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# **SIMPLIFIED TRADE SYSTEM**

Submission to the Simplified Trade System Implementation Taskforce on behalf of Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA)

“KEEPING AUSTRALIA’S INTERNATIONAL TRADE MOVING”



Australian Peak Shippers  
Association Inc. (APSA)

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## SUBMISSION SCOPE

Freight & Trade Alliance (FTA) and the Australian Peak Shippers Association (APSA) have a corporate mission to establish a global benchmark of efficiency in Australian biosecurity, border related security, compliance and logistics activities.

To that end, FTA /APSA see merit in the Federal Government's commitment of an additional \$137.7 million over four years, contained in the *Mid-Year Economic and Fiscal Outlook* (released December 2021), to revamp Australia's trade systems.

FTA / APSA look forward to ongoing engagement with the *Simplified Trade System (STS) Implementation Taskforce* to deliver practical changes to help businesses as we emerge from the pandemic and to stimulate an economic recovery.

In response to questions asked in the STS Consultation Paper, the main 'pain points' experienced by the international trade sector (particularly during the pandemic) have been in context of import biosecurity processing, the inability to access reliable sea and airfreight capacity (import and export) and rapidly increasing operational costs.

We commend the Federal Government for taking measures to mitigate some of these concerns via:

- ongoing engagement between key industry sectors and the Department of Agriculture, Water and the Environment (DAWE) executives in planning a range of document assessment and inspection innovations;
- the successful deployment of the International Freight Assistance Mechanism (IFAM) administered by Austrade providing temporary, targeted, emergency support to keep global air links open in response to the ongoing effects of the COVID-19 pandemic; and
- the December 2021 announcement that the Productivity Commission will conduct a formal inquiry into Australia's maritime logistics system to understand any long-term trends, structural changes, and impediments that impact the efficiency and dependability of Australia's maritime logistics system and connected supply chains (due to report by August 2022).

Aside from the above items and as a general statement, most FTA / APSA members have sophisticated systems and processes to adequately interface with other supply chain and regulatory bodies. Having stated that, opportunities certainly exist to further improve the operating environment faced by the international trade sector.

What is unclear via the STS engagement to date is the full scope (boundaries) of the reforms and the Federal Government's needs in terms of limitations (lifespan) of existing systems.

Focussed STS engagement has been in relation to the Streamlining the Cargo Intervention Model. Accordingly, this preliminary submission focusses on this element of reform in detail within the 'import' section.

This submission also includes preliminary views on 'exports' and 'generic issues' outlining opportunities for early reform deliverables.



## 1. FREIGHT & TRADE ALLIANCE (FTA) / AUSTRALIAN PEAK SHIPPERS ASSOCIATION (APSA)

Freight & Trade Alliance (FTA) represents 445 businesses (including Australia's largest international trade logistics service providers, exporters and importers) and several industry associations including a dedicated secretariat role for the Australian Peak Shippers Association (APSA) – the designated peak body for Australia's exporters and importers under Part X of the Competition and Consumer Act 2010 and by the Federal Minister of Infrastructure and Transport.

FTA and APSA form a peak industry alliance represented on the following consultative forums:

- Biosecurity Futures (Paul Zalai - Ministerial appointee)
- Customs Advisory Board (Paul Zalai - ABF Commissioner appointee)
- National Committee on Trade Facilitation (NCTF)
- NCTF Legislative Matters sub-committee
- NCTF Regulatory Reform sub-committee
- Trade Facilitation Initiatives Working Group
- International Trade Remedies Forum (ITRF)
- Air Cargo Security Industry Advisory Forum (ACSIAF)
- Office of Transport Security (OTS) International Working Group
- Office of Transport Security (OTS) Domestic Working Group
- Rail Access Strategy - Port of Melbourne
- Port Transport & Logistics Taskforce (PTLT - NSW)
- WA Port Operations Taskforce
- Department of Agriculture Cargo Consultative Committee (DCCC)
- Biosecurity Imports Levy Industry Steering Group
- Australian Border Force - Trade & Goods Compliance Advisory Group (CAG)
- Australian Border Force - NSW Trade Facilitation Forum
- Australian Border Force - Victorian Service Provider Working Group
- Australian Trusted Trader Industry Advisory Group (IAG)
- Supply Chain Advisory Network (SCAN)

APSA is also Australia's representative to the Global Shippers Forum (GSF) being the world's leading trade association for shippers engaged in international trade moving goods by all modes of transport (Paul Zalai – Director GSF).

Further detail of our membership and advocacy activity – refer [www.FTAlliance.com.au](http://www.FTAlliance.com.au)

## **2. EXPORTS**

### **2.1. ePhyto**

Feedback from APSA members has highlighted a need to develop messaging to support the international standard as defined by the International Plant Protection Convention (IPPC) - ePhyto Solution.

As highlighted in recent engagement with the STS representatives, exporters have been making representation to the Australian government directly and indirectly through industry bodies for many years without any tangible outcomes.

