

National Committee on Trade Facilitation (NCTF)

22 November 2023

Digitalising international trade systems - lessons learnt for Australia

Paul Zalai

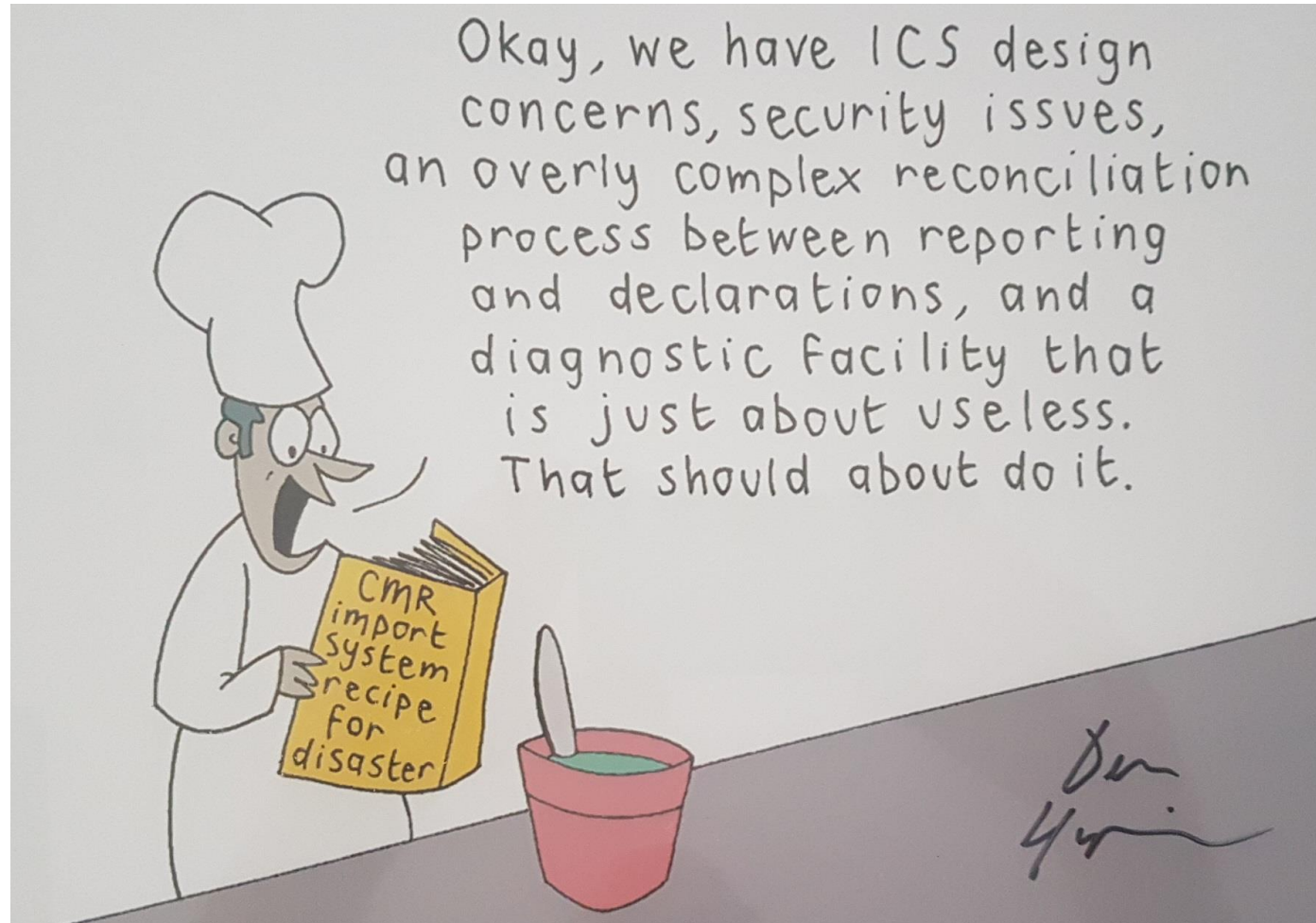
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- COMPILE (1970s), EXIT (1980s) EDIFICE, ACA, SCA (1990s) evolved from manual processing of import / export entries and screening of AWBs and manifests.
- Dedicated communication networks managed by Tradegate.
- 1997 Customs published the Cargo Management Strategy (CMS) which led to the Cargo Management Re-engineering (CMR) initiative – conceptual design of business processes, legislation and systems.
- Little ‘re-engineering’ ...more ‘re-doing’ with the same processes, albeit it now using ‘modern’ Internet protocols to interface with the Integrated Cargo System (ICS).
- Introduction of an enhanced compliance framework with the introduction of the Infringement Notice Scheme (INS) as a part of the Trade Modernisation Legislation.
- Innovations such as Periodic Declarations as a part of the ‘Accredited Client Program’ ended up on the scrap heap to fast-track implementation.

