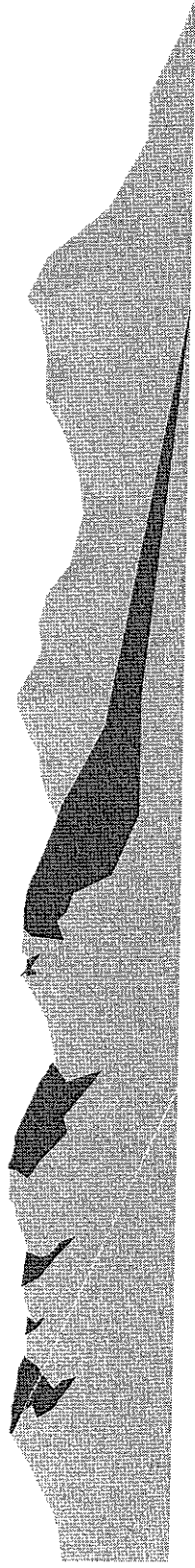



AUTHORIZED ECONOMIC OPERATORS

**Security and the WCO SAFE
Framework of Standards**

**World Customs Organization,
Brussels**







AUTHORIZED ECONOMIC OPERATORS

Security and the WCO SAFE Framework of Standards

World Customs Organization,
Brussels




1




THREE AEO COMPONENTS

- I. Conditions, Requirements, Benefits;
- II. Validation and Authorization;
- III. Mutual Recognition




2




GUIDING PRINCIPLES

- Core International Standards to Strengthen Global Supply Chain Security form a Baseline for Participation;
- Standards May be Supplemented Nationally;
- Clear & Tangible Benefits a Necessity;
- Implementation of Mutual Recognition Programs Requires a Phased Approach;




3




THE MANDATE FROM "SAFE"

"The Customs administration, together with representatives from the trade community, will design validation processes or quality accreditation [authorization] procedures that offer incentives to businesses through their status as Authorized Economic Operators."

(SAFE, Pillar 2, Standard 3)




4




DEFINITIONS

- Authorized Economic Operator (AEO);
- Shipment or Transport Conveyance;
- Third Party Validator;
- Authorization;
- Phased Approach;
- Validation




5



Authorized Economic Operators


- The concept of an "Authorized Economic Operator" (AEO) is defined in the Framework
- An AEO is a party that takes extraordinary measures to assist Customs administrations in carrying out their security-related mandates



6

Authorized Economic Operators (II)


- An AEO is to be provided with facilitation benefits that are tangible, reportable and measurable
- Customs should facilitate those benefits at the international level through the ultimate “mutual recognition” of other partnership programs



7

Objectives of the AEO Approach


- Establish “baseline” security standards to promote certainty and predictability at a global level
- Create optimal setting for “mutual recognition” by ensuring that key security-focused standards are integrated
- Provide a flexible platform for differing AEO business models by avoiding overly prescriptive/detailed standards



8

AEO Technical Guidance


- The SAFE “Authorized Economic Operator” (AEO) guidance was adopted by the WCO Council in June
- Designed to standardize the security-related requirements for those seeking AEO status and applicable benefits



9

AEO Technical Guidance

- Divided into components that address the security standards for specific elements of the supply chain, the need for tangible benefits to be offered, and a focus on mutual recognition




10

I. CONDITIONS & REQUIREMENTS: CUSTOMS AND THE AEO

First of the Three AEO Document Components:

- Thirteen Detailed Requirements Sections (Lettered A-M);
- Section Listing Benefits to the AEO.




11


DETAILED REQUIREMENTS

Demonstrated Compliance with Customs Requirements

Satisfactory System for Management of Commercial Records



12




DETAILED REQUIREMENTS


Financial Viability

Consultation Cooperation and Communication

Education, Training and Awareness



13




DETAILED REQUIREMENTS


Confidentiality

Cargo Security

Conveyance Security



14




DETAILED REQUIREMENTS


Premises Security

Personnel Security

Trading Partner Security




15




DETAILED REQUIREMENTS

Crisis Management and Incident Recovery

Measurement, Analysis and Improvement




16




DETAILED REQUIREMENTS

Crisis Management and Incident Recovery

Measurement, Analysis and Improvement




17



BENEFITS TO THE AEO

- Benefits to an AEO are Additional to those Given to Others in the Trade Community. Normal Services and Benefits are not Withdrawn from Non-AEO Traders;
- AEO Benefits are Specific and Tangible and are Grouped in Four Categories Listed (A-D);
- The Benefits List is Indicative and May Be Supplemented at a National Level.



