



DRAFT

1. Meeting Agenda

Meeting Number: 02/07
Meeting Name: Trade Facilitation Forum
Date: Wednesday 20 June 2007
Time: 11.00am
Location: Customs House
10 Cooks River Drive
Sydney International Airport

2. Invitees/Attendees

Y-in attendance.A-apology

Customs

A Gail Batman (Regional Director NSW)
Y Graeme Charlwood (National Manager Cargo Operations North)
Y Doug Greaves (Director Compliance Intervention NSW)
Y Jim Fleming (Director Compliance Audit NSW)
Y Pam Radin (A/g Director Air Cargo Operations)
Y Brian Sheridan (Manager Trade)
Y Peter Stankiewicz (Director Customs Information & Support Centre)
Y John Olsen (Manager Security & Governance)
A Alan Byatt (A/g Director Sea Cargo Operations)
Y Debbie Buck (Supervisor Revenue Assessments)

AFIF

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

CBCFCA

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

CAPEC

A Jackie Lekic
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.	NSW Trade Branch Update	Customs
6.	Regional ICS issues	Customs
7.	Operation of the Infringement Notice Scheme	Customs
8.	APEC Summit	Industry
9.	General Business	
10.	Next Meeting	

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4. Minutes

Meeting commenced: 11.15am

ITEM 1 Welcome and Apologies

Jim Fleming formally welcomed everyone to the meeting. He passed on apologies from Gail Batman who was away on other business and from Graeme Charlwood who had been delayed whilst travelling from Canberra.

ITEM 2 Minutes from the previous meeting

The Minutes from the previous meeting held on 21 March 2007, were accepted. John Law stated that he would like to revisit the question raised at the last meeting about the future nature and value of these forums. It was agreed that this item would be discussed later under “General Business.”

ITEM 3 Matters arising from the previous meeting

Audit Focus – Understanding of Compliance Procedures

Jim Fleming reported that he had discussed a number of issues with the Compliance Executive Group, including:

- the request that brokers be advised of impending audits on their clients;
- the varying nature and focus of audits; and
- the perceived inconsistency in the application of compliance ratings and rankings.

Jim advised that the S.214AD “intention to audit letter” sent to clients will be amended to include a statement indicating that owners may wish to advise their broker of the impending audit. Tony Fatouros offered his support of this initiative.

In regards to the concerns expressed about the application of the audit ‘ratings’ system, Jim advised that a national review of Customs compliance reporting has been initiated and that the inclusion of an audit ‘rating’ in the company report has been suspended for the time being. There was general discussion and anecdotal accounts about the interpretation and application of various ratings.

Brian Lovell stated that the ratings were very subjective and open to varying interpretations. Jim acknowledged that national consistency has not yet been achieved and this is the reason the ratings system is being reviewed.

Jim also noted that the 2007–2008 Customs Compliance Program document would provide more detail on the variety and scope of Customs compliance activities.

Software Causing Related Transaction (RT)/Unrelated Transaction (UT) Errors on Declarations

Jim Fleming addressed the issue raised by Andrew Crawford at the last meeting about software causing RT/UT errors on the declaration. Jim stated that he had raised this concern with the National Director Compliance and he informed the meeting of Customs position in relation to these types of errors. He went on to explain that where an error is detected it must to be recorded.

Jim Fleming also reported that when contemplating a penalty, Customs guidelines require a Delegate to take account of considerations such as:

1. Reasonable mistake as to fact - such as when correct information was put into the correct field but was not transmitted to Customs in the EDI message; and
2. Effort to comply – whether the clients took steps to have the software provider fix the problem after they became aware of it.

Paul Zalai asked whether Customs had considered testing the 3rd party software that is now being used. He expressed the view that it would be beneficial for users to have some level of comfort in knowing that it had been tested. Doug Greaves noted that reviews of the ICS had recommended that future releases of essential 3rd party software should be tested by Customs, but he did not know of any retrospective testing of such software. He invited Paul to raise this suggestion at an ICS industry panel.

Audit Samples and HS2007 Changes

Jim Fleming advised that following on from discussions from the last meeting, a national directive was given to all audit staff. They were instructed not to include the checking of affected tariff classifications for full import declarations (FID’s) lodged between 1 January 2007 and 30 April 2007.

ITEM 4 Compliance Division Update

Doug Greaves delivered an informative presentation titled “The Future Structure and Work of the Compliance Division”. The purpose of the presentation was to explain the

reasons behind the change in the structure, describe what the new structure will look like, and to explain the nature and division of work between the varying work groups.

Doug advised that changes being implemented from July 2007 would enable national planning of Compliance activities, as we aim for national consistency in “what we do” and “how we do it”. Introduction of the new regional structure will see the disbanding of the Compliance Assurance Teams (CAT’s). In NSW, the new work groups will be:

- Cargo Control;
- Import Intervention;
- Import Audit 1;
- Import Audit 2;
- Exports;
- National Industry Leads (NIL’s); and
- National Staff Development.

