Asia - Pacific Economic Cooperation

Intermediate Report

Paperless Trading Demonstration Project - Electronic Transmission of the SANCRT Message

TPT 01/2001 T

APEC Publication Number 203-TR-01.2

Prepared: May 2003

Paperless Trading Demonstration Project - Electronic Transmission of the SANCRT Message

This report was prepared by Dialectrics Pty Ltd in conjunction with Murray Goulburn Co-operative Company Limited, "Murray Goulburn", assisted by the Australian Quarantine and Inspection Services, "AQIS", in accordance with the APEC tender TPT 01/2001T.

This is the **second** of the **three** reports required under that tender.

The APEC Secretariat

35 Heng Mui Keng Terrace

Singapore 119616

Tel: 65, 6775-6012

Fax: 65, 6775-6013

E-mail: info@mail.apecsec.org.sg

Website: www.apecsec.org.sg

ISBN 981-04-8361-9

CONTENTS

Executive Summary

The expressed purpose of this project is to identify institutional barriers opposing the removal of paper requirements used in international cross-border trade within APEC economies. Thus the project is to achieve benefits for the international APEC trading community through greater understanding and practical use of available electronic commerce technology in the supply chain.

The project used the "Health Certificate" generated by the Australian Quarantine and Inspection Service known as the "E-cert" to determine these barriers.

Demonstrations of the "E-cert" for dairy products have now been performed in selected APEC economies of Canada, Japan, and the United States of America. These demonstrations have been conducted in a manner appropriate to the situation in each economy, for both government and commercial organisations.

It has been found that the "E-cert" is only one document in the 'set' of documents needed to progress shipments through a supply chain. Therefore it offers no advantage to any organisation in the supply chain, government or commercial, as an isolated document bypassing the chain. On its own, the "E-cert" appears to be considered by all those organisations as counter-productive.

In Canada, the E-cert has been viewed and comments made by the Canadian Food Inspection Authority, Canadian Customs and a major commercial freight forwarding company, Livingston International.

In Japan, AQIS representatives discussed the E-cert with people from Ministry of Agriculture, Forestry and Fisheries, the Ministry of Health, Labor and Welfare and the Customs and Tariff Bureau. Further constructive comment on the E-cert was gained from major commercial companies Mitsubishi Corporation and Nissin.

In the USA, the Department of Agriculture, the Food and Drug Administration and the Customs and Border Protection have provided information to the project team. The large international commercial freight forwarder, DHL Danzus, also notably contributed to the information gained from the demonstration.

Malaysian Dairies, Singapore, also expressed interest and was provided access to the demonstration to provide their input. Kraft Indonesia informed us that the Indonesian Quarantine department was not ready to participate at this time.

Various difficulties emerged during the course of the project, including those arising from assumptions, interpretations and understandings by the participants. Due to these factors, the project has taken considerably longer time and significantly greater effort to accomplish than originally envisaged. Such aspects are noted in the relevant sections.

The results obtained from the E-cert demonstrations have been substantial and clearly define the path to achieve paperless cross-border trading in the future. Hence it is considered that the fundamental objective of the project has been achieved. The recommended methodology will be fully defined in the final report.

Project Objective

Purpose

The purpose of the project was stated in the Request For Proposal, RFP, to the "Paperless Trading Demonstration Project - Electronic Transmission of the SANCRT Message" Tender: TPT 01/2001T paragraph 1.2 of August 2002 as:

"The purpose of this project is to identify institutional barriers to the removal of paper requirements used by the dairy industry in international cross-border trade within APEC, provide solutions and conduct demonstration activities"

The project is directed at achieving benefits for the international APEC trading community through greater understanding and practical use of available electronic commerce technology in the supply chain.

