

# **Centenary History Project**

## **The Customs Brokers & Forwarders Council of Australia Inc.**

### **An Industry Association for Tomorrow**

#### **1. EVOLUTION OR REVOLUTION**

Born in a time of consolidation of Australia through federation, nurtured into federal representation to meet trade expansion after the Second World War the formation of the Customs Brokers & Forwarders Council of Australia Inc. (CBFCA) as an industry association to represent service providers in international trade logistics has been an evolving process since the bringing together of the Customs Agents Federation of Australia (CAFA) and the Customs Agents Institute of Australia (CAIA) in 1991 to form the then Customs Brokers Council of Australia Inc.

As to its present position in representing those service providers, the CBFCA today carries on the philosophy of the Customs Agents and Transport Association of New South Wales of 1904. ie. representing service providers in barrier clearance and cargo transport in New South Wales.

The coming together of CAFA and the CAIA to form a national association was not achieved until 1991 however there has been representation of the industry at State levels since 1904 and at the national level in 1954.

#### **2. KEY DRIVERS**

The last fifty years of the association's life has been at an ever increasing pace and some of the reasons for this change are addressed elsewhere in this Centenary History. What is clear from the last thirty years is that there has been an acceleration of change in the service requirements of both clients and international trade.

Containerisation in the late nineteen sixties provided significant cost effectiveness for the transportation of sea freight and in the same era the introduction of wide bodied aircraft provided impetus for airfreight expansion and the cost effective air transport of high value and perishable cargo.

At the same time information technology provided the ability for all parties in international trade whether they be buyer, seller, service provider or regulatory authority to interact in a more cost effective and efficient manner in the transmission of international trade data.

These issues were identified by both CAFA and CAIA in determining where the future lay for an industry association to represent service providers in international trade logistics.

#### **3. FUTURE FORESEEN**

To achieve this vision a working party of senior members of the CAFA and the CAIA came together in the late nineteen eighties to determine ways for the two associations to address options to more effectively represent service providers in international trade logistics. In November 1990 at a joint meeting between the Executives of the two associations, draft Articles of Association of a new association were agreed (as well as the policy and administrative arrangements) and on 15 September 1991 the inaugural meeting of the Customs Brokers Council of Australia Inc. (CBCA) was held in Canberra.

Those key members from both associations worked to ensure a new direction for the CBCA and this process was seen as being the commencement of a journey in that it was seen that the CBCA would continue to evolve to meet industry and members' needs and expectations.

As such the new association was seen as an evolutionary process.

This evolution has continued however the then CBCA Mission Statement of 1992 still underpins the role of the CBFCA in meeting members needs where:

- *The CBCA is committed to developing its position of strength in the industry, enlarging its worth and to providing professional opportunities for its members.*
- *The CBCA strives to create an environment that recognises members' performance and provides for an industry which enables job security, personal growth, and self esteem for all members.*
- *The CBCA is seen as integral to Australian business by being professional, proficient, innovative and technologically advanced*
- *The CBCA is committed to delivering to its members the highest quality and the most reliable level of service*

To achieve these objectives the CBFCA through its Strategy Reports (1994 and 2000) has continued to review what has been achieved in the years since 1991 and to focus on the future direction for industry. These Strategy Reports underpin the success of the CBFCA and brief comment on these successes is set out below.

#### **4. THE FUTURE BUSINESS ENVIRONMENT**

Inherent in the adoption of the concept of a single industry association to address the needs of service providers in international trade logistics was the need for the CBFCA to develop a strategic plan to prepare the CBFCA and its members for future restructure of the customs brokers industry. In addition to market forces, the CBFCA was mindful as to the position adopted by the Australian Customs Service (Customs) and Government as to compliance and self assessment and the effect of Customs and other regulatory authorities' policies would have on international trade logistics service provider's and the CBFCA.

Issues identified by the CBFCA as having the greatest impact on industry in both the short and long term were:

- changes in international trading conditions
- government and regulatory authority compliance policy and strategies
- information technology, and
- market requirements as to the need for CBFCA members to become trade facilitators and solution providers rather than service providers.