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AEO BENEFITS, GROUP "A"

Measures to Expedite Cargo Release,
Reduce Transit Time and Lower
Storage Costs

19

AEO BENEFITS, GROUP "B"

Providing Access to Information of Value
to AEO Participants

20

AEO BENEFITS, GROUP "C"

Special Measures Relating to Periods of
Trade Disruption or Elevated Threat

21

AEO BENEFITS, GROUP "D"

First Consideration for Participation in
Any New Cargo Processing Programs

22

II. VALIDATION AND AUTHORIZATION

The Second of the Three AEO Document
Components:

- Provides Discussion Regarding Application for and Authorization of AEO Status;
- Contains General Information on the Process of Validating AEO Qualifications;
- Discusses the Need for Communication and Review Concerning Levels of AEO Compliance;
- Provides a Process Outline for AEO and Customs Use in Validation and Authorization Activities;

23

DESIGN AND IMPLEMENTATION OF VALIDATION PROCEDURES

- WCO Document Offers Guidance Only;
- Design Obligation Lies with Members;
- Procedures Should Conform to SAFE;
- Incentive Based Benefits to be Included;
- Risk Rating Tied to Supply Chain Role;

24

APPLICATION AND AUTHORIZATION

- SAFE Standards to be Incorporated into AEO Practices and Procedures;
- AEO Must Have Self-Assessment Process and Manager;
- Authorization Granted by National Customs, not by WCO;

25

VALIDATION PROCEDURE

- A 3rd Party Validator may be used for Assessment;
- Customs, not the 3rd Party, Authorizes an AEO;
- AEO May Request Processing by Customs;
- All Information is Confidential.

26

REVIEW AND MAINTENANCE

- Joint Customs and AEO Reviews to Maintain and/or Enhance Compliance Levels;
- Customs May Require Periodic Reports of Required Information from an AEO;
- Customs Members May Hold Regular Seminars to Discuss Common Problems and Share Best AEO Practices

27

FUTURE DEVELOPMENTS

Standardized AEO Accreditation Provides a Platform for Mutual Recognition of AEO Status at Bilateral, Sub-Regional, Regional and Global Levels.

AEO's Realize Same Benefits, Improved Predictability and Enhanced Efficiency in all Countries Applying those same Standards.

28

VALIDATION AND AUTHORIZATION ANNEX

- Provides an Authorization Process Outline for the Prospective AEO;
- Lists Indicative Authorization Criteria to Become an AEO for Use by Customs;
- AEO Must First Meet all SAFE Criteria;
- Authorization Valid Unless Revoked, Withdrawn or Suspended;
- Customs Members May Adjust Process nationally

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III. MUTUAL RECOGNITION

Third AEO Document Component:

- Recognition that Mutual Recognition will Evolve Over Time (Phase-In Approach);
- Mutual Recognition Relates to SAFE Under:
 - 1 Pillar 2, Std 3, Authorization;
 - 2 Pillar 1, Std 6, Advance Electronic Information;
 - 3 Pillar 1, Std. 7, Targeting & Communication

30

THE TWO SIDES OF THE MUTUAL RECOGNITION COIN

- Customs Recognizing AEO Authorizations Granted by Other Customs Members;
- Customs Recognizing and Relying Upon Security and Control Regimes Employed by Other Customs Members

31

AND FINALLY !

