

Australian Trusted Trader Program - what to do now

July 2015

The Australian Trusted Trader Program will create a new framework for the interaction between Australian Customs and importers and exporters. For those within the Trusted Trader Program, Australian Customs will have the ability to provide flexible outcomes regarding formalities associated with the import and export of goods and payment of duty. This could produce great improvement in supply chain efficiency and costs.

Below we set out what you can be doing now to assess whether the Trusted Trader Program is right for your business and enable your business to become accredited.

WHAT IS THE TRUSTED TRADER PROGRAM

Under the Australian Trusted Trader Program participants will receive trade facilitation benefits in exchange for demonstrating a high level of trade compliance and supply chain security. The program will adopt a tiered model with the available benefits being linked to the tier of the participant.

Initial qualification will be by completion of a self-assessment questionnaire. This will qualify a participant for an interim tier 1 status. Within 12 months Australian Customs will undertake a physical audit which may lead to tier 2 or tier 3 status. Accreditation at any status will require participants to enter into a Trusted Trader Agreement with Australian Customs which will set out the available benefits and obligations of the participant.

A pilot of the program will commence in July 2015 with 4 exporters. The pilot will expand to cover 40 importers, exporters and service providers by mid-2016. The program is expected to officially commence in mid-late 2016.

IS THE TRUSTED TRADER PROGRAM RIGHT FOR YOUR BUSINESS

The Trusted Trader Program is voluntary and there should be no adverse consequences from not taking part in the program. Therefore, businesses will need to identify sufficient benefits of accreditation to justify any additional work involved in becoming accredited and maintaining that accreditation. Given Australia already has a strong reputation for being trade facilitative, many companies will continue to be able to efficiently import and export without becoming accredited.

THE KEY INITIAL ASSESSMENT
HAS TO BE BALANCING
THE BENEFITS AGAINST THE
COSTS OF ACCREDITATION.



WHAT ARE THE BENEFITS

The intended benefits of accreditation in the Trusted Trader Program are listed below. However, it is important to remember that the benefits are not set and the program has the flexibility to provide bespoke benefits for particular members. If you have a unique customs issue, the Trusted Trader Program may provide Australian Customs with the flexibility to produce a tailored solution. Key benefits include:

- » The ability to defer payment of customs duty
- » Streamlined reporting of the entry of goods (currently reporting is on a per consignment basis)
- » Recognition as a trusted trader under the equivalent programs operating in other countries
- » A differentiated compliance approach by Australian Customs (less intervention in the supply chain)
- » A dedicated Australian Customs relationship manager
- » Head of the queue status for services by Australian Customs
- » Recognition in Free Trade Agreements

Not all benefits will be immediately available and not all trusted traders will be entitled to all benefits. For instance, it is expected that streamlined reporting will only be available for those traders that adopt world best supply chain and trade compliance practices.

COST BENEFIT ANALYSIS

The cost benefit analysis will be different for each company. Below we set out factors to consider.

BENEFIT

✓ Duty deferral:

- » How much duty will you pay in the future
- » Is cash flow an important consideration
- » Will duty amounts reduce significantly under Australia's various FTAs

✓ Streamlined reporting:

- » How many import declarations do you currently lodge
- » Do you report the entry of goods internally
- » Do you use an offshore distribution centre
- » Have you experienced problems with assembly orders

✓ Mutual recognition:

- » Do you export goods
- » Do you, or your foreign customers, experience delays at foreign ports
- » Do your export destinations have Authorised Economic Operator (AEO) programs

✓ Differentiated compliance:

- » Are your goods often subjected to pre or post clearance intervention
- » Do Customs compliance activities have an adverse impact on your business
- » What delays do you experience in the supply chain

✓ Head of queue status, Customs relationship manager:

- » How often do you interact with Customs
- » Are delays with Customs impacting your business

COSTS

\$ Supply chain security:

