



## FACILITATION (FAL) DIVISION — TWELFTH SESSION

Cairo, Egypt, 22 March to 2 April 2004

### Agenda Item 3: Implementing modernized provisions for facilitation and security in air cargo service operations

#### AIR CARGO CLEARANCE FACILITATION AND SECURITY THROUGH ENHANCED RISK MANAGEMENT

(Presented by the Secretariat)

#### 1. INTRODUCTION

1.1 The practical justification and competitive advantage of air cargo depend on superior origin-destination speed and consistently reliable delivery services. Both these requirements call for advanced commercial practice and minimal delays and other adverse effects from external interventions. Customs controls, at export and import and during transit, represent the most important of these interventions, responding to legislated responsibilities to collect revenue, apply trade policy and protect a range of public interests.

1.2 Since September 2001, anti-terrorist security has taken precedence in many major trading economies, over all other border management considerations. While addressing this challenge the customs authorities have needed to take into account other high-priority political objectives – to expand external trading operations and encourage foreign inward investment – objectives which are also essential to national security.

1.3 This paper reviews the concept of risk assessment as a tool to be used by the public authorities in deciding on the degree of examination of consignments, and proposes an enhancement of the concept to improve operating conditions for all entities in the international supply chain.

#### 2. DEVELOPMENT OF THE CONCEPT

2.1 Risk-assessment has been the main instrument devised and enhanced, by customs, to reconcile commercial and official needs and practices, by focussing the most stringent and constraining interventions, in the form of intensive examinations, on those consignments which can be calculated to present the most likely risk of infringements. The adoption of such a control tool implies the acceptance of a principle that one cannot eliminate all risks without resorting to measures that will halt normal commerce in its tracks. The compelling need to operate a viable trading system requires that control authorities be willing to live with a certain level of risk in their decision-making.

2.2 Most customs services practise profiling and targeting of individual consignments, based on combinations of factors indicated in the shipping document and the customs declaration. Such judgments may be made intuitively on the basis of expert staff experience, rationally with the aid of information technology systems, or by both means. A smaller number of administrations, treating, among them, a substantial proportion of world trade, have extended risk-assessment to identify fully compliant traders and, more recently, especially competent and reliable operators, and to apply specially simplified procedures to the clearance of these entities' shipments, including exemption from consignment-by-consignment assessment.

2.3 Current examples are the Facilitation Stairway, practised to general satisfaction by the Swedish customs, the arrangements made by US customs with Business Anti-Smuggling Coalition (BASC) participants in several Latin American countries, and the Local Clearance agreements whereby Her Majesty's customs delegate certain control to designated express operators. Such systems are appropriately offered for manufacturers able to give customs access to global automated systems and employing competent air carriers with the built-in security benefits of strict safety standards, rigorous aviation security regimes, take-off-to-landing flight controls and in-house, highly secured, road operations.

2.4 In applying risk assessment in such advanced schemes, control authorities take account of the overall security quality of defined international trade/transport sectors, profit from the now well-established means of identifying compliant traders/carriers, and only in extreme cases resort to processing every consignment or imposing blanket pre-loading or pre-arrival delays.

### **3. EXTENSION OF RISK ASSESSMENT TO OPERATORS**

3.1 If commercial operators, in their turn, want to get the maximum benefit of enhanced risk-management systems, provided for in the revised World Customs Organization (WCO) Kyoto Convention and referred to in Annex 9, Recommended Practice 4.28 as the "authorized importer" concept, they will have to accept a set of stringent requirements.

3.2 At all points in the international transport transaction they will have to observe and accept specific stipulations on the physical security of premises, the quality and integrity of automated systems and the recruitment and supervision of staff. They will have to accept approved systems for certification and monitoring and, directly or indirectly, to bear associated additional operating costs. Carriers will enjoy expedited customs processing in respect of totally secure consignments that pass from origin to destination entirely through the hands of authorized commercial participants.

3.3 It follows that if, in order to merit optimal facilitation of formalities by import customs, security has to cover and characterize entire transactions, there must be something, at the point of export, corresponding to an authorized customs service. That authorization would spring from two sources: a willingness by the customs at both ends to accept such a fiduciary partnership, and agreement by the trader to allow these partners to share relevant confidential commercial data.

3.4 The result of all these arrangements would be a substantial improvement in operating conditions over and above those possible in a control environment dominated by consignment-by-consignment evaluation. The most competent and compliant operators would get the best facilitation bargains. These would be substantial and would ensure competitive advantages. Gaining the status and compliance performance records essential to obtain the most efficacious customs treatment would be the best way to keep customers, extend market share and maximize profits. In this way security, firmly linked to facilitation at the operational level, would motivate a drive to higher standards in every aspect of international trade operations. Security ratings would be part of a larger set of commercial excellences.

#### 4. **PROPOSED PLAN OF ACTION - FIRST STEPS**

4.1 With the understanding that such a new regime would require fundamental changes in customs practice and commercial adaptation to intensified security requirements, it is proposed that this may be an opportune time to take the first steps in a long-term project to systematically integrate facilitation of formalities into national border management programmes. Such a project includes establishment of new concepts, for example:

- a) the authorized air cargo carrier;
- b) the authorized air cargo agent;
- c) the authorized airport;
- d) the authorized cargo ground handler;
- e) international security standards by which the above entities may be “certified”;
- f) unique consignment identification, based, for the air transport industry, on uniquely numbered air waybills;
- g) customs multilateral recognition of commercial operators meeting certain agreed security standards; and
- h) risk-assessment at the authorized commercial operator level, as an alternative to consignment-by-consignment treatment.

#### 5. **ACTION BY THE DIVISION**

5.1 The Division is invited to adopt the following B-type Recommendation:

IT IS RECOMMENDED THAT:

ICAO should undertake to establish security standards by which air cargo operators, agents, airports and ground handlers may be certified as authorized entities in the international supply chain, to ensure the highest level of security while permitting the minimum extent of intervention by the public authorities in the movement of goods across international boundaries.

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