In reply to questions from Tony Fatouros and Michael Hudson, Doug elaborated on Post Transaction Audits and the role of NIL’s. A question was also raised about the duration of some audits. Pam Radin recounted an example of an audit that took approximately three months. She outlined some of the logistics behind the audit such as the on site copying of approximately 300,000 documents.

Doug also explained the process and rationale behind real time cargo examinations and Pam noted that there was an upward trend towards Community Prohibition and Restrictions (CPR) examinations.

Tony Fatouros asked how and when this information about the changes to Compliance would be disseminated. Doug replied that the changes would be reflected in the 2007/08 Customs Compliance Program.

Paul Zalai acknowledged the value of having a handout of the new structure that contained the names of those currently responsible for managing the new work groups. He said it would be particularly helpful for himself and Brian Lovell, in that if they were to have an issue, they would know whom to contact. Paul asked if industry should direct their questions to the new national client managers, or directly to Compliance staff. Doug invited forum members to contact himself or Jim Fleming if they were not sure whom to contact, so they can be referred to the appropriate person.

The remainder of the presentation and discussion focussed on the role on the NIL’s, the national staffing commitment to this important role and the overall strategy and rationale for developing and retaining Compliance expertise.

Jim Fleming raised the issue of audit time frames. He emphasised that it was in everyone’s interest to ensure that audits were completed within reasonable timeframes. Jim informed the forum that Customs have been experiencing delays in the completion of audits due to poor response times from clients and their brokers. He acknowledged that clients and brokers have businesses to manage and that an audit can have an impact on those business activities. However, he emphasised that Customs has a comprehensive audit program with a tight schedule and that it is important to adhere to the timeframes wherever possible.

Jim reported that strict audit timeframes are imposed on audit staff and Customs does give companies a number of opportunities to respond to issues that arise in an audit. He advised that audit staff have been instructed to proceed to the next stage in the process if a response is not received by the relevant deadline. Jim stated that it is standard practice to give clients two weeks to respond to “Issues Sheets” and a further two weeks to respond to the “Draft Report”. Where there are exceptional circumstances, clients can also request an extension of the two-week response period. Jim pointed out that Customs would not consider work pressures as grounds for exceptional circumstances. Examples of exceptional circumstances might include illness, overseas travel or other unforeseen circumstances.

Michael Hudson offered an example of an audit where the Customs Officers were requesting a lot of work within a very short time period. There was a perception that the Custom Officers were under very tight time pressures to complete and wrap up the audit. Jim restated the reasons for the need to adhere to strict timeframes, but emphasised that these pressures should not be unreasonable. Doug Greaves stated that if clients believed that the requests or timeframes offered are unreasonable, they should consult the audit officer’s Manager in the first instance. If they remain concerned after that, they should contact Doug or Jim direct.

ITEM 5 NSW Trade Branch Update

Brian Sheridan explained that this Branch had been affected by the recent restructure and had undergone some major changes. He advised that his new title is the Manager Trade and he now reports directly to the National Manager Trade Services in Central Office. He reported that the restructure has effectively cut his branch in half, with three of this work areas being moved to Cargo Division. The work groups that he has retained are:

- Tariff and Valuation;
- Refunds; and
- Securities.

Brian indicated that Refunds may be an area of interest and reported the following Refunds statistics for the month of May. In that month, the total number of refunds that were approved was 325. There were 64 refunds queries and 23 applications for refunds were rejected. The reasons for the rejections were:

- 19 no response to query advices;
- 2 invalid circumstances;
- 1 incorrect revaluation after car left bond; and
- 1 failure to produce documents after 30 days.

The number of manual refunds approved and processed was 19. Brian noted that the processing of manual refunds was time consuming, however staff were ensuring that service standards are being met.

Brian Sheridan presented the forum with a brief overview of the work performed by the Tariff Section. He reported that the section had received a total of 160 tariff advices

(TA) in May and these figures showed a 28% increase on the same time last year. He reported that the average processing time for a TA was 28 days, and that 47% of the decisions did not support the applicant's submission. He pointed out that there is a mid-year spike in the TA numbers. There was a general discussion about the possible reasons for these increases.

Brian Sheridan also reported that two of his officers were retiring later in the year, one from Securities and one from Tariff. Tony Fatouros noted that it would not be easy to replace such officers, due to the level of tariff knowledge that is required to ensure accuracy and consistency in making tariff decisions. Brian Sheridan agreed that it was not easy to attract staff to areas like Tariff and that it can take a long time to develop the appropriate knowledge and expertise.

ITEM 6 Regional ICS Issues

Peter Stankiewicz outlined the dates, duration and circumstances of the ICS outages that occurred in May which necessitated the implementation of Business Continuity Plan (BCP) procedures. He explained that the first outage occurred on 25 May 2007 from 1133 to 1347 and that EDI and CI External were not available. He also noted that CI Internal also became unavailable from 1151 to 1500. Industry was notified of the issue and the need to implement the BCP procedures at 1204 and the first contingency was received at 1254. Peter further advised that Phase One was called at 1337 (exports, underbonds and deferment of cargo reporting) and Phase 2 was called at 1355 (included alternative cargo reporting procedures). Industry was notified at 1415 that the problems had been resolved.