- » How sensitive are your products
- » To what extent do you handle goods before they are cleared for customs purposes
- » Do you predominately use related party suppliers
- » Is supply chain security a business imperative
- » Do you already subject staff, contractors and suppliers to security checks
- » What policies do you already have in place in respect of supply chain security
- » Does anyone currently have direct responsibility for supply chain security
- » Have you had any significant supply chain security breaches

\$ Trade compliance:

- » Are you involved in the customs entry of goods
- » If entry of goods is by a third party broker, is the work of that broker reviewed
- » What policies do you have in place in respect of trade compliance
- » Is anyone currently directly responsible for trade compliance
- » Is trade compliance part of your annual audit
- » Do you utilise a high level of concessions
- » Are your goods generally duty free
- » Do you have rulings for contentious classifications or use of concessions
- » Do you adopt any valuation strategies to manage duty
- » Have there been any significant trade compliance breaches in the past



GENERAL QUESTIONS:

- » Are your related parties accredited in other countries' AEO programs
- » Do you adopt global policies that are built around AEO accreditation
- » Are your customs brokers and carriers intending to be accredited
- » Is it important to your parent company that you be accredited
- » How important is a high level of supply chain security and trade compliance to your business

There are some companies that generally have very secure supply chains because it is a business imperative (pharmaceutical, food manufacture, high value goods, alcohol/tobacco). Equally, there are companies that have traditionally been subject to high duty rates and will have a greater level of trade compliance resources (automotive, clothing and textiles, plastics). These companies may find that very few changes are required to qualify for the Trusted Trader Program.

In addition, multinationals may find that they are already adopting global policies based on foreign Trusted Trader/AEO Programs that position them well to qualify for the Australian program.

WHILE THE TRUSTED TRADER PROGRAM MAY NOT START IN FULL UNTIL MID-2016, ACCREDITATION REQUIRES TWO YEARS OF PAST TRADE COMPLIANCE. THEREFORE, FUTURE APPLICANTS NEED TO ACT NOW TO ENSURE ELIGIBILITY FOR THE PROGRAM IN 2016-17.

HOW WE CAN HELP
Trusted Trader Accreditation involves overlapping legal, customs and logistics issues. You cannot adequately advise on this area without a deep understanding of international supply chains and customs compliance. Our dedicated Customs and Global Trade practice group is uniquely positioned to help you:

- » Assess the benefits of the Trusted Trader Program for your company
- » Identify strengths and weaknesses in your supply chain security
- » Audit your level of trade compliance and manage disclosure of any non-compliance
- » Facilitate involvement in the pilot program
- » Assist with the expression of interest and completion of the self-assessment questionnaire
- » Lead meetings with the Trusted Trader Branch and attend on-site Customs audits
- » Identify changes to current supplier and service agreements that will help provide the Trusted Trader Branch with confidence regarding the security of your entire supply chain
- » Identify existing practices and policies that will support a claim for Trusted Trader Accreditation and audit compliance
- » Draft internal trade compliance and supply chain security policies and manuals
- » Negotiate and review proposed Trusted Trader agreements.
- » Negotiate the granting of bespoke benefits.
- » Provide staff training on the requirements of the Trusted Trader program to help ensure accreditation is maintained.

WHY HUNT & HUNT

Our Customs and Global Trade team collectively has more than 20 years' experience in customs and international trade issues. Most recently we have been taking part in Trusted Trader discussion panels alongside the head of the Trusted Trader Branch and representatives from the Department of Agriculture. Further, in conjunction with the industry association Freight & Trade Alliance, we have contributed to the development of the Trusted Trader Program and taken part in the Industry Advisory Group that assisted Customs in developing the program.



Unlike many customs consultants whose primary experience is in lowering duty costs and obtaining refunds, we specialise in customs compliance. Our team has experience in conducting international trade compliance audits of some of Australia's largest importers. We also have significant experience in responding to external Customs audits. Importantly, we can identify the areas that will be of greatest concern to the Trusted Trader Branch when reviewing your application to be a Trusted Trader.

Please feel free to contact a member of our Customs and Global Trade team if you would like to discuss the Australian Trusted Trader Program further.



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