

HAPPY ANNIVERSARY – 15 years since the ICS implementation

By PAUL ZALAI – Co-founder and Director, Freight & Trade Alliance (FTA)

COVID-19 is clearly having devastating economic impacts. This being the most severe of many major business disruptions faced by the international trade sector over the last few decades.

Australian importers, exporters and trade logistics providers have built up resilience in dealing with trade wars, recessions, major industrial disputes and the like.

One of the most significant events was the flawed implementation of the Australian Customs Service (Customs) Integrated Cargo System (ICS).

Customs adopted a “big bang” approach, replacing import cargo reporting, declaration and clearance systems overnight – out with the old and in with the new on Wednesday 12 October 2005.

Over the ensuing months, Australian import trade was significantly affected by problems in statutory processing and generation of electronic cargo releases.

Importers experienced delays in receipt of Christmas stock and the freight logistics industry had an almighty battle to keep their businesses operating.

Customs systems evolution

Customs was a world leader in systems development creating COMPILE (Customs Online Method of Preparing Invoice Lodgeable Entries) in the mid-1970s with enhancements over time including EDI transmissions and EFT payment of fees and taxes. During the 1990s manual cargo reporting of paper manifests and air waybills was replaced by the implementation of EDI applications in the form of Air and Sea Cargo Automation systems (ACA / SCA).

Industry will recall only too well that the implementation of ACA and SCA came with its difficulties as it introduced complex matching of consignment data

with COMPILE to generate electronic releases at cargo terminals and licensed depots. The benefit that we had at the time was that the implementation of these systems was gradual as each shipping line, airline and freight forwarder came on board as they were ready. The result being that we had a hybrid of manual and electronic reporting in place giving us the benefit of a phased implementation.

This provided Customs with the luxury of “trial and error” to rectify systems and processes until they were fit for purpose. As a result, there were a lot of lessons learnt about how to provide effective diagnostics for online data matching purposes and streamlining of data reconciliation requirements.

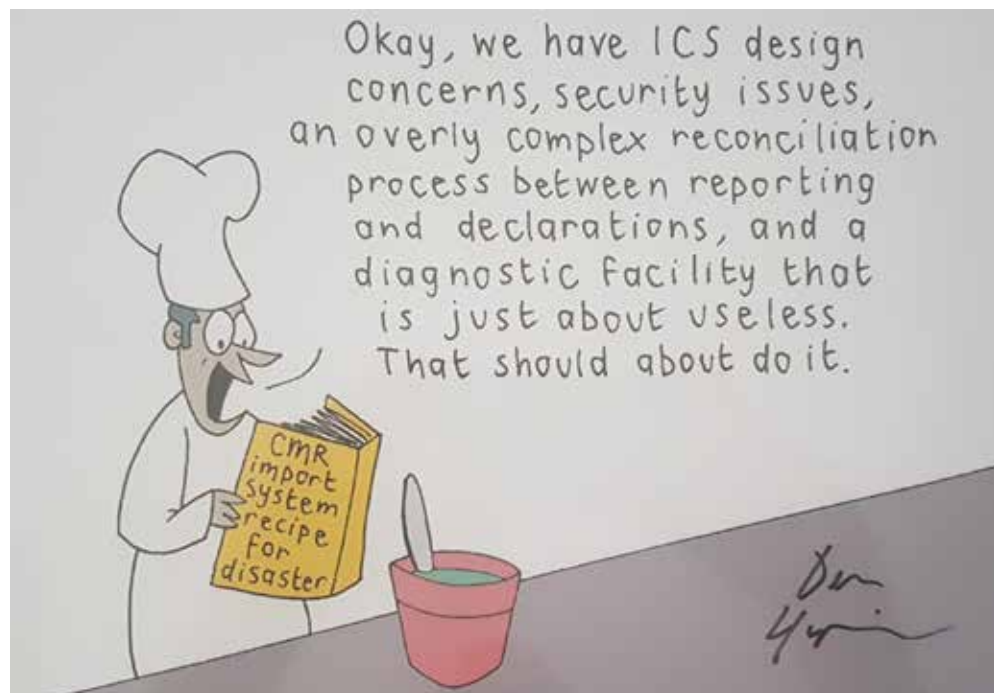
Emergence of the ICS

The late 1990s saw Customs introduce the “Cargo Management Strategy (CMS)” as precursor to the “Cargo Management Re-engineering (CMR)” project with the aim being to re-engineer processes and technology platforms.

The associated Trade Modernisation Legislation introduced new strict liability offences and the Infringement Notice Scheme. From a technology perspective, dedicated COMPILE lines into customs brokerage offices were replaced with modern Internet solutions and the use of digital certificates to meet security requirements.

Industry had serious concerns when the complexity of the final design of the reconciliation and failure to supply diagnostics were revealed. It was evident that corporate and operational knowledge within Customs was missing, at the same design flaws that had been corrected over time in the legacy systems were being reintroduced within the ICS.

Lloyds List DCN (now Daily Cargo News) interviewed me on 14 April 2005 in terms of how I saw the ICS implementation shaping up. My reference to it being a “recipe for disaster” was brilliantly captured in a cartoon that said it all.



The flawed implementation

Unfortunately, our worst fears were realised.

The initial impact was felt in the airfreight environment when the ICS went live on 12 October 2015 however issues quickly spread to our wharves as industry struggled to reconcile import declaration and cargo report data compounded by the diabolically poor response times in the interactive functionality.