##### **4.1. International Trade**

The trend towards the concentration and freeing up of international trade would provide both opportunities and threats for businesses based solely on the traditional services associated with the customs clearance of imported or exported goods. With Governments' intention to work towards a minimalist tariff regime and the perceived opportunity (requirement) for customs clearance to, as foreshadowed in the early nineteen nineties, to move from regulatory check to self assessment has seen Customs change from a transaction by transaction basis to a compliance based, risk assessed, post entry audit driven strategy.

The establishment of new trading blocs such as the Asia Pacific Economic Co-operation group (APEC), certain common border arrangements between Australia and New Zealand, together with the newly industrialised countries of South East Asia would provide opportunities for those willing to meet the demands of international trade and the facilitation of border clearance requirements. In addition, the effects of the early rounds of the multi-lateral World Trade Organization would, in the intervening years, have future impact on the freeing up of international trade barriers.

Service providers willing to provide services to their clients and meet the needs of international trade which would inevitably result from increased volumes and other marketing / sales driven requirements will have a significant role to play in future trading arrangements.

In order to provide the necessary level of service to clients, service providers in international trade would need to address the needs of:

- customer focus
- continuous improvement of processes
- participation through teamwork, and
- use of information technology to support change

The then CBCA suggested to its members:

*"These direction changes and multi-skilling of operators within the international trade logistics sector will see a contraction and concentration of marketing opportunities. These changes will also require the CBCA to adjust to a new role and look to its future development within the international freight forwarding and other industry related sectors.*

*It is perceived that over the next five years within Australia this trend will continue and this will see firms that did not offer a full range of international trade services being required to establish operating relationships with business entities who can provide related services such as transport, freight forwarding and storage."<sup>1</sup>*

These comments remain as valid today as they did in 1994.

#### **4.2. Regulatory Environment**

Under existing legislative requirements the customs brokers industry in Australia operates in a highly regulated environment, not only through the Customs Act, but also by way of the requirements of other regulatory authorities (and associated legislation) such as the Australian Quarantine & Inspection Service (AQIS) and the Department of Transport and Regional Services (DOTARS).

The position of Customs in relation to the regulation of the customs brokers industry has been referenced in Australian Law Reform Commission<sup>2</sup> reports and while such reports have yet to be given appropriate attention by Government the report have required regulatory authorities such as Customs to move from the traditional forms of regulation towards voluntary compliance backed by stringent auditing procedures and penalties.

With Customs' desire (and the policy of Government) to concentrate community protection issues at a single reference point the development of standards, is seen by the CBFCA, as being a means to ensure service provider integration into business and trade practices.

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<sup>1</sup> CBCA Strategy Report 1994

<sup>2</sup> ALRC Report 60 Customs and Excise

*"In response to these changes in the regulatory environment it is seen by providing guaranteed standards of service and performance to both Government and clients in international trade logistics service providers will continue to develop business opportunities.*

*Based upon the known strategies of Government and regulatory authorities the international trade logistics service providers industry now faces a regulatory environment in which:*

- *documentation processing of virtually all current customs and associated import clearance information will be in a standard electronic format*
- *the whole system will be controlled by the principles of voluntary (informed) compliance backed by stringent post-audit procedure and penalties*
- *international trade data collection for all Government department will be a major function of Customs<sup>3</sup>*

As will have been noted most of these issues have come into being through the Trade Modernisation Legislation.<sup>4</sup>

In the recent years the role of the international trade logistics service provider and that of the CBFCA has changed dramatically and it is believed that change will continue at this rapid pace. It must be assumed more of the Government's resources will be eliminated and, on the basis of the standards required by Government and regulatory authorities as to low level compliance issues these parties may be more inclined to relinquish their present workload to private industry on the basis of the Accredited Service Providers arrangements. Therefore, the abilities and resources of the CBFCA and its members must be recognised by Customs (as it is by AQIS) and Government on such outcomes. The future sharing of the workload of international trade should be negotiated in an environment of a *'partnership of progress'* in the manner of the AQIS co-regulation framework.

