

# Trans-Tasman Customs Cargo Management

## Customs organisations work to speed Australia-New Zealand trade

Australian and New Zealand customs cooperation on trade received a significant new focus with the joint Prime Ministers' Communique on 4 August. This said:

"Our respective Customs agencies have been addressing harmonisation and simplification issues within CER for some time, and have made considerable progress. This work will be accelerated, with the objective of: improving facilitation of trans-Tasman trade by streamlining customs regulatory procedures; reducing customs compliance costs for trans-Tasman business; and introducing "one-stop shop" on-line customs clearance procedures for agreed trans-Tasman exporters. Officials will implement an agreed work program which includes specific milestones for the next year.

Australian and New Zealand customs agencies will also look closely at the information presently required from importers and exporters, with a view to investigating ways of appropriately reducing business compliance costs."

### Australian-New Zealand customs cooperation

There is a long history of discussion of Customs harmonisation under CER (the Closer Economic Relations trade agreement between Australia and New Zealand, signed in 1983) with steady progress on a range of Customs matters. Both agencies:

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*Australia and New Zealand customs services are working towards streamlining trade administration to improve economic performance. But further harmonisation involves complex administrative and legal processes. Garry Grant reports on progress and objectives.*

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- are committed to harmonising and simplifying procedures;
- employ automated procedures which save both time and money; and
- are committed to their respective government objectives for the information economy.

Since 1996, Australian and New Zealand customs services have been working on the Trans-Tasman Cargo Management Project, which is designed to harmonise systems and procedures and reduce compliance costs for business. Trade ministers discussed this in December 1998, describing the project as "a useful initiative looking at ways to reduce compliance costs at the border".

The Statement of Trans-Tasman Principles agreed by ministers in 1996 is very much a living document which covers an ambitious agenda,

the broad aim being to harmonise and align systems and processes to facilitate trans-Tasman travel and trade. The following principles guide the discussions:

- common approaches to data requirements, electronic systems, tariffs and business processes;
- minimum compliance costs on industry;
- use of commercial data to satisfy customs requirements;
- full consultation with respective business and government sectors;
- simplify passenger declarations for trans-Tasman travel; and
- compatibility with international initiatives in APEC and the World Customs Organisation.

Progress on a range of customs issues covers:

- Harmonising use of tariffs. Considerable progress has been made on more ways of harmonising tariff nomenclature. (There are about 5400 items in the harmonised tariff at the 6-digit level with an additional 3500 statistical codes in Australia and 7000 in New Zealand).
- Use of electronic systems and the international UN/EDIFACT electronic message standard. Both administrations use online systems to process imports and exports and both use EDIFACT messages as the basis of their reporting systems. Action taken at the working level has allowed limited harmonisation of message development and terminology.

- Trans-Tasman cargo management. Evaluating possibilities for harmonised data requirements and partnerships with strategic industry partners involving periodic reporting to customs and deferred payment of duty. Using methodology created by Australian Customs, New Zealand began a trial of partnerships for exports in August 1998. Australia needs to amend legislation and put computer systems into place, measures not expected before July 2000.

Ultimately, both countries are aiming at a system of "cross recognition" for each customs service's audit and compliance regimes to facilitate cargo clearance. Such a system offers far greater flexibility and benefit to business than continuing to harmonise data requirements and computer systems. But the need to have harmony between legal and administrative systems will not be a short-term task.

Working together on international Customs developments at the WCO and in APEC. Australia has worked closely with New Zealand Customs which, in 1999, is the Chair of the APEC Sub-Committee on Customs Procedures in 1999. The Chairs of APEC groups rotate each year depending on which nation hosts APEC as a whole. Next year the Chair will be Brunei Customs.

### ***TradeNZ proposals***

Late last year, the New Zealand Trade Development Board (TradeNZ) proposed suggestions to streamline trading between the two countries. These have been addressed by CER Trade Ministers and by the Prime Ministers of both countries.

The suggestions focus on the effect of trade regulations on small low-value orders and just-in-time transactions for perishable goods. They are based on the premise that New Zealand is an extension of the

Australian market and New Zealand companies are reliable and low risk. As both countries use similar systems changes could address the number and cost of regulatory transactions as well as the time they take. There were four recommendations:

- simplify the tariff code system;
- raise the formal customs entry threshold to \$10,000 and thus obviate the need for processing of smaller imports;
- allow the customs administration at export to pre-clear imports; and
- have exporters lodge export and import clearance documents simultaneously over the Internet.

