Australian Government

Department of Infrastructure and Regional Development

Regulation Impact Statement – Part 2

Enhancing US-Bound Air Cargo Security

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Contents

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EXPLANATION OF RIS PARTS 1 AND 2

This Regulation Impact Statement has been submitted in two parts. Part 1, submitted to the Office of Best Practice Regulation (OBPR) on 10 August 2015 supported amendments to the *Aviation Transport Security Act 2004* (ATSA). This version (Part 2) is an expansion of Part 1, and includes full Regulatory Burden Measurement (RBM) costings, plus a qualitative analysis of the policy options considered. Part 2 supports amendments to the associated Aviation Transport Security Regulations 2005 (the Regulations).

Legislative and regulatory amendments

The Department of Infrastructure and Regional Development (the Department) has amended the ATSA, to give effect to measures to meet Australia's international air cargo security obligations. The amendments were passed in Parliament and received Royal Assent on 2 December 2015, and have introduced provisions to:

(a) insert a definition for known consignor;
(b) create new heads of power to enable the Regulations to:
    i. establish a scheme under which certain persons that carry on a business that engages in originating export air cargo are approved as known consignors;
    ii. set out the method for approving a known consignor;
(c) insert a new definition for a regulated agent;
(d) replace references to regulated air cargo agent and accredited air cargo agent with references to a regulated agent;
(e) amend the definition of aviation industry participant to include a regulated agent and a known consignor;
(f) create a new head of power to enable the Regulations to prescribe the circumstances in which cargo may be opened as a part of the examination process;
(g) increase the number of matters that the Regulations may provide or may be covered by a notice issued by the Secretary; and
(h) make any necessary amendments consequential on the above, and remove redundant provisions.

The Regulations are being amended to:

(a) establish a scheme for the approval of known consignors;
(b) insert new definitions for a known consignor and a known consignor security program;
(c) clarify how cargo that has been examined is to be handled in order to receive clearance;
(d) clarify when cargo may receive clearance without being examined;
(e) clarify how cargo that has not been examined is to be handled in order to receive clearance;
(f) clarify how cargo is to be handled after receiving clearance in order to maintain its status as cleared;
(g) amend the definition of regulated business to include regulated agents and known consignors; and
(h) add regulations that enable certain matters to be dealt with in written notices issued by the Secretary.

It is intended that all enabling legislation (Act and Regulation amendments) to give effect to the proposed air cargo security arrangements will commence on 1 November 2016.

In parallel, the Department continues to consult with industry stakeholders on the development of appropriate administrative systems, methods and guidance for relevant industry participants.

EXECUTIVE SUMMARY

Enhancing US-bound air cargo security

This proposal outlines options for Australia to meet the security requirements of the United States Transportation Security Administration (TSA) for US-bound air cargo, so that trade can be maintained and business impacts are minimised.

RIS preferred option

Option 2 – Introduction of a Known Consignor scheme together with enhanced piece level examination for US-bound air cargo.

Key points from the RIS

The Office of Transport Security (OTS), a division of the Department, regulates Australia's air cargo security regime and ensures that exporters have access to world markets by meeting international security obligations.

The United States' Transportation Security Administration (TSA) re-evaluated Australia's security arrangements for US-bound air cargo and advised that it will require 100 per cent of air cargo on passenger aircraft travelling to the US to be examined (screened) at a deconsolidated ('piece') level, meaning cargo needs to be examined earlier in the supply chain or unpacked, examined and repacked.

Currently regulated Australian air cargo industry participants (freight forwarders and cargo terminal operators) do not have the capacity, space or equipment to deconsolidate and examine air cargo at a piece level.

If no action is taken to meet the new requirement for US-bound cargo, Australian air cargo will not be accepted by the US and the Australian air cargo industry will be substantially impacted, including air carriers, exporters, freight forwarders and ground transporters. In 2015, nearly 11,000 exporters sent about 22,600 tonnes of cargo by air to the US, with a value of $6.05 billion.

This proposal seeks to support industry by establishing a legal framework that allows air cargo supply chain industry participants flexibility in how they meet the TSA's requirements. This in turn will help ensure that industry participants can continue to export air cargo to the US.

This Regulation Impact Statement compares three options for responding to the TSA requirements:

- **Option 1** involves no government intervention (i.e. maintain the status quo);
- **Option 2** proposes the introduction of a Known Consignor scheme to complement piece level examination for **US-bound** air cargo;
- **Option 3** proposes the introduction of a Known Consignor scheme to complement piece level examination for **all** export air cargo.

Options 2 and 3 propose an increase in regulation, but it will be demonstrated that amending current legislation to ensure a regulatory framework that meets the US' requirements – and international standards – in a flexible manner is a less onerous and costly approach than maintaining the status quo. Each of these options provides a different method of transitioning to the required new examination regime (all US-bound air cargo is accepted for uplift).

It should be noted that although the US requires piece level screening only for cargo being carried on passenger aircraft, all three options include export air cargo travelling on both passenger and freighter aircraft. Capturing both passenger and freighter aircraft in the proposed new air cargo security

framework means that Australia will be meeting its international obligations as a member state of the International Civil Aviation Organization (ICAO).[1]

Option 1 (status quo) is included here as an option and can be considered a 'non-regulatory' approach, as no additional regulation would be imposed on industry by the Australian government. Maintaining the status quo would initially impact airlines, as airlines that fly into the US are obliged to meet the TSA's security requirements. However, the impact will be felt throughout the supply chain, as industry would have to find ways to meet the TSA's requirements and costs will be passed on to freight forwarders, who will then pass costs on to their exporter customers.

Option 1 is not considered a viable option. Although the Department recently issued notices to key industry participants requiring them to examine air cargo at piece level in a manner that meets the TSA's requirements and will continue to encourage other freight forwarders to take up piece level examination, cargo examined at these facilities will only cover, at best, 70 per cent of US-bound air cargo. The remaining US-bound air cargo would not meet TSA standards or current international standards, as articulated by ICAO and would not be able to be exported by air to the US. Trade impacts would likely hit comparatively low value consolidated air cargo and cargo for 'just in time' markets the hardest, making many perishable exports uneconomic and/or unviable. Further, this option does not recognise cargo which could be considered 'secured' from unlawful interference by meeting other strict regulatory obligations, such as meat products exported under stringent Department of Agriculture regulations, or pharmaceutical products regulated by the Therapeutic Goods Administration (TGA). The TSA also expects a level of Australian government oversight to provide them with confidence in the system.

Option 2 is the preferred option. It would allow industry participants choice in how they meet the TSA's requirements by stipulating that piece level examination could be achieved either by having cargo submitted for enhanced piece level examination at a specified regulated freight forwarder, or by originating from another kind of regulated business – a Known Consignor. However, for businesses that do not export to the US there would be no cost with this option. This option would also meet international standards and provide a foundation should other countries impose similar conditions to the TSA. Businesses that become Known Consignors for their US-bound exports will also have the benefit of clearing their non-US bound air cargo at the point of origin, thus avoiding the regulatory need to have their cargo examined at the airport.

Option 3 resembles Option 2 in that it would balance piece level examination with a Known Consignor scheme. However, this option would require **all** export air cargo, regardless of destination to be 'secure'. This option is preferred by some industry participants (particularly large freight forwarders), as they anticipate difficulty in separating out US-bound air cargo, and are concerned they will not be able to achieve economies of scale. However, current tight timelines and this option's potential cost and time impacts on non-US bound exporters would not allow efficient implementation in the short term. The preferred option (Option 2) could be expanded to include all export air cargo in future as necessary.

Benefits of preferred option

Benefits of the preferred option (Option 2) include the following:

- This option minimises the risk of a loss of Australian export trade to the US as a result of the Australian air cargo security regime not complying with the revised TSA requirements.

[1] Standard 4.6.1 of ICAO's *Annex 17 to the Convention of International Civil Aviation* requires that member states must ensure appropriate security controls, including screening, are applied to cargo being loaded onto passenger **and** freighter aircraft.

- This option provides industry participants with choices: a business can become a Known Consignor; pay another business to examine export air cargo; or discontinue exporting by air to the US.
- This option does not affect businesses that do not export to the US – a concern raised by some stakeholders.
- This option allows for a more timely response to US requirements.
- This option provides a balance between US-bound air cargo being secured at source and being examined further along in the supply chain. It is more likely to result in a continuation of trade to the US, without heavily impacting industry sectors with relatively low value goods (e.g. horticulture) or those with goods not easily examined (e.g. heavy machinery, electronics).
- An exporter who chooses to become a Known Consignor will be able to have their export air cargo loaded onto an aircraft without the regulatory need for examination, potentially saving them time and money.
- This option provides flexibility by allowing freight forwarder businesses to make a commercial decision about whether to examine all export air cargo or just US-bound air cargo.
- A Known Consignor's recognised security measures may facilitate faster resumption of trade/carriage for their export air cargo if a security incident occurs.
- Exporters who become Known Consignors may be able to increase business opportunities by promoting their status as businesses that practice and promote security.
- Exporters who have other regulatory obligations (e.g. Department of Agriculture, Therapeutic Goods Administration) may be able to have these obligations recognised as contributing to meeting their Known Consignor security requirements.
- The approaches under this option also meet international standards providing a foundation should other countries require the same standard as the US in the future.
- This option would include a number of reforms to the current regulatory arrangements, including introducing model security programs for all regulated businesses. These changes will ensure a consistent approach to regulating all businesses in the air cargo supply chain, and result in administrative savings for industry and government by simplifying reporting and documentation requirements.

Regulatory costs

All three options would impose compliance costs on the air cargo export sector; however, the options vary in how costs are distributed, and in the degree to which individual businesses may be exposed to market and legal risks.

Regulatory costs for options 2 and 3 have been assessed in comparison to costs established for Option 1 (status quo). It should be noted that the majority of costs to businesses exporting to the US are not captured by the Regulatory Burden Measurement (RBM) tool, as the RBM framework excludes opportunity costs, and the cost of international obligations imposed as a prerequisite for participation in international markets.

A key benefit of implementing changes to the current regulatory regime (as outlined in Options 2 and 3) is to allow Australia's export air cargo industry participants time to make the operational changes they will need in order to continue exporting to the US after 1 July 2017.

Table 1: Regulatory costs comparison between options

$Million	Annual	Over 10 years
Option 1 – Status Quo	$0.007m	$0.07m
Option 2 – Know Consignor & piece level examination for US-bound air cargo (preferred)	$0.481m	$4.81m
Option 3 – Known Consignor & piece level examination for all air cargo	$4.281m	$42.81m

Detailed RBM costings for Options 1, 2 and 3 are included at **Attachments B**, **D** and **F**, respectively.

Consultation

To date, information sessions and targeted consultation have been conducted with key industry stakeholders. These include site visits, targeted workshops and surveys which took place under the previously proposed Securing the Air Cargo Supply Chain (SACSC) framework, which was to be implemented in 2014 (the proposed framework was not approved for implementation following the change of government in late 2013). In mid-2015, a series of two-hour workshops was conducted in Brisbane, Sydney and Melbourne with approximately 200 freight forwarders and exporters, specifically to inform them about the TSA requirements, and to gauge their responses. In addition, the Department maintains regular communication with the Aviation Security Advisory Forum's Cargo Working Group (CWG), whose members represents major industry stakeholders including airlines, general and express freight forwarders, exporters and government agencies.

Industry stakeholders consulted thus far indicate that many businesses will be able to implement the proposed changes. However, industry participants have highlighted that increased cost structures and extended lead times arising from the new regulations may have a negative impact on their ability to compete internationally.

Glossary

Air cargo supply chain	Includes air carriers, exporters, freight forwarders and ground transporters.
Cargo terminal operator (CTO)	A regulated Aviation Industry Participant, subject to the air cargo security requirements in the *Aviation Transport Security Act 2004* (the Act), the *Aviation Transport Security Regulations 2005* (the Regulations) and other relevant legal instruments (e.g. security programs; notices). CTOs are RACAs that generally operate on-airport, and act as ground handling agents for airlines.
Consolidated air cargo	Combination of individual items, packages or pallets into a larger load, which may then be containerised, shrink-wrapped, bound, etc.
Known Consignor	A regulated Aviation Industry Participant, subject to the air cargo security requirements in the *Aviation Transport Security Act 2004* (the Act), the *Aviation Transport Security Regulations 2005* (the Regulations) and other relevant legal instruments (e.g. security programs; notices). Known Consignors will originate international air cargo and secure it from unlawful interference.
Just-in-time	Manufacturing process where items are produced to meet immediate demand, and not in surplus or in advance.
Opportunity cost	The value of the best alternative forgone.
Piece level examination	Examination of cargo at the lowest level of consolidation that provides an effective examination outcome, generally before it is packed into containers or onto pallets.
Unit load device	A container packed with luggage, freight, and mail and loaded onto an aircraft. It allows a large quantity of cargo to be bundled into a single unit.

List of acronyms

AACA	Accredited Air Cargo Agent
ACE	Air Cargo Examination
ATSA	*Aviation Transport Security Act 2004*
ASIC	Aviation Security Identity Card
CTO	Cargo Terminal Operator
CWG	Cargo Working Group
EACE	Enhanced Air Cargo Examination
ETD	Explosive Trace Detection
EU	European Union
FDA	Food and Drug Administration (US)
ICAO	International Civil Aviation Organization
KC	Known Consignor
MSIC	Maritime Security Identity Card
OTS	Office of Transport Security
RACA	Regulated Air Cargo Agent
RSS	Regulated Shipper Scheme
SACSC	Securing the Air Cargo Supply Chain
TGA	Therapeutic Good Administration
TSA	Transportation Security Administration (US)
TSP	Transport Security Program

1. BACKGROUND

The Office of Transport Security

The Office of Transport Security (OTS) is a Division of the Department. The OTS administers the *Aviation Transport Security Act 2004* (ATSA) and the *Maritime Transport and Offshore Facilities Security Act 2003* and provides advice to the Australian Government on transport security policy and practice.

The OTS regulates airlines, airports, ports, ships, off shore oil and gas facilities, issuing bodies for Aviation Security Identity Cards (ASICs) and Maritime Security Identity Cards (MSICs), screening authorities and participants in the air cargo sector.

Australian air cargo security regulatory framework

In Australia, air cargo supply chain security is regulated under the ATSA and associated Regulations, which establish obligations to prevent acts of unlawful interference with aviation and in particular, unlawful interference through acts of terrorism.

In the air cargo supply chain, the OTS currently regulates freight forwarders, cargo terminal operators (CTOs), couriers and other similar businesses through the Regulated Air Cargo Agent (RACA) and Accredited Air Cargo Agent (AACA) schemes.

The ATSA and Regulations establish a minimum level of security requirements, and in particular, oblige aviation industry participants to develop and comply with Transport Security Programs (TSPs) for RACAs and standard security programs for AACAs.

Air Cargo Examination (ACE) and Enhanced Air Cargo Examination (EACE) notices sit under the ATSA and Regulations, and are used to require specific industry participants to meet detailed requirements for the examination of cargo. Currently, most export air cargo undergoes examination according to an ACE notice at on-airport CTO facilities on an 'as presented' basis, with a small amount of express freight subjected to EACE examination off-airport.

Australia's international obligations

Australia is a signatory to the Convention on International Civil Aviation 1944 (the Chicago Convention). The Chicago Convention is administered by the International Civil Aviation Organization (ICAO), of which Australia is a member. Australia also participates in the ICAO Working Group on Air Cargo Security, which has developed new international recommendations for air cargo supply chain security.

In its most recent guidance, ICAO recommends that a State's regulatory program should include at a minimum:

a) an accreditation programme for regulated agents, known consignors and account consignors, with thorough and objective entry requirements;
b) training for all staff involved in the handling and screening of cargo and mail for all entities operating in the secure supply chain;
c) standards for security controls to be applied to consignments;
d) a regularly updated database or list of all known consignors and regulated agents that is shared by all parties involved in the secure supply chain system; and

e) robust oversight and quality control activities (including verifiable audit trails) to ensure that security controls are implemented effectively throughout the secure supply chain.[2]

The new recommendations represent an international response to the ongoing and evolving threat of terrorist attacks and the need to strengthen the air cargo security framework, particularly since the air cargo security incident originating from Yemen in October 2010.[3]

Trade context

As well as meeting international obligations, the Australian aviation security regime must also continue to meet the increasingly complex requirements for air cargo initiated by key overseas trading partners. This maintains Australia's competitiveness and ensures Australia's continued access to those export markets.

Air cargo is an important component of global trade and international civil aviation. Although international air freight represents less than 0.1 per cent of Australia's total merchandise trade by volume, it makes up over 21 per cent of total trade by value.[4] Air cargo transport will continue to be critical to the functioning of the Australian and global economy for the foreseeable future. Australia's outbound international air freight increased by 3.9 per cent in FY 2014, and global air cargo trade is expected to continue to grow at an annual rate of 4.1 per cent through until 2018.[5]

Australia's international air cargo sector reflects our unique geography and market. The long distances between Australia and international ports and the quantity of high-value imports shipped to Australia by air means that unlike other countries, the majority of Australia's international air cargo is carried on passenger aircraft. The speed and availability of air freight capacity on passenger aircraft leaving Australia is one of the main reasons it is the transport mode of choice for time-sensitive, high value and perishable items, such as gold coins, seafood, fruit and vegetables.

