

At the forefront of electronic commerce

Cyberspace options for streamlining trade and travel

The Australian Customs Service is a key player in plans to help world trade to grow by reducing red tape and improving use of computer technology.

Garry Grant explains Customs electronic commerce initiatives at the forefront of moves to make imports and exports more cost-competitive.

Customs multi-faceted role includes protecting the border and collecting due revenues while speeding the legitimate passage of goods and people. Customs uses electronic systems to facilitate the balance between efficient movement of trade goods and people with its administration of laws and regulations. Currently, for security reasons, most of our systems are based upon use of Electronic Data Interchange (EDI) over fixed telecommunications lines rather than via the Internet. However, as Internet trading increases its contribution to micro-economic reform and as Customs already uses it to provide ready access to information and information technology systems, we are moving to introduce more Internet interfaces with our EDI systems and eventually direct reporting to Customs over the Internet.

In this context, the Commonwealth Government is helping to develop principles for international, cross-border electronic commerce and establish a safe and transparent regulatory and legal environment to support Internet commerce. This

work is being carried out in international forums such as the World Trade Organization (WTO), the United Nations (UN), the Organisation for Economic Cooperation and Development (OECD), the Asia Pacific Economic Cooperation forum (APEC) and the World Customs Organization (WCO). (See *Australia developing uniform e-commerce laws*, page 20.)

In 1997-98, Australian Customs cleared 3.75 million import and export entries. Over 98 per cent of imports were electronically lodged, paid and cleared within minutes of being entered. Over 97 per cent of export entry declarations were cleared electronically. If cargo is electronically reported to Customs beforehand we can guarantee to clear all but 'suspect' cargo in 30 minutes of arrival.

Also in 1997-98, Customs processed 14.8 million international air passenger movements, 4 per cent more than the previous year. Over 95 per cent of incoming passengers are cleared within 30 minutes. More than 20 per cent of arriving and departing

passengers are pre-cleared by the electronic Advance Passenger Clearance system operated through agreements between Customs and airlines. The target is to have 60 per cent of passengers cleared in advance by the 2000 Olympics. APC passengers carry cards like boarding passes, allowing information on them to go from airline check-ins overseas to the Australian Department of Immigration and Multicultural Affairs before the passengers arrive in Australia.

Customs has also implemented advance information for cruise ship passengers, saving time for operators and allowing Customs to minimise manual processing of passengers on arrival. Required passenger information is electronically collected, stored, processed and transmitted (where possible over the Internet) before a ship arrives. The system has been extended to international passenger vessel arrivals for the 1998-99 cruise season.

Australian Customs has been in the forefront of computerised processes since 1972 when we introduced an integrated national system for processing import entries. Importers and brokers have had online access since 1976. Air and sea cargo automatic systems accept electronic waybills, and assess cargo against customs and quarantine risk parameters. Delivery status is available on arrival of the aircraft or ship.

COMPILE (Customs Online Method of Preparing from Invoices Lodgeable Entries) has been operating

Costs and complexities at the border

The Pacific Economic Cooperation Council in its *Report on Trade Impediments* found average international transactions involved 27 to 30 different parties, 40 documents, 200 data elements (30 of which were repeated at least 30 times) and re-keying in of 60 to 70 per cent of all data.

The United Nations Committee on Trade Development estimated that documents and other import formalities amount to 7 to 10 per cent of the value of all goods traded internationally. This amounts to twice the total revenue of the world's shipping industry.

The WTO has found that customs is included in every trade transaction at least twice and the European Union has estimated simplifying customs procedures could save US\$8 billion.

since 1978. Brokers and importers create customs entries from their own documentation and lodge them electronically. EXIT (Export Integration), combines the features of COMPILE and cargo automation for exports. Duty is paid by electronic funds transfer.

Our systems are completely paperless, but we provide an option for the very few traders who wish to lodge manual entries.

Computer-to-computer EDI is used for most import entries, sea and air cargo import declarations and export entries, generating around 20 million messages a year. The Internet is also being used for reporting regulatory information about imports and exports and Customs is investigating ways for the Internet to deliver wider services.

Because the Internet presents streamlined opportunities for communicating with business, Customs has introduced Internet-based options for reporting regulatory information for imported sea cargo, import declarations and exports. Electronic applications, developed with Tradegate/Electronic Commerce Australia, providing 'hub' services to promote electronic commerce allows small and medium sized firms to submit information to Customs cheaply, this is converted into EDI messages for Customs business applications.

Electronic options speed up clearance times on imported and exported goods, allowing Customs to deal effectively with continually increasing international trade and the pressures of containing costs. In fact, they provide enormous savings to Australian Customs and to industry, although many benefits from electronic initiatives are hard to measure. However, trading companies have reduced internal costs; paper records are being eliminated; and Customs processing is faster and more transparent. Electronic pre-clearance of passengers has cut processing time at airports while

greatly improving the standard of information received.

Enhancing trade with the Internet

Customs is assessing how an Internet interface can enhance this strategy, part of overall government policy to help make Australian trade and business more competitive internationally.

Customs is working on Internet-related initiatives with the WCO as part of worldwide moves to ensure that customs administrations, in dealing with pressures to simplify transactions, streamline and harmonise their approaches in the most efficient and mutually beneficial ways.

The WCO and customs organisations in the G7 nations (Canada, France, Germany, Britain, Italy, Japan and the United States) are examining customs data requirements; they aim to agree on a harmonised set of data fulfilling customs requirements by the year 2000. A draft of this model is on the Australian Customs Internet website (www.customs.gov.au).