- Design flaws from legacy systems (corrected over time through trial & error) were re-built into the ICS design – complex reconciliation between reporting and declarations and limited diagnostics; combined with industry systems not completed or fully tested painted the picture of a ‘recipe for disaster’.



Digitalising international trade systems - lessons learnt for Australia



- After false starts and re-scheduling of the imports phase, Customs faced a race against the clock with COMPILE (Unisys mainframe) having a hard end-date of 3 February 2006 – while industry raised serious concerns about the readiness to proceed, Customs decided to ‘go live’ on 12 October 2005.

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Mainframe Workspace.3270 Display - CACC16 - NS/ElitePlus Display
Session Edit View Tools Macro Help
START5          UNISYS LOGON SCREEN          PID 3335      IBM3270      282
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          *          *****          *****
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          ****          ***          ***          ** Australian
          *** **          * *          ***          Customs
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All users: See f5 pgs 20-25-February CPI adjustments operative 01/02/06 (27/01
ALL users: Interim dumping duty for preserved mushrooms ex China          (12/01)
ALL USERS: See f2 pg47-49 COMPILE TURN OFF FEBRUARY 3, 2006          11/01/06
All users: See f2 pg41-CUTOVER FROM COMPILE TO THE ICS

          Userid :           Password :

          New Password :
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2B
Ready R:20 C:026 ID:a LU:01 NUM
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- Implementation 12 October 2005 – ports and airports become gridlocked in days after ‘big bang’



Cargo overload

Political pressure pushed Customs into introducing its new cargo handling system too early, reports Simon Hayes

CONFIDENCE was in surplus at the Australian Customs Service when the Integrated Cargo System was launched back in early October.

So buoyant were the project's backers that when asked if the breaking and forwarding industry's predictions of the system falling over were correct, a spokesman declared "there's nothing to indicate the system won't be able to cope with anything thrown at it".

Amazingly, the agency has failed to eat more than a couple of crumbs of humble pie since that disastrous day.

In the few weeks, as cargo piled up at airports and docks around Australia, Customs maintained its system was not causing the problems. Aside from a brief admission from a senior Customs officer that all was not well: "things we tested, which worked well, in reality didn't work well", the agency has stuck with its initial strategy of blaming users for inputting incorrect information.

Customs admits a secret internal report warned that its mainframe capacity was insufficient to run the new software, but maintains it scheduled a post-launch increase to handle the demand.

While internal emails and sources have said the system was losing messages, the agency has denied this.

Customs Minister Chris Ellison told Parliament last week the majority of users were now on the new system. "We now have in excess of 99 per cent of users on the new system, and there are only a handful that are relying on the old system," he says. "The new industry action group we have set up is working very well."

"It might remind the Senate that this is a very big project indeed — one of the largest programs in the southern hemisphere. The US is doing the same thing and it is taking them 10 years and costing \$32 billion."