Exporters have adapted to Australia's unique opportunities by developing a number of niche export markets. These include:

- food products and other perishable goods;
- just-in-time manufactured products for US supply chains (including IT and defence industries); and
- heavy manufactured items for specialised industries such as mining.

These businesses would face significant difficulties in finding alternative export routes to the US. The perishables and just-in-time manufacturers would not be able to service their customers' demands through sea freight. Dedicated freighter aircraft are currently unavailable and unlikely to provide a suitable alternative due to the combination of low-cost cargo space on passenger aircraft and long flight sectors. Even if additional freighter capacity could be found, shipping costs would be higher than the discounted rate charged for cargo travelling on passenger aircraft, and in many cases, the cost of freight would exceed the very low margins of many exporters.

Security context

In anticipation of evolving international requirements, and following a number of aviation security incidents internationally (e.g. shoe bomber/underpants bomber), the Australian Government announced in February 2010 that it would establish a Regulated Shipper Scheme (RSS) and Enhanced Air Cargo

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[2] International Civil Aviation Organization (2014) *Aviation Security Manual* (Doc. 8973/9), section 13.5.
[3] In October 2010 terrorists based in Yemen attempted to destroy aircraft by placing advanced explosive devices in air cargo. This attack was foiled through intelligence activities but demonstrated that terrorist groups had identified new vulnerabilities in the aviation security network.
[4] Bureau of Transport and Regional Economics (2014) *Freightline 1 – Australian freight transport overview,* p.6.
[5] International Air Transport Association (2014) *Airline Industry forecast 2014-2018*.

Examination (EACE). The new measures arising from the then Government's announcement, coupled with a refinement of current arrangements, aimed to provide a strengthened air cargo security framework that made better use of both Government and industry resources, while achieving the security outcome expected by Government at the time.

Aviation security was considered one element of a broad policy response to terrorism, set out in the then Australian Government's 2010 *Counter-Terrorism White Paper*.[6] The *White Paper* formed part of the Australian Government's national security reform agenda.

The RSS and EACE measures were due to be implemented in July 2014. However, the change of government in late 2013 meant that the proposed framework was not approved for implementation, and the then Deputy Prime Minister the Hon Warren Truss MP asked the Department to provide further options for improving the security of export air cargo, in line with the new government's intention to cut red tape and reduce the regulatory burden for individuals, businesses and community organisations.

2. OVERVIEW OF PROBLEM

The United States 9/11 Act, passed in 2007 requires that all cargo transported on a passenger aircraft domestically be screened for explosives. This means that every shipment of cargo carried on passenger aircraft requires screening at piece level, which could include skids and pallets being taken apart, screened and reconfigured. The legislation identifies the types of screening allowed, ranging from physical inspection to various technologies. In 2010, these requirements were extended to all international inbound air cargo transported on passenger aircraft.

Prior to 2010, air carriers with direct flights from Australia to the United States were granted individual waivers by the TSA against portions of their TSA-issued Model Security Program. This allowed carriers to comply with the Australian air cargo security framework rather than the more prescriptive air cargo requirements in their TSA security programs. Australia was one of only a very small number of last points of departure locations to which this applied.

The TSA formally accepted Australia's air cargo security arrangements from 2010 to 2014. However, findings from the TSA's re-evaluation of Australia's security arrangements for US-bound air cargo in late 2014 included a requirement for all US-bound air cargo to undergo examination at a **piece level**, as opposed to the consolidated examination that currently occurs at on-airport cargo handling facilities. This means that 100 per cent of air cargo travelling to the US will need to be examined at a deconsolidated level by physical or technological means by the exporter at source, or along the supply chain by freight forwarders. There was no indication that Australia's current export air cargo security arrangements were considered unacceptable to the TSA until the results of their re-evaluation were received in early 2015.

The TSA's recognition of current arrangements was due to expire on 30 April 2015. The TSA subsequently gave Australian air carriers a further 90 days extension until 30 July 2015. In early July 2015, the US Government agreed to extend recognition of Australia's current air cargo security arrangements for a period of two years, subject to the development of a detailed implementation plan and reporting to demonstrate progress. After July 2017, the TSA will not allow aircraft originating in Australia to carry air cargo into the US that has not been examined at piece level, and if no action is taken to address the TSA's requirements, significant industry impact will result, affecting air carriers, individual exporters, freight forwarders and transporters.

[6] Commonwealth of Australia (2010) *Counter-Terrorism White Paper Securing Australia/Protecting Our Community*, Department of Prime Minister and Cabinet.

Customs data show that in 2015, approximately 25 per cent of all businesses that sent goods by air exported air cargo to the US, or almost 11,000 exporters. Including an estimated 3000 tonnes of express freight (not generally included in the Customs data), this amounts to approximately 22,600 tonnes of cargo with a value of $6.05 billion.[7] Of this, over 88 per cent was transported on passenger aircraft. Approximately 1,800 of these businesses sent goods worth more than $100,000 and 5,500 businesses sent more than $10,000 worth of goods.

Air cargo exported to the US covers a wide range of industries and commodities and comes from small, medium and large businesses with sophisticated security processes in place, but also from businesses with less sophisticated security practices.

There is currently little capacity for regulated freight forwarders to conduct piece-level examination. Most air cargo is consolidated well before it reaches the airport – in some cases at the export facility. Deconsolidation is costly and time consuming, and in many cases, impractical or damaging due to the nature of the goods (e.g. highly perishable agricultural or pharmaceutical products). Further, many CTOs located on airports do not have the space to deconsolidate cargo.

Current Australian regulatory arrangements do not fully recognise embedded security measures which effectively secure cargo from unlawful interference. Many businesses that export already have extensive security measures in place to protect their goods, irrespective of the commodity or industry type, for a host of reasons including: anti-theft; loss prevention; occupational health and safety; protection of intellectual property; contractual and other regulatory obligations (i.e., Biosecurity, Customs, Defence, and Therapeutic Goods Administration). The failure to recognise these security measures would result in the imposition of costly or impractical additional measures and potentially force viable businesses out of the US market.

It would not be possible to rely on 'the market' to self-correct this problem. Many businesses that export by air operate on tight profit margins in a highly competitive international market, their key advantage being the ability to access markets quickly due to cheap air freight rates. Modal substitution (i.e. sending cargo via sea instead of by air) is generally not an option, as Australia's physical distance from many of its export markets, including the US, means that perishable and 'just in time' cargo must go on a plane.

Many regulated freight forwarders may simply not have the time, space or capability to examine US-bound cargo at a piece level, and could therefore refuse to handle it. Where freight forwarders do undertake piece level examination, they would pass their costs on to their customers. This could force many exporters with small margins out of exporting to the US, as their increased security surcharges would make them less competitive than their overseas competitors. Equally, deconsolidating export air cargo could negate other regulatory requirements (e.g. strict packaging requirements to maintain quality assurance for perishable drugs), damage goods or increase expense due to intellectual property theft. Without regulatory intervention, business sustainability and the competitiveness of Australian exporters would be seriously impacted. Importantly, the TSA expects government regulatory oversight of security measures, meaning some level of government intervention is necessary.

[7] BITRE's International Airline Activity data (2014) records an additional 1500-2000 tonnes of US-bound air cargo which is not included in the total above, because it is transhipped through the US on its way to other destinations. This air cargo will also be subject to the TSA's piece level requirements.

3. OBJECTIVES OF GOVERNMENT ACTION

The rationale for government action is to support businesses involved in exporting air cargo to the US to meet piece level examination requirements, either at source (by the exporter) or along the supply chain by freight forwarders (by physical or technological means). It is critical that government regulatory settings are balanced so that they meet security requirements and ensure that Australian businesses can continue to trade in the global market. Equally, the TSA expects Australian government oversight to provide confidence in the system.

There is precedent for this type of intervention, as other government agencies already regulate in the export space. For example, the Department of Agriculture is responsible for regulating the export of 'prescribed goods', the purpose of which is to uphold domestic food safety standards and maintain export market access by ensuring that Australian exports are compliant with the requirements of importing countries, including for example, the United States Food and Drug Administration (FDA).

4. POLICY OPTIONS

RIS Part 1 (submitted to OBPR 10 August 2015) canvassed four policy options:

- **Option 1** - no government intervention (i.e. maintain the status quo);
- **Option 2** – introduction of a requirement for piece level examination for **all** US-bound air cargo;
- **Option 3** – introduction of piece level examination together with a Known Consignor scheme for US-bound air cargo;
- **Option 4** – introduction of piece level examination together with a Known Consignor scheme for **all** export air cargo.

At the time these four options were formulated, Option 1 (status quo) had no mechanism for regulating RACAs who had the capability to examine air cargo at a piece level. Since that time, the Department has implemented the EACE notice, a notice issued under the Regulations which prescribes the methods, techniques and equipment to be used to examine air cargo at a piece level. The TSA has indicated that businesses examining cargo according to this notice will meet its piece level requirement.

For this reason, policy options have been reconsidered and reduced to three, as the original Options 1 (status quo) and 2 (100 per cent examination) are now too similar to be distinguished, and have been combined. Under both options:

- in order to be loaded on a US-bound aircraft, cargo would need to be examined at a piece level using specific methods and equipment;
- piece level examination would be regulated by the Australian Government;
- the onus would be upon airlines to ensure that air cargo loaded onto their US-bound aircraft has undergone piece level examination in accordance with the EACE notice;
- it would be up to individual businesses to decide whether to take up the EACE notice; and
- the costs and impacts of both options would be the same.

The three policy options now being considered are outlined below.

Option 1

Option 1 (status quo) can be considered a 'non-regulatory' approach, as no additional regulation would be imposed on industry by the Australian government. Under this option, it would be left to industry to work out whether they will meet the TSA's requirements, and if so, how. Maintaining the status quo

would initially impact airlines, as airlines flying into the US are obliged to meet the TSA's security requirements. However, the impact would be felt throughout the supply chain, as industry would have to find ways to meet the TSA's requirements and costs would be borne by or passed on to freight forwarders, who would then pass costs on to their exporter customers.

Option 1 is not considered a viable option. The Department recently issued EACE notices to key industry participants at their request (refer to page 14 – **Recent changes to recognise piece level examination**). Although this notice requires them to examine air cargo at a piece level in a manner that meets the TSA's requirements, these businesses do not carry all US-bound air cargo. The remainder of cargo handled by other businesses would not meet TSA standards or current international standards, as articulated by ICAO.

Even if more regulated freight forwarders decide to take up the option to examine US-bound air cargo at a piece level, there are still likely to be bottlenecks at airports, as most air cargo presented to on-airport CTOs tends to be highly consolidated. Trade impacts would likely hit comparatively low value consolidated air cargo and cargo for 'just in time' markets the hardest, making many perishable exports uneconomic. It is questionable whether many exporters will be able to continue to export to the US at all. There may also be impacts on US-based consumer demand for certain products, if their variety and delivery are affected.

This option is included primarily as a baseline for comparing costs, benefits and impacts. Options 2 and 3 can be viewed as different approaches for transitioning to the new examination regime required to minimise trade impacts on Australian exporters (all US-bound air cargo is accepted for uplift).

Current cargo clearance procedures

Currently, the securing (or 'clearance') of cargo is provided by a Regulated Air Cargo Agent (RACA) on the basis of either:

- Regular Customer arrangements; or
- 'examination' of cargo in accordance with a Transport Security Program (TSP).

RACAs are able to clear cargo that has been consigned by a Regular Customer without inspection or examination requirements, as it is considered 'known' cargo. Regular Customers are unregulated entities (usually exporters) that have a business relationship with a RACA. A RACA's obligations in relation to their Regular Customers are articulated in their TSPs. A RACA's TSP must include (for international air cargo):

a) procedures for maintaining and keeping secure a list of Regular Customers;
b) the form of an undertaking required from such a customer that they will take appropriate security measures to prevent the unauthorised carriage of an explosive device; and
c) the procedures for receiving cargo from such a customer, including procedures to identify people who represent such a customer.

To become a Regular Customer a business must have previously been a Regular Customer of another RACA, or have an established credit rating and have shipped three consignments without incident. They must provide a security undertaking to the RACA once every two years.

Although Regular Customers have some security-related obligations as required by the RACAs they engage with, they are not identified as Aviation Industry Participants for legislative purposes, and have no security obligations to Government.

Additional to Regular Customer arrangements, most export air cargo undergoes examination on-airport at the CTO, in accordance with an Air Cargo Examination (ACE) notice issued by the Department. This

notice sets out examination methods, techniques and equipment that can be used, and allows examination to occur on an 'as presented' basis. In most cases, this is explosive trace detection (ETD) examination of consolidated cargo, where the cargo is already packed into an aircraft container or palletised.

Recent changes to recognise piece level examination

The TSA imposes requirements directly on airlines by means of a security program which stipulates that airlines cannot bring cargo into the US that has not been examined at a piece level. Air cargo is usually already highly consolidated by the time it reaches the airport. In order to meet the TSA's piece level requirement, it would need to be deconsolidated, examined and then reconsolidated, all within tight space and time constraints. CTOs, acting as on-airport freight handling agents for airlines, have little or no capacity to conduct piece level examination under current circumstances.

However, there are some off-airport RACAs which could conduct piece level examination. Several already do so, as the majority of cargo they handle is express freight, which generally arrives at their facilities in a loose, unconsolidated form, making it relatively easy to examine at a piece level. Some of these businesses are US-based companies that are directly regulated by the TSA and mandated to examine air cargo according to their TSA-issued model security programs.

The Department agreed in late 2014 to recognise the measures and procedures of the freight forwarders that currently examine cargo at a piece level.[8] In 2015, the Department approved six of these businesses and issued them with an EACE notice to formalise their current practices.[9] The EACE notice requires them to examine cargo at piece level using X-ray, ETD or physical examination, which means they meet the TSA requirement for piece level screening. Concurrently, new ACE notices have been issued to CTOs specifying that ACE examination is not required to be conducted on air cargo that has undergone EACE. Air cargo which has undergone EACE must also be maintained securely from the time it is examined until it is loaded on an aircraft.

A piece of cargo is defined as the largest item that can be effectively examined based on the examination method used. The table below provides definitions of cargo by examination method.

Table 2: Definition of a piece of cargo by examination method

Examination method	Definition of a piece of cargo
X-ray	a. Each separate box, carton or other item; or b. a consolidated load of items; provided that the item or load: i. does not exceed the maximum object size*; and ii. can be effectively examined using X-ray examination. *The maximum object size is the largest size object permitted by the X-ray manufacturer that does not exceed the Department's specifications.

[8] No RIS was required for this work, as OBPR determined that the changes had no more than minor regulatory impact (email correspondence between DIRD and OBPR, 1 July 2014).
[9] Four freight forwarders who primarily handle express freight, one general freight forwarder, and one CTO.

Explosive Trace Detection (ETD)	a. Each separate box, carton or other item; or b. the smallest possible item on a consolidated pallet, where these items are held together only with shrink wrap or banding.
Physical examination	The smallest box, carton or other item within a unit load device, pallet or consignment into which the unit load device, pallet or consignment can be deconsolidated or unpacked. Physical examination is a detailed inspection of the contents of an item of cargo and must be conducted on the inside of a piece of cargo.

If the status quo was adopted as the preferred option, the Department would allow businesses to choose if and how they would meet the TSA's requirements. For freight forwarders, the decision would be whether or not to take up piece level examination and request the Department to issue them with an EACE notice. Exporters would need to decide whether to have their goods subjected to EACE, or to stop exporting to the US.

Estimating EACE take-up

It is estimated that the freight forwarders who have taken up EACE thus far account for approximately 23 per cent of US-bound air cargo by weight.[10] The remaining 77 per cent will not meet TSA standards or current international standards, as articulated by ICAO, unless it is subjected to piece level examination under the EACE notice.

The Department has invited a second tranche of approximately 40 freight forwarders to apply to examine cargo with an EACE notice, several of whom have indicated their interest in acquiring the equipment and capability to examine cargo at a piece level. However, to date none has taken up the EACE Notice.

The Department will continue to encourage off-airport freight forwarders to take up piece level examination where it is reasonable and practical for their business to do so. Some on-airport CTOs have also indicated they intend to conduct piece level examination with the EACE notice for the small volume of US-bound cargo able to be examined at piece level, although generally, no more than two per cent of the cargo a CTO receives arrives unconsolidated.

Based on feedback from freight forwarders on their willingness and ability to take up EACE, as well as general industry consultation (including site visits and industry stakeholder meetings), it is estimated that a total of no more than 30-40 per cent of US-bound air cargo will undergo piece level examination by mid-2016.

This estimate is supported by figures from Qantas Airlines and Virgin Australia.[11] Virgin Australia estimates that by mid-2016 only about 30 per cent of their US-bound air cargo will be examined under an EACE notice; Qantas has a higher estimate, at around 40 per cent.

