



IMPORT CARGO REPORTING - AIR ENVIRONMENT

The final phase of Customs Cargo Management Re-engineering (CMR) project will introduce significant changes to import cargo reporting. These changes will coincide with the introduction of new business rules, legislation and the import component of Customs new computer system, the Integrated Cargo System (ICS).

The ICS will replace Customs existing import reporting systems, air cargo automation (ACA), sea cargo automation (SCA) and COMPILE.

The introduction of the ICS, new legislation and business rules will streamline the reporting, movement and release of import cargo and further strengthen Customs and the Australian Quarantine and Inspection Services' (AQIS) risk-assessment capabilities.

SUMMARY OF CHANGES TO THE IMPORT REPORTING ENVIRONMENT

- mandatory electronic reporting of cargo, incorporating in-transit cargo reports*
- flexible reporting options that provide for Internet-based reporting
- a new 'early report, early status' (ERES) regime
- broader client access to diagnostic facilities
- abolition of transshipment entries
- new reporting timeframes
- introduction of cascade reporting
- implementation of sanctions, in line with Customs Regulatory Philosophy.

MANDATORY ELECTRONIC REPORTING

All air cargo will have to be reported and cleared electronically. No provision will exist for documentary release of cargo, except as a Customs-declared contingency measure. During the general moratorium period for current manual cargo reporters, as described below under General moratorium, Customs will data capture these reports electronically within the ICS.

Electronic reporting will expedite the risk assessment process, minimising the time it takes Customs and AQIS to clear and release legitimate cargo.

FLEXIBLE REPORTING OPTIONS

The new security gateway for the ICS, the Customs Connect Facility (CCF), will provide two options for electronic reporting to Customs. It will be possible to lodge reports using purpose built electronic data interchange (EDI) software or via the Internet through the Customs Interactive facility.

EDI software will connect to Customs through an Internet service provider or a direct line. This will enable Customs clients to batch multiple reports and send them as one message. A list of EDI software providers can be found at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

Customs Interactive is the name given to the Internet version of the ICS. Industry users will be able to access it through the Internet as they would any site. Customs Interactive will provide the full range of import reporting functions as well as an import diagnostic facility.

EDI clients will also be able to access Customs Interactive as a contingency measure should they experience difficulties with EDI reporting. Reports originally submitted through EDI may be amended or withdrawn using Customs Interactive.

However, if the report is lodged using Customs Interactive, amendments or withdrawals to that report will have to be made within that system.

To use the Customs Interactive or send messages via EDI software, clients will have to be registered with Customs and possess at least one valid digital certificate. For more information see the *Communicating electronically with Customs* fact sheet, available on the Customs website.

EARLY REPORT, EARLY STATUS AND DIAGNOSTIC FACILITIES

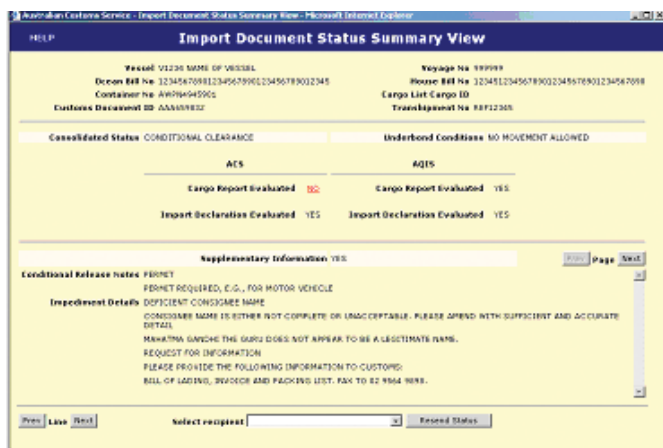
Early report, early status is a Customs initiative that will give cargo reporters the ability to report cargo early to obtain an early status. Early status will provide cargo reporters greater certainty about the release of their cargo.

* More information about in-transit reporting, including reporting timeframes may be found on the *In-transit cargo* fact sheet which is available at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

Early status will be provided once the screening period (two hours) has expired and the aircraft nominated on the cargo report has departed its last overseas port.

Changes will also be introduced to provide industry with an improved diagnostic facility. This will provide cargo reporters additional access to the consignment status, currently only available through COMPILE.

The diagnostic facility will not be limited to customs brokers - anyone with a vested interest in the cargo will be able to view the status of cargo reported to Customs. The identity of parties requesting status information will be authenticated by Customs using digital certificates. The diagnostic facility will only be available through the Customs Interactive facility.