The mega-project nature of the ICS is unusual in a climate where big technology rollouts are generally split into smaller pieces of work, spread out over time.

Just as outsourcing contracts have been broken up, so project work has become more programmatic, experts say.

"The old days where you'd take three to four years to deliver something are gone," says Accenture managing director Douglas Snedden. "Now you have to deliver some-

thing every quarter. People have moved to doing more programmatic stuff." Lost messages and inadequate capacity aside, analysts say the biggest problem was the size and complexity of the project.

In demanding far more data than the legacy Compile system had, the ICS asked too much of importers and freight forwarders. All in all, the gurus say, the ICS has joined Westpac's CS90 project, Sydney Water's Customer Information and Billing System and RMIT's PeopleSoft deployment as object lessons in how not to run a large project.

Problem number one, according to sources, was that Customs was not heeding industry advice on system design. "I reckon it starts back when EDS started as outsourcer and Customs staff were pushed over," says a person familiar with the ICS project. "Those people left with an enormous amount of knowledge. From then on it was hard for industry to convince Customs of what was needed. Customs had a strong view, and they wanted to convince industry it was wrong."

Problem number two was that Customs was under political pressure to move to the new system, and was approaching a deadline to shift from its old Unisys mainframe.

With the project already two years overdue and massively over the original budget estimate, delaying further was not an option.

"Customs had to take it live, but it was not correct," it was not debugged and it was not finished," the source says.

That is a point disputed by the minister's office. A spokesman says the upcoming Christmas break left no other period in which to introduce the system.

The biggest problem was the amount of detail the new system required. Dots, dashes and spaces all had to be in the same place, causing big problems for the industry.

"It wasn't a problem with software, although there were lots of problems with that and with project management," the source says. "The fundamental design flaw was that they asked for very explicit details."

"The industry doesn't do well with that because many of these documents are created in countries where people don't speak English."

Customs disputes the criticisms, saying it did consult widely with the industry in the lead-up to the rollout. A Customs spokeswoman argues that the complex system was necessary.

"Given the current security environment it was vital that Australia move to an integrated system providing enhanced security, for border protection and the supply chain," she says. "The required level of data accuracy is a key aspect of the system that will ensure Australia's borders and community are better protected, while also enhancing revenue protection."

For importers and exporters, the ICS has been an unmitigated disaster.

A spokesman for the Customs Brokers and Forwarders Council of Australia says the project simply got out of hand.

"Far from being a controlled rollout, the broker-forwarder community and Customs were completely unprepared following the introduction of the ICS, and no-one could believe the level of delays and system failures," he says.

"For three days the Customs system was unusable. It was a full-scale disaster. The ports filled to capacity and relief arrived only due to ICS system bypasses, wet-stamping and the forced introduction of manual overrides and human intervention from both Customs and the industry."

"Persistent public denial by Customs that the ICS had significant problems and short-comings undermines the enormous effort

Continued — Page 4

'IT WAS A FULL-SCALE DISASTER. THE PORTS FILLED TO CAPACITY'

Information Technology 49

Teething problems with new customs web site

On-line customs chaos in Australia

Serious problems with the new national on-line customs system have almost brought Australia's ports and airports to a standstill. The customs authorities, shippers and freight forwarders are tackling the problem of «how to beat the system?»



After two years of intensive preparation, which has also been accompanied by numerous warnings from both shippers as well as from the transport industry, the Australian customs service's new «cargo management re-engineering system» or «integrated customs system» (ICS) is unfortunately severely malfunctioning. This has led to customs clearance procedures only being able to move exceedingly slowly. This means that the discharge of imported goods only progresses very sluggishly in the ports, and that the air cargo clearance system in the airports has effectively come to a halt.

Working round the clock

There were freight forwarding companies spread across the length and breadth of the country working around the clock, seeking to find alternative solutions to moving the cargo, as the customs interactive web site «Compile», and the interactive customs system only functioned very badly, and at some times did not even work at all.