Impact for cargo that cannot be examined at piece level

Maintaining the status quo would lead to a significant proportion of goods being withdrawn from the US market simply because the composition of the goods make piece level examination by technology or by physical examination difficult, with the potential to damage the goods or introduce delays that would lead

[10] Based on analysis of 2014 Customs data and industry advice.
[11] Cargo Working Group meeting 8 October 2015.

to deterioration. For example, some manufactured items may be too heavy, bulky or dense to be X-rayed; and some fruit and vegetable products may not be able to be examined effectively because their high water content does not allow a clear X-ray image.

Many businesses that export to the US are not in a position to submit their cargo to piece level examination (e.g. some pharmaceutical companies export highly perishable products which must be packed under strict controls into environmentally controlled containers on site). Maintaining the status quo would not provide a mechanism for clearing air cargo that could not be piece level examined, or recognise cargo which could be considered 'secured' from unlawful interference by meeting other strict regulatory obligations, such as meat products exported under stringent Department of Agriculture regulations, or pharmaceutical products regulated by the Therapeutic Goods Administration (TGA). Other businesses are concerned about intellectual property theft if items are unpacked.

Under this option, exporters will face limited choices. They will either need to:

- submit their cargo to potentially costly examination, if the cargo is physically able to be piece level examined; or
- if their cargo cannot be examined at a piece level, discontinue exporting to the US (thus foregoing market opportunities).

Another possibility for an exporter would be to become regulated under the Department's current RACA scheme in order to apply for an EACE notice so they could examine their US-bound air cargo at a piece level at their facility. This means these businesses would effectively be required to undertake unnecessary and impractical measures to examine goods which are already effectively protected from unlawful interference. This would be costly and time-consuming for the exporter and would increase costs to the Government, as the Department would be required to administer more regulated businesses under the RACA scheme.

Although some of the goods these businesses currently export to the US may be absorbed into the Australian domestic market in the short term, they are often high value or specialised goods earmarked specifically for export to the US by businesses that have created a particular 'niche' market for themselves. For example, some producers of high value fish, pharmaceutical products and defence-related electrical equipment indicated that there are few or no alternative markets for these products, including the domestic market. Even if some could be sold in the domestic market in the short term, they will not command the same price as they would overseas, making these businesses unviable in the long term.[12] Further, a number of air cargo exports destined for the US originate from businesses with headquarters in the US who have set up distribution centres in Australia to service the Asia Pacific region. If it becomes too difficult for these businesses to export by air to the US, they may consider moving their operations out of Australia altogether, manufacturing and distributing from Asia instead.[13]

Option 2

Under this option the Australian Government would amend its current regulatory regime to introduce a Known Consignor scheme to operate jointly with piece level examination. There would be a regulatory requirement for US-bound air cargo **only** to be piece level examined. That is, only cargo examined at a piece level would be cleared for uplift on US-bound flights. However, cargo for other destinations examined at a piece level would be recognised under the regulations as being cleared.

[12] Industry consultation meetings, 2015.
[13] Exporter site visits, 2013.

Option 2 is the preferred option. It would allow industry participants choice in how they meet the TSA's requirements by stipulating that piece level examination could be achieved either by having cargo examined under an EACE notice at a specified regulated freight forwarder, or by originating from a Known Consignor. Representative exporters have indicated they prefer this option as it will reduce the regulatory impact across the export industry – those who do not export to the US will not be subject to the increased costs.

Both Qantas Airlines and Virgin Australia believe the only way they can meet the TSA's requirement for piece level examination of all US-bound air cargo loaded on their aircraft by the deadline of July 2017 is if the Department introduces a Known Consignor scheme. Known Consignors, as regulated industry participants, would be able to secure US-bound air cargo at the point of origin, thereby providing an equivalent to the TSA's piece level examination requirement. Without a Known Consignor scheme to account for the percentage of cargo either highly consolidated or unable to be examined at piece level for other reasons (e.g. size, density, perishability, etc), the major airlines have estimated they will be able to achieve piece level examination for no more than 70 per cent of US-bound air cargo.[14]

On 2 December 2015, legislation was passed in Parliament that creates a new regulated industry participant called a Known Consignor. This participant will have mandated air cargo security obligations, and will be subject to other requirements under the ATSA. Current regulation is now being extended to:

- require that all US-bound air cargo be examined at a piece level, either by securing the cargo at source (Known Consignor) or subjecting it to piece level examination with equipment and processes approved by the Department; and
- allow exporters of US-bound air cargo to become regulated entities under the ATSA.

This option will meet the TSA's requirements by:

- implementing a Known Consignor scheme - overseen by the Department and with validation of exporters before entry to the scheme. This will ensure cargo is secured from its source to the aircraft (accepted by the TSA as commensurate with piece level examination at source); and
- requiring piece level examination for US-bound air cargo dispatched by exporters who are not Known Consigners. This means a number of regulated freight forwarders would still need to establish examination facilities off-airport to examine cargo that was not from a Known Consignor.

A Known Consignor will be required to ensure they originate their export goods in such a way as to protect them from unauthorised interference. Known Consignors will be able to take an outcomes-focused approach to meeting required security standards, allowing them to select the most appropriate security measures for their operation. Air cargo originating from a Known Consignor will not need to undergo EACE examination. This approach minimises exporters' regulatory burden and costs and encourages innovation, while still ensuring goods remain secure from unlawful interference.

This option will give exporters better choices: although they may choose to pay a regulated freight forwarder to examine their cargo at piece level, they may also take up the option of becoming a Known Consignor.

To be approved to secure US-bound air cargo as a Known Consignor, an exporter will need to have appropriate security measures in place at their facilities to ensure cargo cannot be tampered with before export, and that export cargo is securely transported to the aircraft. High level security requirements will be set out in a standard security program with which Known Consignors must comply. Guidance will provide suggestions for meeting these requirements, allowing for a wide variety of operating environments.

[14] Using 2014 figures, plus indexation.

Many goods exported to the US are not able to be examined effectively with technology (e.g. machine parts too large or heavy to pass through an X-ray aperture, or fruit and vegetable products that do not provide a clear X-ray image due to high water content). Further, many exporters send perishable goods which could be damaged by examination, or deteriorate due to delays. For example, some pharmaceutical companies export high value, highly perishable products which are packed into temperature controlled containers under strict supervision at their facility. Removing these products for examination would render them unusable. In addition, opening the containers may break the secure chain required by the US Food and Drug Administration.

Many businesses that export to the US, such as those with high value goods or large quantities of cargo, often already employ sophisticated security systems. For instance, businesses that export precious metals or pharmaceuticals generally have advanced security systems to prevent the theft or loss of their cargo by staff or visitors. Many of these exporters are already regulated under other government regimes (e.g. Department of Agriculture, Therapeutic Goods Administration, etc). A business' current practices or other regulated obligations that contribute to securing their exports could be recognised under a Known Consignor scheme, providing savings to industry and avoiding duplication of regulation and compliance activity across government.

Option 2 will provide a balance between US-bound air cargo being secured at source and being examined further along the supply chain. This is more likely to result in a continuation of trade to the US, without heavily impacting industry sectors that export relatively low value goods (e.g. horticulture) or those with goods not easily examined (e.g. heavy machinery, electronics, pharmaceuticals). Other benefits are:

- greater choice for exporters: a business can become a Known Consignor or pay another business to examine export cargo;
- no impact on businesses that do not export to the US;
- a more timely response to US requirements;
- the potential to save Known Consignors time and money, as they will be able to have their cargo loaded onto an aircraft without the need for further examination;
- the possibility of facilitating faster resumption of trade/carriage for a Known Consignor's cargo if a security incident occurs, as their security measures can be recognised;
- the potential for Known Consignors to increase business opportunities by promoting their status as businesses that practice and promote security;
- recognition of an exporter's other regulatory obligations (e.g. administered by the Department of Agriculture or Therapeutic Goods Administration) as contributing to meeting their security requirements; and
- compliance with international standards, providing a foundation should other countries require the same standard as the US in the future.

Legislative changes for Known Consignor and other reforms

Legislative amendments to the ATSA, receiving Royal Assent on 2 December 2015, have introduced provisions to define Known Consignors as a new Aviation Industry Participant, and set out the method for approving Known Consignors. A number of additional changes will be included in the Regulations amendments in order to simplify the regulatory arrangements for the 723 RACAs and 166 AACAs currently regulated by the Department.

Under the proposed reforms, the Department plans to introduce 'model' security programs for RACAs and expand the current model program for AACAs. This will reduce the current costs and administrative burdens for industry and the Department associated with developing bespoke TSPs, while providing an assurance that security outcomes continue to be met. The changes to security programs will provide for a

consistent approach to regulating RACAs, AACAs and Known Consignors. The administrative savings for industry and government are reflected in the regulatory burden and cost offset estimate shown in the analysis of options that follows.

Compliance with the proposed arrangements

To be eligible to become a Known Consignor, businesses will need to:

- have a current Australian Business Number (ABN) and/or a current Australian Company Number (ACN);
- originate, or demonstrate an intention to originate international air cargo; and
- have implemented, or have the capacity to implement the necessary security requirements for the Known Consignor Scheme.

Eligible businesses will be required to complete an application form to become a Known Consignor, and submit their application to the Department. In completing an application, a business will be required to provide information on:

- business details;
- details of the sites the business intends to operate under the Known Consignor scheme;
- existing regulatory obligations; and
- details of export activity.

ICAO has established guidance for Known Consignor arrangements that provide for the maintenance of high quality security outcomes based on 'six pillars' of a secure supply chain. Businesses will need to provide information on the security measures they have in place for each of the six pillars, which are:

- facility security;
- personnel security;
- training;
- clearing cargo;
- chain of custody; and
- ongoing oversight and compliance.

Option 3

Under this option, a Known Consignor scheme together with enhanced piece level examination would be put in place for 100 per cent of export air cargo to all destinations.

This option resembles Option 2 in that it would balance piece level examination with a Known Consignor scheme. However, it would require **all** export air cargo, regardless of destination to be examined at piece level or originate from a Known Consignor. This option would ensure that Australia's regulatory framework is both aligned with international standards and meets any anticipated additional requirements, such as those of the US.

This option is preferred by some industry participants (particularly large freight forwarders), as they anticipate difficulty in separating out US-bound air cargo. These stakeholders have argued that introducing piece level examination and a Known Consignor scheme only for US-bound air cargo could result in higher costs for industry, by not realising the economies of scale that would be derived by putting the requirements in place for all export air cargo.

This may be the case for some businesses. On balance, however, requiring all export air cargo to meet the TSA requirements in the short term is likely to have a more significant and detrimental impact particularly on exporters of low value goods. This option would disadvantage exporters to trade destinations which do not currently require higher levels of examination, particularly for Asia-bound exports which constitute a significant proportion of Australia's export air cargo.

Option 3 is not preferred, as current tight timelines and its impact on non-US exporters would not allow efficient implementation in the short term. However, the preferred option (Option 2) should be acceptable to Australia's international trading partners and could be expanded in the future to other destinations if and when necessary, without further legislative amendments.

Diagrams on the new air cargo security arrangements for US-bound cargo and air cargo to all destinations are at **Attachment A**.

5. COMPARATIVE ANALYSIS OF OPTIONS

Option 1—status quo

This option would maintain the current regulatory regime, without extending regulatory reach to exporters. It would be up to individual air cargo supply chain businesses to decide whether they wish to meet the TSA's requirements, or discontinue exporting by air to the US. Overall, maintaining the status quo is not the preferred option. This option is inflexible and could result in:

a. severe imbalances in affected industry sectors; and
b. a decreased amount of cargo being exported to the US.

While it may be possible for some exporters to rebalance towards other markets (including the domestic market in the short term), the overall impact is likely to be lower exports/sales for some businesses – particularly for those whose products are geared towards the US market.

Regulatory Burden Measure

Table 4 below shows the regulatory burden for maintaining the status quo, calculated according to the Regulatory Burden Measurement (RBM) framework. Because the RBM framework explicitly excludes the *'costs of international obligations imposed as a prerequisite for participation in international markets',* these have not been included in the calculations below.[15] The costs in the RBM table below are therefore lower than the true costs to industry associated with Option 1.[16] No cost offset is predicted for this option.

Table 4: Regulatory burden and cost offset estimate – Option 1

[15] This exclusion applies only to the cost of performing the obligated activity, but not the demonstration of compliance where compliance must be demonstrated to a Commonwealth regulator. Office of Best Practice Regulation (2015), *Regulatory Burden Measurement Framework Guidance Note,* p4

[16] It is estimated that the minimum implementation costs for Australian airlines, freight forwarders and exporters to comply with the TSA requirements in the absence of Australian government regulatory changes totals more than $43 million per year over ten years, as highlighted in the table at **Attachment B**.

Average annual regulatory costs (from business as usual)				
Change in costs ($million)	Business	Community organisations	Individuals	Total change in cost
Total by sector	$0.007			$0.007
Cost offset ($ million)	Business	Community organisations	Individuals	Total by source
Total by Sector				
Are all new costs offset? ☐ Yes, costs are offset ☒ No, costs are not offset ☐ Deregulatory, no offsets required				
Total (i.e. change in costs less cost offsets, in $ million)			$0.007	

Industry costs and benefits

Costs – Without a Known Consignor scheme to account for the percentage of cargo either highly consolidated or unable to be examined at piece level for other reasons (e.g. size, density, perishability, etc), the major airlines have estimated they will be able to achieve piece level examination for no more than 70 per cent of US-bound air cargo by July 2017 (thus not meeting the US TSA's requirement for 100 per cent piece level examination by that date). This would result in a decrease in the volume of US-bound air cargo of 30 per cent annually.

The estimated 30 per cent of US-bound air cargo where deconsolidation and piece level examination will be too expensive or impractical to implement will result in a large 'tail' of businesses no longer able to export to the US, with potential negative impacts including:

- a decrease in business activity to be felt throughout the supply chain in Australia;
- loss of employment in the sector as the workforce is reduced to deal with a lower volume of air cargo; and
- substantial delays at airports, making many perishable exports uneconomic.

Qantas Freight, as the CTO that handles the majority of US-bound air cargo, has indicated that under Option 1, their intention would be to conduct EACE examination on any US-bound air cargo not already cleared through previous EACE examination, even if it is highly consolidated. The substantial bottlenecks and delays that would occur due to the extra time and space needed to unpack, examine and then reconsolidate cargo would require Qantas to substantially increase their customer fees in order to recover the money invested in extra equipment and staff.

The Department undertook research which demonstrates that the impact of infrastructure costs, deconsolidation costs, time delays and penalty costs associated with 100 per cent piece level examination are significant.[17] The research noted that it was not possible to quantify all of the costs associated with this option.

[17] Sapere (2012) *Enhanced Air Cargo Examination Economic Impact Analysis*

The costs to industry under this option include the purchase of examination equipment and related expenses, hiring of extra staff to examine, deconsolidate and consolidate air cargo, other compliance costs (e.g. meeting staff training requirements), and administrative costs involved in applying to become an EACE examiner, ongoing demonstration of compliance, record keeping, etc. A complete breakdown of costs for Option 1 is included in the table at **Attachment B**, and an explanation for how capital and labour costs were derived is at **Attachment C**.

Although not quantified, increased transportation and storage costs are also anticipated, as goods requiring piece level examination are more likely to be transported in a deconsolidated form, which means they will take up more space and need additional handling.[18]

Benefits - The potential benefits of this option for industry, as noted in feedback received from stakeholders and during the consultation process outlined in Part 6 of this RIS, would be associated to an increase in piece level examinations through EACE. The implementation of EACE would also generate some employment opportunities were additional staff is required to perform duties related to the increased EACE operations.

Government and the community costs and benefits

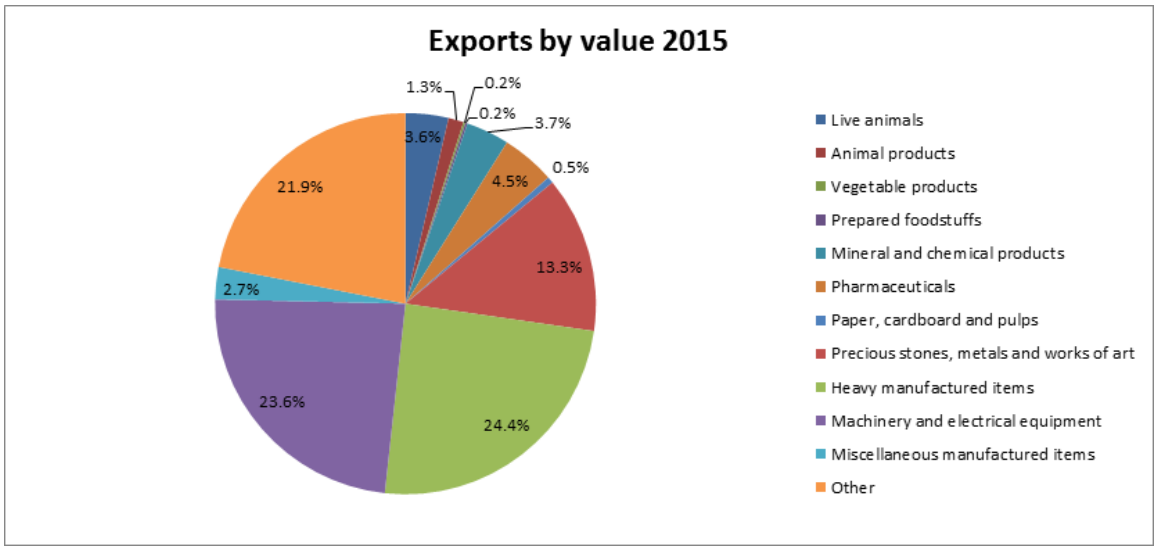
Maintaining the status quo, with the resulting estimated loss in export trade with the US, could potentially affect Australia's trade relationship with the US. Additionally, even though this option is considered 'non-regulatory', as no new regulation would be imposed on industry, the Government would need to issue examination notices to businesses wishing to examine cargo at piece level and administer this prescriptive regulatory regime, thereby substantially increasing the Government's costs.