Achieving these ambitions will not necessarily be easy. The complexities of the changes which may be involved are daunting and comprehensive legislative and administrative measures will be required. They must compete with resources being devoted to issues such as the Millennium Bug and implementation of tax reform in Australia.

The needs of other interested agencies such as the Australian Quarantine and Inspection Service and the Australian Bureau of Statistics as well as their New Zealand counterparts must be taken into account. While there is support from sections of New Zealand industry, the reaction from Australian business is not known.

The Australian Government has made a preliminary response to these questions and this provides a useful basis for further bilateral work on the issues raised. Trans-Tasman Customs agencies have taken the lead and, in conjunction with other relevant agencies such as AQIS and ABS, are giving further consideration to the TradeNZ paper.



## **Progress on the TradeNZ proposals**

Australia and New Zealand have agreed a Statement of Intent, which addresses the TradeNZ proposals and sets deadlines. (See Options for faster trans-Tasman trade, page 24). The chief executives of Australian and New Zealand customs are committed to assigning priority to this work.

### ***Tariff amalgamation***

A revised concept paper and work plan have been agreed. They contain timetables and nominate specific outcomes such as dispute settlement, an integrated cross-Tasman classification service using a common database, cooperation in international forums on tariff matters, joint technical training and eventual agreement on tariff integration.

Both statistics agencies will have to align codes and a joint body to rule on tariff classifications would need to be legally binding on both sides of the Tasman. Other agencies' interests, such as AQIS and ABS, need to be taken into account. Matters of country of origin and preference, valuation and any prohibitions or restrictions would need to be addressed and necessary features aligned. Important statistical considerations will include variations in shipping and insurances rates and how they will affect valuation. For instance, the measure of trans-Tasman trade varies by about 6 per cent in each country.

In 1997-98 bilateral trade was worth about \$A9.3 billion. New Zealand imported \$A5.6 billion from us and we imported \$A 3.7 billion from them. In 1997-98 New Zealand was our fourth biggest trading partner after Japan, the United States and the Republic of Korea.



## AUSTRALIAN CUSTOMS SERVICE

### **Entry threshold**

A single threshold level for Australia and New Zealand would be desirable. TradeNZ used \$10,000, an arbitrary figure. The Australian Joint Parliamentary Committee for Public Accounts and Audit (JCPAA) considered an entry threshold for high-volume, low-value goods. The threshold for duty or sales tax is \$250 for air cargo and \$1000 for posted items. Australian Customs suggested a single threshold level, but this will require consultation in the light of tax reform implications. There is a need to liaise with AQIS and ABS as well as other agencies; assess cost-recovery implications for Customs and the potential for increased non-compliance by low-value traders. Current negotiations to facilitate high-volume, low-value exports from New Zealand, such as garments, will need to be reconsidered in the context of tax reform in Australia and GST requirements.

There are, in fact, two issues involved. The entry threshold is a matter for customs administrations and we will be looking to the Australian Government's decision on the JCPAA report, which may result in \$1000 being set as the requisite level for both postal articles and air cargo.

The other issue relates to fixing the level below which duty, sales and goods and services taxes are not collected, now A\$50. This will need to be resolved with the Australian Treasury and the Australian Tax Office as part of tax reform. Customs considers that eventual harmonisation is unlikely as it relates directly to the revenue requirements of both Australia and NZ.

### **Data requirements**

Preliminary information has been circulated to Australian and New

Zealand inter-agency committees.

There is a clear need to assess the quality of export controls of both countries and alignment practices will need to be assessed. For example, New Zealand Customs accepts export entries up to five days after export of the goods. Australian Customs has begun a comprehensive review of all its computer cargo systems and processes – known as Cargo Management Re-Engineering (See *"Cargo Management Re-engineering – Customs and Industry Working for Faster, Simpler Trade"*, Manifest, Vol. 2 No. 1, April 1999). This is likely to be in place by early 2001 and will result in reporting to Customs via the Internet and an open electronic customs entry point. As part of CMR, data requirements are being reassessed and NZ Customs kept informed.

### **Message and data standards**

This has been partly covered in work done previously with aligning Australian and New Zealand customs declarations. Australia will need feedback from New Zealand on the potential to extend EXDOC trans-Tasman. EXDOC involves an electronic process whereby Australian meat and dairy exporters need only lodge their information with AQIS which then arranges Customs clearances and issues a final electronic export certificate.

