



AUSTRALIAN CUSTOMS NOTICE NO. 2004/33

Sea Cargo Examination Arrangements

This Australian Customs Notice (ACN) outlines Customs enhanced role in the screening and inspection of sea cargo into and out of Australia. The protection of the Australian borders means that Customs has to take a more interventionist role in the inspection of cargo. Importers and exporters need to ensure they make provision in their logistics arrangements for the possibility of Customs inspecting their cargo at a container examination facility. Importers should recognise that a small proportion of cargo will be delayed by the inspection process and make allowance for this in their internal business processes.

This ACN replaces ACN 2003/27.

Background

As part of its commitment to the *Protecting Our Borders* and *Tough on Drugs* strategies the Government has made significant investments in the establishment of Customs container examination facilities (CEFs) in Melbourne, Sydney, Brisbane and Fremantle. The CEFs use container x-ray technology and where further consideration is warranted, containers are physically examined utilizing a range of additional technologies.

The CEFs have contributed significantly to the protection of Australia's borders by increasing the cargo inspection rate. This has had direct and indirect benefits for the Australian community and industry. In the 18 months since the first CEF commenced operation, the community has benefited from very significant detections of illicit drugs, revenue evasion, weapons and other prohibited imports.

The introduction of a more comprehensive cargo inspection regime also provides protection to legitimate industry through the detection and deterrence of non-compliant importers. More comprehensive monitoring allows Customs and other regulatory agencies to establish and validate risk profiles and so provide improved facilitation to low risk clients. The CEFs also represent a considerable deterrent barrier. Importantly, these strategies will also serve to assure foreign governments and trading partners of the security and integrity of trade with Australia.

On 20 July 2004, as part of its enhancements of maritime security, the Government provided additional funding for the CEFs to extend their hours of operation and throughput to an annual target of 100,000 containers (133,000 TEU - Twenty-foot Equivalent Units) per annum, which is seven per cent of total loaded import containers. To achieve this increased throughput each CEF will work one shift on Saturdays and the Brisbane CEF will increase its hours of operation to include afternoon shifts Monday to Friday.

Container Inspection

Customs screens and risk assesses all import and export cargo and will select around 7% of loaded import containers for inspection at the CEFs. Empty containers and export cargo are inspected where there is an identified need to do so. In addition to the CEFs operations, cargo is also subject to examination by Customs at other ports around Australia. A new smaller CEF is being developed in Adelaide and will be operational in early 2005.

Customs notifies its selections for inspection via a 'hold' message in Customs Sea Cargo Automation (SCA) system – "section 74A clearance withheld". The status of cargo should

normally be known prior to the container terminal operators (CTO) declaring cargo available after it has been discharged from the relevant vessel.

Customs has arrangements with CTOs for the handling of selected containers. CTOs are also responsible for ensuring selected containers are provided to Customs on a priority basis (in the order hazardous goods, exports, reefer containers and then remaining containers starting with 'oldest' first). Under Customs contract terms, selected containers must not remain as segregated Customs cargo for more than 48 hours. Customs and the CTOs aim to pick up containers within 24 hours. The Customs contracted transport providers collect the containers from the container terminals and transport them to the CEFs and return them after Customs inspection. The SCA hold for CEF inspection is then lifted and the cargo is then clear to be collected from the CTO.

Timely reporting

Cargo must be reported to Customs 48 hours prior to vessel arrival in most cases. Late reported cargo is still screened and risk assessed and is frequently held for inspection by Customs. Late reporting means that Customs inspection/examination process may commence late and may take longer than the three-day dwell period. It should be noted that late reported cargo is usually difficult for Customs to access and is only inspected as it becomes available. This means that it is very likely late reported cargo will incur additional storage and related costs from the CTOs. Importers will be responsible for all such delays and costs. **Customs will not consider complaints about delays in delivery when these are due to late reporting.**

Storage charges

CTOs currently provide three days free storage for containers once they are declared available after discharge of the vessel. Customs endeavours to return all cargo from the CEFs so that it can be collected without the importer incurring storage charges, however, this is not always possible.

Customs analysis of CEF operations shows that just over 5% of loaded import containers were being examined by the CEFs and that 96% of these containers were inspected and returned to the wharf with free storage days remaining. It should also be noted that 81% of containers examined at the CEFs were being returned to the wharf with two or more days of the "free storage" period remaining. Only a small number of containers (4%) were returned with no storage remaining. This number represents 0.2% of the total loaded imports into Australia and overlaps to some extent the proportion of containers that are the subject of late reporting.

The imposition of the CTO's normal storage charge arrangements on Customs selected containers has caused distress among the importing community. There have been a large number of queries, complaints and representations about these matters. Customs has discussed these issues with the CTO's.