An emergency meeting was convened which was attended by the Australian Customs Service, the Australian Federation of International Forwarders and the Customs Brokers and Forwarders Council of Australia. The major issues were discussed in an attempt to reach an interim solution.

Seeking an interim solution

The system user representative, Paul Zalai, said that the status and diagnostic aspects of the customs service's interactive web site were not functioning. Major complications were arising, driven, amongst other things, by the complexities of working the Compile system, he said. Forwarders had been able to use Compile temporarily, but merely as a fallback measure, whilst many forwarders added that customs centres were taking up to five hours.

«Customs support staff are working hard, but are struggling to cope with the enquiries they receive», Zalai elaborated. In addition, electronic data interchange transaction response times were said to be completely inadequate by those involved, he added. Some industry third-party software was still not functioning as expected either, he continued.

Airfreight severely affected too

The clearance of cargo at port terminals is continuing at a very slow pace, with industry sources predicting major clearance delays. Zalai said that «airfreight terminal operators have been excellent and responsive in working around the problems. We hope that the stevedores will do the same».

An industry source said Qantas Freight's Melbourne terminal was bursting at the seams and that cargo was being lined up on the tarmac. Many airfreight forwarders had not been able to clear cargo for days and days, and storage charges of approximately AUD 100 (USD 77) per container have started to apply. «There is obviously a serious glitch in the system that could take weeks to sort out,» a forwarder said. Express carriers had been forced to switch over to manual processing. Qantas Freight said that it was monitoring the situation very closely and that it was in close consultation with the customs authorities and the transport industry, seeking to provide «alternative storage arrangements».

Seeking an interim solution

A customs service representative was forced to admit that the service was «experiencing teething problems». A minor outage of approximately 75 minutes had indeed occurred in the early stages, she said. But overall ICS was working reasonably well, even though only about 150,000 import messages had been processed in an entire week.

She went on to say that «the new system is a far more unforgiving system than Compile was, which is a good system.» However, delays are also occurring due to forwarders not entering the correct details into the ICS, she concluded.

ll/hof
www.customs.gov.au
www.qantas.com.au

International Transport Journal 47-48 2005

- Customs Minister Chris Ellison announces Industry Action (IAG) co-chaired by industry (Paul Zalai) / Customs (Phil Burns) to oversee remedial action (work-arounds) including extended use of COMPILE (officers manually reconciling release) and urgent systems 'fixes' to address identified systems flaws and diabolically poor performance issues.

TUESDAY 25 OCTOBER 2008

FINANCIAL REVIEW

INFORMATION

Customs retreats to old software

Emma Conors

Customs yesterday shunted some cargo processing from its troubled new system back to its old software, as the crisis triggered by the new \$200 million system entered its third week.

Technical teams from Customs and the Computer Associates-led consortium that developed the integrated cargo system (ICS) will this week continue efforts to redesign elements of the system, in a bid to lift performance and reduce delays in clearing cargo. Processing times have improved but are still much slower than those recorded by the legacy software.

The new software went live on October 12, more than two years later than originally planned.

On Friday Customs Minister Chris Ellison acknowledged it was an information technology problem that had caused the problems on the wharves, but suggested complexity and expense went hand in hand when replacing 20-year-old systems.

Senator Ellison said that the United States was spending more than \$3 billion and taking 10 years to develop a similar system.

But the New Zealand government spent less than \$N240 million over two years when it built new systems to process arriving and departing goods.

Accenture, which built the NZ system, refused an invitation to bid for ICS. Meanwhile new problems with ICS, which has been in the works for nearly a decade, kept appearing. Yesterday ICS website noted that it is a team that client registration was unavailable.

By midday frustrated users of the system had lodged 500 calls with the Customs help desk. Customs has put an extra staff in Canberra and Sydney to deal with the deluge, but callers were still waiting for 30 minutes.