ABOLITION OF TRANSHIPMENT ENTRIES

The current legislative requirement to lodge transshipment entries will be repealed. Transshipment goods will be allocated a transshipment number by the ICS. This number will be automatically generated when the import cargo report quotes an Australian port of discharge and an overseas final destination for the cargo.

This number will be a Customs Authority Number (CAN). This will allow a transshipment number to be entered in the CAN field on any export document to report the movement of the cargo to its final destination.

Transshipment goods will remain under Customs control from the time they are discharged from the aircraft until they are exported. This means Customs may direct a person in possession of, or with responsibilities for, transshipment goods to take them to a specified Customs place.

CHANGES SPECIFIC TO HIGH VOLUME, LOW VALUE, REPORTABLE DOCUMENTS AND SPECIAL REPORTERS

Changes to the reporting of high volume, low value (HVLV) cargo will remove document consignments from the provisions, and reduce the eligibility necessary for registration as a special reporter.

Reportable documents will no longer be part of the HVLV scheme, and will be treated like all other cargo. All reportable documents must be reported at the consignment level within a cargo report.

A 'reportable documents indicator' has been incorporated in the cargo report to simplify the reporting process.

Reportable documents will no longer be 'screened free' by Customs. Instead, a self-assessed clearance (SAC) declaration must be submitted for such consignments, either in combination with the cargo report or as a separate declaration. A *Self-assessed clearance declarations* fact sheet is available at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

Eligibility for registration as a special reporter in the HVLV scheme has been extended to cargo reporters if either:

- low-value cargo is consigned from a particular mail-order house to consignees in Australia and the applicant is likely to make cargo reports covering at least 1000 consignments per month or
- low-value cargo of a prescribed kind is consigned from outside Australia to a consignee in Australia and the applicant is likely to make cargo reports covering at least the number of consignments per month specified in the regulations.

Additionally, Customs legislation has been amended to alter the conditions applying to renewing special reporter status from 15,000 to 3000 for mail-order consignments in the three months preceding the application for special reporter status.

AIR CARGO REPORTS

Throughout this document the term air cargo reports has been used collectively, however that should not be confused with a specific air cargo report, which will be referred to simply as a cargo report. The following list depicts the full range of reports to be submitted in the air cargo reporting environment:

- air impending arrival reports
- air actual arrival reports
- air cargo reports
- underbond movement requests
- air waybill outturn reports.

IMPENDING AND ACTUAL ARRIVAL REPORTS

An air impending arrival report (air IAR):

- provides advance notification of the aircraft's estimated time of arrival (ETA)
- advises whether or not the aircraft intends to discharge cargo
- identifies the party engaged to unload cargo
- includes codeshare information
- acts as a trigger for release of status.

The air IAR must be reported at least three hours prior to the aircraft's ETA. If the journey from the last international airport is less than three hours, then the air IAR must be reported at least one hour prior to ETA.

The air IAR must be submitted electronically unless there is no cargo to be discharged. If there is no cargo to report, Customs will accept either a documentary or electronic air IAR.

The air actual arrival report (air AAR) verifies the time and place of arrival. Currently Customs screeners report the arrival (or 'arrive') of aircrafts for Customs purposes in ACA. This will no longer happen. The aircraft operator will be required to report the actual arrival of the aircraft to Customs. The report must be lodged within three hours of the aircraft's actual arrival or before the issue of a certificate of clearance, whichever occurs first.

The aircraft operator may use a third party to lodge the actual arrival on their behalf, but responsibility for the report remains with the aircraft operator.

CARGO REPORTS

The changes to cargo reporting will affect the information required in the report and how that information is communicated to Customs. New features within the ICS will assist with the completion of cargo reports.

With the introduction of the *International Trade Modernisation Act 2001* (ITM) legislation, Customs will introduce mandatory electronic reporting of all cargo carried on board aircraft. Further amendments made by the *Customs Legislation Amendment (Airport, Port and Cargo Security) Bill 2004* will affect the reporting timeframes. Air cargo reports will have to be reported to Customs no later than two hours before the aircraft's ETA at the **first** Australian airport.

Another new feature of cargo reports will be the creation of self-assessed clearance declaration for low-value consignments. Consignments with a value below the import declaration threshold (currently A\$250) can be declared using a SAC declaration check box. However the goods must not be subject to any prohibitions, restrictions, or contain alcohol or tobacco products. Further information regarding SACs is available in the *Self-assessed clearance declaration* fact sheet which is available at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

There will also be a new report known as an integrated cargo report, which combines the cargo report with an underbond movement request (UBMR). This new report will only be available to EDI clients and allows for the cargo report and UBMR to be communicated to Customs as one.