The BCP for the first outage resulted in 121 email contingencies being received by the Cargo Management Cell, with approximately half of these relating to export cargo. Peter noted that 21 of the contingency mails received had been incorrectly formatted. He also made the point that some users do not appear to be familiar with the BCP procedures that are published on the Internet.

Peter provided details of the second outage that occurred from 0455 to 1840 on 26 May 2007. During this outage, CI External was unavailable. He reported that Phase One was called at 0830 and Phase Two was called at 0926. Phase Three was called at 1122 and included alternative declaration processing. Industry was advised that the problems had been resolved at 1826. Peter indicated that due to this outage, the services of the Customs Information and Support Centre (CI&SC) were extended until 1930.

The activation of the BCP for the second outage resulted in 56 email contingencies being received by the Cargo Management Cell. Peter emphasised the number of these emails that were incorrectly formatted. Of the 56 emails received, 25 were originally formatted incorrectly. He also highlighted that 138 calls were received, which compared to around 30 cargo support calls received on a normal Saturday. During the BCP activation, Cargo Support received 7 urgent requests, whereas no urgent requests are usually received on Saturdays. Peter noted that CI&SC officers were told by a number of callers that they were not aware of the BCP procedures.

On completion of Peter's report, there was discussion about the number of users that were still not familiar with the BCP procedures, despite the availability of these procedures on the Internet. Paul Zalai pointed out that although he had been critical of the BCP procedures in the past, he now believed that they were as good as they could be. He acknowledged that industry, in general needed to learn and be better familiar with the BCP procedures. Peter said that he would be happy to arrange more BCP testing if needed and invited attendees to contact him.

Brian Lovell acknowledged that industry needed to be encouraged to test and practise their BCP procedures so as to be better prepared for a BCP event. He advised that he would endeavour to get this message out to his members.

ITEM 7 Operation of the Infringement Notice Scheme in NSW

Jim Fleming introduced John Olsen, Manager Security and Governance to report on the operation of the Infringement Notice Scheme. John began by explaining that due to the restructure, his title had changed from Manager Sanctions to Manager Security and Governance. He explained and emphasised that the Regional Director is the primary delegate for the infringement notice scheme in this region and that the delegation is given to the person, rather than being position based.

John reported that there had been two infringement notices issued since the last meeting, one under s.33 (6) and the other under s.243U (1). He explained that during the 2006-2007 financial year, 89 Delegate Warning Letters (DWL) and 21 Infringement Notices had been issued. John stated that these figures illustrate and reflect Customs long standing statement that an Infringement Notice is to be issued as a last resort, after other means of ensuring compliance have been explored (unless the breach is considered of a level of significance to warrant a notice in the first instance).

ITEM8 APEC Summit

Brian Lovell inquired about the September APEC Summit in Sydney and whether Customs services would be affected in any way.

Pam Radin advised that preliminary information indicates that cargo terminals will be operating a public holiday / weekend service. Customs is waiting for more information, but delays could be expected due to the closure of QANTAS Drive during the arrival of each of the US, Chinese and Russian leaders (known as the "big three"). Graeme Charlwood explained that the "green light corridor" being planned for these three leaders will lead to a number of significant and lengthy road closures. He stated, however, that no details had been received about the timing of these events and it was unlikely that these would be publicised due to security reasons.

Graeme indicated that it will be business as usual for Customs, but acknowledged that there will be times when staff may not be able to travel freely to and from Customs House.

ITEM 9 General Business

John Law revisited the issue raised by Gail Batman at the last meeting about the future nature and validity of the TFF meetings. He emphasised the high value and regard that industry places on these meetings, expressed his desire for the 29 August meeting to proceed and was reluctant to reduce the frequency of the meetings. Industry members supported these sentiments, with Tony Fatouros adding that he highly regarded the opportunity to have direct contact with Customs management.

Jim Fleming acknowledged these comments and explained that Gail Batman was keen to see the meetings become more focussed and outcomes based. It was agreed that this might be better achieved by focussing on clearer, more specific agenda items and by inviting attendees who have issues or reports to present at the meeting to provide the coordinator with a dot point summary or speaker notes before to the meeting. This approach will give attendees a clearer picture of the agenda content, and will provide a better focus for the discussion.

Graeme Charlwood announced that this meeting would be his last, as he will be leaving Customs and returning to Western Australia. He explained that he is leaving for personal reasons and that he will be departing next week. Graeme stated that he has enjoyed the 2 ½ years that he spent with Customs and, as yet, a replacement had not been determined.

On behalf of the all the forum members, John Law and Tony Fatouros acknowledged and thanked him for all his support and all wished him well in his future endeavours.

ITEM 8 Next Meeting

The next TFF meeting is scheduled for Wednesday 29 August 2007.

The meeting concluded at 1220pm.