Many APEC documents have a common underlying purpose of:

- Cooperation between partners with government agencies to develop and implement more efficient business trading systems
- Using technology to improve access to broad information sources thus enhancing economic performance.
- Introducing processes to provide information to all interested parties, particularly for regulatory procedures and associated institutional infrastructures.
- Establishing international standards and procedures to reduce costs while maintaining or improving health, safety and the environment;
- Utilising a 'supply chain' approach to develop improved efficiencies in cross-border trading relationships.
- Extending the 'supply chain' within the economy to improve national regulatory procedures and promote internal competitive markets.

The focus of this project is aimed at providing solutions and conducting a demonstration of "paperless cross-border trading" is therefore defined by two fundamentals:

- The Australian dairy industry in international cross-border trade.
- Electronic Transmission of the SANCRT Message equivalent of the Health Certificate.

The Health Certificate prepared by AQIS is proposed to be developed into an electronic certification encompassing all traded food commodities, including meat, seafood, dairy, horticulture and grain products and animal by-products such as inedible meat products, petfood, rendered meals and tallows, pharmaceuticals, trophies, hides and wool.

Synopsis

The initial report suggested which APEC economies were most suitable for quickly establishing "paperless trading" concepts from the perspective of the dairy industry. The criteria for this selection was the economies' present activities in electronic commerce, expressed interest and relationship to Australian exports of dairy products.

The report then examined the export processes and documents used by the Australian Dairy Industry. It found that the key documents impacting "paperless trading" are the:

'Commercial Invoice', 'Letter of Credit', 'Bill of Lading' and 'Health Certificate'.

The Health Certificate was selected as the core document impacting cross-border "paperless trading". The health certification process encompasses a wide range of food products and therefore is the prime document for this project.

As the data is to be electronically transferred, the base telecommunications infrastructure plus the relevant transmission techniques needed to be understood. The first report briefly outlined pertinent characteristics of the different technologies and mediums suitable for this application.

The structure of electronically oriented documentation was outlined. Electronic Data Interchange, EDI, which was originally conceived to achieve electronic transmission of documents, was found very difficult to implement in practice. Therefore commercial businesses have actively pursued and found other more cost-effective methods. Hence the SANCRT message has been replaced with the E-cert structure utilising Internet and XML technology.

The Internet accommodates a continually widening range of secure information transfer through the World Wide Web and is expanding in the number of applications, including those for sensitive commercial transactions. Internet HTML has been further developed to encompass the XML technology, which is relatively easy to use, reasonably flexible and hence quicker and less expensive to implement.

The Australian Quarantine and Inspection Service, AQIS, has established an E-cert sanitary/phytosanitary certificate based on a New Zealand government application. This method of conveying the health certificate offers a lower cost, reliable and readily available solution to meet the aim of "paperless trading".

Therefore to achieve the fundamental aims of this "paperless trading" project, it was recommended that the focus be on:

Document *The Health Certificate*

Electronic communication *Internet with XML support*

Participating economies

Australia, Canada, Japan and the United States of America.

Reporting Base

Structure and Focus

This report is presented in:

1. Executive Summary
2. Main body and Conclusion
3. Attachments

Framework

This report is focussed on the receiving economies – their processes and procedures. The perceived purpose of the Health Certificate from an Australian perspective is outlined together with how it is used and processed by various authorities and organisations in the economies receiving this document.

The first report focussed on the essential preparation and transmission of documents relevant to exporting dairy products from Australia. Therefore the report concentrated on how the relevant data was collected and converted into information documents – primarily the Health Certificate prepared by AQIS.

The report then outlined how the AQIS generated E-cert would be transmitted; by displaying the information on a secured Internet web site for viewing by the responsible government authority in the importing economy.

Thus the focus was on establishing government to government communication with significantly reduced commercial organisation participation. While the E-cert demonstration was built on shipments of dairy products, it is expected that the same principles would apply to other foods or materials exported from Australia to APEC and other world economies.

This project has been structured to take advantage of the unremitting demands of commercial realities aimed at achieving a competitive edge. Therefore a practical result is sought that may become an example of a process that may be readily adopted by other companies and industries.

Project History

Based on information supplied by Dr G Dolman of the Department for Transport and Regional Services, the following is a brief history of the project.