Some New Zealand customs brokers already use the Australian export message to create their import goods entry.

### **Electronic lodgement and electronic fee payment**

Both customs administrations already receive and process electronic clearance documentation and electronic payment of fees. CMR in Australia will facilitate trading community links with Customs using the Internet. NZ Customs will also

move to an Internet based reporting system.

### **Common audit and compliance processes**

This has been discussed with New Zealand, which has implemented "periodic" export processing for three industry "partners", companies which are assessed as low risk and having appropriate internal audit and systems infrastructure so they can make payments periodically instead of for each transaction. For Australian Customs to process periodic exports and payments for accredited exporters, we will require legislative arrangements, systems development and agreed cost-recovery procedures – with likely timing of July 2000. Audit and compliance processes for partners have been discussed with AQIS as part of CMR. This needs more work to agree a practical trans-Tasman compliance standard.

### **Conclusion**

Any harmonisation of Customs procedures and processes will involve complex administrative and legal systems as well as interaction with other involved agencies. Both customs administrations are committed to facilitating and streamlining compliance and reporting arrangements for trans-Tasman trade. Both agencies are conscious of the need to reduce costs on the trading community and out in place regimes which facilitate legitimate traders. Customs and other border agencies have community protection and revenue responsibilities which have to be met and which must be considered in any business processes and systems implemented.

Both customs will report outcomes in keeping with agreed timetables to their respective Governments and continue their support of this CER initiative.

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# Trans-Tasman Cargo Management Statement of Intent

## Aims

- Facilitate trans-Tasman trade by streamlining regulatory processes;
- reduce industry compliance costs; and
- introduce "one-stop shop" online customs clearance procedures for agreed trans-Tasman exporters.

In achieving these aims, Australian and New Zealand border administrations will continue to meet community protection and other agencies' needs. High priority must be given assigned tasks so that objectives can be completed within proposed deadlines.

## Objectives

Australia and New Zealand customs will:

- Evaluate potential for common trans-Tasman data requirements for customs export and import declarations, taking account of needs of other government agencies, for example, Ministry of Agriculture and Forestry, Statistics New Zealand, Australian Quarantine and Inspection Service and the Australian Bureau of Statistics
- Australia and New Zealand customs, in conjunction with other agencies, to examine current and future data requirements and highlight significant differences between the two administrations - preliminary examination to be completed by end June 1999 and circulated to other departments.
- Identify standards for message and data structures, security and data segmentation (including Tariff, valuation, origin and preference interfaces). Examine use of the Internet as a suitable communications medium for business reporting to Customs. A&NZ Customs to consider extension of AQIS EXDOC system to Trans-Tasman trade.
- Australia and New Zealand customs to begin evaluation with a preliminary report to each inter-departmental committee by end August 1999.
- Examine potential for amalgamating Australian and New Zealand tariff functions (acceptance of each other's tariff decisions, with a dispute settling mechanism; aim for common tariff advices; uniform and centralised decision-making). Simplifying the tariff code system will be difficult and require wide consultation with relevant agencies. There would be benefits in reviewing Australia and New Zealand tariff items and statistical codes to determine whether they could be harmonised and rationalised.
- As a first step, revise the September 1997 Australian Customs Tariff Concept paper and discuss with all relevant departments - updated version to be circulated for comment by end June 1999.
- Australian Customs, subject to discussion with AQIS and ABS, will pursue consideration of a consistent threshold for duty on trans-Tasman goods. Potential for a harmonised \$1000 threshold for formal customs entries, together with a simplified entry format, will be evaluated.
- Need to discuss with Treasury and Finance departments in Australia - matter is bound up with program of tax reform in Australia and will proceed in that light.
- Consider common audit and compliance procedures to allow trans-Tasman business partnerships to clear cargo with minimal data to customs and other border agencies. It is noted that sufficient data must be available to meet needs of other agencies, for instance to compile balance of payments figures.
- Australian and New Zealand customs to undertake preliminary discussions with other departments and report findings to respective IDCs by end August 1999.
- Consider the legal implications of these objectives and, if necessary, expedite any legislative changes required.
- Legal issues to be advised by each IDC as work unfolds. Expect that Australian partnership regime will have legal sanction by 1 July 2000. Evaluate need for a formal Trans-Tasman mutual assistance regime.

Office of Business Systems  
Australian Customs

Goods Management  
New Zealand Customs

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