



FACILITATION (FAL) DIVISION — TWELFTH SESSION

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- Agenda Item 3: Implementing modernized provisions for facilitation and security in air cargo service operations**
3.2: Security

FUTURE ICAO WORK ON SECURITY AND FACILITATION OF THE INTERNATIONAL SUPPLY CHAIN

(Presented by the Secretariat)

SUMMARY

This paper describes the development of the concept of a secure international supply chain and the challenges involved in implementing it. The new concept of the “authorized supply chain” is introduced as a solution to the challenge of facilitating and growing world trade while simultaneously intensifying security measures in the transport of international cargo.

Action by the Division is in paragraph 6.1.

1. INTRODUCTION

1.1 Following the events of 11 September 2001 numerous Customs administrations acting under the auspices of the World Customs Organization (WCO) resolved to contribute vigorously to securing and facilitating world trade. In June 2002 the Council of the WCO adopted a Resolution listing a series of actions to be taken and set up a Task Force to take the work forward as a matter of priority. The ICAO Secretariat has been participating in this Task Force as an observer.

1.2 From the outset the aim of the Task Force was to pave the way for a secure international supply chain, secure in the sense that trusted business entities covered every point in the chain (from production/packing to loading at export to arrival at destination), secure information and support systems, and physical security of the goods.

2. STRATEGIES

2.1 Essentially this aim could be achieved by, firstly, legal arrangements between Customs administrations covering data transmission, exchange of information and mutual assistance. These could be established multilaterally, on a regional basis or bilaterally, and would in due course provide a basis for the integrated transaction.

2.2 Secondly, securing and facilitating formalities in the supply chain would require Customs/business partnerships under which persons would be “authorized,” provided they met specified criteria. For the international supply chain to be accepted as secure, all parties involved — such as producers, traders, carriers, terminal and store operators, agents and brokers — would need to meet specified operating standards, and mutual recognition of approvals would be required. In this context it should be noted that a number of Customs/trade partnerships and arrangements already exist, such as the licensing of brokers, the bonding of airline operators, the authorization of importers and exporters as provided for in the revised Kyoto Convention, participants in the “known shipper” system, and regional systems in which traders and Customs authorities have developed a business relationship of mutual trust.

2.3 Inevitably the additional steps which the business community must take to meet the new security requirements will impose new costs, but the measures originally viewed by some as purely security-related are in fact bound up with the revised Kyoto Convention concept of the authorized person, who takes steps to meet certain Customs requirements in order to qualify for premium treatment, a concept also embodied in Annex 9, principally in Recommended Practice 4.28.

3. THE “AUTHORIZED SUPPLY CHAIN” SOLUTION

3.1 The authorized supply chain (ASC) is based on two premises originally envisaged in respect of a secure international supply chain:

- a) the approval of commercial operators and traders who meet specified security standards as regards their premises, personnel, data handling systems and their goods and transport. All persons involved in an international trade operation from an agreed point of origin to destination would need to be authorized; and
- b) Customs to Customs mutual assistance agreements providing for a range of matters, in particular the exchange of data and mutual recognition of approvals/authorizations granted to agreed standards by each of the parties. Such agreements could be multilateral under the new WCO mutual assistance convention, regional or bilateral.

3.2 The third element essential for the purposes of an ASC system is the addition to (a) and (b) above of negotiated simplified release and clearance procedures as provided for in the Kyoto Convention (Standard 3.32 of the General Annex) which can be tailored to suit the requirements of both the Customs and individual commercial operators. Under that provision, authorized persons who meet criteria specified by Customs will obtain the operational advantages arising from simplified procedures such as the immediate release of goods against agreed minimum data, clearance at the traders’ premises with entry in the records, periodic goods declarations and self-assessment. Customs control would be based largely on the auditing of commercial records, and the exact nature and mechanics of a simplified system can be established by agreement between the Customs and the commercial operator. Risk management and assessment would be guiding principles for control and compliance.

3.3 An ASC based on these three concepts will provide a system for authorized persons which affords not only physical security of the supply chain, but also the necessary enhanced degree of clearance

facilitation which will at least offset the costs involved in meeting the purely security elements of the arrangements. Logically the implementation of an ASC will lead to increasing use of greatly simplified arrangements based on the “integrated transaction” concept, sometimes called the “seamless transaction”. This concept is an additional advanced premium procedure in which a single submission of minimal data by an authorized trader will suffice for all export/import control purposes.

