations (FIDs) lodged, but in the same period, the number of SACs has increased by 11%. Doug said that this begs the question – has the number of low-value consignments increased at a greater rate than the number of high-value consignments, or are high-value consignments being misreported on SACs instead of FIDs?

Doug acknowledged that there will of course be occasions when a consignment is accidentally misreported on a SAC instead of a FID. However, Customs & Border Protection is keen to ensure that this is not done deliberately – either to evade paying Commonwealth revenue, or to expedite a clearance, or to avoid a cargo profile that targets prohibited or restricted goods. Doug advised that very recently, Compliance undertook a data-matching exercise that compared consignments cleared on Short Form SACs to the weights that were recorded on the original Cargo Reports. This revealed a

surprisingly large number of consignments that had been cleared on Short Form SACs, despite weighing several hundred kilograms or more. Some weighed several tonnes, while some were Full Container Loads (FCLs).

Needless to say, Compliance is now going to call for documentation on many of these consignments, to find out whether they were actually valued over the \$1000 limit.

Doug further advised that in the audit program, Compliance officers are also finding some companies that have used various kinds of SACs to clear consignments with surprisingly heavy weights. This will be an area of increased attention in coming months, especially with Textile, Clothing and Footwear (TCF) importations.

Doug stated that in the meantime, industry bodies are invited to advise their members – urgently – to be particularly careful to ensure that SACs are only used for goods with a Customs Value of or under \$1000. He emphasised that special care should be taken with any consignment weighing more than 100kg.

Doug offered the following as some of the examples of heavy consignments declared on SACs:

- Internal combustion engines – declared at \$322 but worth \$322,000.
Additional revenue of about \$39,000.
- Mainframe computer parts – declared at \$622.65 but worth over \$184,000.
Additional revenue of about \$20,000.
- Incomprehensible goods description – declared at \$9.00 but worth \$184,367.
Additional revenue of about \$20,000.

This topic generated a lot of general discussion about TCF goods from China. Paul Angel asked if the examples were a result of errors or deliberate fraud. Doug replied by saying that the first two examples appeared to be due to errors in reporting, while he was unsure about the third.

Accuracy of Export Declarations

Doug moved on to discuss export declarations and explained that the Compliance Division's audit program includes exporting companies, not just importers. He advised that an analysis of the results of recent export audits has revealed that about 64% of all export lines contain errors. Doug distributed a handout detailing the results for the period July 2008 to February 2009.

	Total
Audits completed	19
Lines examined	669
Lines in error	505
Line error rate	75.5%
Critical errors (*)	583
Non-critical errors	286
Total errors	869
Ave errors per audit	45.7
FOB checked \$	461,725,124

FOB variance \$	4,743,665
FOB understated \$	1,602,024
FOB overstated \$	3,141,641
Ave total variance per audit \$	249,667

Doug noted that the *critical errors* are FOB, AHECC, Permits, Quantity, Destination, Owner, Consignee and Origin. The *non-critical errors* are all other export declaration fields.

Doug said that the continuing high number of errors implied that the publication and distribution of the Exports DVD has not achieved a major improvement. Stan Pragnell added that there had been significant improvements in some areas, but some companies appear to have some systemic problems.

Brian Lovell sought clarification on whether these figures were regional or national. Doug confirmed that they were national figures. Brian also asked how these figures compared to the previous year and Stan responded that there had not been an improvement 'across the board'. Brian said that caution needed to be applied when presenting and viewing these types of statistics. Andrew Hosking noted that, compared to some years ago, the critical error rate has come down a long way. Tony Fatouros also noted that 'things were getting better'.

Doug suggested that it might be worthwhile presenting the data in a trend format and Andrew Hosking proposed that this be an action item at the next meeting.

Action: *Doug to investigate feasibility of presenting export declaration error statistics in trend format at next meeting.*

Stan acknowledged that companies were taking greater care with their export declarations and noted that it was a small number of companies that were making the biggest number of errors. Stuart McFarlane asked if those companies making the most errors had been identified and whether they were being educated on how to improve their practices? Stan said that plans were being made to do this. Andrew Hosking offered an historical perspective on how high the errors rates had been in the past. Tony Fatouros offered an observation that the economic situation might see less competent employees moving out of the industry.

Doug summarised by saying that although progress had been made to improve the error rates, we cannot 'rest on our laurels'.

Infringement Notice Scheme

Doug reported that in the 2008-09 financial year (up till February), the following actions were taken under the Infringement Notice Scheme (INS).

Action	National	NSW	NSW% Share
<i>Infringement Notices (INs)</i>	63	2	3%
<i>Delegate Warning Letters (DWLs)</i>	47	16	34%
<i>Non Delegate Warning Letter (NDWLs)</i>	101	13	13%

Doug noted that NSW had tended to use warning letters rather than infringement notices, but this was due to the nature of the cases concerned, not an underlying policy.

The actions taken in NSW can be broken down by offence type in this way:

Offence	INs served	DWLs	NDWLs
33(6) – Permit or direct to move, alter or interfere with goods	0	5	1
113(1) – Failure to enter for export or export without ATD	0	0	2
243T(1) – False or misleading statement – loss of duty	1	5	5
243U(1) – False or misleading statement – no loss of duty	0	2	2
243V(1) – False or misleading statement – cargo/outturn report	0	2	3
102A(4) – failure of holder of warehouse licence to notify Customs	1	1	0
99(3) - delivery of goods for export	0	1	0

Cargo reporting timeliness

Doug advised that Customs and Border Protection is still looking closely at the timeliness of cargo reporting. He emphasized that late cargo reporting was in no-one's interest, as late reporting leads to delays in delivering cargo.