The CTOs have noted that: only a small percentage of containers inspected by Customs incur storage charges; a significant proportion of these containers are late reported; access to vehicle booking slots to collect cargo are available on most days; and it appears that importers or their brokers are not always prepared to collect their cargo out of normal business hours. The stevedores have indicated they operate 24 hours a day, 7 days a week and do not believe they should be providing additional free storage days in situations where importers or brokers choose not to use available slots.

Vehicle Booking System

Customs clearly stated position is that slot times should **not** be booked in the CTO's vehicle booking systems before the cargo is cleared by Customs. Where slot bookings are made prior to Customs clearance, to try and facilitate the speedy turnaround of cargo, **the importer and/or broker will be responsible for any charges they may incur if the cargo is not available for collection from the CTO.**

Given the current security environment and the protection afforded to legitimate industry and the community, it is important that the inspection of containers at the CEF becomes an accepted and integral element of the sea cargo logistics chain. Therefore importers need to make

provision for the possibility of Customs inspection of cargo as part of their normal operations and make allowance for additional time for cargo to be cleared, delays in getting access to cargo and the possibility of extra storage charges.

Costs and charges

There have been no changes to the costs and charges previously detailed in ACN 2003/27. The following advice has been updated to reflect current circumstances.

Government has decided that section 186 of the *Customs Act 1901* applies to the logistics arrangements involved in the container examination initiative and has decided not to change its policy of cost recovery for these activities. On 16 April 2003, the Government approved an increase in the sea cargo Import Processing Charges (IPC). The increase in the IPC does not recover all logistics costs. The Government continues to meet the shortfall for logistics costs and also pays Customs operating costs. It should also be noted that the Government provided significant capital funding for the establishment of the CEFs.

The charges, as previously advised, are as follows:

Current Charges

Item	Current Charge
Import entry via sea (lodged electronically)	\$44.00 per entry plus \$0.20 per line after line 10
Manual Import Entry charge via sea	\$65.75 per entry plus \$1.00 per line after the first line

These charges continue to operate from 1 May 2003.

Operations

Times of CEF operations are:

Melbourne CEF: 6am to 10.30 pm Monday to Thursday and 6am to 9.30pm on Friday

Sydney CEF: 6am to 9.30 pm Monday to Friday

Brisbane CEF: 7.00am to 5.30pm Monday to Friday

Fremantle CEF: 8.30am to 10.00pm, Monday to Friday

As a result of additional funding under the Government's enhanced maritime security initiatives, each CEF will work one eight hour shift on Saturdays. The Brisbane CEF is also in the process of introducing afternoon shifts from Monday to Friday. These arrangements are being progressively implemented, as Customs is able to provide additional staffing to cover the extended hours of operation. Advice about the revised operating hours will be published on the Customs website once these are finalised.

Damages

Section 186 of the *Customs Act 1901* provides Customs with the power to examine any goods subject to its control. Section 34 of the Act provides that:

The Customs shall not be liable for any loss or damage occasioned to any goods subject to the control of Customs except by the neglect or wilful act of some officer.

While Customs exercises appropriate care for all cargo, importers and exporters should ensure that they arrange for the appropriate packing and insurance of their goods. Any claims for damages, where there is evidence to suggest this has arisen as a result of Customs inspection of the cargo, should be directed to the local CEF manager in the first instance.

Customs is currently reviewing its damages policy and will publish the new policy on its website when available.

Contacting Customs

All queries about matters addressed in this Notice should be directed to the Customs Information and Support Center (CI&SC) – telephone 1300 558 099 between 8.00am and 5.00pm local time Monday to Friday, or via facsimile (02) 9213 2244 or email at cargosupport@customs.gov.au. The CI&SC will log and handle all calls in a professional manner. Calls to any other staff in Customs will automatically be referred to the CI&SC to ensure that all calls are recorded and handled in a consistent manner.

Unless there are special circumstances the CI&SC will not provide information on specific cases within the first three days after cargo is declared available for collection by the CTO. Special circumstances can include sensitive or time-critical goods or specific status messages from Customs.

Where clearance is taking longer than three working days, the CI&SC will check on the cause of delay.

As indicated above, Customs analysis of CEF operations shows only a small number of containers are returned to the CTOs with no storage remaining. Data on the number of calls to the CI&SC about CEF issues indicate that 90% of calls are in relation to containers that do not meet the criteria outlined in the previous Australian Customs Notice 2003/27. In assessing the number of containers that are returned with no free storage remaining, there is a significant disparity between the number of calls and the number of affected containers, eg around 60 containers per month in Sydney compared with 476 average calls per month and in Melbourne, around 45 containers per month compared with 497 average calls per month.

This suggests that either the Customs advice on this matter has not been disseminated as widely as it should be, or that the advice is not being followed. **Customs will be strictly enforcing the advice provided in this ACN in relation to enquiries about containers.**

Contacts

Inquiries concerning this notice may be directed to the Director Sea Technology Strategies on telephone number (02) 6275 6938 or fax number (02) 6279 3448.

JM Drury
Deputy Chief Executive Officer
6 August 2004