4. ELEMENTS OF AN AUTHORIZED SUPPLY CHAIN

4.1 Advance lodgement of data

4.1.1 The advance lodgement of an initial goods declaration prior to exportation would be a new requirement for traders and in practice would turn back the clock in many countries where simplified export arrangements have applied for many years, the declaration usually being required only for statistical purposes.

4.1.2 By arrangement, these initial declarations lodged essentially for risk assessment purposes should be able to serve for both exportation and importation. Single lodgement with data exchange between Customs, or dual lodgement, could be provided for. Goods declarations and manifests should comply with the WCO model data sets and become harmonized by agreement between the Customs authorities.

4.1.3 As regards the timing of lodgement and the decisions as to which person is responsible for providing which data elements, Customs will need to consult with the trade to ensure that their requirements take into account the realities and capabilities of their trade and transport partners and that data is provided by the person in the best position to do so.

4.2 The unique consignment reference (UCR)

4.2.1 A UCR is essentially a unique reference number applied to a consignment from the beginning to the end of an international trade operation. In essence, reference to the UCR provides the key to all the data relating to a consignment and enables the Customs administrations and the commercial concerns involved in the operation to work together using agreed automated information standards. For authorized persons using such arrangements it is feasible for the UCR alone to serve as the initial import or export message thus playing a part in highly facilitative procedures and the integrated transaction.

4.2.2 It is important not to impose new or additional UCR requirements on trade and transport sectors which already employ a unique referencing system. The air transport mode already has a standardized and uniquely numbered air waybill; therefore, the air waybill number should serve as the UCR.

4.3 The “Single Window” concept

4.3.1 A number of countries have already introduced a single window system for lodgement of data and documents, and the concept is being studied by a number of international organizations. Whilst not essential for the purposes of the ASC and the integrated transaction, the ability to lodge all data needed by government in respect of an international trade operation only once and to only one authority (the “gatekeeper”) is a very useful trade facilitation measure.

4.4 Risk management

4.4.1 Risk management and assessment programmes form the basis of Customs control (as required by the revised Kyoto Convention in its General Annex). In the application of risk management to goods, the advance supply of data is a great advantage for security and facilitates clearance. Risk management will also play a vital role in the authorization (or the decision not to authorize) of commercial operators for the purposes of the ASC and the integrated transaction.

4.5 Authorizations

4.5.1 Authorizations are the recognition by an administration that a trader or carrier is compliant. Authorizations, in order to be accepted by other administrations (which is absolutely essential for the operation of an ASC), must be given only on the basis of internationally agreed standards. The development of such standards poses a number of problems and potential solutions, and a possible working basis exists in various current Customs/trade partnerships and facilitation arrangements.

4.5.2 In practice, many countries may be unable in the immediate future to meet the authorization standards required by those countries with enhanced capabilities, systems and procedures. Standardizing approaches will prove a complex task, likely to progress in stages and, for some, likely to take a relatively long time, but it is a task in which government and business must work together closely in order to achieve the best practical results for all concerned.

4.5.3 Once authorizations have been granted, there will be a continued need for monitoring to ensure that authorized persons continue to comply with the necessary standards. This, too, will pose resource problems for hard pressed Customs authorities.

4.6 Customs mutual assistance arrangements

4.6.1 Customs mutual assistance agreements, whether under the new WCO convention, regional or bilateral, will provide the basis for mutual recognition of authorizations granted by Customs administrations. They will also provide for the necessary exchanges of information and data, data protection, and mutual assistance as required, and will underpin the control and operation of the proposed integrated transaction in which international trade will operate on the basis of a single streamlined movement with all the parties involved working together under greatly simplified automated arrangements.

5. POSITION OF ICAO AND ITS MEMBER STATES

5.1 It is recalled that the facilitation and control measures of the revised Kyoto Convention as they apply to air cargo are largely embodied also in the recently updated SARPs of Chapters 1 and 4 of Annex 9. In particular, appropriate provisions have been included relating to risk management, Customs/trade cooperation, automated procedures, advance lodgement of data and simplified procedures.

5.2 At the operational level the air transport industry is perhaps better placed than some other transport modes to meet the requirements of the ASC given its high degree of automated procedures, industry standard documents, arrangements for the advance lodgement and processing of accurate data and its security systems such as the “regulated agent” which have long been considered necessary and are kept under constant review.

6. ACTION BY THE DIVISION

6.1 The Division is invited to adopt the following B-type Recommendations:

Recommendation B-xxx —

It is recommended that ICAO work proactively to support, promote and implement authorized supply chain arrangements.

Recommendation B-xxx —

It is recommended that ICAO review and update the SARPs in Annex 9 to take account of the security and facilitation aspects of specifications for the authorized supply chain.

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