

Unclassified

Customs and Border Protection National Consultative Committee (CBPNCC)

Meeting 57

Minutes

7 September 2009

Attendees:

Mr Craig Birchall	Qantas Group
Mr Tim Chapman	AQIS
Mr Geoff Clark	International Air Couriers Association of Australia
Mr Eddy Declercq	Shipping Australia
Mr Louis Gross	Law Council of Australia
Mr Chris Jensen	Australian Federation of International Forwarders
Mr Jim Marshall	Australia Post
Mr Stephen Morris	Customs Brokers and Forwarders Council of Australia

Australian Customs and Border Protection Service (Customs and Border Protection)

Mr Michael Carmody	CEO – Chair
Mr Michael Pezzullo	Chief Operating Officer
Mr Neil Mann	DCEO Passenger and Trade Facilitation
Ms Linda Smith	DCEO Corporate Operations
Ms Sue Pitman	ND Trade and Compliance
Mr David Leonard	National Manager Strategic Development (Cargo)
Ms Pon Chaleune	Secretariat

Agenda Item 1 – Chairman’s Introduction

CEO, Customs and Border Protection opened the meeting and noted apologies from the following members:

- Mr Nathan Backhouse, Australian Chamber of Commerce and Industry;
- Mr Robert Battistel, Observer for the Conference of Asia Pacific Express Couriers;
- Ms Marion Grant, DCEO Border Enforcement, Customs and Border Protection;
- Mr Trevor Long, Qantas Group / Board of Airline Representatives of Australia;
- Mr Kevin Reilly, Institute of Chartered Accountants;
- Mr Darryl Sharp, Chairman, Customs Brokers and Forwarders Council of Australia; and
- Mr Peter van Duyn, Stevedoring Industry; and
- Ms Sachi Wimmer, National Manager, Corporate and International Strategy, Customs and Border Protection.

He welcomed new CBPNCC member Mr Tim Chapman, Executive Manager, Quarantine Operations Division, AQIS; and noted the attendance of Mr Craig Birchall, Manager Customs, QANTAS, in Mr Trevor Long’s stead.

He introduced Customs and Border Protection's new Chief Operating Officer, Mr Mike Pezzullo, former Deputy Secretary, Strategy, at the Department of Defence. Mr Pezzullo will focus on enhancing the agency's capability to deliver on its leadership role in border protection through effective delivery of its people smuggling responsibilities. He will also implement the Strategic Border Management Plan across the Government's border-related agencies.

Agenda Item 2 – Introduction from AQIS

Mr Tim Chapman provided an introduction from AQIS under "Agenda Item 9 - Other Business".

Agenda Item 3 – Minutes of previous meeting

The minutes from CNCC 56 on 7 April 2009 were accepted.

Agenda Item 4 – Actions arising from previous meetings

DCEO Passenger and Trade Facilitation noted that as the outstanding actions arising will now be considered by the CBPNCC Sub-committees, a detailed report such as this will no longer be tabled for future CBPNCC Meetings.

Agenda Item 5 – Feedback from CBPNCC Sub-committee meeting

ND Trade and Compliance circulated the minutes from the combined Service Delivery and Administration, Policy and Legislation Sub-committee Meeting held on 21 July 2009. She noted that the inaugural meeting focussed on developing an agreed structure and approach for future meetings and discussed at some length the consolidated list of industry issues. At the meeting it was suggested that industry would convene a round table to rationalise this list and provide a response to Customs and Border Protection for further discussion.

Mr Clark from International Air Couriers Association of Australia (IACAA) reported that representatives from Customs Brokers and Forwarders Council of Australia (CBFCA), Australian Federation of International Forwarders (AFIF) and Qantas had met on 24 August 2009 to complete this process. He advised that each item listed under service delivery was discussed and categorised as being either a procedural or systems issue. A priority ranking of 1-4 was then assigned to each issue. Mr Clark indicated that a consensus had been reached and that he would e-mail the consolidated list to ND Trade and Compliance by close of business, 7 September 2009.

Mr Gross from the Law Council of Australia indicated that he had reviewed the Industry Issues List with his Chairman and had provided a response to Customs and Border Protection. ND Trade and Compliance will confirm whether this response has been received.

Messrs Clark and Morris provided feedback on the format and length of the meeting. They suggested that for future meetings, ND Cargo or ND Trade and Compliance could facilitate proceedings, to progress issues expeditiously.