Paul Zalai, an industry representative who has worked with Customs for years on its new systems, welcomed the agency's efforts to overcome the "fringe of issues associated with the flawed



Some cargo processing is back on Customs' old IT system, to help clear the backlog caused by the new software. PHOTO: NICK MORRIS

implementation of the ICS". "One of the major problems associated with the introduction was that many third-party software developers (who supply products to Customs brokers and freight forwarders) did not have [a product] fully developed or deployed to users," he said.

"Customs were well aware of this fact prior to introduction of the ICS, yet decided to proceed. The only concession offered to industry was to continue availability of the legacy system [used for import entries]. This process required Customs intervention to ultimately generate a release in the ICS."

"Customs have been taking up to five days to complete this process. A major effort was completed by Customs over the weekend to catch up on a backlog of these entries.

"Industry need predictability of cargo release to organise the logistics process, from booking a stevedore timeslot through to delivery to an importer. The current procedure does not offer industry the necessary level

of predictability." Mr Zalai spoke after Customs issued a public statement yesterday, urging brokers and forwarders to clear sea freight containers so importers could receive their goods.

Opposition customs spokesman Joe Ludwig said Customs should focus on facilitating trade rather than playing the "blame game". "I let's clear the wharves first of all. We can come back later and work out who has been at fault... It is Customs' job to create as much certainty as possible for brokers, forwarders and importers," he said.

Customs insiders noted the agency had known it was reading a risky path with ICS for some time. When Accenture decided to bid for the ICS project four years ago, it told Customs officers have helped develop a system and the complexity of ICS is taking on unnecessary and uncontrollable risk."

Accenture also said key design and integration issues were hard to resolve after Customs' IT infrastructure was

World starts on ICS fixes as Customs admits its errors

Estimates committee told commercial software developers got a workable ICS only a week before cutover, writes KEVIN CHINNERY, Sydney

THE AUSTRALIAN Customs Services admitted in Senate estimates hearings on Monday night that a final version of the Integrated Cargo System was only made available to commercial software developers a week before the October 12 cutover to the new system.

An unexpectedly large number of so-called critical issues had remained in the system while software developers were trying to complete their own commercial packages for freight industry users, with late non-arrival of software adding to the problems with operating with the ICS.

The Customs team, led by Customs minister Chris Ellison and Customs chief executive Lionel Woodward, also revealed that the Customs help desks had fielded 13,000 calls in 19 days.

The average call waiting time was 22 minutes, ballooning out to 55 minutes on one day.

Customs officials also admitted to the estimates hearings that they foresee that zero tolerance of inconsistent

data in the system would cause problems but they had persisted without any transition period. There were also questions from senators on Customs' legal powers to end the extension of Compile, on which industry is now heavily dependent to maintain cargo clearances.

Customs said that the system could be maintained definitely at the determination of Customs' chief executive, ICS user representative Paul Zalai said that this would force a list of Customs resources now being used for manual checking.

"If Customs can do this, it will go a long way to clearing the backlog," he said.

However, Customs rejected an earlier industry proposal to speed matters up by basing risk assessment on the import declaration only with the cargo report, saying it was "inappropriate".

But Customs is seriously looking at whether the ocean bill of lading - which is said to be the chief source of data mismatches - should be dropped as a reconciliation check between import declarations and cargo reporting, and from the cascade reporting system as well.

Patrick said earlier this week that despite the media problems with cargo held up on the wharf, no containers were picked up during the evening and midnight shifts at its terminals last Saturday and Sunday, with only a few hundred collected during the day shifts.

Ho Wallace, managing director of Brisbane-based lawyer Wallace International, said that the Integrated container information system leaves brokers and forwarders always one day behind in being able to book transport - which becomes an even greater problem when the weekend intervenes.

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Friday immediately put up proposals that could help clear the existing backlog at the ports - and to stop the system's cascade reporting system tripping up over inconsistent documents and data.