Doug distributed a number of handouts containing graphical illustrations of the “On time Cargo Reporting in ICS” for the period February 2008 till January 2009. Doug noted that these graphs have been copied from the presentation that Steve Moore will be giving to the CBFCA NSW Convention in Wollongong on 28 March 2009.

There was some general discussion and analysis about the data presented in the graphs. Doug reconfirmed from Ben Sommerville the agreement of CAPEC, before distributing to the forum another two graphs of the timeliness of HAWB reporting, separated into data for the air express carriers and data for other air cargo reporters. He noted that these graphs had previously been emailed to Ben.

The forum noted that these graphs indicate that the air express carriers achieve average on-time HAWB reporting rates of about 96%, while other air cargo reporters were achieving an average of about 91%.

ITEM 5 Cargo Examinations New Programming Arrangements

Before briefing the forum on the new programming arrangements, Pam Radin pointed out that although she was Director Air Cargo Operations, she was responsible for the programmers who schedule both air and sea examinations.

Pam advised that there has been a review of cargo examinations which identified major differences and inconsistencies in how examinations are programmed in each region. She acknowledged that NSW needed to streamline its processes. As a result of the reviews findings, NSW has run a pilot programme involving the largest user of examinations in this region (approximately 25%).

Pam reported that the pilot programme has been deemed successful, and that a general rollout for all industry users of the exams facility will commence on 1 July 2009. Pam advised that she will be making contact with the CBFCA shortly before releasing a statement about the new procedures. She added that if anyone had any specific questions, they can email her directly.

Pam said that the new system is based on booking examinations via email and therefore will reduce the need to have more than one officer on the programming counter. The counter officer will be available to handle matters such as carnets.

Michael Hudson said that he no longer sees many instances where cargo examinations are required. However, he did raise two issues relating to the following:

- Who conducts the testing of goods that need to be analysed? Can it be done by an independent laboratory or does Customs' have a preferred tester?
- Problems with part release of 'non-infringed goods' e.g. one package cleared and one held? Can't clear only one package on ICS and have to withdraw/ re-report and split consignment.

In reply, Pam advised that Customs and Border Protection has goods tested by the National Measurement Institute – NMI (formally the Australian Government Analytical Laboratories - AGAL). In response to the problems associated with the part release of 'non-infringed goods', Pam said that she will check with Canberra. At present there is no IT systems solution, but alternative short term solutions are being sought.

ITEM 6 Regional ICS Issues

Peita Joraslafsky reported that a Cargo business continuity plan (BCP) exercise was conducted on 4 December and that it went off successfully. She said that the exercise provided detailed insights into Customs and Border Protection, AQIS and industries readiness in the case of a business disruption using real time scenarios. She said that that a final report should be disseminated shortly and that any comments would be welcome by John Cullen, Manager Customs Business Improvement.

Peita further advised the forum that an Anzac Day holiday would be observed by Customs and Border Protection staff on Monday 27th April. However, to minimise client disruption, the public counter at Customs House, Sydney International Airport will be open for the processing of Personal Effects clearances and Cashiers will also be open to receive payments.

ITEM 7 NSW Trade Branch Update

Brian Sheridan reported that 150 Tariff Advices (TA) were lodged with the Tariff Section in February and all were processed within the 30 day service standard. Brian noted that of the decisions made in February, 36% did not support the applicant's submission.

Brian advised that the NSW will shortly have a new Valuation Officer. Rhonda Stevenson who has held the position for approximately seven years will be taking up a position at the International Terminal. Rhonda is being replaced by Chulani Wujetunga. After a brief overview of Chulani's background and experience, Brian said that he was very enthusiastic about taking on his new role in mid- May.

Brian again made reference to the fact that the Refunds Section no longer sits within the Trade Branch and referred forum members to ACN 2008/57 – Redesign of the Customs Refunds Process.

Brian raised the 'alchopops' issue and advised that instructions have been received to continue collecting duty at the higher rate until 13 May 2009 (refer s.226 of the Customs Act). Brian mentioned a warehousing Payment Under Protect (PUP) relating to alchopops and this led to further discussion about the issue.

ITEM 8 General Business

There were no items of general business raised by industry members.

Andrew Hosking asked industry members how the economic downturn was affecting their industry. Brian Lovell noted that exports out of Melbourne had increased, while Tony Fatouros noted that the number of importations had certainly declined. Tony also emphasised that the level of activity was unlikely to improve until confidence returned to the global economy.

John Law made a point of highlighting the importance of meetings such as the Trade Facilitation Forum and provided feedback on the quality of the information that was shared at these meetings. He thanked Customs and Border Protection for keeping them going. Tony added that they help build trust in the industry. Andrew Hosking confirmed his support for meetings of this kind and said that from his perspective, they were valuable for all concerned.

Stuart McFarlane posed one last question. He asked if the Container Examination Facility (CEF) was operating effectively. In response, Andrew Hosking confirmed that all seems to be going well and that there had not been any recent complaints.

ITEM 9 Next Meeting

Debbie Buck referred forum members to a revised 2009 meeting schedule. She pointed out that the November date had been changed on request of Paul Zalai. The dates for the next three TFF meeting are as follows:

- Wednesday 24 June
- Wednesday 26 August
- Wednesday 18 November

The next TFF meeting is therefore scheduled for **Wednesday 24 June 2009**.

Andrew Hosking advised that this would be the last meeting that Debbie will be attending, and that the secretariat role will be handed over to Noreen Agius, with assistance from others in Compliance. Andrew thanked Debbie for her efforts over the last 2 years.

Meeting concluded: 12:45pm.