Although there could be increased employment opportunities from the implementation of 100 per cent EACE, these would be offset by the loss of employment following lower US-bound air cargo volumes. Net loss of employment may cause marginal impacts on consumer economic welfare in the areas concerned and the level of activity within the domestic economy.

Alternative markets for 'trade at risk'

Customs data show that in 2015 approximately 25 per cent of all businesses that sent goods by air exported air cargo to the US – this is equivalent to almost 11,000 exporters. The graph below shows that in 2015 the top US-bound export commodity segments included vegetable products, prepared foodstuffs, pharmaceuticals, animal products, live animals, mineral and chemical products, paper, cardboard and pulps, high value goods, heavy manufactured items, machinery and electrical equipment.

[18] Ernst and Young (2015) *Report on the US-bound air cargo supply chain*, pg. 67.



Source: Department of Infrastructure and Regional Development. Data supplied by Department of Immigration and Border Protection.

As mentioned above, the loss of export trade associated with maintaining the status quo has been estimated at 30 per cent of current US-bound export volume. This represents a value of $1,918 million annually[19], with trade impacts expected to hit comparatively low value consolidated air cargo and cargo for 'just in time' markets the hardest, making many perishable exports uneconomic.

In addition to the US, Singapore and Japan have been important destinations for Australian fresh vegetables, together with other destinations in Asia and the Middle East.[20] Opportunities for Australian producers to redirect some of their previously US-bound vegetable products to these markets may exist, provided that sufficient profit margins are realised. Increasing the volume of exports into an existing market would need to take into account market conditions such as maturity and competition, and the potential impact on other Australian exporters with a market presence. Industry has indicated that, particularly for perishables, producers export to a high value market like the US on very tight profit margins. Exporting to destinations with lower market values than the US may erode exporters' already slim profit margins, and many would not be likely to continue to export.

In 2014-15 Australia's top trading partners for food and grocery products were the US, Japan, China, Korea and New Zealand, with the US ranked as the top export market.[21] China is a current and prospective important export market for Australian food products. In view of its growing demand for key food products, increasing levels of consumer sophistication and disposable income experienced in the country, and the ChAFTA entered into force in December 2015, China could be considered as a viable alternative export market for some Australian food products if they could no longer be exported to the US. However, China's stringent sanitary and phytosanitary requirements and their recent tightening of regulations imposed on foreign goods purchased over the internet means that logistics costs for exporting food products are high and likely to increase.[22]

Some products exported to the US, such as pharmaceuticals, machinery, electrical equipment, high value goods and advanced technologies meet specific US demand. Many US-bound exports are niche to the US and alternative markets may not be available. For example, some technology companies produce items for the US military. While alternative demand for these products may exist in other export markets (but

[19] Loss of 30 per cent volume from EACE-only implementation plus 2.8 per cent pa estimated growth.
[20] *Vegetable Exports by Country of Destination*, AusVeg, 2014, at http://ausveg.com.au/resources/statistics/trade-in-vegetables/export-country.htm
[21] Based on ABS customised report, p.29, *State of the Industry 2015 Report*, Australian Food and Grocery Council.
[22] "China's policy honeymoon on foreign goods could be over", *Sydney Morning Herald*, 11 April 2016.

given their niche nature this may be limited), exporters indicated that they would be reluctant to export these goods at lower or much lower profit margins. In addition, the Australian Government specifically bans the export of such goods to certain countries.

Selling formerly US-bound exports in the Australian market may be possible for some goods, but is unlikely to be sustainable in the long term, as potential oversupply in the domestic markets would drive down prices and impact on local industry's profitability and long term outlook. As in the case of alternative export markets, estimating the capacity of the domestic market to absorb formerly US-bound food products would require detailed market analysis, particularly given that Australia is a net agricultural and food exporting country, exporting around two-thirds of all agricultural produce. The Government has agreed that it must continue working to enable exporters to sell their products overseas by removing unnecessary barriers to trade.[23]

The costs and benefits of this option (as noted in feedback received from stakeholders and during the consultation process outlined in Part 6 of this RIS) are summarised in the table below.

Table 5: Costs and benefits – Option 1

Description	Affected Party	Impacts
	Industry	
Status Quo	Costs	• Without the Known Consignor scheme, it is expected that air carriers would be able to achieve piece level examination for no more than 70 per cent of US-bound air cargo by July 2017 (thus not meeting the US TSA's requirement for 100 per cent piece level examination by that date). This would be likely to result in a decrease in the volume of US-bound air cargo of 30 per cent annually. • The negative impact of lower US-bound air cargo volume will be felt throughout the supply chain in Australia. • Loss of employment in the sector is likely as the workforce is reduced to deal with a lower volume of air cargo. • Piece level examination by itself would be costly and inflexible, and would cause substantial delays at airports, making many perishable exports uneconomic.
	Benefits	• Increase in piece level examinations through EACE. • Implementation of EACE could generate some employment opportunities.
	Government	
	Costs	• Potential negative impact to Australia's trade relationship with the US. • Costs of administering EACE.
	Benefits	• Nil.
	Community	
	Costs	• Loss of employment following lower air cargo volumes. • Loss of employment would have a negative impact on consumer economic welfare and the level of activity within the domestic economy.
	Benefits	• Employment opportunities from the implementation of

[23] Commonwealth of Australia (2015), *Agricultural Competitiveness White Paper: Stronger Farmers Stronger Economy*, chapter 5.

Description	Affected Party	Impacts
		EACE.

Option 2— Introduction of a Known Consignor scheme together with piece level examination for US-bound air cargo only

Under Option 2, the Australian Government would amend its current regulatory regime to introduce a Known Consignor scheme to operate jointly with piece level examination. Only US-bound air cargo would be required to be piece level examined; however, cargo bound for other destinations that was examined at a piece level would also be recognised as being cleared.

As outlined in Section 4, Option 2 is the preferred option, as it would allow industry participants more choice in how they meet the TSA's requirements. Additionally, because the requirements would apply initially only to US-bound cargo, those not exporting to the US would not be subject to the increased costs.

Option 2 will allow a timelier implementation of US requirements than Option 3, as it does not affect all industry players. It also meets the TSA requirements for Australian government oversight of export air cargo security arrangements. The approaches under this option also meet international standards, providing a foundation should other countries require the same standard as the US in the future.

Regulatory Burden Measure

Table 6 below shows the regulatory burden for Option 2, calculated according to the Regulatory Burden Measurement (RBM) framework. Because the RBM framework explicitly excludes the *'costs of international obligations imposed as a prerequisite for participation in international markets',* these have not been included in the calculations below.[24] The costs in the RBM table below are therefore lower than the true costs to industry associated with Option 2.[25]

The RBM calculations also include offsets from the introduction of model security programs for RACAs and AACAs which will reduce the costs to industry by approximately $608,000 per year, over 10 years.

Table 6: Regulatory burden and cost offset estimate – Option 2

Average annual regulatory costs (from business as usual)				
Change in costs ($million)	Business	Community organisations	Individuals	Total change in cost
Total by sector	$1.089			$1.089
Cost offset ($ million)	Business	Community organisations	Individuals	Total by source
Total by Sector	-$.608			-$.608
Are all new costs offset?				

[24] ibid.

[25] It is estimated that the true cost to export businesses to comply under this option would total about $15.3 million per year, over 10 years, as highlighted in the table at **Attachment D**.

☐ Yes, costs are offset ☒ No, all costs are not offset ☐ Deregulatory, no offsets required	
Total (i.e. change in costs less cost offsets, in $ million)	**$0.481**

Industry costs and benefits

Costs: Option 2 proposes regulatory changes likely to have cost and/or time impacts on businesses in the export air cargo supply chain (as does Option 3). These include the potential for price increases because of regulatory requirements (e.g. freight forwarders may increase their handling and security charges; exporters may increase their prices for goods, both exported and domestic) if their business costs increase. The implementation of Option 2 may impact on a business' ability to compete in the market because of cost and/or time increases. Specific costs for industry would include:

- upgrading facilities/equipment/personnel security to meet the requirements of the Known Consignor scheme;
- associated administrative processes exporters will need to undergo to become approved Known Consignors;
- for businesses exporting to the US who do not become Known Consignors, paying a regulated freight forwarder to examine under EACE and clear their US-bound air cargo;
- new obligations for regulated industry participants associated with examining US-bound air cargo at a piece level, including equipment purchase and installation; and
- associated administrative processes freight forwarders will need to undergo to become and remain accredited piece level examiners.

Compliance costs will vary from business to business, depending on the size, location and type of operations for exporters, and will include facility security upgrades in some cases, staff security training, and staff security background checks. Administrative costs will include those associated with applying to become Known Consignors, demonstrating ongoing compliance, and record keeping. A breakdown of total costs for Option 2 is included in the table at **Attachment D**, and an explanation of how Known Consignor uptake and volumes examined under an EACE notice were estimated is at **Attachment E**.

Although this option will cost businesses, compared to Options 1 and 3, it is the least costly and demonstrates the most benefits.

Benefits: By giving Australian industry flexibility in how to meet TSA requirements for US-bound air cargo, the risk to individual businesses and to trade with the US is reduced. Introducing a Known Consignor scheme together with enhanced piece level examination allows balance between US-bound air cargo being secured at source and being examined further along the supply chain, and allows industry to determine the balance.

Having a Known Consignor scheme also reduces the impact of prescriptive piece level cargo examination requirements on industry sectors exporting low value goods, and on exporters of goods that are not easily examined. Exporters can decide how best to maintain security for their air cargo, and Known Consignor status could allow faster resumption of exporting air cargo if a security incident occurs. This regulatory measure does not affect businesses not exporting to the US.

Government and the community costs and benefits

The major benefit of Option 2 for Government is the continuation of a strong trade relationship with the US. The Government will also be well positioned to extend the Known Consignor scheme should other countries impose similar conditions to those of the US in the future. Implementing and administering a Known Consignor scheme would be a cost for the Government.

As per Option 1, the implementation of Option 2 will generate employment opportunities as additional staff are required to operate the Known Consignor scheme.

The costs and benefits of this option (as noted in feedback received from stakeholders and during the consultation process) are summarised in the table below.

Table 7: Costs and benefits – Option 2

Description	Affected Party	Impacts
	Industry	
EACE and Known Consignor (KC) scheme for US-bound air cargo only	Costs	• Upgrading facilities/equipment/personnel security to meet the requirements of the KC scheme. • Applying for and administering participation in the scheme. • Compliance with the scheme. • For some exporters who are not qualified as Known Consignors, fees associated to getting KC clearance for their US-bound air cargo. • Cost of employing additional staff for KC-related activities
	Benefits	• The KC scheme allows Australian air carriers and exporters to meet TSA requirements for US-bound air cargo and reduces the possibility of a) a decrease in the volume of exports to the US, and b) Australian businesses leaving the industry due to the high cost of compliance. • This option meets international standards and provides a foundation should other countries impose similar conditions in the future. • KC scheme provides balance between US-bound air cargo being secured at source and being examined further back in the supply chain. • KC scheme reduces impact of more stringent cargo examination requirements on a) Australian/US trade volumes, b) industry sectors exporting low value goods, c) exporters of goods that are not easily examined. • New business opportunity for KCs in the provision of cargo examination services to non-KC accredited exporters. • KC status allows exporters to load their air cargo in a time/cost effective way. • KC status allows faster resumption of export air cargo if a security incident occurs. • Regulatory measure does not affect businesses not exporting to the US.
	Government	
	Costs	• Implementing and administering KC scheme.
	Benefits	• Continuation of strong trade relationship with US.
	Community	
	Costs	• Nil.
	Benefits	• Growth in employment from implementation of KC scheme

Option 3— Introduction of a Known Consignor scheme together with piece level examination for **all** export air cargo

This option is similar to the preferred option (Option 2 above), in that it would allow industry participants to choose to become Known Consignors, or to have their export air cargo examined at piece level. However, this option would require 100 per cent of export air cargo, regardless of destination, to be examined at piece level or originate from a Known Consignor. That is, all cargo would either originate from a Known Consignor or be examined at piece level prior to uplift on an aircraft. It should be noted that the tight timelines for meeting the TSA's requirements would not allow the efficient implementation of this option in the short term. Further, because countries other than the US do not currently require air cargo originating in Australia to undergo piece level examination, implementing Option 3 at this time would represent an unnecessary burden to industry. Overall, Option 3 is not the preferred option.

It may become necessary to put piece level requirements in place for all export air cargo at some point in the future, due to international pressure. If this occurs, the cost to industry will probably be lower than that calculated in this RIS, as Option 2 will already have been implemented, providing a base from which to extend requirements. This assumes that the requirements could be implemented in a phased approach, over a number of years.

Regulatory Burden Measure

Table 8 below shows the regulatory burden for Option 3, calculated according to the Regulatory Burden Measurement (RBM) framework. Because the RBM framework explicitly excludes the '*costs of international obligations imposed as a prerequisite for participation in international markets*', these have not been included in the calculations below.[26] The costs in the RBM table below are therefore lower than the true costs to industry associated with Option 3.[27]

As noted above, the RBM calculations for Option 3 include offsets from the introduction of model security programs for RACAs and AACAs which will reduce the costs to industry by approximately $608,000 per year, over 10 years.

Table 8: Regulatory burden and cost offset estimate – Option 3

Average annual regulatory costs (from business as usual)				
Change in costs ($million)	Business	Community organisations	Individuals	Total change in cost
Total by sector	$4.889			$4.889
Cost offset ($ million)	Business	Community organisations	Individuals	Total by source
Total by Sector	-$.608			-$.608
Are all new costs offset? ☐ Yes, costs are offset ☒ No, all costs are not offset ☐ Deregulatory, no offsets required				
Total (i.e. change in costs less cost offsets, in $ million)			**$4.281**	

[26] ibid.

[27] It is calculated that the true cost of Option 3 would be around $69.7 million per year over ten years, as highlighted in the table at **Attachment F**.

Industry costs and benefits

Costs - Requiring 100 per cent of export air cargo to be secured by piece level examination or originating from a Known Consignor is the most costly option. The costs for Option 3 are of the same type as Option 2; however, the additional cost is because this option would apply to **all** export air cargo, and would therefore affect many more industry participants. A breakdown of total costs for Option 3 is included in the table at **Attachment F**.

As with Option 2, the Department has introduced legislative reforms to streamline the regulatory arrangements for RACAs and AACAs by introducing model security programs, resulting in administrative savings for industry and government. It is estimated these savings will total $608,000 per year, over 10 years.

Specific costs for industry under this option are the same as for Option2, but would apply to all participants in the export air cargo supply chain. Costs include:

- upgrading facilities/equipment/personnel security to meet the requirements of the Known Consignor scheme;
- associated administrative processes exporters will need to undergo to become approved Known Consignors;
- for exporters who do not become Known Consignors, paying a regulated freight forwarder to examine under EACE and clear their export air cargo;
- new obligations for regulated industry participants associated with examining export air cargo at a piece level, including equipment purchase and installation; and
- associated administrative processes freight forwarders will need to undergo to become and remain accredited piece level examiners.

Benefits- Option 3 would allow industry participants to meet or exceed international air cargo security standards. As with Option 2, the introduction of a Known Consignor scheme will provide balance between air cargo being secured at source and being examined further back in the supply chain, and allow industry to determine that balance. It could also allow faster resumption of trade worldwide if a security incident occurs.

Government and the community costs and benefits

The benefits of Option 3 for Government include not only the continuation of a strong trade relationship with the US, but also international acknowledgment of Australia's robust air cargo security framework. As per Option 2, this option will create employment opportunities as additional staff is required to operate the Known Consignor scheme. As the scheme would cover a much larger pool of exporters, a more significant number of staff may be need to be recruited to operate the scheme.

The costs and benefits of this option (as noted in feedback received from stakeholders and during the consultation process) are summarised in the table below.

Table 9: Costs and benefits – Option 3

Description	Affected Party	Impacts
	Industry	
EACE and Known Consignor (KC) scheme for **all** air cargo exports	Costs	• Upgrading facilities/equipment/personnel security to meet the requirements of the Known Consignor (KC) scheme. • Applying for and administering participation in the KC scheme. • Compliance with KC scheme. • For some non-KC qualified exporters, fees associated with getting KC clearance for their US-bound air cargo. • Cost of employing additional staff for KC-related activities.
	Benefits	• It will allow Australian air carriers and exporters to meet piece level international air cargo examination requirements and reduce the possibility of Australian businesses leaving the industry due to the high cost of compliance. • KC scheme provides balance between air cargo being secured at source and being examined further back in the supply chain. • The KC scheme would reduce the potentially negative effects of piece level examination on a) export volumes, b) industry sectors exporting low value goods, c) exporters of goods that are not easily examined. • New business opportunities for KCs in the provision of cargo examination services to non-KC qualified exporters. • KC status allows exporters to load their air cargo in a time/cost effective way. • KC status allows faster resumption of export air cargo if a security incident occurs.
	Government	
	Costs	• Implementing and administering KC scheme.
	Benefits	• Continuation of strong trade relationship with US, and international acknowledgment of Australia's robust air cargo security framework.
	Community	
	Costs	• Nil.
	Benefits	• Growth in employment re: implementation of KC scheme.