### **2.2. Trans-Tasman**

A clear opportunity exists to develop messaging between Australia and New Zealand Governments that would facilitate fully digitised messaging for all exports from either country, used to immediately initiate import customs clearance at destination.

This would require collaboration on the information requirements for both countries (import / export Compliance) consolidated into a single message completed by the exporter in either country. If successful, this model could then be leveraged for both Australian and NZ Governments for other origins/destinations. To achieve this outcome, a broader compliance strategy would be required to improve the integrity of export data.

### **2.3. Messaging standards**

Create Messaging standards that facilitate single file formats that allow multiple government agencies to access information and eliminate the need for an exporter to move information via separate messages.

### **2.4. Direct engagement with exporters**

It is recommended that the STS provide a 'roadmap' and timelines for all STS Initiatives in an environment where the status, updates, changes are linked directly to development pipelines.

As highlighted in recent engagement with the STS representatives, The NEXDOC experience provided very limited visibility or real commercial value for Australian dairy exporters and now agriculture and meat exporters have very little awareness of the next stage of the project.



### 3. IMPORTS

#### 3.1. Streamlining the cargo intervention model

FTA understands the aim of this initiative is to develop new intervention models for sea and air cargo to enhance the detection of threats and risks and maintain the integrity of the border. This will be achieved using automation and innovative non-intrusive technologies embedded in the logistics chain.

##### 3.1.1. A need for increased intervention

The current Container Examination Facilities (CEFs) deployed by the Australian Border Force (ABF) at major containerised seaports are now out-dated, necessitating reform.

The alternate proposed sea cargo model includes:

- continuation of 100% profiling / risk assessment against cargo reports / Full Import Declarations (or a variation of the reporting models into the future);
- on a risk assessed basis, an increased percentage on today's levels (to be advised) to be scanned on-site at stevedore facilities; and
- on assessment of images, a percentage (to be advised) to be transported to a site within the port precinct for ABF and / or DAWE examination.

Preliminary concerns raised from industry appear to be in terms of the 'footprint' required at stevedore premises for scanning and limited availability of separate sites within port precincts for the physical examination of goods within containers (assuming larger facilities are required above and beyond current CEF sites).

##### 3.1.2. Intermodals and off-airport scanning

As suggested by industry representatives, FTA/APSA see significant merit in using rail scanning technology with the potential of 100% x-ray of containers going to/and from intermodal terminals. Understandably, ABF/DAWE concerns are for the need to then establish multiple examination facilities and / or a reliance on mobile examination solutions. FTA/APSA see an opportunity to progress this initiative by limiting the scanning deployment to facilities with a prescribed minimum throughput.

FTA/APSA see this as requiring immediate consideration as many of the facilities are now in a final design phase and could incorporate needs within these 'green-field' sites. Importantly, this could also be showcased as an early deliverable towards the government's broader agenda of border and biosecurity protection.

A similar model was suggested during the discussion on air cargo with the potential to 'carve out' air cargo consolidations moving to express courier facilities and to high volume freight forwarder depots.

This would ease congestion at on-airport cargo terminal operations (CTOs) with scanning to be completed off-site under strict underbond conditions. The proposal has merit as a means of keeping these airport gateways free of congestion and to keep cargo moving. While new 'green-field' sites such as Western Sydney Airport offer new modelling opportunities, legacy facilities were not intended and built (fit for purpose) for deconsolidation and to do so will likely introduce OHS issues amongst others.

Like the suggestion to scan at intermodals for sea cargo, this proposal for air cargo appears to be the only viable solution to meet the government's mandate for increased intervention. FTA/APSA look forward to further engagement with ABF/DAWE on this concept to deliver pragmatic solutions.

##### 3.1.3. Costs

FTA/APSA noted that any associated costs for these processes must be borne by the Federal Government and remove the onus on stevedores (and potentially intermodal terminals / depots) from using their own mechanisms to cost recover operational costs against transport operators. FTA/APSA provided evidence that stevedores currently charge exorbitant Terminal Access Charges with industry having no means influence service or price.

Should the Federal Government opt to recover costs from industry, this would no doubt require further industry consultation. Assuming the cost recovery will be collected from importers via the Import Processing Charge (IPC), FTA/APSA see merit in the introduction of a differential (lower) payment from Australian Trusted Traders and 'green lane' biosecurity participants that presumably require a lesser level of intervention.

##### 3.1.4. Regulation

The amount of cargo directed for screening and examination must be directly proportionate to the availability of ABF staff. Where consequential delays will occur, ABF should have guidelines and business processes in place

ensuring only consignments about which there are known alerts / intelligence. There should be a time limit within which cargo must be released for trade facilitation and to maintain the covert integrity of processes.

FTA/APSA also note the current CEF arrangements whereby stevedores allow at least one day's free storage from the time the container is cleared and returned to the stevedore. FTA/APSA is of the view that a similar arrangement (preferably offering 3 days free storage as per normal commercial practices) be maintained and extended to any licensed premise handling underbond goods (sea and air cargo).