A Summary of the Essential AEO Concepts

- Implementation Key: Capacity Building;
- AEO & SAFE Key: Mutual Recognition;
- SAFE Cornerstone: Global Standards;
- Sustaining Factor: Partnership

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THANK-YOU

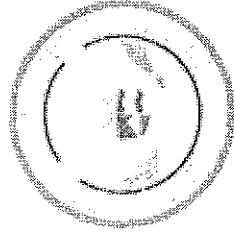
Bob Struthers

Technical Officer
World Customs Organization, Brussels

robert.struthers@wcoomd.org
+32 (0) 2209 9345
www.wcoomd.org

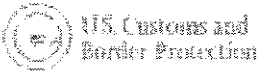
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**United States Customs and Border
Protection (CBP) and New Zealand
Customs Service (NZCS): Implementing
the Asia-Pacific Economic Cooperation
(APEC) Framework**



**U.S. Customs and
Border Protection**

United States Customs and Border Protection (CBP) and New Zealand Customs Service (NZCS): Implementing the Asia-Pacific Economic Cooperation (APEC) Framework



Fundamental Concepts

"To Create an Environment for the Secure and Efficient Movement of Goods, Service and People Across Borders in the Region Through Policy Alignment and Economic and Technical Cooperation"

- Requires Committed Partnership
- Recognizing complementary roles
- Balancing border security with facilitating legitimate trade
- Focusing on greatest risks
- Developing strategies in the fight against global terrorism

CBP and NZCS: Implementing the APEC Framework

Four Core Elements of Framework:

- Advance Electronic Manifest Information
- Common Risk-Management Approach
- Outbound Inspection of High-Risk Containers Using Non-Intrusive Detection Equipment Upon Specific Request by the Importing Economy
- Enhanced Trade Facilitation for Legitimate Trade Through Direct Participation in Customs-to-Business Partnership

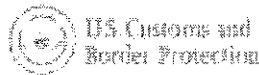
Two Pillars:

- Customs-to-Customs
- Customs-to-Business Partnership

CBP and NZCS: Pillar One

Customs-to-Customs Network Arrangements:

- Integrated Supply Chain Security Without Unduly Impeding the Flow of Commerce
- Cargo Inspection Authority
- Modern Technology
- Advance Electronic Information
- Targeting and Communication
- Outbound Security Inspection
- Security Assessments
- Employee Integrity



CBP and NZCS: Network Arrangements

- CBP/NZCS National Targeting Centers
- 24 Hour Advance Manifest Rule
- Customs-Trade Partnership Against Terrorism (C-TPAT)
- Secure Exports Partnership Scheme (SES)

CBP National Targeting Center (NTC)

Mission:

- to provide tactical targeting and analytical research support for CBP anti-terrorism efforts

Mission Scope:

- conduct tactical targeting
- identify actionable targets
- generate advances queries

NTC Liaison Role:

- Interfaces with NZCS NTC whereby CBP NTC targets for exam high-risk cargo exported from or transiting through New Zealand and destined for the United States

C-TPAT

Mission:

to apply security measures to secure international supply chains against terrorism

Mission Scope:

Securing the supply chain by providing appropriate security at all times at every facility and for every means of conveyance

C-TPAT

- 39 validation conducted in New Zealand in 2006

Secure Exports Partnership Scheme (SES) Program

- an integrated component of NZCS's operational supply chain security initiative based on security and comparable implementation with C-TPAT
- very solid program whereby CBP and NZCS officials work and train jointly in assessing program implementation

24 Hour Advance Manifest Rule

- Effective in 2002
 - Requires presentation of cargo declaration to CBP 24 hours before is loaded on vessels bound for the U.S.
- High risk containers are identified prior to vessel load and inspected at the load port.

CBP and NZCS: Supply Chain Security Arrangement

Success:

Muhammed Abdullah Case

- > CBP/NZCS identified Mr. Abdullah as a lookout during its review of shipments destined for the U.S. from New Zealand.
- > Specific information sharing between CBP and NZCS resulted in Mr. Abdullah's deportation
- > Information that identified Mr. Abdullah as a potential terrorist with ties to the September 11 2001 perpetrators



