



CONFERENCE OF ASIA PACIFIC EXPRESS CARRIERS (AUSTRALIA) LIMITED

Secretary / Ministers Office

Supply Chain and Identity Security Branch

Office of Transport Security

Department of Infrastructure, Transport, Regional Development and Local Government

GPO Box 594

CANBERRA ACT 2601

Dear Minister,

I am writing on behalf of the Conference of Asia Pacific Express Carriers (CAPEC) in response to the Aviation Green Paper released in December, 2008 by your department.

CAPEC represents the interests in Asia Pacific of the world's leading integrated express delivery service companies FedEx, DHL, UPS and TNT. We have been working closely with your department to establish appropriate cargo screening standards for air cargo carried on passenger and cargo only aircraft over the past three years.

CAPEC seek to reinforce our position that such standards should not only be effective, they need to be commercially sustainable and not materially or adversely affect the quality and nature of the express services that our members provide.

Representing global issues on behalf of the express air carriers is the Global Express Association (GEA) which includes the CAPEC organisation.

To quote directly from GEA principles;

"The GEA is the world trade association representing the four major global air express carriers: DHL, FedEx, TNT and UPS. GEA members operate in over 220 countries worldwide and transport and deliver some 30 million packages daily.

CAPEC
PO Box 484
MASCOT NSW 2020

Telephone: (02) 9313 1680
Facsimile: (02) 9313 1652

CAPEC represents Australia's four major express carriers - DHL International (Aust) Pty Ltd, TNT Australia Pty Limited, Federal Express (Aust) Pty Ltd and UPS Pty Ltd.

They operate and own more than 1,700 aircraft and over 200,000 trucks and delivery vans.

GEA members are commonly known as “integrators”, mainly because they provide a fully integrated door-to-door express delivery service, backed up by highly sophisticated, unrivalled, end-to-end recording, processing and communication systems (“track and trace”). It is this closely integrated origin-destination control of cargo which, inter alia, differentiates air express delivery services from other segments of the air cargo industry, where the cargo can change hands many times between forwarders, cargo agents, brokers and airlines.”

“While meeting the time-sensitive demands of global business, however, GEA members are ever aware of their role, as both aircraft operators and ground transport providers, in ensuring that the needs of aviation and air cargo security are met effectively. They do this by:

- complying with national aviation and air cargo security regulatory requirements;*
- applying the standards and recommended practices laid down in ICAO Annex 17, augmented, where appropriate, by implementation of the recommended practices contained in ECAC Doc.30;*
- operating fully automated tracking and tracing systems which give a complete audit trail of all shipments by time and location status reports;*
- applying strict security procedures in respect of all employed means of transport, facilities, information systems and personnel; and by*
- applying modern risk management and threat assessment procedures.*

“The GEA and its members firmly believe that efficient and effective security is best achieved if state authorities and regulators adhere to the following basic principles.”

GEA PRINCIPLES

(1) Any security measures imposed by law or regulation should be threat based and risk managed, which, for example, in the case of air cargo means that the measures applied to consignments transported by all-cargo aircraft should be different from those for consignments transported on passenger aircraft. They should also be capable of implementation, on technical, operational and financial grounds.

Best Practice: *In the US, there is currently no requirement to screen any material travelling on all-cargo aircraft. Under the EU’s latest legislation, differential treatment is applied on the basis of “account consignor” procedures as opposed to “known consignor” procedures.*

CAPEC Comment:

We support and agree that any security measures in AU must be based on a risk management approach and one size fits all model should not be adopted.

Passenger Aircraft have a greater threat profile as opposed to a freighter (Cargo only) aircraft. This widely recognised distinction is recognised in ICAO Annexure 17, which applies to passenger aircraft but no cargo only aircraft. Consistent with the approaches as stated by ICAO and IATA cargo only aircraft should not be automatically subjected to the same security controls as passenger aircraft. As per Annexure 17 guidelines security measures should be applied to cargo transported on passenger aircraft. Any regulations should carefully differentiate between all cargo and passenger aircraft.

Information provided by the AU government indicates that freighter aircraft are unlikely to be high on the priority list of terrorist groups. Further information indicates that there have only been two terrorist incidents involving freighter aircraft. Both incidents reported where the aircraft was fired upon from the ground whilst in a hostile or war environment.

(2) Measures applied should reflect a layered approach to supply chain security by which security programs and responsibilities are shared among the different parties in the supply chain. This allows for the seamless transfer of consignments from one entity to another and faster transit because there is no need to perform security controls at every point of transfer. It also results in effective use of government security inspection resources.

Best Practice: In many countries, Regulated Agent programs, based on the ICAO Chicago Convention Annex 17 Standards and Recommended Practices, have been implemented, supported in many instances by known shipper/consignor programs. The viability of such programs needs to be supported as part of a layered approach that is compatible with members' business models, especially in the face of calls from politicians and the media for 100% inspection of cargo, which is to be opposed on threat based/risk management grounds.

