

# Reporting of import e-commerce in the future regulatory ENVIRONMENT

*Concerns over 'ancient code' highlight the need for investment in the Integrated Cargo System, writes Paul Zalai*

The Integrated Cargo System (ICS), operated by the Australian Border Force (ABF), is central to the management of goods moving across Australia's borders. It underpins customs clearance for both imports and exports, ensuring compliance with all regulatory and legal requirements.

Following a much publicised and challenging implementation in 2005, the ICS has, encouragingly, remained relatively stable in recent years. With the support of sophisticated third-party software interfaces, Freight & Trade Alliance (FTA) and Australian Peak Shippers Association (APSA) members generally report a positive user experience.

However, a note of caution was raised by former ABF Commissioner Michael Outram, who, in his valedictory address on 16 October 2024, remarked:

"Today the ICS, a mainframe system based on an 'ancient' code that very few now understand, is still critical for industry and government and handles around 1.2 billion transactions a year."

Perhaps intended as a parting warning to the incoming commissioner, the comment highlights the need for urgent investment before we face unscheduled ICS technical failures in an environment where Business Continuity Plans may have questionable effectiveness.

In light of these concerns, FTA had the opportunity to present at the National Committee for Trade Facilitation (NCTF) meeting in Canberra on 9 April 2025 making the following observations and suggestions for a way forward.

## THE PROBLEM

- The volume of e-commerce import consignments is rapidly increasing, placing added pressure on the ICS.
- For low-value goods (under AUD\$1,000), cargo reports are submitted via the Self-Assessment Clearance (SAC) process. These often include vague goods descriptions such as "nuts and bolts" or "orange jumper," making effective border and biosecurity profiling difficult.



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- High-value cargo (over AUD1,000), however, requires a Full Import Declaration (FID) with a Harmonised System (HS) Code, making profiling more accurate and efficient.
  - In October 2024, the Department of Agriculture, Fisheries and Forestry (DAFF) introduced a 36-cent SAC fee to help recover costs associated with their labour-intensive screening.
  - To contextualise this fee: one FTA member alone reported 160,000 SACs in the first week of the new arrangement—equating to AUD57,600 in DAFF cost recovery charges.
  - In parallel, New Zealand border and biosecurity agencies are preparing to introduce their own cost recovery fees on low-value goods (under NZD\$1,000) in 2025.
  - While speculative, it is reasonable to anticipate that the ABF may revisit previous policy discussions and implement a similar SAC cost recovery model.
- Section XIII (page 46) the growing relevance of AI-based classification tools.
  - Some FTA members who report e-commerce into the US already pre-classify HS Codes by SKU, using databases and automation – an approach that will become even more efficient as AI tools mature.
  - There is a clear opportunity for Australian e-commerce imports to move away from relying on ICS for SACs. Instead, import data—perhaps including HS Codes—could be submitted through an alternative system. Notably, since SACs don't require reconciliation to FIDs, it would be relatively easy to decouple this reporting from the ICS entirely.

### THE OPPORTUNITY

- The US and New Zealand already require HS Codes for low-value/e-commerce imports—enabling more precise profiling.
- The upcoming Trump administration's policy to lower the US\$800 de minimis threshold and apply higher tariffs becomes more feasible when HS Codes are already in place.
- The World Customs Organization (WCO) report titled Final Report of the Exploratory Study on a Possible Strategic Review of the HS (29 October 2024) reaffirms the HS system's utility, noting in

### NEXT STEPS

One NCTF representative raised concerns that such changes as proposed could create challenges. Therefore, rather than suggesting a mandated shift, FTA proposed an incentive-based model whereby industry participants who provide enhanced SAC cargo reports could be offered a lower cost recovery fee.

FTA has also offered to work with members to trial new reporting approaches—possibly as part of the ABF's Regulatory Sandbox initiative.

We welcome continued collaboration with the ABF, DAFF and industry stakeholders to advance these discussions and support a future-ready, efficient border clearance framework. ■

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