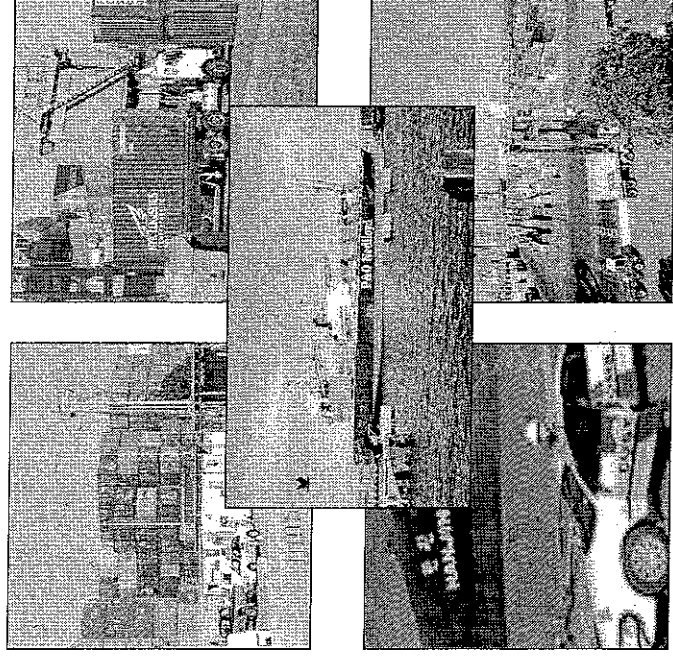
U.S. Customs and
Border Protection



Australian Government
Australian Customs Service

SUPPLY CHAIN SECURITY & AUTHORISED ECONOMIC OPERATOR

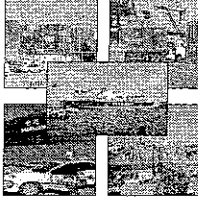
AUSTRALIA'S APPROACH



Australian Government
Australian Customs Service

SUPPLY CHAIN SECURITY & AUTHORIZED ECONOMIC OPERATOR

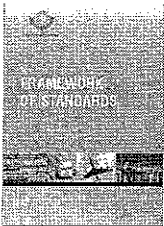
AUSTRALIA'S APPROACH



Australian Government
Australian Customs Service

Implementation of WCO Framework


- Compliance with three of the four core elements
- Focus is on developing and implementing an AEO program:



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Progress to Date


- Developed AEO strategy and key elements
- Discussion with:
 - Australian industry,
 - Other Australian Government agencies and
 - Other Custom Administrations
- Commencing with a 'Proof of Concept' project



Australian Government
Australian Customs Service

Industry Reactions

- Strong support for the concept
- Interest and willingness to participate
- Further information required
- Importance of tangible benefits
- Importance of bi-lateral agreements for mutual recognition
- Feeling that major companies would substantially comply already with the criteria




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Australian Customs Service

Key Elements

An Australian AEO Program will be:

- Consistent with WCO / AEO standards
- Inclusive of imports exports aviation and maritime
- Voluntary and open to all parties in the Australian supply chain
- Subject to regular review and re-certification



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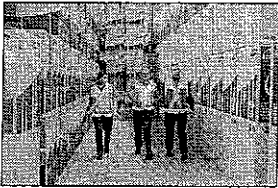
Proposed Model

Application	Australian business undertakes a self assessment and applies for certification
↓	
Assessment and certification	Customs reviews and validates associated plan and if acceptable certifies the business
↓	
Audit and review	Customs undertakes regular or periodic audit and review as required

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Benefits

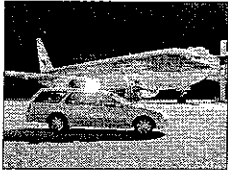
- In the event of a terrorist incident, the trade and economic impacts on a certified business would be reduced



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Department of Customs

Mutual Recognition


A process or framework that permits the status or "authorisation" of an AEO within one jurisdiction to be recognised and accepted by another jurisdiction



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Why is Mutual Recognition Important


- Mutual recognition will be a pre-requisite for participation by many companies
- Much of industry will not participate if multiple assessments are involved
- Increased efficiency of the "authorisation" process for both industry and Customs administrations



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Challenges to achieve harmonisation of standards and mutual recognition

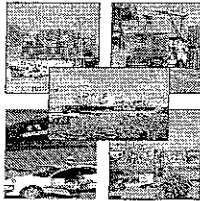
- Establishing AEO programs in each of our countries
- Agreeing on sufficiently detailed standards so as to ensure consistent outcomes
- Timing differences
- The way forward - bilateral negotiations



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AUTHORISED ECONOMIC OPERATOR SUPPLY CHAIN SECURITY PROGRAM


PROOF OF CONCEPT



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Objectives

- 1 Test and fine-tune the application and assessment processes for an Australian program; and
- 2 Reach agreement on mutual recognition




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How will it work?

