

Partners

TO TEST STRATEGY FOR

New partnerships between Australian Customs Service and eight Australian companies are pioneering ways to cut importing and exporting red tape, streamline trade and improve Australia's export competitiveness. DAVID COLLINS reports on progress with the Cargo Management Strategy and outlines its expected benefits.

In June 1997, Customs began a pilot program with the companies to find the best ways to implement the Cargo Management Strategy, a ground-breaking approach to facilitating trade by better understanding of business requirements.

The strategy, launched in April 1997, establishes the broad directions by which Customs will meet its medium-term program for steadily improving its services.

It offers many advantages for businesses keen to speed up and simplify Customs transactions. Key features of the strategy are:

- Closer links between Customs and importers and exporters to provide greater predictability and certainty for the business community.
- Customs initiatives to improve coordination with other government agencies to achieve a more 'whole client approach'.
- An Integrated Cargo System to be achieved by first using existing systems to capture and rationalise all essential data electronically and later by moving to a fully integrated processing system.
- Supplementary strategies to assist integration and improve efficiencies including taking advantage of

trends to speed up and simplify movement and distribution of goods.

An important element of the strategy is to establish partnerships between Customs and businesses committed to complying with regulations. The pilot program will help develop ways in which differing business needs can be taken into account while preserving the regulatory requirements of government.

Ability to defer payments

Businesses taking part in the pilot program will be testing the ability for authorised importers to defer duty payments, for example, paying customs duty once a month or on some other agreed period.

This will mean considerable advantage to business because it will do away with the present need to lodge a customs entry for each consignment. The companies (or their approved brokers) would be able to account for the goods on periodic and aggregated bases. This breaks the nexus between payment of duty and release of cargo.

It hardly needs to be said that companies acceptable as partners will be those with demonstrated high levels of commitment to complying with regulations.

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FASTER TRADE

Introduction of these incentives is an indication of how Customs aims to work more closely with industry, giving greater predictability and consistency and providing new ways for industry to voice its needs and expectations.

Naturally, it will be vital to achieve assurance that there will be no threat to the level and overall timeliness of government revenue collection. Customs will need to have confidence that partners to the deferred payments privileges have the right credit credentials.

The pilot scheme will allow opportunities to assess these and other aspects. Deferred payments will be adopted gradually, so that any financial effect can be monitored. While the Commonwealth will forgo interest on deferred payments, they need to be seen in the context of the economic benefits that will accrue to business participants.

More broadly, benefits through special partnership agreements should mean more predictable trade flows for businesses and faster delivery of goods.

Customs and participating government agencies will gain from more efficient use of their resources. Better assurance and understanding of risk levels will mean staff can devote more time in more productive work than laboriously checking transactions.

Well before the pilot program began there was a waiting list of businesses keen to become partners, indicating a readiness to explore better ways to work together.

As the program progresses, Customs will hope to add more companies to the list, including a representative selection of small businesses.

PILOT PARTNERSHIPS

The eight companies selected for the pilot program make up a representative sample of importers and exporters. They will test partnership arrangements with Customs aimed at streamlining processes for moving cargo into and out of Australia.

The companies are:

Dupont (Australia) Pty Ltd

Ericsson Australia Pty Ltd

Kinney Shoes Australia Ltd

Kodak (Australasia) Pty Ltd

Myer Stores Limited

NS Komatsu Pty Ltd

Nortel Australia Pty Ltd

Panasonic Australia Pty Ltd

The Chief Executive Officer of the Australian Customs Service, Lionel Woodward, says the partnerships are a major component of the Cargo Management Strategy. "The partnerships will allow systems to be developed that will facilitate cargo movement, cut down red tape and protect Australia's interests," Mr Woodward said.

He said the pilot program would include a detailed audit of each company's system to ensure its internal controls would maintain the necessary very high levels of compliance.

Mr Woodward welcomed the companies' participation and pointed out that they would be bearing the costs of running dual administrative systems during the trial.

Business support

Interest in the strategy is fuelled by the increasing consciousness of the value of a company's good name and of wanting to be seen to be working constructively with government agencies. Certainly, publicity about non-compliance can have a bad effect on a company's business.