Agenda Item 6 – Updates from Trade and Compliance

Agenda Item 6(a)(i) – Updates on Request for change to commencement date for Harmonized System

ND Trade and Compliance advised that on 10 August 2009, Customs and Border Protection sent a letter to the Harmonized Committee Secretariat proposing that the commencement date for the Harmonized system be changed to 1 April 2009. This matter is now listed for discussion at the 44th session of the Harmonized System Committee on 21 September 2009. Customs and Border Protection will be attending this meeting and speaking to the item.

Mr Morris from CBFCA indicated that he would be happy to arrange for the submission of an industry paper through the International Federation of Customs Brokers Associations (IFCBA) and International Federation of Freight Forwarders Associations (FIATA) endorsing this proposal, for Customs and Border Protection to table at the meeting.

Action:

- Mr Morris to arrange for the submission of an industry paper through IFCBA and FIATA endorsing the proposal to change the commencement date for the Harmonized System, for Customs and Border Protection to table at the 44th session of the Harmonized System Committee in Brussels.

Agenda Item 6(a)(ii) – Updates on Authorities to Act

ND Trade and Compliance noted that following extensive engagement with Conference of Asia Pacific Express Couriers (CAPEC), CBFCA and AFIF a new ACN has been drafted which outlines the compliance approach to the authorities to act. This draft ACN has been sent to CAPEC members for final comment.

Mr Clark from IACAA indicated that he will meet with National Manager, Compliance Assurance, Customs and Border Protection next week to provide direct feedback on the draft ACN.

Mr Morris from CBFCA noted that this issue has been outstanding since 1997 and in his view the draft ACN failed to recognise legal principles and the Customs Act. He requested removal of the sentence in the information brief referring to the CBFCA maintaining that CAPEC members receive an unfair advantage. CBFCA will respond to Customs and Border Protection on this matter.

Agenda Item 6(a)(iii) – VoTI Update

ND Trade and Compliance reported on the co-design workshop held on 19 May 2009 to explore options for when the amount paid or payable is not known at the time of entry of the goods into Australia. Options for identifying the amount paid or payable for a specified kind of transport or insurance were also explored. The workshop established a preference for an “agreed rates” approach to form the basis of the proposed Legislative Determination and resolved that the ATO would provide an opinion as to its appropriateness under the GST Law. The ATO’s consideration of the “agreed rates” will rely heavily on industry information to be sourced from Transport Industry Representatives. The issues impacting on this option were also discussed.

Participants proposed 1 July 2010 as the start date for the change as this will align with changes to the Value of the taxable importation (VoTI) law, derived from the 2009-10 budget. ND Trade and Compliance advised that Customs and Border Protection would welcome industry input to the ATO with details of any standard rates for international transportation for shipping and air freight.

Mr Morris from CBFCA noted that the workshop was the first opportunity for industry to discuss this matter with the ATO and progress is being made towards a resolution. He commended Customs and Border Protection for their input to this process. Mr Clark from IACAA advised that he will send a copy of the minutes of the VoTI Workshop to ND Trade and Compliance. He expressed concern that the due dates for the last four action items in the minutes are listed as “to be advised”.

Agenda Item 6(a)(iv) – TCO/Tariff Advice Rulings

ND Trade and Compliance briefed the meeting on the Review of Tariff Concession Scheme, Tariff Classification and TCOs and Tariff Rulings outlined in the information brief.

In relation to the Tariff Classification and TCOs, she noted that a draft ACN on *Customs and Border Protection’s compliance approach to tariff classifications determined as part of a tariff concession order assessment process* had been circulated to CBPNCC members for consideration.

Mr Gross said that he was close to providing a response on behalf of the Law Council of Australia. He commended the fact that Customs and Border Protection had provided a draft in time for the next CBPNCC meeting.

Mr Morris indicated that the CBFCA would provide a response to Customs and Border Protection shortly.

Agenda Item 7 – Updates from Cargo

Agenda Item 7(a)(i) – Updates on Analysis of the payment of revenue

NM Strategic Development (Cargo) noted that at the last meeting of the CBPNCC, Customs and Border Protection sought industry feedback regarding possible models, benefits, costs and issues for a duty deferral model for both industry and government. He distributed a *Summary of revenue of imported goods for 2007-2008* and outlined the statistics of duty and GST deferred for Excise Equivalent Goods (EEGs), Passenger Motor Vehicles (PMV) and TCF.