Shipping lines also charge container detention penalties for delays in the dehire (return) of empty containers to nominated locations. This is generally 7 to 10 days from the time of container discharge / advertised availability. FTA/APSA see a need to provide importers with protections, via regulation, to ensure the 'detention clock' commences from the time cargo is cleared from border / biosecurity intervention.

Opportunities clearly exist to increase the percentage of cargo x-rayed, increase detection of illegal imports and to better manage biosecurity threats. FTA/APSA applaud the ABF and DAWE in their initial stakeholder engagement to implement reforms with a focus of doing so in the least disruptive way for industry.

### **3.2. Pre-load cargo reporting**

By way of background, during the 1990s, Australian Customs was a leading global border administration requesting 'pre-arrival' cargo reporting to be provided electronically via legacy systems Air Cargo Automation (ACA) and Sea Cargo Automation (SCA).

The transition to the imports phase of the Integrated Cargo System (ICS) in October 2005 maintained this same requirement under Sec 64AB of the Customs Act.

An extensive joint Customs and industry review was conducted in 2007 to examine the potential to follow the US 7+1 cargo reporting requirements to be provided 'pre-load'.

This did not progress at the time due to complex design requirements and a somewhat understandable requirement to have systems stability (minimal systems changes) following the flawed ICS imports implementation.

Since this time, many Customs administrations globally have implemented a 'pre-load' model. The most recent notable development is that the European Union (EU) is now heading down this path with their Import Control System2 (ICS2).

#### **3.2.1. Impacts on industry and government agencies**

In 2018, FTA provided Customs (via its Compliance Advisory Group) insights into reasons why industry falls short of 100% in the timely supply of this critical data (required as the first line of risk assessment), noting the only way to achieve consistent timely reporting would be to implement a 'pre-load' model – if cargo is not reported it is does get loaded.

During 2021, engagement between DAWE and FTA members / representatives examined causes of 'late' declarations submitted by importers / customs brokers. Feedback from members was that one of the reasons for late reporting was the need to wait for the cargo report to be lodged by the shipping line / freight forwarder noting that the import declaration must match with the cargo report on critical data fields (including vessel / voyage).

While an importer or customs broker may have consignment details (in some cases weeks) in advance of arrival, they may not know the import vessel details until much later - particularly in the common circumstances where the cargo is being transhipped between vessels before arriving into Australia.

While a pre-load reporting model would largely address this by ensuring earlier cargo reporting, FTA acknowledge that this would be a complex ICS change necessitating it to be a long-term reform. A potential interim solution may be for importers and customs brokers to lodge early - where they are unsure of import vessel details, they simply lodge with some form of "check to arrive" or "dummy" details (without the threat of penalties or other compliance action). Once import vessel details are known, an amendment is made to the import declaration.

FTA understand that DAWE are checking to see what impacts this would have on their profiling / risk assessment. It is assumed that this concept would also have benefits for the ABF in receiving earlier declarations but understand that this may have other adverse border protection consequences.

If this change could be accommodated, we see that this would meet the broad parameters of the STS, would deliver immediate trade facilitation benefits and enhance border / biosecurity measures.



## 4. GENERIC ISSUES

### 4.1. Security for data transfer

To interface with ABF Integrated Cargo Systems (ICS), users must have digital certificates for servers (Gatekeeper Device Certificate) and individuals (Standard / Manager Gatekeeper Certificates).

This appears to be dated (and expensive) technology, first introduced in 2004 as a part of the exports phase of the ICS implementation and the then new use Internet protocols.

As it stands today, there is a monopoly supplier of digital certificates and a high cost of purchase / renewals.

By way of example of the rapid increase in pricing, Gatekeeper Manager Certificates with a 2 year validity has seen the following increases:

2015	\$126.50
2017	\$209.00
2019	\$299.00
2022	\$360.00

The most recent increase (announced in December 2021) is outlined in the below table:

<b>Certificate Type</b>	<b>Current Price</b>	<b>New Price</b>
Gatekeeper Manager Certificate – 2 year validity	\$299.00	\$360.00
Standard Gatekeeper Certificate – 2 year validity	\$275.00	\$330.00
Gatekeeper Device Certificate – 2 year validity	\$800.00	\$960.00

To the best of our knowledge, it appears as though Digital Certificates are being used for communications to the ICS only and no other Federal Government application used by the international trade sector. It is recommended that the use of Digital Certificates be replaced with a more contemporary, cost effective and a whole of government approach.

### 4.2. Implementation of reforms

A significant lesson was learnt from the ICS imports' phase implementation in 2005, not to introduce reform with a 'big bang' approach. This flawed introduction brought cargo movement to a grinding halt and caused gridlock at ports and airports. It took many months of 'workarounds' and contingency processes to ensure any form of structured business continuity.

Industry requires predictability and regular engagement to ensure that any reform is phased, thoroughly tested and meets user requirements.

To support this process, FTA/APSA requests (at minimum) focussed quarterly STS project status reports outlining key findings, strategy updates and access to senior project resources.