CONSIGNEE / CONSIGNOR

Consignee and consignor details are an important component of the risk-assessment process for Customs and AQIS. The cargo report is vital for risk assessment in order to protect the Australian community. As such, Customs and AQIS need to receive accurate information to assist with the smooth and efficient release of cargo.

Customs has made a concession in the provision of ultimate consignee details post implementation of the ICS. In the small number of cases where the cargo reporter does not have ultimate consignee details, information available from the import declaration will be used for Customs purposes prior to the release of the goods.

Cargo reporters need to be mindful of how they will deal with the requirement to report consignee details. If data elements are not completed, or poor information provided, release of the cargo may be delayed. For Customs and AQIS to clear the cargo within the screening period, accurate information in all data fields is required.

For further guidance on consignee/consignor see the *Consignee and consignor definitions - imports* fact sheet which is available at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

GENERAL MORATORIUM

To assist industry manage the change to full electronic reporting, the ITM legislation allows current manual reporters a general moratorium period of six months, following the implementation of the cargo reporting provisions.

During this period, documentary cargo reports will be accepted by Customs, however other reports including UBMR (subject to section 68) and outturn reports will have to be submitted electronically at the commencement of the imports component of the ICS. The moratorium conditions allow the CEO of Customs to grant individual current manual cargo reporters additional time (up to 18 months), to meet electronic cargo reporting requirements.

During the general (or extended) moratorium period, no infringement notices will be served and no prosecutions will be brought against current manual cargo reporters for late reporting.

Impending and actual arrival changes

CURRENT	FUTURE
Impending arrival reports may be communicated manually, by phone and fax, or electronically by the aircraft owner, who is a registered user of ACA.	Impending and actual arrival reports will have to be communicated to Customs electronically, unless there is no cargo on board. In that case impending and actual arrival reports can be communicated by document.
Impending arrival reports can be made no later than prescribed times.	Impending arrival will have to be reported no earlier than 10 days before the stated ETA and no later than three hours prior to arrival, or as per the prescribed period for journeys that take less than three hours.
Flights are 'arrived' by Customs screeners.	Actual arrival will have to be reported by the aircraft operator.

CASCADE REPORTING

The term cargo reporter in the air cargo environment will refer to an airline, freight forwarder or a bureau reporting on their behalf.

Cascade reporting simply means each cargo reporter will have to notify Customs of any other cargo reporters on whose behalf they have carried cargo or on-sold any space.

It will then be the responsibility of that airline or freight forwarder to report that cargo. If this second cargo reporter has on-sold all or part of this space to another cargo reporter, they will have to advise who is responsible for lodging the next cargo report. This process continues until all of the cargo has been reported with consignee details to the lowest level house bill of lading.

Cascade reporting is the cascade effect of the cargo reports aligning within the ICS. All cargo reporters play an important role in detailing all of the cargo that they have arranged for carriage on the aircraft. If all parties report in a timely fashion, the reports will link fully to the lowest bill of lading.

The ICS business rules have been designed so that if the lowest house bill has been reported but the sub master is not, then the release for the house bill of lading will not be delayed. The party that has reported on time will not be disadvantaged by someone else's late report, however Customs is unable to guarantee a delivery status. The party that has not reported on time will be in breach of Section 64AB and may have sanctions brought against them or other compliance measures.

Cargo report changes

CURRENT	FUTURE
Cargo reports may be submitted manually or electronically.	Mandatory electronic reporting within the ICS.
No penalties for late reporting.	Introduction of sanctions, an Infringement Notice Scheme and prosecutions.
No requirement/facility to nominate other cargo reporters.	Cargo reporting is mandatory. Cascade reporting is the product of full cargo reporting by all cargo reporters.

Underbond movement request changes

CURRENT	FUTURE
UBMRs can be submitted manually or electronically for all cargo.	UBMRs will have to be submitted electronically for any cargo that is subject to Section 68. If the cargo is not subject to Section 68 then a manual UBMR will be accepted by the owner of the cargo only.
Second leg UBMR cannot be approved until the first movement has been acquitted.	May include multiple lines from separate cargo reports.
Does not impact on transhipments.	May be used to generate a transhipment number. Where the request reason is transhipment the ICS will check the associated cargo report/s. If the cargo has not been reported as transhipment the ICS will generate a transhipment number that may be quoted on export.
Cannot be requested by depot operators.	May be made by aircraft operators, freight forwarders, CTOs, depots and brokers (only if Section 68 does not apply and the import declaration has not been commenced).
An UBMR is separate from a cargo report.	May be included in an integrated cargo report.
Request reason and mode of movement not required.	Request reason and mode of movement required within the UBMR.

PART SHIPMENTS

Part shipments occur when a single air-cargo shipment is split over two or more separate flights. Currently, each subsequent part must be re-reported with the correct arrival details. The ICS addresses difficulties associated with this process by incorporating a simplified means of reporting and processing part shipments.