- Engage a small number of Australian companies
- Participating companies develop the necessary security profile

Security profiles would be lodged for assessment and validation




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Security Requirements

Draft Australian requirements:


- 10 sections
- Recognition of other regulatory or accreditation processes
- Flexibility of operations
- Compliance with WCO & overseas Customs programs



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Outcomes Sought

- Evaluation of the processes and procedures to validate a company as supply chain security compliant
- Assessment of mutual recognition
- Leadership into APEC 2007



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Why

For industry

- opportunity to secure and protect overseas interests
- provide some assurance that international trade will continue

For Customs administrations


- understanding the proposed supply chain accreditation process within Australia
- work through barriers or concerns regarding mutual recognition



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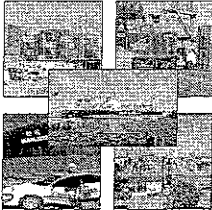
Process

- WCO self-assessment checklist
- Developed AEO strategy
- Development of minimum criteria and validation procedures
- Effective working relationships



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Questions






Modern Terminals

Implications of Container Security Pilot Project in HK

Presentation at WCO Regional Seminar

15 Feb 2007


Partner with the Best



Implications of Container Security Pilot Project in HK

Presentation at WCO Regional Seminar
15 Feb 2007


Partner with the Best



Objectives

- To reinforce the capability of 100% container scanning that Kwai Chung Container Terminal Operators in Hong Kong have demonstrated to address the issue of "What's in the box"
- To illustrate the implications of Integrated Container Inspection System (ICIS) pilot project towards WCO Framework AEO SAFE Port Act and Secure Freight Initiative

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WCO Framework


4 Core Elements

- 1 Harmonized the advanced electronic manifest information requirements for shipments
- 2 Participating countries employ a consistent risk management approach
- 3 Sending nations will perform non-intrusive outbound shipment inspection to receiving nations
- 4 Benefits to business that meet minimum supply chain security standards and best practice

2 Pillars

- 1 Customs-to-Customs network arrangement
- 2 Customs-to-Business partnership arrangement


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Authorized Economic Operator (AEO)

- A party involved in the international movement of goods complying with WCO or equivalent supply chain standard
- Developed to support the Pillar II – Customs-to- Business Partnership
- Leverage transport communities experience and knowledge that can benefit Customs Administrations in management of their facilitation and security responsibilities
- Provide clear and tangible benefits as incentive to business sectors


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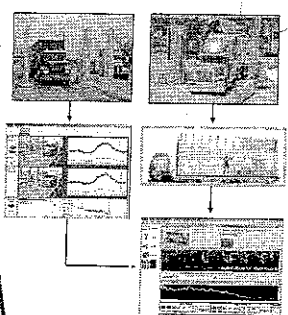
Role of Kwai Chung Container Terminal Operators in global supply chain security

- Container Terminal is key choke point along supply chain and operators are possessing a permanence relationship with stakeholders on a long term basis
- Capacity built to address "What's in the box" that can facilitate transportation of low risk cargo and enhance global supply chain without impact to commerce flow
- We commit ourselves to engaging all stakeholders, bolstering our capacity to manage our common problems and demonstrating the right solutions for the community

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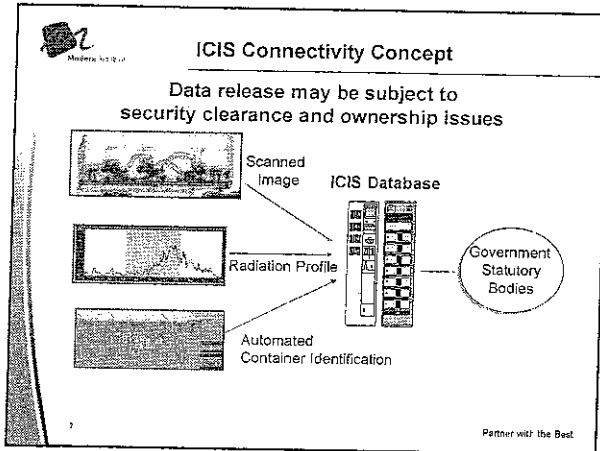
Objectives of ICIS Pilot Project