Customs has this week been looking at the feasibility of parallel processing by both the ICS and Sea Cargo Automation.

Under the proposal, made at Friday's meeting, cargo reporters will continue to use the ICS, with Customs then automating the data to go into SCA so that brokers using the Compile extension can look in the SCA system to organise clearances.

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SENATOR ELLISON, left, AND LIONEL WOODWARD: 13,000 calls to Customs for help.

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Information

Chief admits mistakes, denies blame

Kevin Wong

The Customs Service has admitted it was not ready to start the new system because support for the old system would be removed soon. Customs chief executive Lionel Woodward, strongly defended the decision to switch to the new integrated cargo system (ICS) on October 12.

Under tough questioning by Labor customs spokesman Leo Woodard, Mr Woodward blamed some of the initial ICS problems on contractors, and said that the system was not everything we had hoped for.

"We're not repeating the same mistakes," he said. "We're not repeating the same mistakes."

KEY POINTS

Customs boss said the service had no option but to start the new system because support for the old system would be removed soon.

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Crippled ports revert to old customs

From page 1

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Fast facts

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MAJOR MILESTONES SINCE IMPLEMENTATION

- Slow recovery. November 2005 Coles Myer (at the time Australia's largest importer) were reported as having 4000 containers delayed on the wharves.
- Minister Ellison told Parliament in April 2006 compensation claims received from 171 parties for \$406,636 in storage and detention fees – a very small tip of the iceberg of true costs to industry.
- ICS users still suffer from a continuity of fundamental system design flaws including the inability to amend 'consignment key' cargo report data, necessitating cancel and re-report; contributing to 'late' cargo reporting.
- 2006 saw a new CEO (Michael Carmody replacing Lionel Woodward) with the mantra of stability seeing Customs becoming risk averse (understandably) wanting to stabilise the ICS with essential maintenance and minimal enhancements – the concept of re-engineering cargo reporting from 'pre-arrival' to 'pre-load' (aligned to US and other countries) was considered but abandoned.
- 2012 Michael Pezzullo era saw the rekindling of innovation (continued by successive Commissioners, Roman Quaedlieg and Michael Outram) with implementation of the Trusted Trader Programme and more recently, the *Customs Legislation Amendment (Controlled Trials and Other Measures) Bill 2022* and Regulatory Sandbox.

ANAO REPORT – 7 FEBRUARY 2007

“Customs underestimated the complexity and the risks associated with the project and failed to properly respond to emerging issues and changes in risks.

The implementation was not supported by a coordinated implementation strategy or adequate business continuity planning.

Insufficient time was allowed for system testing, particularly end-to-end testing.

Customs did not have quality assurance mechanisms to assess the readiness of third party software providers, the quality of their software or the preparedness of industry participants.

Problems with the Cargo Risk Assessment system also impacted on Customs' ability to clear cargo and to target and assess high risk cargo, increasing the risks to Australia's border security and Customs' revenue collection responsibilities.”

WHERE TO FROM HERE?

- Increased Federal Government investment on the Simplified Trade System – still no clarity on its full scope, meanwhile Departments continue bespoke solutions.
- Transparency is required on government's needs, scope and limitations to allow industry to provide meaningful input to design.
- Clear detail is required to understand the lifespan of the ICS – do we need strategies to take volume out of the system to give it an extended period of operation and reduce the risk of overload ?
- Extensive industry engagement is required on user requirements on new systems (highly recommended that government / departments immerse themselves in an understanding of industry practices and harness any available corporate knowledge to learn from the past).
- Avoid a 'big bang' – phased implementation (avoiding fixed time restraints), with contingencies including 'roll-back' strategies and Business Continuity Plans.
- Extensive testing required, including third party commercial software applications BEFORE 'go live'

National Committee on Trade Facilitation (NCTF)

22 November 2023

Digitalising international trade systems - lessons learnt for Australia

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