"The Paperless Trading Demonstration Project was initiated by Australia who submitted a formal project proposal at the 17th TPT-WG meeting in March 2000. The TPT-WG endorsed the proposal and it received final approval for funding by the BMC in July 2000. However, to ensure the success of this project, intensive liaison between a large number of stakeholders, including industry as users of health certificates, customs and quarantine authorities, technology solutions providers, etc, was necessary. In order to fully utilise this communication process to design a project that would achieve the best possible result for all stakeholders, the start of the project was suspended for one year.

The original proposal was to progress paperless trading in the industry sector, extending to the APEC region the work currently being undertaken by the Australian Quarantine and Inspection Services, AQIS, on international electronic transfer of government to government certification. However, only dairy industry representatives responded to APEC-wide calls for interested participants in this demonstration project. Further liaison with AQIS confirmed that this industry sector would be a suitable target for this project. This is the reason that the project is now focussing solely on the dairy sector.

The demonstration has therefore been arranged utilising an electronic messaging system, E-Cert, to generate Government-to-Government certificates for dairy shipments. A trial was scheduled to commence on 28 April 2003 to cover shipments of dairy products between Australia and Canada, Japan and the USA. Potential participants are understood to have agreed to this project at the 17th TPT-WG meeting in Singapore in March 2000."

A formal contract for this project was made on 25 October 2002 between the APEC Secretariat, Dialectrics Pty Ltd and Murray Goulburn Co-operative Company Limited.

General Approach

Continuing and increasing use of computer technology in commercial businesses has been due to real and perceived competitive advantages. Businesses naturally seek to gain competitive advantages by increased use of technology to transfer the data stored in their computers with those of their trading associates and partners.

Electronic documentation is sought as a means for supporting the practical distribution of goods and services throughout the APEC region and globally. This process relies on several basic steps being clearly understood and accepted:

1. Electronic documentation does not necessarily mean the conversion of the present paper based documents into electronic form. Converting a paper based system to the analogous electronic system is inefficient, as electronic technologies are a totally different medium.
2. Legislation in the economic communities has been established to support paper based trade records. Therefore when electronic means of data transfer are established, that legal support may not exist.
3. Generally the most efficient means of change is to adopt an entirely new method and train people in that new method. People find it hard to cope with small and often subtle changes in work practices.

The fundamental principles involved in "paper based" or "paperless" trade remains unaltered. The compilation of data presented in a structured form as information to support the transfer of goods and services for appropriate payment within an agreed time. Ensure that all transactions are completed to the satisfaction of all parties involved or, should there be any failure, suitable remedies may be applied.

The differences arise when the written, human readable, data is replaced by computer stored data that is only human readable when processed from the computer. Data from a common source is recorded and processed differently in a computer based system when compared to traditional paper based methods.

Transfer of data uses quite dissimilar mechanisms in the two mediums. Similarly reception of data in one case is aimed at being directed into a structured computer database and in the other case presented as information for human consumption.

Examining this process more closely, there are several distinct stages that immediately diverge from the traditional paper based procedures:

1. Obtaining the base data and entering this into a structured computer store or data base. Generally the data entry will be by manual keying.
2. Initial organisation of data into a pre-determined structure for:
    - Human activity.
    - Computer activity
    - Data transmission

3. Transferring the data by a suitable predetermined technology using an agreed format and structure.
4. Receiving the data into another structured computer store or database.
5. Re-organising the received data to be presented as information into a pre-determined structure for:
    - Human activity.
    - Computer activity including possible further data transmission
    - Integrating with other data in the system from other sources

Electronic Data Interchange, EDI, technology was developed to implement this concept in the 1980s. Subsequently it has been found that EDI installation is complex and therefore expensive to implement. Hence commercial businesses have sought, developed and use other technologies. In particular XML has emerged to challenge the EDI format and is increasing in use throughout the business world.

