

AUSTRALIAN CUSTOMS NOTICE NO. 2012/15

**SECTION 77G DEPOTS PROVIDING CARGO TERMINAL OPERATOR SERVICES FROM OFF-AIRPORT SITES**

# Purpose

The purpose of this document is to clarify current application processes and reporting requirements in place to manage off-airport Cargo Terminal Operator (CTO) Services.

For the purposes of this notice, off-airport CTO services are those activities provided on behalf of an airline in accordance with the terms of a contract, which include the specific legislated responsibilities of report, breakdown, check-in, approved movement of uncleared cargo (underbond) and acquittal of imported cargo at a licensed place outside of the airport precinct.

Other services such as ramp, refuelling and baggage handling, which are generally provided by on-airport CTO service providers, are not regarded as relevant when considering the merits of an application to provide CTO services from an off-airport depot.

# Background

As physical space constraints and increasing cargo volumes in the airport precincts become more of an issue for the airfreight industry, stakeholders are exploring options that would allow cargo to move directly from aircraft to off-airport licensed facilities, whilst maintaining legislated border management requirements.

Both on-airport CTO service providers and off-airport depot operators are licensed to provide specific cargo handling services in accordance with section 77G of the *Customs Act 1901* (the Act)*.*

Some on-airport CTOs already have additional off-airport premises (licensed under Customs legislation) for freight staging, short term storage and related activities.

The approved movement of cargo from an on-airport CTO to all off-airport licensed depots is provided under section 71E of the Act. This movement is managed by an Underbond Movement Request (UBMR), which must be lodged electronically in the Integrated Cargo System (ICS). Where space constraints restrict the ability to unpack at the on-airport premises, licensed operators are able to seek permission to move cargo underbond to the off-airport premises for unpack and outturn. To ensure secure movement of cargo in this scenario, additional conditions may be added to the depot licences of both on-airport and off-airport sites.

This process ensures that the Australian Customs and Border Protection Service (Customs and Border Protection) maintains knowledge and records of cargo movements, being at all times aware of cargo location and can therefore intercept cargo for further inspection and examination as required.

Adherence to this process ensures a nationally consistent approach to legislated reporting and control requirements.

# Electronic Lodgement of UBMRs

Customs and Border Protection recognises that there are often multiple entities involved in the reporting and movement of import cargo and that there will be the need for parties to lodge several UBMRs for the same cargo line, e.g. where a consignment is moved from an on-airport CTO to an off-airport CTO then further moved underbond to a third party section 77G depot.

The ICS will not allow UBMRs for the same cargo line to be moved from the same originating premise to multiple destinations. For this reason CTOs must ensure that careful IT planning and sequencing of electronic reporting processes, and good client communications are maintained. This will provide better certainty for clients to establish where their cargo will be available from and duplicate UBMRs can be avoided.

Where UBMRs are lodged out of sequence the third party must withdraw their UBMR. This will allow the on-airport CTO to lodge the required UBMR for the initial movement. The third party will need to submit a new one with the correct originating establishment code. .

# Supplementary Requirements governing the delivery of CTO services

An applicant seeking to provide CTO services from an off-airport site must first meet the requirements for holding a section 77G depot licence. Therefore, the applicant must be a person, company or partnership that already holds a section 77G depot licence for specified premises, or must be in the process of applying for a section 77G licence for those premises. Secondly, the applicant must also demonstrate a capacity to meet supplementary conditions, specified in accordance with section 77Q of the Act.

The following supplementary conditions apply to depot applicants that are seeking approval to provide CTO services from off-airport sites where there are no approved on-airport establishments in the same region. The conditions are:

* The applicant must hold a current contract with an international airline to provide CTO services at the specified airport (shared contractual arrangements may be considered, however in the case of freighters it must be demonstrated that a minimum of one entire fortnightly flight will be serviced by the applicant and in the case of below deck freight on a passenger aircraft, a minimum of one entire weekly flight will be serviced).
* The applicant must ensure that all cargo discharged at the airport is reported at the master air waybill level prior to movement from the airport and that the report is transmitted electronically to Customs and Border Protection via the ICS.
* The applicant must establish contingency arrangements to ensure ICS cargo reporting and status acceptance in cases of IT systems failure.
* The applicant must establish a procedure to ensure that the condition and quantity of cargo (including pallets and loose pieces) is checked and that an accountable record is made when the applicant receives the cargo and before that cargo departs the airport.
* The applicant must ensure that all approved cargo movements from the airport are completed promptly and by a direct route to the off-airport licensed site.

In addition, an applicant must also provide Customs and Border Protection with an outline of the application (e.g. temporary or ongoing facility), a detailed description of the proposed cargo movement process and a list of all third party service providers

who will have access to the cargo (e.g. ramp handlers, land side transport providers etc.)

All records regarding the condition and quantity of cargo are accountable and must be retained by the licence holder for a period of five years or such other period as the CEO of Customs determines. Accountable records may be stored in either electronic or paper format. They must be made available for Customs and Border Protection examination when required.

Successful applicants of section 77G depot licences with off-airport CTO services, where there is also an on-airport CTO in the region, may require exceptional conditions, in addition to the general depot conditions. These exceptional conditions may include, but are not limited to the following:

* + The depot operator must verify that the cargo was intact upon discharge.
  + The integrity of the cargo must be maintained between on-airport and off- airport sites.
  + All cargo must be reported in the ICS prior to arrival, as legislated.
  + Cargo under Customs control must not be moved without approval from Customs and Border Protection (approved UBMR).
  + High risk goods, as determined by border management agencies, must remain at the on-airport site.

# Applications

If an applicant can demonstrate that, in addition to the standard requirements for a section 77G depot licence, the supplementary conditions governing off-airport CTO services can also be met and that there are no other impediments, then an appropriately conditioned section 77G depot licence will be issued in the name of the applicant.

Any successful applicant who is subsequently unable to satisfy their obligations in respect of the supplementary conditions must notify the Customs Licensing area, [licensing@customs.gov.au.](mailto:licensing@customs.gov.au) Failure to maintain the required standards may have the effect of voiding the authority to provide CTO services from an off-airport site and may affect the depot licence itself.

Enquiries concerning this notice may be directed to [cargoreportingpolicy@customs.gov.au](mailto:cargoreportingpolicy@customs.gov.au) or [licensing@customs.gov.au.](mailto:licensing@customs.gov.au)

In addition, there is a range of information available on the Customs and Border Protection internet [www.customs.gov.au](http://www.customs.gov.au/) regarding the reporting requirements for import cargo.

Erin Dale

A/g National Manager

Strategic Development (Cargo) Branch CANBERRA ACT