He noted that current Customs and Border Protection legislation allows for a warehousing system that is well established and provides for a means of duty deferral. This system is heavily utilised by importers of goods which attract high duty rates such as EEGs and PMVs. The combined effect of warehousing and existing GST deferral arrangements means that a significant proportion of border revenue (77%) is already subject to deferral arrangements.

At this stage, benefits of deferral arrangements for the remaining 23% are not readily quantifiable. Industry input into areas where benefits could be realised were invited.

Agenda Item 7(a)(ii) – Update on Trans-Tasman Cargo Processing

NM Strategic Development (Cargo) provided an update on the Australian and New Zealand Prime Ministers' ambition to move further towards a Single Economic Market, by achieving new levels of trans-Tasman economic integration via accelerated regulatory harmonisation, and reducing barriers at the border. CEO, Customs and Border Protection reiterated that both Prime Ministers are in agreement on their determination to achieve seamless trans-Tasman trade.

NM Strategic Development (Cargo) noted that the results of a recent survey DHL had conducted on its customers engaged in trans-Tasman trade, indicated that traders believe that more needs to be done to make two-way trade easier. The results of Australia's 2007 Time Release Survey (TRS) provided evidence of the positive effect of the Australia New Zealand Closer Economic Trade Agreement (ANZCERTA) arrangements. It highlighted that imports from New Zealand by seas are processed significantly faster than cargo from other countries.

The joint benchmarking study will provide for the first time, an end-to-end view of trans-Tasman cargo performance that highlights the respective performance level of border agencies and industry and their effect on cargo throughput.

A review of the Product Specific Rules of Origin that apply under ANZCERTA is currently being undertaken by the Australian and New Zealand governments. The review aims to simplify a number of rules, particularly those with exception clauses, to further facilitate trans-Tasman trade. Any changes recommended in the review will need to be tabled in the Australian Parliament for consideration by the Joint Standing Committee on Treaties. If changes are agreed, it is anticipated that they will be implemented with effect from 1 January 2010.

Action:

- Customs and Border Protection to provide a copy of the DHL survey referenced in the “Update on Trans-Tasman Cargo Processing Information Brief” to CBPNCC members.

Agenda Item 7(a)(iii) – Update on Cargo Intervention Strategy

NM Strategic Development (Cargo) outlined the refined approach Customs and Border Protection has applied to the inspection and examination of sea cargo. This refinement places greater emphasis on intelligence-led and risk-based deployment of cargo intervention resources resulting in a reduction of low risk cargo being inspected.

He outlined the impact of this approach on industry and noted that a sampling method to monitor underlying rates of leakage across the airport cargo environment is being developed and trialed with the assistance of the CSIRO. The revised deliverables set out on the Portfolio Budget Statement to reflect the reduction in the number of cargo inspections and examinations to be undertaken from 1 July 2009 was also highlighted.

From an express carriers point of view, Mr Clark from IACAA noted that cargo electronically profiled as requiring resolution within 24 hours has not always been attended to within this timeframe.

CEO, Customs and Border Protection noted that this approach will be closely monitored and that a review will be undertaken to ensure that the right balance has been achieved.

Agenda Item 7(a)(iv) – Update on overview of Cargo Volumes

At the previous CBPNCC Meeting, Customs and Border Protection shared with industry some of the tables and graphs used to report and monitor Portfolio Budget Statement (PBS) forecasts for the 2008-09 financial year. NM Strategic Development (Cargo) noted that the same set of information has been provided on this occasion.

CEO, Customs and Border Protection noted that the agency has access to a wide range of information that may be of value to industry. He confirmed that industry may share this information with others, on the proviso that it is forwarded within the context that it was provided to them by Customs and Border Protection.

Mr Clark from IACAA enquired about the possibility of obtaining statistics on express air couriers that may assist them with the deployment of resources.

Action:

- NM Strategic Development (Cargo) to advise Mr Clark from IACAA whether Customs and Border Protection have any cargo trade volume statistics available on express air couriers.

Agenda Item 8 – Information Papers – Legislation Update

Noted.