Summary of analysis

Comparison of the policy options shows that the costs of maintaining the status quo (Option 1) would outweigh the limited range of benefits identified, resulting in an estimated loss in the current volume of US-bound air cargo which could have a substantial negative trade impact.

The evaluation of Option 2 (US-bound cargo) and Option 3 (air cargo to all destinations) shows that addressing concerns in relation to the ability of industry to achieve the equivalent of piece level examination of export air cargo through the Known Consignor scheme will produce the greatest benefits, even when a range of new capital and administration expenses are factored into the analysis.

The analysis of Options 2 and 3 shows that the implementation of the proposed changes to air cargo examination procedures would lead to significant benefits for industry and the community, including:

- the economic benefits of continuing to export a growing volume of air cargo while minimising the risk of a reduction in the volume of US-bound air cargo;
- administrative savings for industry and government by simplifying reporting and documentation requirements;
- increased flexibility for businesses in terms of air cargo examination options;
- enhanced security within the supply chain with minimal impact on industry and trade;
- potential employment opportunities; and
- more generally, the economy-wide benefits of maximising export revenue and employment.

Option 3 would involve higher implementation costs than Option 2. In addition, the implementation of Option 3 (involving an estimated 8300 businesses compared to 1850 businesses for Option 2) would be difficult in the short term due to:

- the long lead times required to order and install examination equipment - industry confirmed that the lead time for purchasing explosive trace detection equipment is 4-8 weeks, and X-ray equipment could take up to six months; and
- tight timelines - the deadline to comply with TSA requirements does not leave enough time to develop the skills and knowledge required to load all cargo (i.e. air cargo to all destinations) under the new regime, or leave enough time to educate exporters and accredit them as Known Consignors.

Summary of regulatory burden analysis

Option 2 shows a lower annual average regulatory cost (per the RBM framework) than Option 3.

Table 10: Summary of regulatory burden analysis

Summary of Options - Annual average regulatory costs (from business as usual)			
$million	**Change in Costs**	**Cost Offsets**	**Total (change in costs less cost offsets)**
Option 2 – EACE & KC for US-bound air cargo	$1.089	-$0.608	$0.481
Option 3 – EACE & KC for all air cargo	$4.889	-$0.608	$4.281

6. CONSULTATION

Consultation with the United States

In developing its strategy for responding to the US Government's legislative requirement for 100 per cent piece level examination, the Department has consulted extensively with US Government authorities including:

- the Department of Homeland Security;
- the State Department;
- the National Security Advisor; and
- the TSA.

The consultations included an exchange of Ministerial-level correspondence, working-level planning and coordination meetings, negotiations and formal representations led by Australia's Ambassador in Washington.

Since receiving the US Government's agreement for continued recognition of Australia's National Cargo Security Program for a period of two years combined with regulatory reforms and transition arrangements, the Department and the TSA have continued to consult regularly on operational implementation and transition arrangements. The Department anticipates that formal and informal consultations and reporting will continue throughout the transition period.

Communications and engagement plan

The Department has implemented a communications and engagement plan to provide for efficient and effective communications and engagement with industry. The plan builds on a large amount of consultation already conducted, and aims to:

- assist the Department with the development of policy and regulatory arrangements for US-bound air cargo;
- meet Best Practice Regulation guidance, and facilitate the approval of the Regulatory Impact Statement;
- facilitate the collection of quantitative and qualitative data for policy analysis. This includes attitudes and preferences, compliance attitudes, current industry practice, and pricing behaviour;
- ensure industry stakeholders are adequately informed about the proposed change; and
- ensure industry attitudes are understood (by sector as far as possible), and that industry has sufficient information to develop an informed opinion.

The consultation plan has targeted a broad range of industry stakeholders, in terms of size, segment of the supply chain, level of sophistication and location. Key industry associations, including the Export Council of Australia and Australian Industry Group, have assisted with identifying potential impacts and costs to businesses, particularly small/medium sized companies.

The Department also maintains regular communication with the Cargo Working Group (CWG), whose members represent major industry stakeholders including airlines, general and express freight forwarders, exporters and government agencies.

The major businesses that will be affected by the TSA's requirements (e.g. Qantas Airlines, Virgin Australia and the Conference of Asia Pacific Express Carriers) support the Department implementing regulatory changes to meet the TSA's requirements.

Consultation activities to date

The Department has been working closely with industry in the development of enhanced air cargo security arrangements since 2012. It previously conducted extensive industry stakeholder consultations to support the introduction of a Regulated Shipper Scheme (RSS) and EACE in 2014. These consultations included the following:

- site visits to approximately 75 exporters across Australia, representing a range of commodity types, locations, sizes and levels of sophistication. Although these site visits were specifically for developing and implementing a Regulated Shipper Scheme under the Securing the Air Cargo Security Supply Chain (SACSC) framework, much of the information gathered is relevant for Known Consignor.
- previous targeted workshops and consultations, including:
    - 17 two-hour workshops held in eight cities (Sydney, Melbourne, Brisbane, Perth, Darwin, Hobart, Adelaide and Cairns). A total of 124 people attended the workshops, representing a range of exporters. Participant responses were included in a comprehensive final report.
    - Follow-up workshops held six months later to provide stakeholders with more detail about security requirements for RSS. Participant responses were included in a summary report.
- telephone and online surveys were also conducted to supplement the targeted workshops. 1,000 responses were collected from industry stakeholders, and a final report was written.

To augment this earlier consultation work, the Department conducted a series of two-hour workshops in June-July this year with freight forwarders and exporters, specifically to inform them about the TSA requirements, and to elicit their responses. A total of seven workshops were held in Brisbane, Sydney and Melbourne, and approximately 200 people attended.

Other recent consultation activity has included:

- dissemination of a discussion paper outlining the proposed approach, including a questionnaire allowing stakeholders to give feedback;
- engaging Ernst and Young to conduct a US-bound air cargo supply chain study based on industry engagement; and
- working with industry forums such as the:
    - Cargo Working Group; and
    - Aviation Security Advisory Forum.

Consultations with industry stakeholders have identified that many businesses will be well placed to implement the proposed changes. However, industry participants have highlighted that increased cost structures and extended lead times may have a negative impact on their ability to compete internationally. The Department is committed to designing a scheme which is flexible enough to reflect the operating environment of individual businesses. In addition, the Department is working closely with other government agencies to minimise regulatory duplication where possible, for example, with the Department of Immigration and Border Protection (Previously Australian Customs and Border Protection Service) and the Department of Agriculture. A summary of consultations with industry stakeholders is provided at **Attachment G**.

The Department has worked closely with the TSA and other international trading partners to ensure that the changes meet the TSA's requirements and international standards while remaining appropriate for the Australian context.

Further planned consultation

The Department has conducted a Known Consignor trial in order to test policy settings, administrative processes, and guidance materials with industry stakeholders. The feedback received has helped to refine

the Department's approach. The updated tools and processes will be tested with a new group of exporters.

7. RECOMMENDED OPTION

Detailed costings show that the preferred option (Option 2) provides the most effective and efficient solution to the stated problem. Although there will be some cost to industry, overall benefits outweigh costs. Further, this option will:

- allow businesses more choice and flexibility in how they meet the obligations;
- allow a more timely implementation of new regulations; and
- minimise the number of businesses adversely affected.

8. IMPLEMENTATION AND EVALUATION

Implementation

Implementation will follow the steps below.

Table 11: Implementation activities

Activity	Date(s)
Department to seek Deputy Prime Minister's approval for regulations and scheme implementation	December 2015
Continuation of current industry engagement and consultation through updates via the Department's website and targeted newsletters	Ongoing
Consultation with primary industry stakeholders through working group meetings, workshops and forums	Ongoing
Release of draft regulations for stakeholder comment	August 2016
Consideration of public comments	September 2016
Engagement with regulated freight forwarders to encourage take up of EACE	Ongoing
Trial period for selected participants to test Known Consignor products and processes. The trial will run in tranches, with highest volume exporters and Tier 2 meat exporters in the first tranche, followed by pharmaceutical companies and high value exporters. It is expected that trial businesses will evolve into early adopters of the Known Consignor scheme. Trials will therefore continue into July 2016, when legislation comes into force. Businesses that participated in the trial will not need to undergo additional application or validation processes once the Known Consignor scheme 'goes live'.	April 2016 – October 2016

Activity	Date(s)
Disseminate guidance and training materials to industry participants	September 2016
Legislation and regulations take effect and Known Consignor scheme opens for applications	1 November 2016

No significant implementation risks have been identified. Stakeholders will be managed proactively and the Department will continue to maintain a high level of engagement.

Evaluation

Evaluation of changes to regulatory settings will be tested and monitored on an ongoing basis through 2017 and 2018. A review and 'lessons learnt' activity will be undertaken in early 2018.

The Department will continue to consult with the TSA on progress and settings for the new requirements, and will continue to engage with relevant industry stakeholders, other Australian Government agencies and international stakeholders (e.g. ICAO).

LIST OF ATTACHMENTS

Attachment A: New air cargo arrangements diagrams

Attachment B: Option 1 - Total costs

Attachment C: Option 1 – Explanation of how capital and labour costs were derived

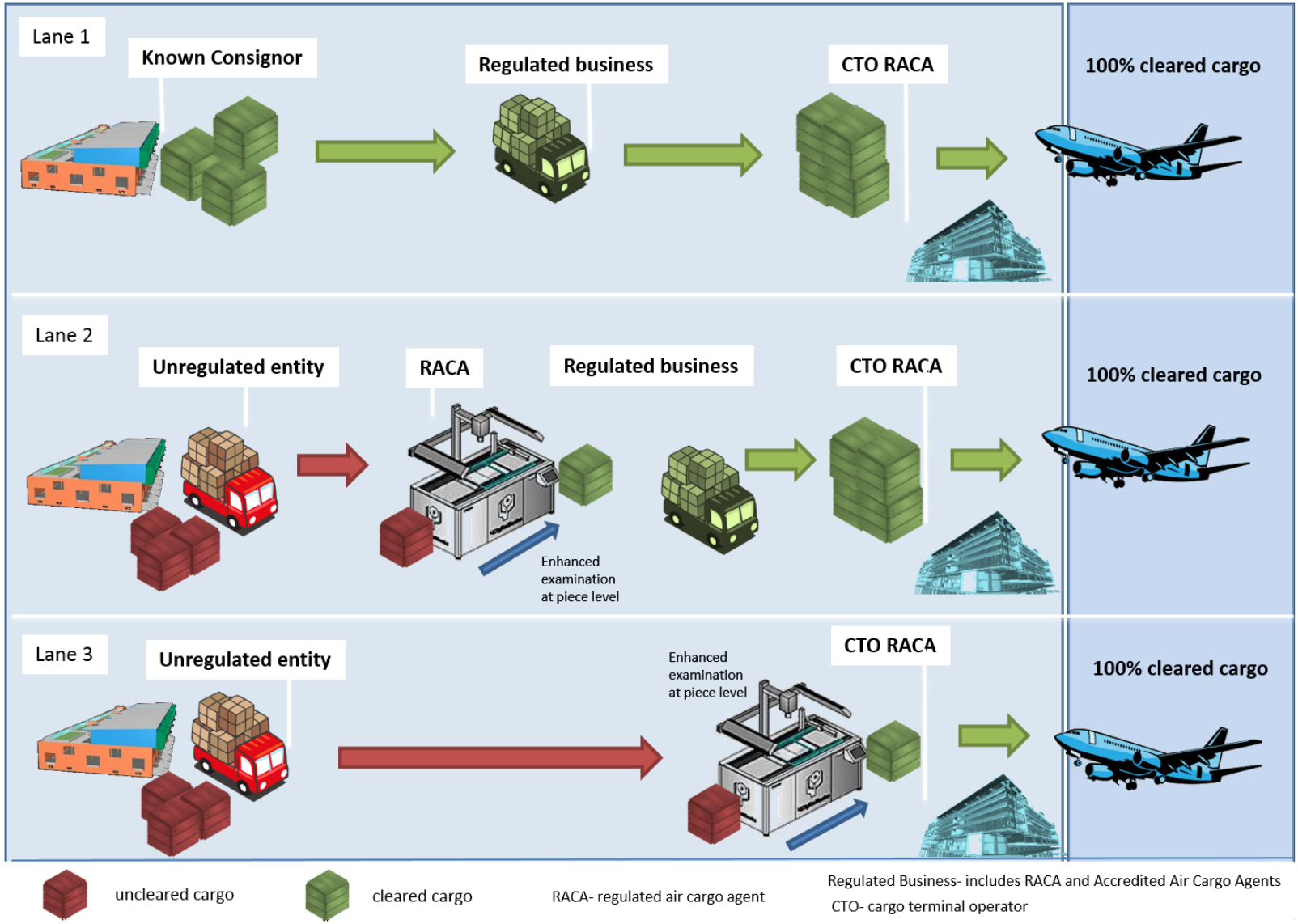
Attachment D: Option 2 – Total costs

Attachment E: Estimating Known Consignor uptake and EACE volumes

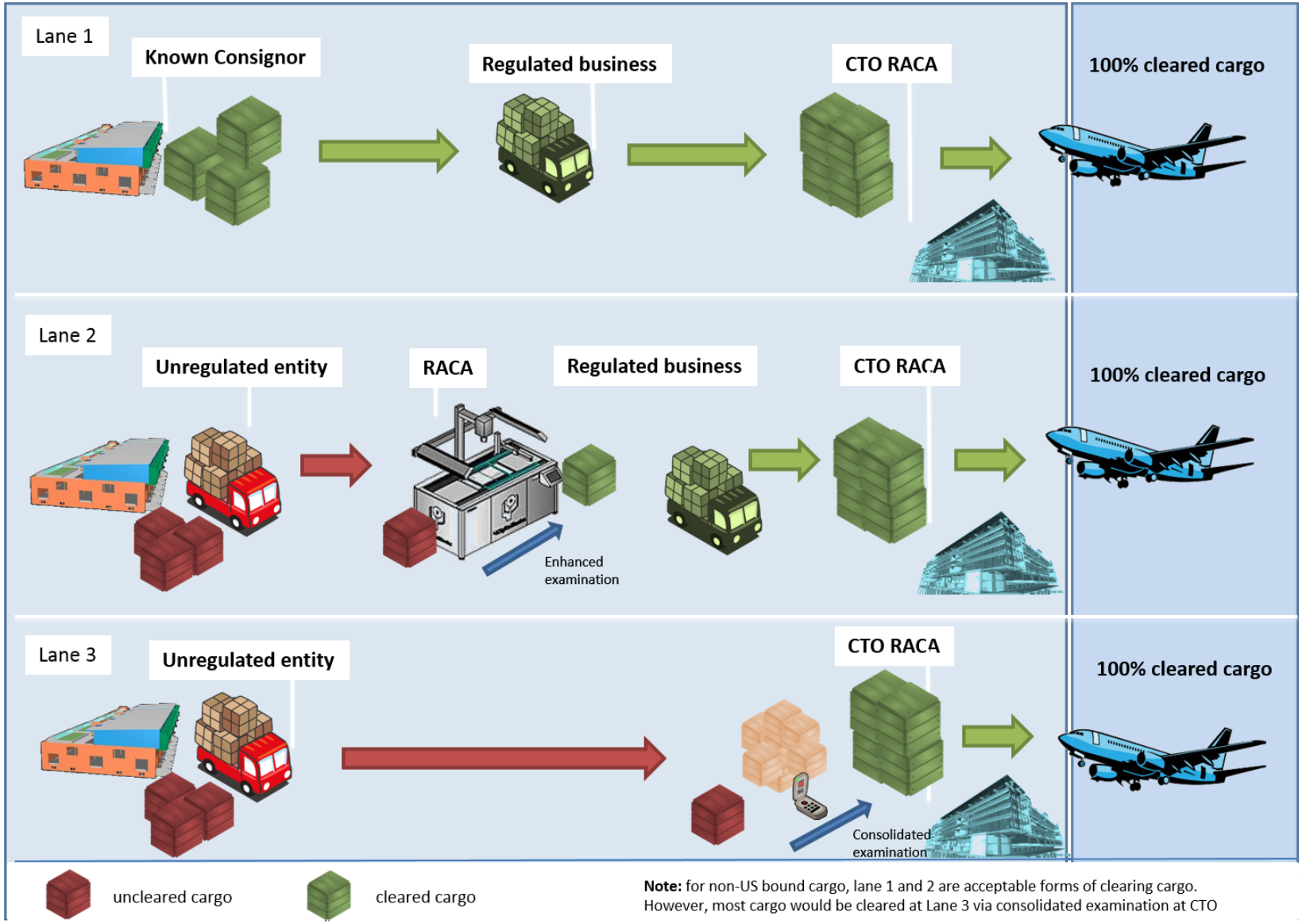
Attachment F: Option 3 – Total costs

Attachment G: Summary of consultations with industry stakeholders

New air cargo security arrangements (US- bound)



