

APEC Sub-Committee on Customs Procedures (SCCP)

Interim Pathfinder Initiative on Mechanisms for Tracking and Facilitating Cross-Border Shipments

Background

In 2005 Leaders encouraged economies to begin implementation of the APEC Framework for Secure Trade, based on the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Global Trade (now known as the SAFE Framework of Standards). The Framework is designed to secure and facilitate international trade by mitigating the threats posed by international terrorism and organised crime, while at the same time providing a structured platform to facilitate the movement of low-risk goods.

The APEC Framework is structured around two pillars (customs-to-customs; and customs-to-business) and provides a vehicle by which member economies can agree on common principles and standards for supply chain security; share detailed policies, procedures and information; identify and implement best practices; and establish bilateral arrangements that increase the security of cargo movements whilst facilitating more effective trade relationships.

One related area with potential for development is the introduction of standardised mechanisms for tracking and facilitating cross-border shipments which will support the achievement of the Bogor Goals of trade liberalisation in 2010 and 2020 by:

- Increasing the security of cargo movements whilst facilitating more effective trade relationships;
- Facilitating cooperation between Member Economies and industry by offering Authorised Economic Operators (AEOs) end-to-end premium procedures, faster customs clearance and release of goods;
- Reducing administrative error and eliminating duplicate and redundant data submission by carriers and importers;
- Enabling continuous supply chain management and enhancing just-in-time operations;
- Allowing the querying of information at any point in the supply chain;
- Advancing paperless trading within the APEC region; and
- Reducing the compliance costs of trading partners.

Project Objectives

1. To assess the feasibility of implementing available mechanisms for tracking cross-border shipments and to identify potential benefits to customs and business.
2. Establish partnerships with key industry associations to ensure alignment of customs processes with end-to-end business models of the international trading community.
3. Provide guidance to member economies and industry for implementing selected tracking mechanisms.

Project Outputs

Participating Economies will:

1. Undertake a feasibility study of available tracking mechanisms for cross-border shipments.
2. Develop a Strategic Plan for Member Economies and industry to implement selected tracking mechanisms.
3. Report outcomes of the feasibility study and present the Strategic Plan to the SCCP and the Committee on Trade and Investment (CTI).

Contribution to Priorities of APEC Leaders and Ministers

At the 2005 APEC Economic Leaders Meeting in Busan, Korea, Leaders welcomed the work on the APEC Framework for Secure Trade and noted that the APEC Framework would lead to the implementation of international standards for securing and facilitating the global supply chain within the APEC Region. The introduction of cross-border tracking mechanisms supports:

- Achievement of the Bogor Goals of trade liberalisation in 2010 and 2020; and
- The trade facilitation and security goals of the APEC Framework, consistent with its two pillars of customs-to-customs cooperation, and engaging industry through customs-to-business partnerships.

Possible Control Mechanisms

Cross-border tracking mechanisms allow the various information systems of a customs administration and its trading partners to work together in the most effective way possible. Two known mechanisms being explored in a variety of business applications are unique consignment reference (UCR) and radio frequency identification device (RFID). The study could also explore mechanisms for direct customs-to-customs data exchange.

UCR

UCR is a reference number applied at consignment level and has the potential to be used by customs administrations as an access key for audit, consignment tracking, information consolidation, border processing, and reconciliation purposes. UCR is aimed at providing an “origin-to-destination” reference key for all information related to the international consignments held by the various parties in the supply chain process. UCR seeks to define a generic mechanism that has sufficient flexibility to cope with the most common scenarios in international trade and to make the maximum use of the existing supplier, customer and transport references, reported to customs at any point during a customs procedure.

UCR allows for information contained within cargo declarations and cargo manifests to be linked at the earliest stage in the customs process, aiding efficient and effective consignment tracking and audit-based control.

RFID

RFID is a generic term for technologies that use radio waves to automatically identify people or objects. There are several methods of identification, but the most common is to store a serial number that identifies a person or object, and perhaps other information, on a microchip that is attached to an antenna (the chip and the antenna together are called an RFID transponder or an RFID tag). The antenna enables the chip to transmit the identification information to a reader. The reader converts the radio waves from the RFID tag into digital information, which can be displayed on a screen or transferred to computer systems.

RFID technology allows a product to be individually tracked as it moves from location to location. RFID tags are capable of storing and communicating UCR data, allowing customs and industry to view the same data about the location and status of a consignment, thus enabling continuous supply chain management.

Implementation Timeframes

The projected timeframe for the Interim Pathfinder is two (2) years, with results of the feasibility study and Strategic Plan to be reported through the SCCP to CTI 3 in 2009. The outcomes of the Interim Pathfinder will identify future actions, including the possibility of a full Pathfinder.

Participating Economies

Australia will lead the Interim Pathfinder and New Zealand will also participate. Other participating Economies are yet to be identified.

Existing Business Support

A large number of businesses have already invested in control instrument infrastructure, albeit within closed-loop systems. Control mechanisms for cross-border shipments cut across industry and geographic boundaries and all businesses share a level playing field. GS1 Australia, a not-for-profit organisation that locally administers a global multi-industry system of identification and communication for products, services, assets and locations cites the following incentives for business sector participation:

- Improved return on investment by reducing inventory holdings and associated financial costs;
- Increased sales by reducing or eliminating out-of-stock situations;
- Better customer service by speeding up delivery times, continuous replenishment and ensuring predictable stock availability;
- Greater productivity due to improved tracking of stocks and materials, which reduces administration time and costs; and
- Increased profitability as cost analysis can be refined through more accurate activity based costing.

Establishing partnerships with key industry associations is an objective of the initiative. This is to ensure that the feasibility study considers the end-to-end business models of the international trading community and the need to align customs processes with existing business models. Examples of key industry associations from an Australia perspective are the Australian Federation of International Forwarders (AFIF), Customs Brokers and Forwarders Council of Australia (CBFCA) and International Federation of Freight Forwarders Associations (FIATA).

One option that may be considered would be for implementation of control mechanisms for cross-border shipments to be rolled-out in conjunction with an APEC AEO pilot scheme, as is this is one area where close cooperation with interested industry partners has begun.

Communication Strategy

Purpose

To establish a framework for cooperation on the Interim Pathfinder between Member Economies and relevant industry partners. The aim is to ensure all key stakeholders receive relevant and timely advice on issues relating to the initiative and to provide alternative avenues for input from stakeholders to the project team.

Strategy

Australia is host and chair of the annual APEC Customs-Business Dialogue (ACBD) on 29 June 2007 in Sydney. Australia will use the ACBD to engage with the business community on the concept of control mechanisms for cross-border shipments and feedback from the dialogue will inform the outputs of this initiative.

Interested industry partners identified at the ACBD and via direct approach will be consulted throughout the course of the project.

The project team will provide a written report tabling the results of the study and Strategic Plan through the SCCP to CTI 3 in 2009. When appropriate, the project team will provide updates for distribution via electronic messages or letters.

Increasing Participation

The aims of the Interim Pathfinder are to identify potential benefits and provide guidance to Member Economies for implementing mechanisms for tracking and facilitating cross-border shipments. If this is achieved more Member Economies will be encouraged to participate in any future actions, including the possibility of a full Pathfinder. In addition, as Member Economies implement the customs-to-customs and customs-to-business standards of the APEC Framework, their capacity to implement these mechanisms will be enhanced.