- Increases container security with high throughput
- Without impact to commerce flow
- RPM identifies radioactive cargo
- VACIS images reveal cargo shape and density
- OCR links scanning data to container and manifest
- All information integrated in a single display and record

Radiation profile + radiographic image + container ID + manifest = What's in the box

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- ### Implications of ICIS Pilot Project
- Demonstrated capacity to realize concept of 100% scanning of containers and addressed issue of "What's in the box"
 - Aroused world's attention to a security initiative driven by business sector
 - Helped to foster SAFE Port Act and Secure Freight Initiative
 - Continues to serve as a pathway for US government to work along to refine integrated screening and scanning in overseas ports
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- ### SAFE Port Act
- US has released 'Security and Accountability For Every Port Act of 2006' (SAFE Port Act) in Oct 2006
 - Objectives of SAFE Port Act:
 - Improves maritime and cargo security through enhanced layered defenses
 - Places timelines on expansion of security programmes with shippers and overseas ports
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Implementation Schedule of Integrated Scanning Solution under SAFE Port Act

Reference timeline	Actions
13 October 2006	Enactment of the "SAFE Port Act"
No later than 90 days of Enactment (approximately by January 2007)	3 overseas ports will be chosen by the US to establish pilot integrated scanning system in which 100 percent of cargo being sent to the US will be scanned
No later than 1 year of Enactment (approximately by October 2007)	Full scale implementation of the pilot integrated scanning system at the designated ports will be achieved
No later than 180 days after achieving full scale implementation (approximately by April 2008)	Evaluation and assessment report of full scale implementation of the pilot integrated scanning system at the designated ports will be compiled by the Department of Homeland Security, US
No later than 6 months after the submission of report (approximately by October 2008)	The Secretary of Homeland Security will deliver a report to US Congress describing the plan to achieve a full-scale implementation of the integrated scanning solution
Report every 6 months thereafter	The Secretary of Homeland Security will deliver reports to US Congress providing updates on the status of the full-scale implementation

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- ### Implications of SAFE Port Act
- The "SAFE Port Act" points to the future direction that carriers will be required to provide radiation scanning and cargo imaging (as NII implementation) if they want to ship containers to the US
 - The Act confirms the ICIS pilot in HK, as ICIS already involves the deployment of optical character recognition technology, radiographic imaging and radiation scanning of containers on moving trucks
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- ### Secure Freight Initiative
- Vision established in July 2005 by Department of Homeland Security US
 - Objectives of Secure Freight Initiative:
 - to work with private sector with new global maritime security standards to elevate standard of maritime security for the entire world
 - introduce a system which can balance the security need with the economic need to have a global and robust trade capability
- Partner with the Best



Secure Freight Initiative

Go beyond SAFE Port Act requirement to place RPM, X-Ray Radiography machines and OCR in 6 foreign ports

- 1) Port Qasim(Pakistan)
- 2) Puerto Cortes(Honduras)
- 3) Southampton(U.K.)


**100% scanning of US-bound cargoes*

- 4) Port of Salalah (Oman)
- 5) Port of Singapore(Singapore)
- 6) Gamman Terminal(Port of Busan)

**Conduct limited scanning of US-bound cargoes*

US will soon conduct pilots at these ports using latest generation scanning products but following same approach initiated by Kwai Chung container terminal operators

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Implications of Secure Freight Initiative

- A multi-government partnership to raise security standards and trade efficiency around the globe
- A powerful template for government-to-government and public-to-private sectors
- Allow host governments overseas visibility into potential dangerous shipments in their own port

Urge a need for Customs to gather, fuse and analyse more complete information from the global supply chain