New air cargo security arrangements (non-US bound)



Option 1 – Total Costs (Status Quo – EACE Only)

Substantive Compliance Costs

Option 1: Status quo - EACE only										
Component/Activity	**Hrs to complete**	**Times performed/yr**	**Labour cost**	**Staff required**	**Total cost**	**Cost in which years**	**Purchases/yr**	**Total cost per year**	**Source/Assumptions**	**Notes**
Capital Expenses - examination equipment (X-ray, ETD and metal detection) and related expenses					$48,764,000	1, 2, 5, 6	0	$4,876,400	Equipment and related expense costs - indexation is calculated at 2.5%pa, compounded (refer to PwC Report on SA Water Corporation 2015, p ii). Equipment purchased by Tranche 1 businesses in 2016 will cost $12,023m; equipment purchased by Tranche 2 businesses in year 2 will cost $11,156m; in year 5 $13,271m; and $12,314m in year 6. Total equipment/related expense costs over 10 years = $48.764 million, or $4,876,400 per year over 10 years.	Assuming a 5 year life cycle for examination equipment (as per ATO Taxation Ruling TR 2015/1) - equipment purchased by Tranche 1 businesses in year 1 will repurchase in year 5; Tranche 2 businesses in Year 2 will repurchase in year 6.
Labour Costs - examination and deconsolidation of cargo - Tranche 1			65.45	193	$131,371,240	1-Oct		$13,137,124		
Labour Costs - examination and deconsolidation of cargo - Tranche 2			65.45	365	$223,603,380	2-10		$24,844,820	Staff required for Tranche 1 businesses will total 193; staff required for Tranche 2 businesses will total 365. Costs are averaged over 10 years with Tranche 1 staff calculated for 10 years; Tranche 2 staff calculated for 9 years.	
Training - Tranche 1	2	1	65.45	193		2, 5 and 8		$25,264		
Training - Tranche 2	2	1	65.45	365		1, 4, 7 and 10		$47,779	Training requirements will be specified by the Department. It is estimated training will take approx. 2 hours to complete. The same number of staff that are hired to examine or deconsolidate/reconsolidate cargo will need to complete the training. This assumes training will need to be refreshed every 3 years.	
Total cost to industry/yr								$42,931,386		

Total Adminsistrative and Substantive Compliance Cost to Industry/yr (Option 1)		
Administrative costs	**Substantive Compliance costs**	**TOTAL**
$160,417.95	$42,931,386	$43,091,804

Option 1: Explanation of How Capital and Labour Costs Were Derived

Business (1)	Equipment (2)	Equip Cost Av (3)	No. of sites	Equip Cost Total (4)	Labour No. of staff (5)	Total Labour Cost (6)	Other Related Expenses - description (7)	Related Expenses Cost
KUEHNE & NAGEL PTY LTD	Multiview med aperature	220,000	2	440,000	10	680680	(2)	44,000
	ETD	50,000		100,000			(2),(3)	20,000
PANALPINA WORLD TRANSPORT PTY LTD	Multiview med aperature	220,000	2	440,000	10	680680	(2)	44,000
	ETD	50,000		100,000			(2),(3)	20,000
EXPEDITORS INTERNATIONAL PTY. LIMITED	Multiview med aperature	220,000	4	880,000	20	1361360	(2)	88,000
	ETD	50,000		200,000			(2),(3)	40,000
SCHENKER AUSTRALIA PTY LTD	Multiview med aperature	220,000	2	440,000	10	680,680	(2)	44,000
	ETD	50,000		100,000			(2),(3)	20,000
UTI (AUST) PTY LTD	Multiview med aperature	220,000	4	880,000	20	1,361,360	(2)	88,000
	ETD	50,000		200,000			(2),(3)	40,000
CT FREIGHT PTY. LTD.	Multiview med aperature	220,000	3	660,000	15	1,021,020	(2)	66,000
	ETD	50,000		150,000			(2),(3)	30,000
SADLEIRS TRANSPORT CO (W.A.) PTY LTD	Multiview med aperature	220,000	4	880,000	20	1,361,360	(2)	88,000
	ETD	50,000		200,000			(2),(3)	40,000
CEVA FREIGHT (AUSTRALIA) PTY LTD	Multiview med aperature	220,000	2	440,000	10	680,680	(2)	44,000
	ETD	50,000		100,000			(2),(3)	20,000
B & H WORLDWIDE PTY. LTD.	Multiview med aperature	220,000	2	440,000	10	680,680	(2)	44,000
	ETD	50,000		100,000			(2),(3)	20,000
HELLMANN WORLDWIDE LOGISTICS PTY LTD	Multiview med aperature	220,000	3	660,000	15	1,021,020	(2)	66,000
	ETD	50,000		150,000			(2),(3)	30,000
CUSTOMS AGENCY SERVICES PTY. LTD.	ETD	50,000	2	100,000	10	680,680	(2),(3)	20,000
TOLL GLOBAL FORWARDING PTY LIMITED	ETD	50,000	4	200,000	20	1,361,360	(2),(3)	40,000
APC LOGISTICS PTY LTD	ETD	50,000	3	150,000	15	1,021,020	(2),(3)	30,000
MAINFREIGHT INTERNATIONAL PTY LTD	ETD	50,000	3	150,000	15	1,021,020	(2),(3)	30,000
TNT AUSTRALIA PTY LTD	ETD	50,000	4	200,000	20	1,361,360	(2),(3)	40,000
VISA GLOBAL LOGISTICS PTY LTD	ETD	50,000	3	150,000	15	1,021,020	(2),(3)	30,000
AGILITY LOGISTICS PTY LTD	ETD	50,000	2	100,000	10	680,680	(2),(3)	20,000

SDV (AUSTRALIA) PTY LTD	ETD	50,000	3	150,000	15	1,021,020	(2),(3)	30,000
SPECIFIC FREIGHT PTY. LTD.	ETD	50,000	3	150,000	15	1,021,020	(2),(3)	30,000
MANTON AIR-SEA PTY LTD	ETD	50,000	2	100,000	10	680,680	(2),(3)	20,000
GIBSON FREIGHT (AUSTRALIA) PTY LIMITED	ETD	50,000	2	100,000	10	680,680	(2),(3)	20,000
DSV AIR & SEA PTY LTD	ETD	50,000	2	100,000	10	680,680	(2),(3)	20,000
GEODIS WILSON AUSTRALIA PTY LTD	ETD	50,000	3	150,000	15	1,021,020	(2),(3)	30,000
FRACHT AUSTRALIA (QLD) PTY LTD	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
EMO-TRANS AUSTRALIA PTY LTD	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
THE TRUSTEE FOR LYNAIR INTERNATIONAL (SA) UNIT TRUST	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
KINTETSU WORLD EXPRESS (AUSTRALIA) PTY LTD	ETD	50,000	2	100,000	10	680,680	(2),(3)	20,000
A. HARTRODT AUSTRALIA PTY LTD	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
ROHLIG AUSTRALIA PTY LTD	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
POWERHOUSE LOGISTICS PTY LIMITED	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
BELL TOTAL LOGISTICS PTY LTD	ETD	50,000	1	50,000	5	340,340	(2),(3)	10,000
			73	**9,810,000**	**365**	**24,844,820**		**1,346,000**

Notes:

(1)Business - this list of general freight forwarding businesses is based on the estimates of (1) who has shown interest in EACE; (2) who handles a relatively large volume of US-bound air cargo according to Customs data. It is estimated this list will account for an additional approximately 35% of total US-bound air cargo by weight (2014 figures), beyond that calculated for 2016.

(2)Equipment - businesses handling larger volumes of US-bound air cargo will purchase X-ray and ETD equipment; businesses handling smaller volumes will purchase ETD equipment.

(3)Equipment cost average - averages are based on equipment list accepted by the TSA (refer to ACEEL). Indexation has not been applied here, as these represent averages. Indexation is applied to totals.

(4)Equip cost total - is calculated on number of sites/pieces of equipment required

(5)Labour - number of staff for examination only is 3; generally, 2 additional staff will be required for general freight forwarders and CTOs examining cargo, due to requirement to deconsolidate and reconsolidate loads (refer to FedEx Pilot Report pg. 34). Labour cost per site per year is calculated on average number of operational/examination hours per week (20) x number of staff (3 or 5) x $65.45 x 52 weeks/year (average ops/exam hours per week from Pilot 1 Reports for FedEx and UPS).

(6)Labour costs are calculated according to the RBM Framework Guidance Note Appendix 2 ($37.40 per hour x 1.75 to include non-wage labour costs)

(7)Other related expenses description - Based on figures supplied by equipment manufacturers (refer to EACE PPP1), as follows: (2) Annual maintenance cost @ 10% of capital cost; (3) ETD consumables (e.g. swabs) @ 10% of capital cost.

Assumptions:

Qantas and Virgin Airlines estimate an additional 35% of US-bound air cargo by weight will be EACE'd by 2017.

Assuming a 5 year life cycle for examination equipment (as per ATO Taxation Ruling TR 2015/1) - equipment purchased by Tranche 2 businesses (purchasing equipment in 2017) will repurchase in year 6.
Equipment and related expense costs - indexation is calculated at 2.5%pa, compounded (refer to PwC Report on SA Water Corporation 2015, p ii). This means that equipment (and related expenses) purchased in 2017 for a total of $11,156m will cost $12,314m when repurchased in Year 6.

Option 2 – Total Costs (Preferred Option) – EACE and Known Consignor for US-bound only

Administrative Costs

Option 2: Preferred Option - Enhanced Air Cargo Examination (EACE) and Known Consignor (KC) for US-bound only

Note: Administrative costs are assumed to be roughly the same for all businesses, regardless of the type of business. Substantive compliance costs, on the other hand, differ depending on the commodity type and sophistication of the business.

Component/Activity	Hrs to complete	Times performed per year	Labour cost	Staff required	Total Cost	Year cost incurred	10 year annual average cost per business	10 year annual regulatory burden per business	Total annual cost for industry (approx 1850 Known Consignors)	$4,437,673.63
Application to become KC (including completing model security program/application form)	45	1	65.45	1	2945.25	Year 1	$294.53	$294.53	**Total annual regulatory burden for industry**	$1,089,742.50
Department assessment of KC application	30	1	65.45	1	1963.5	Year 1	na			
Internal recordkeeping and assessments	0.5	52	65.45	1	1701.7	All years	$1,701.70			
Demonstrating compliance - reporting to Department	1	1	65.45	1	65.45	All years	$65.45	$65.45		
Demonstrating compliance - Validation by Department (by Govt)	4	1	65.45	2	523.6	Year 1	na			
Demonstrating compliance - Preparating and undergoing validation by Department (e.g. site visit) (by business)	20	1	65.45	1	1309	Year 1	$130.90	$130.90		
Demonstrating compliance - Departmental compliance testing	30	0.05	65.45	1	98.175	All years	$98.18			
Revalidation - paperwork	15	1	65.45	1	981.75	Year 6	$98.18	$98.18		
Revalidation- site visit	30	0.05	65.45	1	98.175	Year 6	$9.82			
Annual cost per business							$2,398.74			
Total annual regulatory burden cost per business								$589.05		

Substantive Compliance Costs

Category 2: 350 'Sophisticated' Known Consignor - (will only need to make minor changes to join KCS)

Component/Activity	Hrs to complete	Times performed per year	Labour cost	Staff required	Purchase cost	Year of purchase	10 year annual average cost per business	10 year annual regulatory burden per business	Total annual cost for industry (approx 350 Known Consignors)	$1,009,960.00
Facility Security and other capital expenses					$0		$0	$0	**Total annual regulatory burden for industry**	$0
Personnel Security				15	350	1, 4, 7 and 10	$2,100.00	na		
Training	2	1	65.45	15		1, 4, 7 and 10	$785.60	na		
Annual cost per business							$2,885.60			
Total annual regulatory burden cost for business								$0		

Category 3: 1500 'Less sophisticated' Known Consignor (will need to make more significant changes to join KCS)										
Component/Activity	**Hrs to complete**	**Times performed per year**	**Labour cost**	**Staff required**	**Purchase cost**	**Year of purchase**	**10 year annual average cost per business**	**10 Year annual regulatory burden per business**	**Total annual cost for industry (approx 1500 Known Consignors)**	$8,886,000.00
Facility Security and other capital expenses					$20,000.00	1 and 6	$4,000.00	$0	**Total annual regulatory burden for industry**	$0
Personnel Security				10	$350.00	1, 4, 7 and 10	$1,400.00	$0		
Training	2	1	65.45	10		1, 4, 7 and 10	$524.00	$0		
Annual cost per business							$5,924.00			
Total annual regulatory burden cost for business								$0		

Category 4: Exporters who will have their cargo examined								
This number will be calculated by multiplying the remaning volume of US air cargo - 2 million kgs - (i.e. not KC/express or drop outs) by the cost per kilo (est. $0.50/kg)							**Total cost for exporters having their cargo examined**	$1,000,000

Total Adminsistrative and Substantive Compliance Cost to Industry/yr (Option 2)										
Administrative burden	**Category 2**	**Category 3**	**Category 4**	**TOTAL**						
$4,437,673.63	**$1,009,960**	**$8,886,000**	**$1,000,000**	**$15,333,634**					**Total cost to industry/yr (Option 2)**	**$15,333,634**

Estimating Known Consignor Uptake and EACE volumes

Introduction

This document provides an explanation of the categories used to calculate costs for Option 2 (Known Consignor Scheme and EACE for US-Bound only) and Option 3 (Known Consignor Scheme and EACE for all exports) in the Regulatory Burden Measure.

In 2014 there were approximately 10,000 exporter businesses that sent cargo to the US.[1] Categorising the 10,000 exporters according to how they will most likely choose to comply with the new regulatory regime can help us to work out roughly how many exporters will become KCs, as well as the volume of cargo that will be examined. These figures then form the basis of the costings in Options 2 and 3.

It should be noted that the following estimates are based on assumptions about the nature of air cargo export markets, and rely on 2014 Customs data. However, the volumes, values, and number of exporters sending air cargo to the US changes from year-to-year making accurate predictions difficult.

Categorising Exporters: Five ways to comply with the new regulatory regime

Broadly, exporters will fall into five categories under the new regime. They can either:

1. **Send cargo 'express':** At present, approximately 15% of US exports by weight are sent 'express'. However, these exporters are not necessarily captured in the Customs data. There is no extra regulatory cost involved for these exporters as express consignments are already being examined in accordance with an Enhanced Air Cargo Examination (EACE) notice, and meet the US requirements.
2. **Become a Known Consignor by making minor changes to current practices:** These exporters already have sophisticated security practices in place and will only need to make minor changes to their current practices in order to join the scheme. Exporters sending animal products, pharmaceuticals and high value goods will fall into this category.
3. **Become a Known Consignor by making more significant changes to current practices:** These exporters have less sophisticated security practices in place but will decide that due to the value of their exports to the US, and/or the nature of their cargo (i.e. cargo that cannot be examined practically), that it is more effective to become a Known Consignor than have their goods examined in accordance with an EACE notice.
4. **Have goods examined in accordance with an EACE notice**: For some exporters, having goods examined in accordance with an EACE notice by a Regulate Air Cargo Agent (RACA) will be more cost effective than becoming a Known Consignor.
5. **No longer export to the US via air**: The remaining exporters will find that the costs involved with either joining the KC scheme or having goods examined is too high, and will no longer export to the US via air.

[1] An additional unknown number of businesses/individuals sent cargo by express freight that was worth less than $2000 and did not require a permit. This means that these consignments are not necessarily reported in the Customs data, unless the sender chooses to report them. Customs Data 2014, Department of Immigration and Border Protection

How many exporters will fall into each category?

Category 1: Express

At present, approximately 15% of US exports by weight are sent 'express'. However, given that many express consignments are not counted in Customs data, we cannot know this for certain, nor can the number of businesses/individuals sending this cargo be calculated.

There are no extra regulatory costs involved (for both Options 2 & 3) for these exporters because express shipments already comply with the enhanced security requirements.

Category 2 & 3: Known Consignors ('Sophisticated Security Measures' and 'Less Sophisticated Security Measures', respectively)

US-Bound (Option 2)

Estimating the number of potential Known Consignors is an extremely difficult task, given the very complex nature of export supply chains. The figures we provide are rough estimates only, and are likely to change as further consultation with industry occurs. It is important to stress that for many businesses, examination will not be a viable option, given the type of goods that they send. These businesses will either choose to become KCs or no longer export to the US via air.

We have estimated the total number of Known Consignors based upon assumptions drawn from an understanding of the nature of air cargo export markets[2], combined with Customs data on the volume and value of air cargo consignments to the US. Our estimates suggest that there will be around **1850 Known Consignors** – 350 with 'sophisticated security measures' already in place, and 1500 with 'less sophisticated security measures' in place.