CAPEC Comment:

CAPEC supports the concept that a layered approach must be maintained and that the "one size fits all" is inappropriate.

CAPEC supports the continued AACA (Accredited Air Cargo Agent project that will ensure all levels of the industry are brought under the regulatory framework.

CAPEC members are also committed to assisting the regulators through the consultation process and offering express industry impact and experiences.

CAPEC supports the ongoing principle of a known shipper program to add to the 'layered' approach to air cargo security transported on passenger aircraft.

Any proposed review of the Known Shipper program must take into account the following points;

- No impact to current or future customers,
- No impact to current express industry business flow process,
- No impact to the Australian economy by potentially disadvantaging Australian business in the global market place,
- Must provide a benefit or advantage for qualified customers to be a part of,
- No impact on transit time of express industry product,
- Costs must be borne by Government,
- No potential to create an unfair competitive advantage between competitors.

(3) Security Standards should be developed and agreed at the international level. *The international nature of trade and transport demands an international response in terms of agreed global security standards for transport service providers. Harmonized application of such standards is essential to efficient international trading and to achieving mutual recognition.*

Best Practice: *In addition to the above-mentioned Standards and Recommended Practices laid down in Annex 17 of the ICAO Chicago Convention, in 2005 the World Customs Organization established the so-called SAFE Framework of Standards which provides a set of standards and standardized processes for enhancing security of the international trade supply chain. Since 2005, over 140 countries have either already implemented those standards or are in the course of implementing them.*

CAPEC Comment:

CAPEC agrees and continue to support this principle. Regulatory authorities in Australia need to continue to recognize current international standards and any consequences to the economy if Australian standards are above and beyond those international standards.

(4) Measures applied should be preventive in nature and should be applied across all modes of transport. *Preventive measures are measures aimed at protecting transport infrastructures e.g. airports, ports, tunnels, bridges etc, aircraft, vehicles, systems, workers and individual consignments against*

*intentional unlawful acts. **While such measures as applied to aircraft, vehicles, systems etc are the responsibility of economic operators, those applied to transport infrastructures are of national concern and are, therefore, the prime responsibility of governments.***

***Best Practice:** In the US, preventive security measures at ports and airports are, as a rule, executed by government officials (Customs and/or TSA) and associated costs are thus borne by the Administration.*

CAPEC Comment:

We agree that all security measures should be preventative in nature and address all modes of transport. This is evident in our support in government initiatives such as the AACA program.

CAPEC supports the premise with regard to transport infrastructure; costs should be borne by the Government.

Given that any assessed threat is primarily against the state and not the industry, it is reasonable and fair that the regulating government take up the associated costs for their security program. In the current economical situation additional costs, such as increased screening technology, changes in screening methodology and the ever changing nature of technology should be borne by the government. This also applies an even playing field to all in the industry where additional costs would see them go out of business.

The government has already issued ETD technology and basic training to a number of cargo industry participants. It is our view that the government continues this approach by supply the required technology in the next steps of the cargo security process.

***(5) To enhance security and facilitation of the international supply chain by applying risk management to trade, to identify suspect shipments, internationally-agreed standards on the electronic transmission of advance cargo information should be applied worldwide.** The express industry has for many years been providing advance cargo information electronically to import Customs administrations to obtain immediate or rapid release i.e. for facilitation purposes. **Today, as reflected in the WCO SAFE Framework of Standards, the advance transmission of cargo information is seen by many countries as a pre-requisite for enhanced security, but not only prior to importation, prior to exportation also.** Thus, there is a continuing need to ensure, so far as possible, that advance manifesting requirements, both in terms of the actual data and the timing of its submission, are reasonable and fully justifiable.*

Best Practice: *The current USCBP Final Rule on Advance Electronic Presentation of Cargo Information is a good example in terms of the actual data requirements and the timing of related electronic submissions. This may change, however, with the expected early implementation of the so-called “10+2” proposal, in which case, it might be preferable then to quote the EU procedure as laid down in EU Regn. 1875/2006, although this will not be fully implemented until 1 July 2009.*

CAPEC comment:

We agree and continue to support these government initiatives which are based on international standards. CAPEC members are currently in consultation and involved in the trialing of the early electronic transmission of advanced cargo information or Early Customs Data Reporting with Australian Customs. Any further application of security measures applied in the course of “supply chain security” must be fully integrated into current AU aviation security programs, but must be measures that add value to the overall security of air cargo. CAPEC is concerned that the adoption of any “supply chain” initiatives will require a dual track, non-integrated approach, adding cost and operational constraints to the express sector, and ultimately a cost impediment to AU commercial enterprises that ship cargo by air.