Agenda Item 9 – Other business

Time Release Study 2008 Initial Findings

NM Strategic Development (Cargo) distributed a paper on the *Time Release Study (TRS) 2008 Initial Findings* that provides an early analysis of air and sea cargo import performance for the period 24-30 September 2008. He highlighted the key findings outlined in the paper including the performance improvement in the reduction of average release times from 14 hours from arrival for sea cargo; and 5 hours for air cargo. These improvements have resulted largely from industry working to improve the timeliness of cargo reporting. He further noted that the 2008 TRS will be released for comment in October prior to final publication. The 2009 TRS is expected to be released towards the end of the first quarter in 2010.

Mr Jensen from AFIF indicated that this information provides useful data and that the business-to-business relationship they have with Customs and Border Protection has been effective. Mr Birchall from Qantas echoed his sentiments from an air cargo perspective and agreed that the qualitative reports assist them in their business operations.

Update from Customs and Border Protection

CEO, Customs and Border Protection noted that as a result of the global financial crisis, the Government is closely scrutinising the budgets and expenditure of its departments and agencies. Government continues to request ongoing efficiency dividends and savings initiatives and is considering agency-wide contracts for procurement and travel.

In response to the contracted financial conditions, Customs and Border Protection has achieved leaner and more efficient operations in the corporate support area, including in IT. The business opportunities at the frontline will also be reviewed. As the agency moves towards more intelligence-led risk-based strategies and interventions it will need to develop the capabilities to achieve this. Furthermore, as a result of the additional responsibility for border protection, the agency will also need to invest in essential infrastructure to support this move into the highly classified national security space.

Consequently planned expenditure for system changes and enhancements will be reduced. Customs and Border Protection has developed some criterion for future investment proposals, limiting it to essential maintenance where failure to invest, increases the risk of significant operational failure or higher operating costs. In relation to system enhancements, returns on investment and compliance cost benefits to industry must be significant and quantifiable.

Mr Clark from International Air Couriers Association of Australia suggested that a couple of industry funds including Trade gate have a reserve of funds that Customs and Border Protection may be able to draw on for projects including enhancements to systems.

Introduction from AQIS

Mr Chapman from AQIS briefed the meeting on AQIS' response to the Beale Report. At present they are implementing those recommendations from the report that can be delivered with existing resources.

The Department of Agriculture, Forestry and Fisheries' (DAFF) restructure of the Biosecurity Services Group led by Deputy Secretary Rob Delane came into effect from 1 July 2009. The Biosecurity Group comprises divisions for Animal, Plant, Food, Quarantine Operations, Regional & Business Services and Strategic Projects. Mr Chapman's Quarantine Operations Division is responsible for airports, cargo and mail. The number of regions has also been reduced from eight to five and National Office has overall responsibility for setting processes, policies and strategies.

Other priorities include amending the AQIS Act, redevelopment of work instructions and submitting NPPs for the redevelopment of IT.

AQIS continues to maintain effective working relationships with Customs and Border Protection in the cargo environment and are reducing interventions in that area. They also plan to hold an industry working group that will include Customs and Border Protection.

Messrs Marshall from Australia Post and Morris from CBFCA acknowledged the limitations outlined by Customs and Border Protection and AQIS.

Mr Morris suggested that cost recovery models should be considered to support some of the services provided to specific sectors of industry. He indicated that industry would be happy to work with Customs and Border Protection on the development of these cost recovery model options.

The meeting closed at 12:00pm.

Agenda Item 10 – Next Meetings

The Service Delivery and Administrative Policy and Legislation Sub-Committees will be held at Customs House Sydney on 23 October 2009. The next meeting of the CBPNCC will be held on 10 December 2009.

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Actions arising from CBPNCC Meeting 57 on 7 September 2009:

Item	Action Arising	Responsible Officer	Status of Action	To Be Completed By
1	Mr Morris to arrange for the submission of an industry paper through IFCBA and FIATA endorsing the proposal to change the commencement date for the Harmonized System, for Customs and Border Protection to table at the 44 th session of the Harmonized System Committee in Brussels.	Mr Morris, CBFCA		18 September 2009
2	Customs and Border Protection to provide a copy of the DHL survey referenced in the "Update on Trans-Tasman Cargo Processing Information Brief" to CBPNCC members.	NM Strategic Development (Cargo)		23 October 2009
3	NM Strategic Development (Cargo) to advise Mr Clark from IACAA whether Customs and Border Protection have any cargo trade volume statistics available on express air couriers.	NM Strategic Development (Cargo)		23 October 2009