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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

RISK MANAGEMENT: AN INSTRUMENT PROVIDING TRADE FACILITATION IN THE CROSS BORDER MOVEMENT OF CARGO

(Presented by the European Civil Aviation Conference (ECAC)²)

SUMMARY

This working paper presents to the Division proposals on risk management, considered as an instrument providing trade facilitation in the cross border movement of cargo.

Action by the Division is in paragraph 2.

1. INTRODUCTION

1.1 Since the tragic events of 11 September there is a strong desire to strengthen the security related control measures in the cross border movement of cargo. The activities in the past two years in several countries and in international organisations demonstrate the efforts to find a right balance between intensified controls on the one hand and facilitating legitimate trade on the other hand. Trade facilitation instruments have made it possible for many years to ship cargo in cross-border movements disturbing the logistical chain as little as possible. Facilitation and border security controls should be complementary elements to achieve the ultimate goal to ensure a secure logistical chain without a complete stand-still of international transport.

1.2 The changing security requirements force the governmental agencies, such as customs, to request more data and at an earlier stage in the supply chain. At first it will mean an additional burden for the trade. In this century of automation it is possible to have more information available than in the past

¹ French version provided by the European Civil Aviation Conference.

² Albania, Armenia, **Austria**, Azerbaijan, **Belgium**, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, **Denmark**, Estonia, **Finland**, **France**, **Germany**, **Greece**, Hungary, Iceland, **Ireland**, **Italy**, Latvia, Lithuania, **Luxembourg**, Malta, Moldova, Monaco, **Netherlands**, Norway, Poland, **Portugal**, Romania, Serbia and Montenegro, Slovakia, Slovenia, **Spain**, **Sweden**, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, **United Kingdom** (the 15 Member States of the European Union (EU) appear in bold).

when all information was carried on paper. So for the persons and companies involved in international traffic and trade, it is not a real obstacle to provide governmental agencies in the future with more detailed information. On the other hand governmental agencies are not able to check every shipment entering or leaving the customs territory. To minimize the occurrence of risks, risk management is an important technique to help the governmental agencies to more effectively set priorities and more efficiently allocate resources necessary for maintaining a proper balance between controls and facilitating legitimate trade in cross border movement of cargo.

1.3 Risk management is already included in Standard 1.3 of Annex 9 as an instrument of border control. For many years and as a result of increased volumes of traffic and decrease of resources, governmental agencies in many countries are using risk management. In modern control techniques the process of risk management is an important aspect. Over the years governmental agencies such as Customs, have gained positive experiences with the use of risk management. It helps to determine where the greatest areas of exposure to risk exist, by which their efforts can be focussed on high-risk consignments. It also supports management decisions on how to allocate limited resources effectively.

1.4 Traditionally, Customs control is mainly concentrated on the inbound movements of cargo. With the new security requirement there is a move towards more controls at export, starting at the point of intended export. Discussions within the World Customs Organization will lead to a system of supply chain security to cover the information related to the cargo movement from the consignor to the consignee. To ensure targeted controls to cover the new border security requirements, risk management will enable the governmental border agencies to meet the even stronger political demands to protect society. Above all, risk management is an instrument to find a responsible balance between the demand for more security and the likewise demand from the public and the trade for less interruption of the logistical chain.

1.5 Risk management is defined as an overall border control methodology for identifying, analysing and managing risks associated with any activity, function or process. Risk is the key element and plays a central role in the risk-management process. To handle the huge amount of information it is necessary that governmental border agencies focus their efforts on high risks. Concerning the flow of information, it is also important to clarify what data is needed and why international standards should be set for a maximum set of data, their collection and use. This will avoid an inefficient demand for data and facilitate trade.

1.6 Risk management must not be seen as a static process but as an interactive process in which information related to cargo and its movement is continuously updated, analysed, acted upon and reviewed. The risk-management process consists therefore of the following elements:

- a) determining the strategic and organizational context in which risk management will be applied by, among others, Customs;
- b) identifying, analysing and prioritizing risks;
- c) assess risks by taking appropriate and proportionate measures to cover the identified high risks; and
- d) monitoring and reviewing the process on a regular basis.

1.7 In the second element of the risk management process, in short described as risk analysis, the systematic use of available information to determine how often defined risks may occur and the magnitude of their likely consequences is important. Risk analysis will identify risks resulting in risk profiles which will be the basis for the next step in the process taking the appropriate measure to cover the risk. Examples of risk areas can be found in the information of the passenger carrying goods or nature of the cargo, the country of origin or departure, prohibitions and restrictions relating to cargo and chosen route of

transport. Risk areas can be specific destinations, specific countries of origin, sensitive goods such as nuclear material, drugs etc. Other factors relating to protection of the national economy, health, security and environment have to be also taken into account which, taken together, increase or reduce the level of risks. Risk profiles will identify known risk areas, actual incidents and the corresponding (high) risk indicators. Risk profiles establish also an action plan of checks carrying out the appropriate controls and allocating the available resources. Computerised applications and IT support is indispensable for an effective performance of this process.

1.8 Risk management has been established as a key process in the development of civil aviation for many years. The risk management process is already used by governmental agencies in many countries in the world in the control of air cargo and its use will increase even more in the near future.

1.9 Bearing in mind the increased security requirements, risk management plays a vital role in both security and facilitation and can be recognised as an important technique for modern and efficient controls by border control agencies. Therefore it is necessary to have a coherent approach to risk management. To reach a well-considered balance with regard to the implementation of risk management techniques in both the areas of security and facilitation, it is necessary to include a reference to security in Annex 9. Such a reference should not compete with the security requirements as dealt with in Annex 17 of the Chicago Convention. Where there is a common interest, effort should be made to coordinate the activities in the field of security.

2. ACTION BY THE DIVISION

2.1 The Division is invited to:

- a) take the appropriate steps to explicitly link the application of risk management in Annex 9 not only to facilitation, but also to the developments in relation to the recent security measures in the cross-border movements of cargo and seek cooperation with the relevant security bodies within ICAO to create synergy where possible; and
- b) give consideration to the development of guidance material on risk management, which preferably will be a part of a complete FAL Manual covering the whole Annex 9.

2.2 Contracting States are invited to make every effort to encourage the maximum use of risk management by governmental agencies to the benefit of trade and all Contracting States.

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