When a cargo terminal operators (CTO) reports a second part master air waybill the ICS will create 'ghost house air waybills' with the appropriate details. The details reported will be linked to all outturn reports that have been received by the ICS. When all transmission details are met, the ICS will send a status message to the relevant cargo reporter/s.

UNDERBOND MOVEMENT REQUEST

An underbond movement request is an application to move cargo subject to Customs control between Customs-controlled premises. When the ICS is introduced, there will be changes to the way UBMRs are dealt with by Customs. Manual requests to move cargo will only be accepted if the cargo is **not** subject to Section 68 (Import Declaration) for example: personal effects. If the cargo is subject to Section 68, then the UBMR must be electronic within the ICS and must be reported by the cargo reporter, CTO or depot operator, who has, or intends to take possession of, the goods. The list of entities has been extended with the introduction of the ITM legislation for UBMRs.

One of the new features of the ICS will be that UBMRs can be lodged via EDI in combination with a cargo report. The combined report will be known as an integrated cargo report and will streamline the process for EDI users.

The ICS will introduce a new facility enabling the movement of lines of cargo from separate cargo reports on one UBMR. Currently, only one UBMR can be made at a time. The ICS will also allow for second and subsequent movements to be lodged at the same time as the original movement request. This will be called underbond movement stacking. The first UBMR does not need to be outturned prior to the second UBMR being approved by Customs for movement.

It should be noted that UBMRs will not be accepted prior to a cargo report within the ICS. Requests to move unreported cargo will result in an error message to the requesting party.

OUTTURN REPORT

Outturn reports will be required for all cargo discharged at an airport or moved underbond to a Customs-controlled premise (other than a warehouse). An outturn report verifies the goods actually received against what has been manifested, to monitor surplus or short-landed cargo. The outturn report also acquits underbond movements.

CTOs must lodge outturn reports at the master air waybill level for all cargo discharged from an aircraft. The outturn report must be reported to Customs within 24 hours after the arrival of the aircraft.

Where a depot operator or CTO receives cargo that has been moved as a result of an underbond movement to a Customs place, an outturn report will be required.

Containerised cargo moved to a Customs place, but not unpacked, must be outturned within 24 hours of receipt.

Containerised cargo moved to a Customs place and unpacked, must be outturned within 24 hours of the completion of the unpacking.

Customs will provide CTO's and depot operators with cargo status advice and underbond approval messages where available, to assist in accurate outturn reporting. If the cargo being outturned is consistent with the details provided, a 'nil discrepancy' outturn report will be required.

Outturn report changes

CURRENT	FUTURE
Outturns can be submitted electronically or manually.	Outturn reports must be submitted electronically.
Outturn reports are not required from all parties.	A depot operator or person in charge of a Customs place (other than a warehouse) must provide outturn reports.
There is no incentive to provide accurate or timely outturn information.	Sanctions will apply for not submitting or reporting incorrect information in the outturn report.
Cargo is outturned against information provided to CTO's and depots by cargo reporters.	Abbreviated cargo report details may be provided by Customs to CTO's and depot operators (where the information is available) to assist in completing outturn reports.

In addition to the above changes, there will be a new compliance and sanctions regime that will apply to late and inaccurate reports. Information about the penalties associated with late reporting can be found on the *Offences commencing with the imports release of the ICS* booklet, which is available at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

OFFENCES

With the implementation of the imports component of the ICS a range of strict liability and fault based offences will apply where a person fails to meet certain import cargo reporting requirements. For 'strict liability' offences it is not necessary for Customs to prove it was committed intentionally. Some of the strict liability offences will be subject to the Infringement Notice Scheme (INS).

A delegate of the Customs Chief Executive Officer (CEO) will be able to issue an infringement notice in lieu of prosecution where the delegate has reasonable grounds to believe an offence has been committed. An infringement notice penalty is generally one fifth the maximum amount a court may impose for the same offence. If a penalty outlined in an infringement notice is paid by the due date, subject to withdrawal and extension considerations, no prosecution action can be brought against the person for that offence.

Customs may apply administrative moratoriums on all related reporting offences. Information regarding these moratoriums can be found on the *Offences commencing with the imports release of the ICS* booklet, which is available at www.customs.gov.au (follow the links to Cargo Management Re-Engineering).

FOR MORE INFORMATION

Go to www.customs.gov.au (follow the links to Cargo Management Re-engineering).

For import-related inquiries email cmr@customs.gov.au or phone 1800 022 267.

For export-related inquiries email information@customs.gov.au or phone 1300 363 263.