This figure was calculated based upon the assumptions that:

a) For certain types of goods, examination is not viable (pharmaceuticals, high value goods, live animals, animal products, fruit and veg.) AND
b) that many of the exporters in these categories will already have 'sophisticated' security measures in place[3] AND
c) that businesses will not be willing to spend more than 10% of the value of their exports on becoming a Known Consignor, meaning that becoming a KC becomes viable for exporters with 'sophisticated' security measures in place if they export over $55,000/yr, and for exporters with 'less sophisticated' security measures over $85,000/yr.[4]

We ran these calculations against the Customs data. This gave us 350 exporters sending goods in our 'sophisticated' category (animal products, live animals, pharmaceuticals, precious stones & high value goods, prepared foods and fruit & vegetables) that sent over $55,000 worth of goods. There were a further 1500 exporters in the remaining categories[5], with less sophisticated security measures in place, that sent over $85,000 worth of goods/year.

World (Option 3)

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[2] Regulated Shipper Scheme Site Visit Report 2013, Export Air Cargo Supply Chain Regulatory Mapping Project 2014
[3] This is because of the value of the cargo (e.g. gold, artwork), or the fact that the exporter is subject to other government regulatory requirements (e.g. Dept. of Agriculture requirements for animal product exports, or requirements for those producing drugs of addiction).
[4] These figures ($55,000 and $85,000/yr) are calculated based upon the costs of joining the KC Scheme for exporters with 'sophisticated' security measures (~$5500/yr) and those with 'less sophisticated' security measures (~$8500) – See Calculations Spreadsheet.
[5] Such as: heavy manufacturing, minerals and chemicals, 'other', paper and cardboard.

We applied the same method to calculate Option 3. This gave us 2075 'sophisticated security measures' Known Consignors and 6225 'less sophisticated security measures' Known Consignors.

Category 4: Exporters who will have goods examined by an EACE RACA

The cost to industry of having cargo examined is calculated on a per kilo basis. For this reason, instead of calculating the number of exporters who choose to have cargo examined, we instead want to know the predicted weight of these examined exports.

We have assumed that there will be roughly 1850 KCs. These 1850 KCs exported around 16,000 of the 18,000 tonnes that were sent to the US[6]. The remaining 2,000 tonnes (2 million kg) will either be examined or will no longer be sent to the US via air.

If we assume that only a negligible number of exporters will no longer export to the US via air (see below), then the remaining 2 million kilograms will be examined at a cost of $0.50/kg, leading to a total examination cost of $1 million/year. This is the substantive compliance cost for this category.

The Department is using an estimate of the average examination cost of 50c per kg in order to examine a good at piece level. The true cost is unknown as there is little current examination taking place. This figure accepts that some goods will undergo X-ray examination, Explosive Trace Detection (ETD) examination or physical examination.[7] The costs of these options will vary widely. The figure of 50c per kg is therefore used to provide a basis for comparison between options. This does not include capital or operational costs that have been previously estimated at up to $450 million over five years[8] if all cargo was examined by technology for all destinations.

Category 5: Exporters who will no longer export to the US via air

We can assume that some exporters will no longer send their products to the US via air cargo. There will be no regulatory cost (for the purposes of the RBM) to these exporters as they will not send their cargo via air. We estimate that only exporters who are sending goods worth less than $5/kilo will no longer export via air. This assumes that businesses will not want to spend more than 10% of the value of their exports on examination, and that examination costs are $0.50/kg, meaning that any goods worth less than $5/kg would no longer be viable if sent via air. There are approximately 200 exporters in this category.[9]

This figure was also completed for all air cargo. We estimate that only exporters who are sending goods worth less than $3/kilo will no longer export via air. This assumes that businesses will not want to spend more than 10% of the value of their exports on examination, and that examination costs are $0.30/kg, meaning that any goods worth less than $3/kg would no longer be viable if sent via air. There are approximately 900 exporters i

[6] Departmental Calculations from Customs Data

[7] This figure cannot be accurately costed as it is not possible to determine which goods will undergo X-ray examination, ETD examination or physical examination nor can we determine how long an examination would take for any of the methods. The composition of the cargo is another variable which cannot be costed based on available data.

[8] Sapere (2012) *Enhanced Air Cargo Examination Economic Impact Analysis*

[9] We should note that the number of those who export in the air cargo market could be higher than this, given that some industries (i.e. perishables) operate on much lower margins.

Option 3 – Total Costs

Administrative Costs

Option 3: Enhanced Air Cargo Examination (EACE) and Known Consignor (KC) for all cargo (on passanger aircraft)

Note: Administrative costs are assumed to be roughly the same for all businesses, regardless of the type of business. Substantive compliance costs, on the other hand, differ depending on the commodity type and sophistication of the business.

Component/Activity	Hrs to complete	Times performed per year	Labour cost	Staff required	Total Cost	Year cost incurred	10 year annual average cost per business	10 year annual regulatory burden per business	Total annual cost for industry (approx 8300 Known Consignors)	$19,909,562.75
Application to become KC (including completing model security program/application form)	45	1	65.45	1	2945.25	Year 1	$294.53	$294.53	Total annual regulatory burden for industry	$4,889,115.00
Department assessment of KC application	30	1	65.45	1	1963.5	Year 1	na			
Internal recordkeeping and assessments	0.5	52	65.45	1	1701.7	All years	$1,701.70			
Demonstrating compliance - reporting to Department	1	1	65.45	1	65.45	All years	$65.45	$65.45		
Demonstrating compliance - Validation by Department (by Govt)	4	1	65.45	2	523.6	Year 1	na			
Demonstrating compliance - Preparating and undergoing validation by Department (e.g. site visit) (by business)	20	1	65.45	1	1309	Year 1	$130.90	$130.90		
Demonstrating compliance - Departmental compliance testing	30	0.05	65.45	1	98.175	All years	$98.18			
Revalidation - paperwork	15	1	65.45	1	981.75	Year 6	$98.18	$98.18		
Revalidation- site visit	30	0.05	65.45	1	98.175	Year 6	$9.82			
Annual cost per business							$2,398.74			
Total annual regulatory burden cost per business								$589.05		

Substantive Compliance Costs

Category 2: 2075 'Sophisticated' Known Consignor - (will only need to make minor changes to join KCS)

Component/Activity	Hrs to complete	Times performed per year	Labour cost	Staff required	Purchase cost	Year of purchase	10 year annual average cost per business	10 year annual regulatory burden per business	Total annual cost for industry (approx 2075 Known Consignors)	$5,987,620.00
Facility Security and other capital expenses					$0		$0	$0	Total annual regulatory burden for industry	$0
Personnel Security				15	350	1, 4, 7 and 10	$2,100.00	na		
Training	2	1	65.45	15		1, 4, 7 and 10	$785.60	na		
Annual cost per business							$2,885.60			
Total annual regulatory burden cost for business								$0		

Category 3: 6225 'Less sophisticated' Known Consignor (will need to make more significant changes to join KCS)										
Component/Activity	**Hrs to complete**	**Times performed per year**	**Labour cost**	**Staff required**	**Purchase cost**	**Year of purchase**	**10 year annual average cost per business**	**10 Year annual regulatory burden per business**	**Total annual cost for industry (approx 6225 Known Consignors)**	$36,874,410.00
Facility Security and other capital expenses					$20,000.00	1 and 6	$4,000.00	$0	**Total annual regulatory burden for industry**	$0
Personnel Security				10	$350.00	1, 4, 7 and 10	$1,400.00	$0		
Training	2	1	65.45	10		1, 4, 7 and 10	$523.60	$0		
Annual cost per business							$5,923.60			
Total annual regulatory burden cost for business								$0		

Category 4: Exporters who will have their cargo examined								
This number will be calculated by multiplying the remaning volume of US air cargo - 23 million kgs - (i.e. not KC/express or drop outs) by the cost per kilo (est. $0.30/kg)							**Total cost for exporters having their cargo examined**	$6,900,000

Total Adminsistrative and Substantive Compliance Cost to Industry/yr (Option 3)									
Administrative burden	**Category 2**	**Category 3**	**Category 4**	**TOTAL**					
$19,909,562.75	**$5,987,620**	**$36,874,410**	**$6,900,000**	**$69,671,593**					**Total cost to industry/yr (Option 3)**	**$69,671,593**

Summary of Consultations with Industry Stakeholders

1. Regulated Shipper Scheme (RSS) Policy Options Workshops

A total of 17 workshops were conducted in May and June 2012 to assist the Department in developing a deeper understanding of the potential impacts of the RSS on Australian business.

Current security practices

- With the exception of businesses shipping high net worth cargo (medical, pharmaceutical, computers, and jewelry) dangerous goods or defence materials, there is limited focus on security of cargo when it is being prepared for shipment.
- Larger and more complex businesses are more likely to have QA (quality assurance) checks and systems in place to ensure that what is packed is what needs to go in the packaging. Smaller businesses often had far fewer people handling cargo.
- Larger businesses are more likely to have in place at least some of the basic security requirements that may form part of RSS: fencing, access control, security guards and/or CCT coverage of the warehouse/storage/cargo areas of the business. Smaller and larger businesses have different attitudes to RSS and its proposed structure.

Attitudes to the RSS

- The feeling conveyed by export businesses was one of precariousness, of surviving on thin margins and feeling over-regulated and over-burdened by paperwork and bureaucratic requirements. The overall attitude to the RSS is one of begrudging or resigned acceptance.
- The major concerns with the Scheme were expressed around cost and administrative burden that may be imposed by the RSS, and the Scheme's ability to flexibly work across a number of parameters.
- On the whole workshop attendees did not reject the Scheme nor did they welcome it with open arms. As well as resigned acceptance, on the grounds of both national security and allowing continued access to important export markets some felt it was overall 'a good idea'.

Attitudes to potential policy parameters

- Given the overwhelming feeling of already being over-regulated, the potential regulated shippers indicated they would ideally like the Scheme to be dovetailed or piggybacked onto existing systems and requirements such as AQIS clearances and/or Customs approvals processes.

Who should manage administration of the Scheme?

- When asked this question, most potential regulated shippers name the Department either directly or via a third-party as the best option and most likely to work in practice when it comes to administering the Scheme

Who should conduct inspections/audits/check compliance?

- The Department (directly or via a third-party) is perceived by potential regulated shippers as *both* most likely to work in practice and most likely to maximise compliance.

Business identity security requirements

- For the six options presented to potential regulated shippers, a business reference check or a credit check were seen as the most realistic, achievable and easy with virtually no one saying this was so difficult they would not apply.

Validation method

- Most potential regulated shippers feel that announced (but *not* unannounced) inspection of premises should continue to be considered by the Department as part of the validation process, and that self-assessment, development of a security plan and a statutory declaration confirming compliance should also remain.

Penalties for non-compliance

- Initially, almost all potential regulated shippers would expect the Scheme to be implemented and enforced slowly with no 'big stick' impositions on those failing audits.

Frequency of re-accreditation and reporting to the Department

- Few potential regulated shippers are interested in or expect annual renewal of their status. Most potential regulated shippers do expect (and see as reasonable) annual reporting of their level of compliance to the Department

Perceptions of likely costs

- The research indicates that the relatively high likelihood of Scheme uptake and the workshop attendees' fears around costs that may be imposed have much to do with how freight-forwarders will charge them for examination clearance.
- The majority of workshop attendees indicated they would become part of RSS rather than pay for the security examination/clearance.
- When workshop participants had to make a business decision in response to 10 hypothetical cost scenarios posed in a structured questionnaire (based on either a per kg examination charge or a per annum RSS cost), the majority opted for becoming a regulated shipper when the annual cost of RSS was $1,000 or less regardless of whether the examination charge was anything from 10c to $1 per kg. This is consistent with the open discussions during the workshops where most participants flagged $1,000 as the top end of the expected annual fee that would be seen as reasonable.
- Regardless of the cost scenario posed by the structured questionnaire, the larger the business (i.e., the more employees) the more likely they were to decide to become a regulated shipper as opposed to making any another business decision once the RSS is imposed.
- In the end, the decision to become an RSS or opt for freight-forwarders will be based on both the comparative *overall* cost (in terms of fees/charges and administrative costs) and on impacts on delivery times. The 'easy wins' for the Scheme initially are likely to be large exporters, those with security regimes already in place, shippers of DGs and valuable cargo, holders of meat export certificates, and pharmaceutical/health exporters.

LIST OF PARTICIPANTS TO THE RSS POLICY OPTIONS WORKSHOPS

Companies/Organisations

AAW Global
Able Customs
AGCO
Air Aroma
Alphamed Pty Ltd
Altech
Antico International
AR Garth
Armaguard
Aus Diagnostics
Australian Aerospace
Australian Crocodile Farm Exports
BAE Systems
Bates Australia
Baxter Healthcare
Bawinanga
Berendsen Fluid Power Pty Ltd
Blastmaster
Blundstone
Caroma
Caterpiller
Caught on Fire
CEM Chemicals
CEO Hevilift Pty Ltd
Codan Ltd
Crocosaurus Cove
Chrystal Universe
CSIRO
CSL
Diamond Offshore
Dinek
Dorper Lamb
Dulwich Centre Publications
Ellex
Essential Oils of Tasmania
Entech Electronics
Expro Group
Fantech
Finsiar Australia
Fiomarine Industries Pty Ltd
Glass Expansion
Global Aviation Squares
Great Barrier Reef Tuna
Harvest Moon
Hillebrand Group
Hills Branded Products
Holman Fresh
Homebush Export Meat Co
Hospira
Huon Aquaculture Group
Int Flavours and Fragrances
Interoil Australia
Jacque Cyrille Jewellery
Kema Plastics
Liferaft Systems
Lightforce Performance Lighting
Linneys Jewellery
Logistics Manager
Logistics for Seafresh Australia
Marino Leather Exports
Meacon Industries
MiX Telematics Australasia
Motion Industries
MSA (Aust) Pty Ltd
Muir Windlasses Australia
Mundipharma Pty Ltd
NID
North Queensland Agricultural Soup.
Novaris
NT Fish
Oasis Exports
Onmi Exports
Orica
Optos
Otto Bock
Parnell
Paspaley Group
Perth Mint
Philmac
Pearl Aviation
ProDive Cairns
Readers Digest
Reef Leather
Robotron
Robway Crane Safety Systems
Sandvik Mining & Construction
Schumacher Pharmaceuticals
Scott Safety
Seafood Exporters Australia
Seafood Traders
Servier Laboratories
Shirts North
Sigma Aldrich
Simon George and Sons
SKF Pty Ltd
Seednergy
Signostics
Stormy Seas
Tassal
The Product Makers
TI Produce Marketing
Tong Sing Pty Ltd
Trinity Fire Services
Tru Blue Foods
Turo Technology
United Nations
Univenter
Voicetronix
York Trading
Younger Optics Australia

2. Regulated Shipper Scheme (RSS) telephone and online survey (mid 2012)

The Computer Assisted Telephone Interview (CATI) and online surveys were undertaken to assist the Office of Transport Security in the Department of Infrastructure Transport with the development of the Regulated Shipper Scheme (RSS). Participants surveyed in the research included 1015 businesses that export products or services by air.

Findings

- Air cargo shippers are still in the process of comprehending and rationalising the possible changes under the RSS.
- The sample was geographically dispersed:
    a. 43% of respondent were from New South Wales
    b. 39% were from Victoria.
    c. 19% were from Queensland.
- Almost half (47%) of respondents were manufacturers.
    a. 13% were wholesale traders.
    b. Also represented were Agriculture, Forestry and Fishing (5%), Property and Business Trade (5%), Retail (5%), Mining (4%), Health and Community (4%), Other Transport, Storage and Logistics (4%).
- The sample suggests that potential Regulated Shippers are a well-established, stable sector of small businesses:
    a. 86% of the sample have been in business for 10 years or more.
    b. 75% of the sample employ 50 employees or fewer.
    c. 64% of the sample report they have less than 5% annual staff turnover.
- The use of air cargo to ship goods varies across the sample:
    a. 20% of exporters ship all their cargo by air.
    b. 19% ship more than half by air.
    c. 50% report that they export less than a quarter of the cargo that they currently export by air.
- On average, respondents shipped goods 91 times a year; the average size and dimensions of their shipments is 284kg and 119 m3.
    a. Those who use air cargo for less than a quarter of their exports (50% of the sample) are exporting by air less frequently (54 times over the last 12 months); the average size of their typical shipment is also smaller (266kg or 29m3).
- Most of the sample uses freight forwarders (63%) and/or a courier service (47%) to export air cargo.

- Experience and knowledge about regulation of this kind is currently limited:

    a. 81% of respondents at present having no accreditations or other formal recognition that requires security measures to be in place.

    b. 72% do not currently have any regulatory obligations under other Government agencies that require safety or security measures in place.

- Almost eight out of ten respondents (79% - includes all who did not select none or unsure) report they have some kind of security measures in place at the sites they export from.

    a. More than half (56%) have physical security and access controls

    b. Almost half (45%) have quality assurance and controls in place.

    c. More than a third have access controls for visitors (37%), employee databases (35%) and/or cargo receipt/transfer processes (33%).

    d. Only 21% of the sample have none (16%) or are unsure (5%) of the security measures currently in place.