Legal, political and traditional practices are based on paper based transactions. Therefore these routines tend to inadvertently impede the progress of adopting paperless or electronic solutions. Various economies are seeking to overcome these limitations by legislating that electronic forms of the paper document be as legal as the original paper. However often the perceived need for signatures and other graphics limits the potential advancement into electronic formats.

This approach presupposes that electronic communication is analogous to paper based communication. This is not always the case as electronic communication is fundamentally different. The first is aimed at and predominantly computer to computer based data transfer whereas the latter is aimed at information transfer relying on human readability and comprehension.

The need now is to realise the different mechanisms, recognise the requirement for a supporting legal structure and train the people who are to operate the system in the different thinking necessary for the task. This in turn requires at least the following issues to be addressed:

1. Establish the electronic methods proposed for adoption. Recognise that the existing systems probably be replaced not just adapted.
2. Determine any legislative and institutional impacts or essential changes.
3. Identify and address any technological barriers with the trading partner.
4. Gain acceptance and commitment of all participants. This includes business associates potentially impacted by the change.
5. Address any negative influences opposing the proposed changed methodology.
6. Provide full information and suitable education for all participants to effectively implement the operational changes.

Project Participants

Introduction

"Paperless trading" is a fundamental key in the continuing thrust by companies to increase efficiencies by reducing costs and delivering improved customer satisfaction. This is gained by minimising transaction time and maximising data accuracy to generate higher profitability. This will directly impact global economies and enhance their general standard of living.

Economies and businesses are succeeding in adopting the concepts of "paperless trading" and overcoming the challenges. However, the possibilities offered by these new technological tools have yet to be fully explored. International trade brings opportunities to all participating economies. Obviously trading partners with lowest operational costs will have a significant advantage over those businesses that have higher costs. Paperless trading is seen as a way to significantly reduce those costs.

Core Participants

The core participants for the "APEC - Paperless Trading Demonstration Project are Dialectrics Pty Ltd and Murray Goulburn Co-operative Co. Ltd. assisted by AQIS.

For this project, Murray Goulburn Co-operative Co. Ltd., represents the Australian dairy industry. As an Australian exporter and the largest for dairy products, they have a wide clientele around the world. They have many established clients within the economies in the APEC region. Related to the selected economies, the primary organisations for this project are:

Economy	*Company*
Canada	Kraft Canada
Japan	Mitsubishi Corporation
USA	Erie Foods

Murray Goulburn later provided additional contacts in Singapore and Malaysia. Kraft also contributed by providing additional contacts in the Philippines and Indonesia.

The Australian Quarantine and Inspection Service, AQIS, is concerned in expediting export clearance from Australia of all animal, agricultural and fish commodities to the importing economies. To facilitate this certification process, AQIS has taken several key initiatives in electronic commerce, which are pertinent to this project.

As a significant exporter of primary produce, Australia must provide a reliable and acceptable quality assurance for all food products being imported to overseas

economies. The requirements for the quality assurance are contained within a "Health Certificate" issued by AQIS.

For meat products, this certification may contain the method and means of killing and preparing the product such as required by a Kosher or Halal certification. Certain dairy products may also require similar certification when shipping to specific areas.

Therefore AQIS was asked to assist by participating in this project and the Health Certificate was selected as being the most appropriate document. This certification is an essential component of export documentation for dairy products and Murray Goulburn work closely with AQIS to prepare this key document.

Murray Goulburn Activities

Murray Goulburn may use either of two methods to prepare the information for the "Health Certificate" for their shipments:

- A Murray Goulburn employee enters all details of the shipment into the AQIS EXDOC program, including those special details required for the Health Certificate. AQIS check that these details are correct and, if they agree, authorises the shipment by endorsement of the information in EXDOC. The Health Certificate, complete with scanned signature, may then be remotely printed at Murray Goulburn premises by an AQIS authorised Murray Goulburn staff member.
- Alternatively AQIS notify Murray Goulburn that they have printed the Health Certificate and it is available to be physically collected.

Any errors or omissions may be corrected in EXDOC.