It is clear the international trade logistics service provider industry is undergoing dramatic change from what was a homogenous industry to one which will increasingly become heterogeneous. These shifts will have a profound effect on the role, structure and resources of the CBFCA and its members. The specific impact of the changes is referenced below.

## **5. DEVELOPMENT OF INFORMATION TECHNOLOGY**

Information technology by way of electronic data interchange has and will increasingly become the dominant information transfer mechanism for those engaged in international trade. There is significant potential for growth in this field and an opportunity for CBFCA members to become leaders in such arrangements.

The strategic objectives of Customs in relation to its Cargo Management Re-engineering (CMR) and Integrated Cargo System (ICS) should be seen as an opportunities and service providers should be able to look to CMR to provide benefits at least equivalent to and but hoped superior to those in existing electronic lodgement, optional port lodgement and electronic funds transfer arrangements. In relation to these issues it is perceived that the following issues will need member's consideration:

- (1) To meet its full potential CMR must integrate and further automate CBFCA member's business' internal system while at the same time linking them to trading partners. The development of the relationship between clients and the international trade logistics service provider does not rest solely in the service providers' community and / or that of Customs but

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<sup>3</sup> CBCA Strategy Report 1994

<sup>4</sup> Customs Legislation Amendment & Repeal (International Trade Modernisation) Act 2001

with importers and their trading partners. There are now (and will be in the future) many links in the CMR chain that relate to an international trade logistics service provider, however while all will be significant in their own right, none have as much impact (in the terms of labour cost, productivity and client relationship) as the link between an international trade logistics service provider and their client.

- (2) The electronic import declaration and other processes will impact on international trade logistics service providers and these are expected to cause a workload shift from the release point to data systems.
- (3) The role and relationship of any sub-agency relationships will need to be re-defined as regards digital certificate requirements.
- (4) The response required by the international trade logistics service provider to meet these outcomes will require the CBFCA to:
  - develop and implement an active program to promote the use of systems in that the best defence against the potential negative impacts of CMR will be to actively promote and control its use and penetration.
  - play a dominant role in setting the standards and specification of electronic systems rather than have standards dictated to industry by regulatory authorities and Government.
  - work in close(r) harmony with Customs as their priorities move towards compliance, trade statistics and the post audit concept over the next five years under the Trade Modernisation legislation.

These priorities will represent new revenue opportunities to service as well as a change in the working relationship with Government and these changes will be of significant benefit to both Government and the private sector.

## 6. ORGANISING THE FUTURE

Regardless of future requirements and strategies adopted by individual or corporate members of the CBFCA all members have certain common requirements to underpin the continued existence of an industry association such as the CBFCA.

These requirements include, *inter alia*:

- (1) A mechanism for establishing and promoting professional standards of business ethics and conduct and the need to distinguish between businesses who endorse and follow such standards and those who do not.
- (2) The capacity to organise a political, economic and resourced entity to promote common values and economic interests of members of the industry.
- (3) Access to domestic and international business information relating to changes in the regulatory, technological and international trading environments affecting the industry.
- (4) The need to train new industry entrants and to provide continuing professional development to employers and their employees.

As history has shown the international trade logistics service provider industry has been well served by the merger of the CAFA and the CAIA, however to reflect the broader requirements of service providers in international trade logistics the CBFCA must be able to:

- respond to the increasingly diversified and heterogeneous nature of the international trade logistics service provider industry.

- accommodate the diversity in size and ownership structure of member businesses and the nature of the services which they supply.
- provide for participation in its affairs by other organisations involved in international trade logistics such as express couriers, trade consultants, port and airport authorities.  
In this regard a need may exist to undertake a total re-think as to the manner and form of the CBFCA.