(6) Inter-Governmental co-operation, especially by way of information exchanges on suspect shipments, is essential to improving security and facilitation of the international trade supply chain and should be actively encouraged. *Getting governments at export and import to exchange information on suspect shipments, based on the screening of cargo data transmitted in advance of departure and/or arrival, ideally complements express carriers’ current regulated agent, known shipper/consignor and account consignor programs.*

Best Practice: *Customs-to-Customs information exchanges on suspect shipments are provided for in Pillar 1 of the WCO SAFE Framework of Standards. The model practice for the immediate future could be one based on the EU-US bilateral co-operation agreement.*

CAPEC comment:

CAPEC agree and continue to support this and ensure that in future there should be greater co-operation between Government agencies. That is the global premise of Mutual Recognition should be applied at a local level in Australia. As an example of this – the Early Customs Data Reporting model should be utilized by other agencies to assist in Risk Assessing export cargo thus reducing the liability on the cargo industry to carry out full risk assessment and screening of all cargo.

(7) Government/industry co-operation is also essential to improving security and facilitation of the international trade supply chain and should be promoted. *Close co-operation between government agencies and industry is essential to effective security regimes. For example, regular government vetting of industry employees could prove invaluable.*

Best Practice: *Regulated Agent and known shipper/consignor programs, as per Annex 17 of the ICAO Chicago Convention, demonstrate in the best possible way how joint government /private sector co-operation can bring about enhanced security of the international supply chain.*

CAPEC comment:

CAPEC agree and continue to support this principle.

CAPEC submits to Government that its members are at the forefront of the express freight industry and have Global Standards in Supply Chain Security that are second to none. It therefore stands to reason that with regard to the application of a Risk Based model, measures applied to CAPEC members should not reflect measures that need to be applied to organizations with inferior security standards in place.

CAPEC will continue to work with Government to ensure security measures applied to its members are commensurate with the risk.

(8) Transshipment cargo having already been transported by air from any location should be free from any further security screening at the point of transit or transshipment, provided the cargo is properly protected until the time of onward uplift.

Best Practice: *Under the current EU Regulation 2320/2002, transshipment cargo arriving by air need not be subject to any security controls whatsoever, provided that it is protected against unauthorized interference at the transit point.*

This best practice is fully mirrored by the European Civil Aviation Conference's (ECAC) Doc 30 chapter 6 Sec 6, and also by the ICAO Annex 17 Appendix 25.

CAPEC Comment:

CAPEC agree and support this principle. If proper security measures are applied and the shipment is secured at all times then the cargo should not need to be subject to further security examination.

The express freight industry offers further advantages to day to day freight forwarding. This includes door to door service, track and trace systems, internal

security policies and programs. CAPEC continues to support the regulatory authorities in respect of enhancing security measures for cargo security in line with these principles.

Other issues:

Security Training

Changes in the training structure have forced CAPEC members and most of industry to seek external providers due to the onerous process of becoming a RACATO. Historically, awareness training was provided 'in house' with little or no additional costs, which now cannot be provided although there is little or no changes to the awareness training.

The impact to industry from changes in the training structure includes;

Additional costs for training

Issues with indicated time for training delivery – not conducive with industry practice and operational requirements

Indicated standards not compliant with initial industry expectation and requirements

CAPEC Comment:

CAPEC agree and support that training is a requirement as part of the layered approach to cargo security, however the training regime must not be such that it impinges negatively on the operation of the express industry.

Audit and Compliance

CAPEC have continued to consult with the regulatory authority to ensure that any audits are both mutually beneficial and acceptable to industry. However, to achieve the best results CAPEC and Government must work together to formulate an acceptable audit tool. An audit tool developed without industries co-operation and valued input will be a 'one shoe' fits all approach with essential elements of the audit process missed.

CAPEC Comment:

CAPEC agree and support that audits will be a requirement as part of the layered approach to cargo security. However, without industry consultation, the auditing process will have negative impact on industry and the Australian economy.

Technology and Screening

CAPEC support the principle of a layered approach with respect to Supply Chain Security.

CAPEC acknowledge that there may be emerging or developing technologies that may enhance current security measures. However any proposed review of current practices must be undertaken in consultation with industry and must take into account the following principles;

- Minimal or no impact to customers,
- Minimal or no impact to current express industry business flow process,
- No impact to the Australian economy by potentially disadvantaging, Australian business in the global market place,
- No impact on transit time of express product,
- Costs to be borne by Government,
- No potential to create an unfair competitive advantage within the industry.

Summary

It is our view that if changes are proposed or planned which impact the express industry, both Government and industry need to fully understands the current and proposed regulatory changes within the Australian context. This can be done by gaining a better understanding of overseas markets – specifically US, UK and EU and how current or proposed regulatory changes impact industry and if these regulations achieve the objectives of Government.

We believe that there would be mutual benefit in a joint Government/industry study of these specific markets. This would enable an opportunity first hand to provide a realistic understanding of the impacts to industry through regulatory compliance and apply this understanding to the Australian model.

CAPEC appreciates the opportunity to offer its comments on aviation security regulations. As always our members remain willing and ready to participate in discussions with your department as required.

Yours sincerely,

Sean Haran

Sean Haran

Chairman

Security Sub-Committee