By this time, the mainstream media were also all over the issues with the problems headlining our daily news. I had appearances on Channel 9 (interviewed by the late Peter Harvey), ABC News, a string of articles in the Australian Financial Review, the Australian and featured on talk back radio including an in-depth interview with Alan Jones.

Media reports suggested that Australia's largest single importer at the time, Coles Myer, had around 4,000 containers delayed on the wharves and the talk of compensation for industry was being muted.

Whilst this got the message out to the wider public, the industry remained desperately working around the clock searching for solutions.

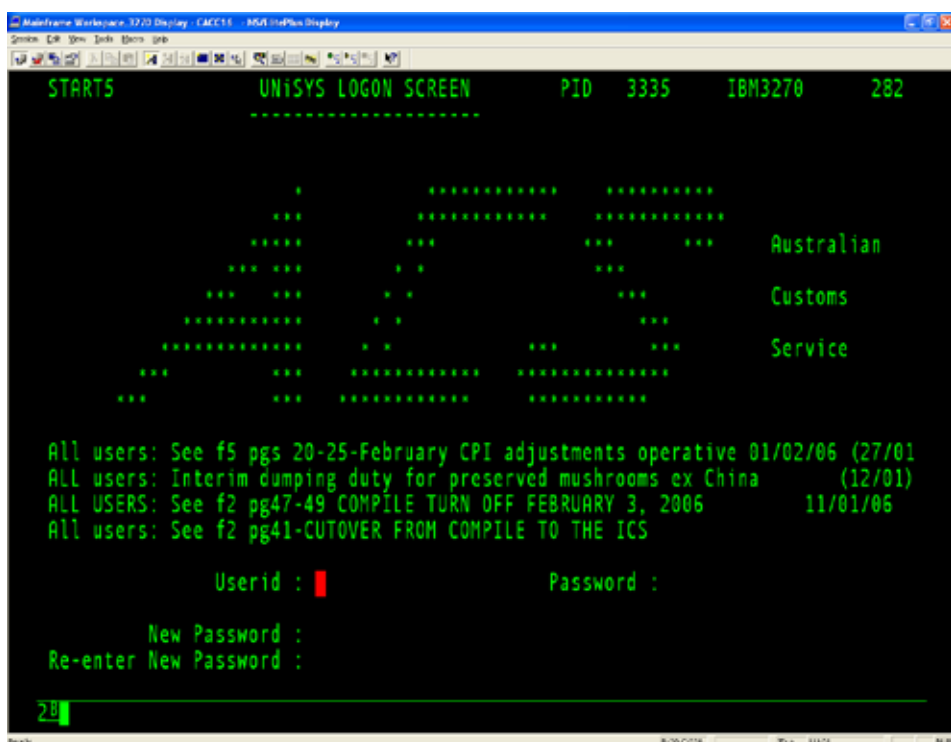
Industry users of the system were not the only ones suffering. Customs officers also worked night and day deploying "workarounds" to keep a trickle of cargo flowing.

On the evening of 17 October 2005, I received a call at home from the office of Prime Minister and Cabinet asking what was needed to get this mess out of the media spotlight.

I accepted an offer and flew to Canberra the next day to meet with a prominent Prime Minister and Cabinet representative with our talks ultimately resulting in the then Customs Minister Chris Ellison calling a meeting with key stakeholders. At the ensuing meeting, the minister announced the formation of the Industry Action Group (IAG) and that I would be the co-chair of the group, alongside Phil Burns of Customs, with the responsibility to see in the post implementation remedial action.

Ongoing access to COMPILE during this period was vital as a part of the workaround arrangements allowing some users business continuity whilst waiting for completed ICS functionality.

Customs was well and truly feeling the heat and a need to get things in



order before the Tradegate contract for managing the COMPLIE network expired on 3 February 2006.

The recovery

The IAG proved to be an effective stakeholder group leading a steady level of recovery, but by this stage much damage was done.

Minister Ellison reported to parliament that Customs had received compensation claims for \$525,000 over ICS related delays from 171 parties including 117 importers – of this \$406,636 were for container storage and detention fees.

In reality, this would have been just the tip of a very large iceberg of the true costs.

So what has happened since 2006?

Customs were significantly scarred by the ICS implementation and became completely risk averse in terms of implementing revised processes. Michael Carmody replaced Lionel Woodward as Chief Executive Officer in December 2005 taking an understandably focussed approach on consolidation, with very few enhancements to the ICS and limited review of cargo management processes.

It was not until Michael Pezzullo took the reigns as CEO in 2012 and Roman Quaedvlieg as Commissioner of the newly formed Australian Border Force (ABF) that we saw real innovation ultimately leading to the initiation of the Australian

Trusted Trader programme and a trade modernisation focus.

The current ABF Commissioner, Michael Outram, is now at the helm of what is now an aging, but stable and reliable platform.

So where to from here?

There has been much hype around the need for a "Single Window", in essence, a mechanism for the trade sector to deal with all of government through a streamlined reporting mechanism. Thankfully, there does not appear to be an appetite for another "big bang" approach. Instead we are likely to see an evolution of integration between the ICS and government agencies combined with alternate reporting mechanisms for Trusted Traders.

The key for Customs is to have close engagement with industry, look to innovative reforms and not forget the corporate history and lessons learnt from legacy systems' implementation.

At the beginning of the year, I was invited by Commissioner Outram to be an inaugural member of the newly formed Customs Advisory Board.

Freight & Trade Alliance (FTA) looks forward to working with industry peers, members and government in managing ongoing reform in business models, significant growth in parcel e-commerce transactions and introduction of new technologies.