While the Cargo Management Strategy embodies a flexible approach and the ability to tailor requirements to the needs of individual companies, it nevertheless requires a commitment by them to the rigours of self-assessment. This is not just a big and continuing commitment for companies, it represents an even bigger change in direction for Customs - a turning away from the sanctions approach to unsatisfactory compliance.

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The trials will draw on the extensive development and operational experience that Customs has in risk management and systems-based audit methodology - key factors in measuring the success of the new partnerships approach.

Such clearly defined risk management and audit systems will help Customs to play an even more effective part in meeting an increasing worldwide demand for simplified trading procedures. And, by encouraging higher levels of voluntary compliance, and better risk assessment and management, Customs staff become more able to focus on areas of higher risk.

How business sees partnerships

John Mansell, Transport Manager – Asia-Pacific Region, Kodak (Australasia) Pty Ltd.

We are used to working in similar 'partnerships' with our suppliers and customers. Beyond issues of price, we have found there is often much that can be done to maximise benefits. They include talking with suppliers to discover ways of reducing delivery times, and of changes to packaging that suit our requirements and may be cheaper for the supplier.

Similarly, we may be able to do the same sort of tailoring for our customers.

With this background, we were keen to be involved with the program and to look at opportunities for both organisations to gain. As long as Customs obligations are met, we can find many other smarter ways to work. For exports, our main aim is to help find ways of cutting down delivery times and reduce the activities that aren't adding any value. For exports, which is a big part of our business, we see the main gains as being in cutting down the paperwork.

We are also very interested in the scope for the one window to government approach, particularly in removing the need for us to provide separately information to the Australian Bureau of Statistics which has already been captured by Customs.

Adrian Jensen, Executive Officer, Operations, Ericsson Australia Pty Ltd.

Our company is going into the partnership open-minded. We are hoping to find significant benefits in time savings. There is a lot of competitive pressure in our industry and saving time is important, particularly by taking non-value adding time out of the process, such as unnecessary paperwork.

Receiving feedback from industry will help improve efficiency for Customs as well as partnership companies, creating a win-win situation. We see it as extremely important to work together, rather than in isolation.

Benefits to other government agencies.

Business certainly endorses moves by public sector organisations to deliver services in more 'client-friendly' ways. They want to deal as far as possible in a seamless way with government. The Cargo Management Strategy takes up this important aspect by seeking to strengthen coordination and cooperation between Customs and other agencies which Customs represents at the border or which have an interest in the trade and other data generated.

The strategy will pursue the 'one-stop-shop' approach, aiming to reduce the need for companies to contact several government organisations to provide information or resolve problems concerning imports and exports. This will help business, but the concept can be extended to help government agencies – and taxpayers – by streamlining the flow of regulatory information, consistent with the recommendations of the Small Business Deregulation Task Force's report.

Currently, some information given to one agency may be subject to further verification by another. This duplication can be eliminated when each agency is satisfied that content and standards meet their needs.

The Cargo Management Strategy will explore ways in which such information requirements can be streamlined for importers, exporters and service providers. Already several agencies are interested in cooperating with Customs.

The Australian Bureau of Statistics is working with Customs to develop criteria for partnership arrangements.

The Australian Quarantine and Inspection Service and Customs already work closely together and their joint arrangements are a good basis for dealings with other authorities such as the Department of Defence and the Department of Health and Human Services.

Customs and the Quarantine Service are developing cooperative arrangements, which include suggestions for improved sharing of trade-related computer system, improved profiling capabilities, a joint approach to authorisation and partnerships and of common ways to identify clients.

The partnerships trial will evaluate the concept of extending the business support and advisory services provided through Customs National Business Centres, using the existing system of account managers working with particular industry sectors or individual companies.

David Collins is Customs Victorian Regional Manager - Border, and head of the Cargo Management Strategy Coordination Team. Other members of the team are Richard Gardner and Bernadette Verlin.

Copies of The Cargo Management Strategy, March 1997 and a summary version The Cargo Management Strategy - an overview, are available free from Customs. Call 02 6275 6181 or fax 02 6275 5978.