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Next Steps

- The total volume of US and Europe trade handled through Kwai Chung container terminals was about 6 million TEUs in 2006, ie about 38% of total volume which was a considerable amount to the local port community
- Kwai Chung container terminal operators should get themselves prepared for responding to the new moves in global security regime so that Hong Kong Port will maintain a competitive edge over the neighbouring ports

We will continue to forge new and appropriate alliance with Customs to assist Customs administrations with their security – related mandates

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Thank you

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Airline's Views

CLG presentation to WCO Regional Seminar on SAFE
Framework of Standards

Albert Lo, CLG Chairman

Hong Kong
15 FEB 2007

Airline's Views

CLG presentation to WCO Regional Seminar on SAFE
Framework of Standards

Albert Lo CLG Chairman

Hong Kong
15 FEB 2007

Favor

- Secured supply chain
- Advance cargo information
- Risk assessment
- Target screening
- Harmonized program
- Single window

Not Favor

- 100% inspection
- Dependency of paper documents
- Airlines shoulder all the responsibility

Challenges

- Standardization
 - 2 key elements of the transport document are in free format, i.e.
 - Shipper/consignee names and address
 - Goods description
- Complexity related to consolidation
 - House waybill
 - Role and legal status of consolidator
- Ownership of data
- Authority accepting data from AEO

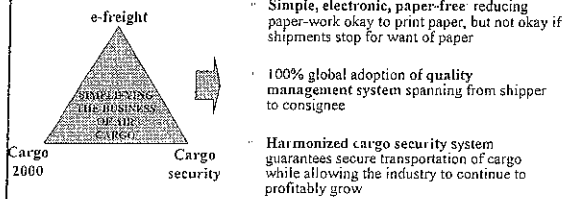
Introducing IATA e-freight

- IATA e-freight is an industry initiative to simplify the business
- IATA e-freight complements WCO SAFE Framework of Standards for secured supply chain
- Accurate and timely electronic records plus quality management system in IATA e-freight help to develop the secured supply chain

IATA e-freight: in a nutshell

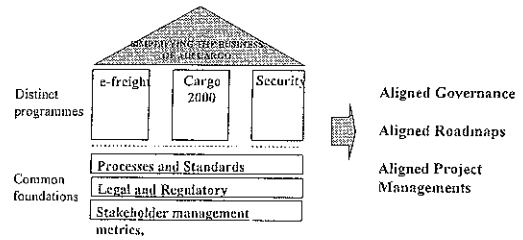
- What is it?
 - A joint air cargo industry programme of carriers, forwarders and customs, led by IATA
 - Aimed at eliminating need to produce and transport all paper documents for air cargo shipments
- What is it worth?
 - 1.2b US\$ air cargo supply chain cost saving driven by 80% reduction in cost of paper-work
- When will full benefits be delivered?
 - Dec 2010 onwards with early adoption Dec 2007 onwards
- What is our approach?
 - Business change supported by automation if necessary
 - E-freight complimentary but aligned to Cargo 2000
 - E-freight will enable enhanced supply chain integrity to customers

Simplifying the Business of Air Cargo



- Simple, electronic, paper-free reducing paper-work okay to print paper, but not okay if shipments stop for want of paper
- 100% global adoption of quality management system spanning from shipper to consignee
- Harmonized cargo security system guarantees secure transportation of cargo while allowing the industry to continue to profitably grow

Simplifying the Business of Air Cargo



Common foundations

Processes and Standards
 Legal and Regulatory
 Stakeholder management metrics,

Hong Kong – one of the 5 IATA e-freight pilot country/area

- Among Canada, Netherlands, Singapore and U.K., Hong Kong is one of the pilot country/area to implement in 2007
- EFMG (e-freight management group) will be set up in end FEB
- Our short term goal is to replace air waybill, house ULD manifest and house waybill with electronic record. As required, physical document can be reproduced from the electronic record

Voluntary or Mandatory

- We have a different about voluntary program. It is difficult to standardize the process if it is a voluntary program
- Move towards mandatory by phases
- Include service providers in the first phase;
 - Airlines
 - Freight forwarders and consolidators
 - Cargo terminal
 - Customs brokers
 - Trucking operators