The CBFCA today has the organisational structure and resources to carry out:

- development of entry requirements, certification standards and curriculum content for all of the CBFCA's educational and professional development programs
- development of the CBFCA's educational and professional development programs, either directly or through contractors
- maintenance and promotion of the CBFCA's standards of business, conduct, its requirements for continued membership and the protection of its exclusive designation of professional status.

*As such the specific organisational priorities of the CBFCA for the next five years are:*

- *establish a stable long term basis for funding the activities of the CBFCA outside of membership fees*
- *strengthen the role and resources of the CBFCA in order to achieve professional standards*
- *re-align the development of the CBFCA's resources to reflect the changing nature of the industry and to better respond to member needs<sup>5</sup>*

## **7. CONTINUOUS IMPROVEMENT STRATEGY**

In the long term the true value of membership in the CBFCA for both businesses and individuals will relate to the factors of:

- the extent to which the business community and Government are aware of, and acknowledge, the specialised competence and economic contribution of CBFCA members
- the ability of the CBFCA to distinguish its members from other companies engaged in international trade logistics service provision
- realisation and acceptance by members of the benefits of CBFCA membership.

While none of these factors require the CBFCA to have control of licensing or regulatory functions it is perceived that members will require the CBFCA to:

- establish and maintain professional standards as to membership
- promote these standards to Government and to potential users of members' services, and
- provide a level of self-education and self-discipline regardless of whether or not the function of customs brokerage continues to be licensed by Government.

In simple terms if the CBFCA is to play a major role in upgrading the value and status of membership a substantial increase in expenditure in the areas of membership development and promotion will be required. Reliance on honorarium services for program development while to the great credit to those CBFCA members involved, is an inherently risky strategy for future expansion of CBFCA. As a final comment on these issues the following should be noted:

*"One of the greatest achievements of the CBFCA has been the ability of the Board (and the administration) to position the organisation to meet the member's challenges in changing business*

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<sup>5</sup> CBFCA Report by Chair to Annual General Meeting 2001

*environments. From the Customs Agents and Transport Association New South Wales in 1904 through the formation of the Customs Agents Federation of Australia (CAFA) representing corporate interests in 1954, to the Customs Agents Institute of Australia (CAIA) formed in 1960 to ensure the professional development and skills training for business members employees through to the formation of the Customs Brokers Council of Australia Inc. in 1990 (by the merger of CAFA and the CAIA) the association has delivered on these issues.*

*Noting that businesses have, appropriately, changed significantly between the mid 1970s through to the late 1980s in terms of entities being integrated service providers to the barrier clearance and international freight forwarding industry the formation of the Customs Brokers & Forwarders Council of Australia Inc. (CBFCA) in 2001 was a logical progression. The CBFCA has continued to adapt to the changing business conditions in the transport logistics industry.*

*The ability of CAFA in the 1960s to understand the importance of professional development and training and the setting up, through the respective State Technical and Further Education colleges of the Certificate IV for customs brokers and then the CBFCA's own Certificate VI Advanced Diploma of Australian & International Trade Facilitation continues the pre-eminence of the CBFCA in professional development and training.*

*One of the greatest achievements of any association is its longevity and the ability to position itself to meet the needs of its members in terms of financial, resource management and appropriate representation in business and regulatory affairs.*

*In a recent survey undertaken of CBFCA members and non-members in the barrier clearance and international freight forwarding industry the CBFCA was rated highly as to acceptance and it is well recognised by members, industry and regulatory agencies as meeting the objectives of representation of the barrier clearance and international freight forwarding industry. In any business entity, including associations, there is always room for improvement in terms of cost benefit, cost effectiveness and the Association will continue to develop on the freight component of its name to support the decision taken by members in September 2000 as to the formation of the CBFCA."<sup>6</sup>*

The CBFCA and its predecessor associations have been guided efficiently and effectively by its members for one hundred years. There is no reason to believe the CBFCA will not continue to achieve appropriate levels of representation for this dynamic industry sector over the next one hundred years.

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<sup>6</sup> Air Cargo Asia Pacific, Feb-March 2004, P15, Interview Stephen Morris, CBFCA Executive Director