

**AUSTRALIAN
CUSTOMS SERVICE**

Reply to the National Director
Border Management
AUSTRALIAN CUSTOMS SERVICE

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Mr Ed Willett
Executive Director
National Competition Council
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Dear Sir

Thank you providing the Australian Customs Service with an opportunity to comment on the application by Australian Cargo Terminal Operators Pty Ltd (ACTO) for declaration of services related to international freight operations at both Sydney and Melbourne Airports.

Please find attached a Customs' submission in relation to the ACTO application.

If you require further information in relation to this matter, my designated contact officer is Mr Mark Dolan, Border Operations Branch Sydney, who may be contacted on telephone (02) 2132535.

Yours faithfully

(Les Jones)
National Director
Border Management Division

24 February 1996

**AUSTRALIAN CARGO TERMINAL OPERATORS PTY LTD
APPLICATION FOR DECLARATION OF AIRPORT SERVICES**

Cargo Terminal Operators (CTOs) provide ground handling services for client airlines and play a fundamental role in the maintenance of Customs regulatory controls at the border. It should be noted that while the term 'Cargo Terminal Operator' is widely acknowledged and understood in the cargo industry, that particular terminology is not identified or defined as such within the Customs Act 1901.

CTOs and a significant number of off-airport depots are authorised by the Australian Customs Service (ACS) to operate under the general provisions of Section 17(b) of the Customs Act, whereby the Chief Executive Officer of Customs may appoint places for the examination of goods on landing. Such places are duly authorised to report, receive, discharge and breakdown imported cargo. Export cargo handling services are also provided by a CTO.

The status and role of CTO's in the import and export cargo process (and in fact all places appointed under Section 17(b) of the Customs Act) is regarded as sensitive by the ACS, as they deal with cargo that has not yet been cleared from Customs control and which may require inspection for either community protection or revenue related purposes. It is therefore important that CTO operators are able to provide a highly secure environment that satisfies both documentary and physical control requirements determined by the ACS.

Historically, CTO operations have been confined to "on airport" sites, which have an additional benefit from a Customs perspective, arising from the inherent advantages associated with the generally high security awareness prevalent at international airports. Over the past twelve months, the Australian Customs Service (ACS) has been approached by a number of organisations wishing to explore the business potential of establishing cargo terminal services at "off airport" sites, limited to Sydney and Melbourne at this stage. It is anticipated by the ACS that contemporary airport cargo congestion problems, particularly at Sydney's Kingsford-Smith airport, combined with forecasts of a steady increase in air cargo import figures, will inevitably generate future challenges to the appropriateness of this traditional arrangement.

From a Customs perspective, the concept of a CTO operating off-airport represents an expansion of the broad community protection and revenue collection risks that are routinely assessed and dealt with by the ACS. The substance and potential impact of this expanded risk has been evaluated by Customs, taking into consideration general Customs control responsibilities, the current cargo congestion problems at Sydney airport, projections of continued increase in imported air cargo traffic and the potential benefits for industry arising from increased CTO competition.

As a consequence, a range of standards have been developed by Customs designed to limit the risks associated with the CTO operation off-airport concept. The ACS is prepared to consider applications for off-airport operation if the following fundamental standards can be satisfied by the applicant:

- that the appointed place is located within a reasonable distance from the airport [what is reasonable will be determined on a case by case basis];
- that all cargo discharged must be reported [pre arrival] via the Customs air cargo automation system (ACA);
- that contingency arrangements are in place to facilitate alternative ACA cargo reporting in circumstances of CTO systems failure;
- that all pallets and loose pieces are checked in at aircraft side and immediately transported to the approved premise; or
- that all pallets and loose pieces are discharged across existing CTO roller beds, checked in and immediately transported to approved premise;
- that the approved place meets the general criteria for approval of a place for examination of goods under Section 17(b) of the Customs Act;
- that any cargo requiring to be held for Customs examination airside can be securely dealt with; and
- that any regional-specific conditions are met.

In September 1996, Tasman Freight Services, which is a business agency of ACTO, demonstrated to Customs in Sydney that it could satisfy the prescribed standards. Approval was subsequently granted by the ACS for Tasman's CTO operation to operate off airport in Sydney. Approaches have also been made to Customs in Melbourne by other ACTO business syndicates, however, to date these agencies have been unable to satisfy the requisite standards at Tullamarine Airport.

While it must be conceded that airport perimeter security generally provides additional security to cargo under Customs control, any decisions by Customs about the CTO's operating in the future will be based upon the applicant satisfying the fundamental standards outlined above and will not be limited solely to on-airport locations.