As well, British and US customs have agreed on uniform data sets for exports and imports and have begun a trials with exports between them using selected commercial partners and agreed processes for EDI.

Customs administrations of APEC-member economies are also examining their data requirements and Australian Customs is coordinating the electronic commerce agenda in the APEC Sub-Committee on Customs Procedures. Joint electronic commerce projects between Customs and other APEC working groups are being considered for 1999. We are involved in a similar process with New Zealand Customs for trans-Tasman cargo movements.

Much has already been done to establish international standards for

customs processes through Australian Customs working with UN forums, the WCO, customs agencies and other border and commercial entities. Australia is very active in the process which designs, develops and implements international standards for EDI messages used in trade, transport and administration. These standards provide the essential building blocks for international trading and facilitate links with Government, banking, transport and other commercial enterprises.

The present volume of Internet trade has not reached levels that impinge significantly on the efficiency or effectiveness of Australian Customs procedures. However, increased trade volumes or changes to the duty or sales tax threshold on low-value consignments could affect available resources. Data, software and sound recordings downloaded from the Internet from overseas sources do not constitute 'goods' under the Customs Act. But increased Internet commerce may affect government revenue collection. Consequently, Australian Customs together with the Australian Taxation Office, is monitoring how increases in low-value imports would affect sales tax and duty collection.

Crime and technology

Australian Customs, like other law enforcement agencies, must re-skill its staff to address new types of criminal activity using new technology. With EDS Australia, its information technology provider, Customs is developing new cargo systems more in keeping with trends toward open, flexible systems that use web browsers and technology. Rather than simply deploy resources in-house, we will use the marketplace and employ resources to meet specific demands and requirements.

Customs workforce will not expand despite increased demands. Instead,

it will use better technology, more highly skilled staff, better internal business processes and make better use of the marketplace for specific tasks not essential to its core business.

Problems with the Internet

In Australian Customs, security concerns are paramount because of our community protection role. Security is a major concern with the Internet, mainly because of hacking, infection by computer viruses or other destructive software, and systems disruption. Therefore, early deployment of Internet-based electronic commerce has been outside Customs core IT infrastructure.

If Internet applications are isolated, damage from a security attack or traffic overload will be easier to contain and manage. However, this additional protective layer is likely to cost more, especially as most Internet applications will need to maintain business consistency with older EDI applications.

In 1997 the then Department of Primary Industries and Energy (now Agriculture, Fisheries and Forests) developed a Secure Gateway Environment (SGE), greatly reducing the security risk posed by access to the Internet. The SGE provides a 'firewall' and other services as part of a process to provide a secure Intranet – known as FEDLINK – for participating Commonwealth government departments and to encourage Internet connections between government and its business clients.

On their own, agencies like Australian Customs would bear large overheads in set-up costs and development time to provide the required security. With the SGE taking a lead role and working closely with agencies such as the Defence Signals Directorate to obtain advice and accreditation, Australian Customs can

deploy timely and appropriate security for Internet commerce, at a lower cost.

The Internet and the future

With EDS Australia, Customs will evaluate more open platforms for its applications and Internet access. Current cargo systems and processes will be replaced over the next two or three years. The future Customs cargo 'engine' will need to be able to accept data from a variety of sources. Likely options for future electronic access to Customs are via:

- the Internet (through, for instance, the Australian government Business Entry Point or Customs home page) using a mix of electronic data, including web EDI;
- computer to computer EDI over value added networks or by specialised communication service providers;
- periodic customs entries (with selected business partners paying duty periodically);
- Customs to Customs data exchange where a Customs export clearance would be accepted as another's Customs administration's import entry;
- interactive online services similar to the current Customs Import Entry system and, for example, airline reservations systems.

Within the next three years, the Customs home page will provide access to Customs entry procedures which could then be completed via the Internet. In future, Australian Customs will evaluate the feasibility of direct online (commercial) data entry, in particular from multinational trading enterprises, which are responsible for some 30 per cent of world trade and which operate extensive telecommunication and computer networks.

Australian Customs is not alone in using technology to streamline procedures. US Customs has embarked on a program worth US\$800 million to re-engineer its business systems using the Internet. Canadian Customs is proposing to create a 'virtual office' to allow smaller firms to lodge and clear entries over the Internet. The Singapore Government has placed all its customs-related procedures and legislation on its home page for easy, open access. All APEC customs administrations have introduced automated customs procedures.

Increased global pressures on cargo and passengers will demand radically streamlined border procedures and improved trade facilitation from other regulatory bodies. Consignments will be expected to move without intervention except in high-risk cases. Electronic data will only need to be reported once and a single government entry point for this will be in place. Australian Customs will continue work with selected business partners to enhance periodic entry and deferred duty payment while maintaining online access for all other import and export transactions.

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Check Customs services via the Internet at <http://www.customs.gov.au>

Australia developing uniform e-commerce laws

In January 1999, the Commonwealth Government published a draft Electronic Transaction Bill designed to be the backbone of national uniform laws covering electronic commerce.

Announcing a period of public consultation, the Attorney-General, Daryl Williams, said the proposed laws would allow electronic to be legally recognised.

The proposed law is based on the Model Law on Electronic Commerce, developed by the United Nations Commission on International Trade Law. It would support two key principles:

- as far as possible, paper-based commerce and electronic commerce should be treated equally; and
- the law should not discriminate between forms of technology.

Mr Williams said the draft law followed agreement by all Australian governments on the need for swift, uniform action in this field to encourage Australia's economy to grow.

Legislation was expected to come into effect during this year.



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