- Responses to the scenarios on price points suggest a high attrition rate even at the entry level costs associated with shifting to the RSS – but these are likely to fall under the category of "first blush" negative responses to change (see our recommendations below).

    a. For the cheapest option that was tested, a 10c/kg charge or $100 annual fee to become a regulated shipper, 11% of the sample said they would choose to export by sea (7%) or not export at all (4%).

    b. For the most expensive option that was tested, a $1/kg charge or $10,000 annual fee to become a regulated shipper, 49% of the sample said they would choose to export by sea (28%) or not export at all (21%).

    c. More than half of respondents (51%) would continue to export by air under even the most expensive scenario tested suggests that much of the industry is open to an enhanced security scheme such as the RSS.

- Almost seven out of ten respondents (69%) indicated that they were happy for their contact details to be attached to their responses and to engage with the department during the development of the RSS.

    a. Potential regulated shippers are keen to hear more about the policy as it develops and are eager to engage and be involved in policy development around the RSS.

    b. This is a positive result for the Department and presents an opportunity to involve the industry in the process.

A list of the participants to the telephone and online survey is not included here due to the size of the sample surveyed (1015 businesses).

3. Regulated Shipper Scheme (RSS) follow-up workshops

A number of consultations workshops on the Regulated Shipper Scheme were held in Melbourne on 29 November, and Brisbane and Sydney on the 4th and 5th of December respectively. The workshops were designed to gather further in-depth feedback from industry participants about the proposed RSS policy settings, including feasibility and practicality across different industry segments, and were attended by a selection of Australian exporters, as potential industry participants.

Businesses likely to become Regulated Shippers were derived from export cargo metrics data (e.g. average weight, volume and number of shipments) and commodities exported.

Key findings

The supply chain approach – green/red lane model

- The proposed air cargo supply chain framework was generally accepted and supported.
- Security obligations should not be too onerous and fit with existing business operations.
- Initial and ongoing costs for Regulated Shipper accreditation, training and compliance obligations is a recurring key concern for all businesses, not only small business.
- Businesses are also concerned about the implications on existing security surcharges and the cost of Enhanced Air Cargo Examination (EACE) requirements.
- Businesses are concerned about the ongoing funding model for the scheme - full or partial cost recovery.
- The majority of Australian exporters are already heavily regulated (eg, DAFF, Customs, CASA, state health, quarantine etc.) and businesses are concerned the scheme will lead to unnecessary duplication of regulatory requirements and costs.

Example Security measures

- Example security measures provided to participants were generally accepted and viewed as being either fairly easy to reasonable and achievable to implement and comply with. Noting further work is still required in this area.
- Businesses that handle high value or high risk commodities (eg, cash, defence supplies, pharmaceuticals) have sufficient security measures in place for the purposes of the RSS.
- Larger businesses, businesses with more sophisticated warehouses or those handling high value commodities tend to have some form on access control in place.
- Small businesses or businesses with small premises did not have access control arrangements but tended to agree that any unauthorised person would be quickly and easily identifiable.
- It is common for businesses, especially manufacturers, to source components from overseas suppliers. However supplies are typically stored for a period of time, or are unpacked and used to in final products.
- Some businesses have begun considering the use of secure areas, as opposed to entire premises, to secure their air cargo.
- It is common practice across a number of business types, in particular with perishables, that commodities are supplied to them through a variety of sources such as farmers, abattoirs, domestic and overseas suppliers and potentially consolidated together before they are exported. There are concerns about the practicability of being able to satisfy that those commodities have not been already been exploited.
- Businesses are concerned about already conflicting regulatory requirements with respect to the opening and not opening of goods. DAFF requires QA and temperature checks at certain times and

points in supply chain for some commodities. DAFF requires other commodities not to be opened at any time, but Customs often insists on this.

Accreditation Process

- The proposed application process followed by a site visit for initial accreditation was generally accepted and supported.
- A published Regulated Shipper list was generally accepted and supported, provided there is not identifying information about individuals used in the list.
- It was generally viewed and supported that audit and compliance activities should be conducted on a risk basis, taking into consideration principally other industry and regulatory accreditations held by Regulated Shippers, and possibly commodities types handled and nature of business operations.
- The use of security incident/suspicious activity reporting was generally accepted and supported, provided there would be no duplication with other regulatory reporting requirements.

Phased implementation

- The proposed phased implementation of the RSS over 5 years was generally accepted and supported.
- It was generally viewed and supported that all businesses should be able to join the scheme earlier than designated transition timeframes set for their industry/segment.

Personnel Security requirements

- The proposal for guidance material on employee vetting procedures was generally accepted and supported, including by small businesses which viewed likely vetting recommendations as achievable and manageable.
- Using a "buddy" system is unlikely to work in small businesses, as limited staff are available and often have a number of roles across operational and administrative functions. However, all businesses tend to ensure that manual employees are supervised.
- There was a general view that employee vetting procedures should at least be applied to key personnel of an organisation.
- Businesses raised concerns about the associated administrative burden of vetting procedures (e.g. documenting decisions, handling and storing of personal information), and about the potential ongoing costs of criminal history checks.

Training

- The proposed use of exemplar training materials in a knowledge-based style was generally accepted and supported. It was generally agreed that the materials provide for flexibility in delivery, including online, orally and written, with accompanying hard-copy materials.
- A training validity period of 2 years was generally accepted and supported.

LIST OF PARTICIPANTS TO THE RSS FOLLOW-UP WORKSHOPS

Companies/Organisations

Agilent Technology
Armaguard
A.S. Barr Group
Ashdene
CSL
Holman Fresh
Homebush Export Meat Co
Howard Exports Pty Ltd
LSC Lighting Systems
Mascot Industrial Pty Ltd
Pacific Data Systems
Seismic Asia Pacific Pty Ltd
True Alliance (Speedo)
Watt Export

4. Regulated Shipper Scheme (RSS) site visits

The Department conducted a series of site visits of export facilities around Australia from March to November 2013 to better understand how security requirements associated with the new Securing the Air Cargo Supply Chain framework will work in practice. Site visits include informal briefings and interviews as well as direct observation.

Findings

- Air transport is used primarily to export urgent and time critical goods. This involves quick processes to select, pack, dispatch and transport goods to their destination.
- Many of the shippers observed have extensive security controls in place, or characteristics that would enable further security controls to be easily applied.
- During the site visits most businesses (51 out of 65) expressed their interest in joining the Regulated Shipper Scheme in the future, including lower volume and infrequent exporters. A number of reasons for joining the RSS were provided:
  - to avoid possible delays as a result of EACE;
  - unsuitably of x-ray examination of goods;
  - more practical to meet Australian requirements rather than overseas requirements, which are typically onerous; and
  - more cost effective for high volumes of air exports.
- Some businesses saw a marketing advantage in joining the scheme (eg, businesses who manufacture electronic security systems or have Defence contracts, and are keen to advertise as Regulated Shippers). Many of the businesses we spoke to understood and accepted the need for enhanced security in the air cargo environment.

Practices of air cargo exporters, grouped by main commodity type.

- Many businesses already have extensive security measures in place to protect their goods, irrespective of the commodity or industry type, for a host of reasons including: anti-theft; loss prevention; occupational health and safety; intellectual property; contractual and other regulatory obligations (ie, Biosecurity, Customs, Defence, TGA).
- Once goods are designated as air exports, those goods generally do not remain within the business' premises for an extended period of time thereafter. Air exports are usually dispatched on the same day, or otherwise first thing the next morning.

<u>Non-perishables</u>

- Within businesses dealing with non-perishables it is generally difficult to discern what goods are sent by air. Often goods are selected to be sent by air on a needs basis. For example, a customer may be low in stock for a particular item and requires it urgently to ensure they can meet their own production or supply needs.
- The destination of goods is generally not easy to identify. This information is usually linked to job or order numbers, of which the details can only be accessed by a limited number of staff such as sales administrators or operations managers. In most cases warehouse managers are not provided with this information, or even access to this type of information. Further destination information is not discernible from labelling or packaging of goods, including when consolidated.
- In distribution businesses, employees that pick/select and pack goods are not provided with details of the customer, destination, or transportation arrangements. These employees are provided with a picking slip (list of the required items for an order) and do not have access to other administrative systems.

- Some manufacturing businesses pack, or prepare, finished goods ready to be dispatched. As these businesses would typically hold a minimum stock level, it could not be determined which packed goods would ultimately be sent by air, let alone exported.
- Businesses that provide servicing and repairs of parts and equipment return goods to customers on completion by air. These goods are also accompanied with extensive customer information. However, these businesses generally have other security measures in place, including supervision of employees and access control.

Perishables, including produce, meat and live animals

- It is assumed that perishable foods will be sent by air, particularly fresh produce, meat and live fish. However, perishable exporters frequently sell at least some of their product domestically, making it difficult to determine whether goods are destined for international or domestic markets.
- The destination of packed goods is generally not easy to identify. This information is usually linked to customer orders, of which the details can only be accessed by a very limited number of staff, such as the operations manager.
- The nature of perishables also requires very quick turn-around times, from the time an order is received to the goods being dispatched.
- Businesses operating in the cold supply chain, eg, meats and dairy, are highly regulated by the Department of Agriculture. This requires all parties involved in the production and transportation of these commodities to be registered and certified. These businesses are compelled to adhere to stringent requirements about packaging and securing goods in such a way to maintain required temperatures, as well as quality control measures.
- Some perishables businesses have extremely sophisticated access control measures in place to reduce loss by theft, as well as to meet other regulatory requirements (e.g. DA, TGA, etc). These measures often include CCTV, perimeter fencing, alarm systems, uniformed staff and tamper evident packaging.
- Smaller perishable exporters often do not have the same level of access control in place, but may compensate by having small staff numbers with low turnover, supervision of staff and quality control procedures.

LIST OF EXPORTERS/SITES VISITED

Companies / Organisations

Agilent Technology
Alphamed
Alphapharm
Antico International
Anzpac
AS Barr
Australian Aerospace
Australian Aerospace – Brisbane Site
Australian Crocodile Traders
Bronson Jacobs
Brownes Dairy
Caterpillar
CEA Technologies
Coral Reef Co
Craig Mostyn
CSL
Darwin Crocodile Farm
G.B.C Scientific Equipment
Garthfish Tasmania
GlaxoSmithKline
Hastings Deering
Holman Fresh
Homebush Export Meats
Hospira
International Flavours and Fragrances
Jacques
Johnson Screens
Jurlique International
Lagoon Crocodile Farm
Lumineye
Melaleuka
MG Kailis
Morlife
MSA
National Gallery of Australia
National Portrait Gallery
NID
NT Fish P/L

Perth Mint
Reid Fruits
ResMed
Seafresh Australia
Seismic Asia Pacific
Siemens
Stanley Fish
Supply Direct
Tasmanian Alkaloids
TI Produce
Tong Sing
Toshiba
WA Specialty Alloys
The Fish Factory

5. Known Consignor Workshops

Seven workshops were held in Brisbane, Melbourne and Sydney in June and July 2015. Feedback received from workshop attendees identified five key areas of concern: scope, interaction with other legislation, competition, implementation and timeframes

Scope

- Attendees generally preferred for the US-bound air export requirements to apply to all air exports, with some minor dissent from industry associations with membership that includes exporters sending goods solely to non-US destinations.
- Freight forwarders in particular were concerned that if the scheme was for US-bound air cargo only then it wouldn't be cost effective to implement given the equipment, training and personnel security costs involved. Two separate processes would cause logistical problems.
- A concern was that other jurisdictions were likely to bring in similar requirements, so there was no point in developing a two-stream process now, when all exports were likely to fall under the new requirements eventually anyway.

Interaction with other legislation

- Freight forwarders concerned about how new and more robust physical examination requirements would interact with Occupational Health and Safety requirements.
- A specialist perishable freight forwarder questioned whether obligations under other regulatory regimes could be leveraged off.
- A number of exporters raised issues about how the Known Consignor scheme would interact with Department of Agriculture meat exporting requirements.
- It was raised that meat exports are heavily regulated and travel in refrigerated trucks, so are already being transported securely from the consignor to the freight forwarder.

Competition

- Several participants voiced a concern that that the US requirements could create competition issues for both freight forwarders and exporters alike.
- Some freight forwarders were concerned that giving the EACE notice to express freight forwarders before general freight forwarders had a chance to purchase and install equipment would give the express forwarders an unfair early competitive advantage.
- One freight forwarder was concerned that airlines could use these requirements as an excuse to charge more for air cargo.
- Exporters concerned that any cost increases or interruptions due to the requirements would mean that their US customers would simply source goods from elsewhere. Many felt that the requirements would favour both larger freight forwarders and larger exporters since they could absorb costs better.

Implementation

- **Trans-shipped cargo** – Participants asked whether the US requirements would apply to cargo being shipped to South America or Canada for example, if it is shipped via the US. OTS' understanding is that the US requirements would apply.
- How cargo that was transhipped via a transport hub (eg Singapore or Dubai) on the way to the US would be treated? Concerns that any checks performed in Australia for the purpose of US compliance may not be recognised, and the cargo would have to be reinspected at a piece level to meet the US requirements.
- **Personnel security** – Participants asked what kind of checks would be required for employees, and the scope of employees that would require checks.
- Concerns with how the checks would work for businesses that used temporary/casual staff or had to hire relief staff when employees took leave. Issues were also raised about what would happen to existing employees who either refused checks or failed them.
- **Take-up of Known Consignor** - Freight forwarders were concerned about the take up rate for Known Consignor, and felt that a low take up of Known Consignor would mean the examination burden would be too great.
- **Transport of secure cargo** – Exporters and freight forwarders questioned whether mixed truck loads would be considered secure.

Timeframes

The workshop participants were asked about the impact it would have on their business if they had to be compliant by 1 August 2015.

- Consensus among freight forwarders that it would be impossible to implement by 1 August. It would be impossible to purchase and install examination equipment before the deadline.
- The lead time for purchasing ETD equipment was 4-8 weeks and X-ray equipment could be up to six months.
- A 1 August deadline was that it did not leave enough time to develop the skills and knowledge required to load cargo under the new regime, or leave enough time to educate customers and get them to become Known Consignors.
- Exporters either felt meeting the deadline would be impossible or they would be substantially impacted in trying to meet it.
- Freight forwarders were asked whether they thought having one year to implement would be feasible. Some freight forwarders felt a one year implementation timeframe would be a possible, however others thought it would be difficult to impossible. One freight forwarder specifically commented that although they could be prepared to implement within one year, ensuring the whole supply chain was prepared would be much more difficult.

LIST OF PARTICIPANTS TO THE KNOWN CONSIGNOR WORKSHOPS

Companies / Organisations

3M Australia
4 Seas
20Cube Logistics
Advanced Spiral Technology
AGS World Transport
a. hartrodt Australia Pty Ltd
Ai Group
Alfred Chave
All Clear International
Antova Logistics
APC Logistics
APV Safety Products Pty Ltd
ATR Plastics
ATS Logistics
Aviation Security Int. Systems Training Pty Ltd
Auspost
Australia and NZ Toll Global Forwarding
Australian Federation of International Forwarders (AFIF)

Australian Horticultural Exporters Association (AHEA)
Australian Meat Group Pty Ltd
Australian Meat Industry Council
Australian Trade Commission
Bioproperties
Bronways Logistics
Cargo Community Network
Cargohound
Cargolive
Cargo Network International Pty Ltd
Caterpillar
Cathay Pacific
Cathay Pacific Cargo
Century Freight
CEVA Logisitics
C & H Freight
Cochlear
C.T. Freight Pty Ltd
DB Schenker
DefLog International Pty Ltd
Dept Economic Development
DHL
Emo Trans QLD
Ensitech Pty Ltd
Exodus Wear
Fracht Australia
Freight and Trade Alliance
Geodis Wilson Australia
Global Specialized Services
Greenham and Sons
Greenmountain Food Processing Pty Ltd
Hardrodt Australia Pty Ltd
Hellmann Worldwide Logistics Pty Ltd
Hendra (Brisbane)
Henning Harders
Homart Pharmaceuticals
Homebush Export Meat Co. Pty Ltd
Hunt & Hunt Lawyers
Ical international Customs and Logistics
ICE Cargo
JD's Seafood
Jetta Express
IFC Global Logistics
IJS Global
International Air Transport Association
International Cargo Express Pty Ltd
International Trade Management
Keystone Foods
Kingfisher International
Lindsay Fresh Logistics
Logistics and Export Documentation
Mainfreight
Manton Air-Sea
Megafreight
Menzies Aviation
Mort & Co
Navia Logistics
NH Foods Australia
NJ Phillips Pty Ltd
Orbit logistics
Panalpina World Transport Pty Ltd
Powerhouse Logistics
Powerhouse International
Reflex
Resmed Ltd
Rohlig Australia
Sanger Meat Sales and Marketing
Schenker Australia Pty Ltd
SDV Australia
SETEC Pty Ltd
Specific Freight
Stanbroke
Steritech
Stockwell International
TAE
Tanda International Pty Ltd
TFI Global Brisbane
TNT Express
Toll Group
Tradestart
Transitainer
Transways Logistics
UPS
Vision International Forwarding Pty Ltd
Wallace International
Whitestripe Foods
Wymap Group