Where the conditions stipulate a veterinarian signature to be fixed to the Health Certificate, the certificate will be completed by AQIS and Murray Goulburn will be notified when it is ready for physical collection.

AQIS Activities

Initial Work

In a briefing paper prepared by the Australian Quarantine and Inspection Service, AQIS, it is reported that:

"AQIS developed its' EXDOC electronic documentation system for edible meat exports in 1992 and has since included other animal, agricultural and fish commodities.

In 1994 AQIS worked with their associated agencies in the United States of America and New Zealand to develop the electronic equivalent of certificates required for those exports. They developed an electronic version of the sanitary and phytosanitary certificates which received approval through the United Nations Electronic Data

Interchange for Administration, Commerce and Transport, UN EDIFACT, message design standards. SANCRT, as the message was called was concluded in April 1994.

AQIS actively support the removal of paper based documents from export activities in many fora. Since March 1998 all Australian edible meat shipments to Japan have been cleared by the electronic SANCRT equivalent to the Health Certificate. Similarly importers and import clearance authorities in other overseas economies also have the opportunity to gain significant trading advantages. Other exporting economies may gain substantial benefits by using the techniques developed in this project.

The use of the SANCRT message has lowered transaction costs by simplifying the quarantine process and reducing the time required to prepare export certification. Because the SANCRT message is transmitted directly between government agencies, the possibility of tampering with or falsifying the data is significantly lessened.

In 1998 a 'single window' of entry to Government was added to the EXDOC program. The Single Electronic Window, SEW, allows the exporter using EXDOC to apply directly to the Australian Customs Service for an Export Clearance Number, ECN. This process avoids the need for duplication of data entry between the AQIS EXDOC system and the Australian Customs Service EXIT system.

Electronic transmission of certification has the fundamental benefits of:

- Reduced transaction costs by simpler process and decreased time to produce the requisite certification.
- Reduced hacker hazard by transmitting directly between government bodies.
- Quicker clearance resulting in faster funds transfer between traders.

New Zealand

The Dairy Electronic Certification system was introduced to provide government to government assurance of the compliance of New Zealand's meat and seafood export products and to help reduce instances of fraud in the export meat and seafood sectors.

The New Zealand dairy industry exports about $8 billion worth of product. This quantity is about a quarter of New Zealand's total value of exports.

Dairy electronic certification was conceived as a mechanism to:

- Increase the robustness of the pre-certification verification checks
- Improve the efficiency of the Export Certification process
- Reduce the total cost of certification
- Reduce risk and errors
- Provide a means to improve the quality and range of data from which to make strategic decisions
- Streamline and integrate multiple data sources to provide a seamless and cost effective service to those involved with the dairy industry

"Dairy E-cert" is the electronic export certification program for exported New Zealand dairy produce. It is administered by the Ministry of Agriculture and Forestry, MAF, Food Authority - Dairy and Plant Products and is accessed through the Internet. It assists MAF to manage its official assurances program whilst enabling the dairy industry to effectively and efficiently handle export certification documentation.

When the dairy product exporter applies for an Export certificate, the content of that certificate is checked by an independent third party who is knowledgeable about the exporter's premises and their products. If the content of the draft certificate can be verified, a formal Export Certificate is created. Otherwise the exporter is advised of any changes that need to be made before a Certificate can be approved.

The information contained in the certificate commences from the first stage of the finished meat production process. This provides a full audit trail for the product. However the history includes a lot of information such as consignor premises that may inadvertently not be displayed in the total dated process history. These types of omissions or errors can lead to delays in information transmission and issuing of the necessary certification.

The result is a Dairy E-cert database which stores the request/application, the approval and the content of the export certificate. The Dairy E-cert now becomes an integral and critical part of the New Zealand process for exporting dairy products.

Implementation of the program was planned in two phases. The first phase was to create an export certificate by August 2001 and the second phase was to automate some verification functions by July 2002. AQIS are now actively seeking to implement an Australian version of the E-CERT Health Certificate with the United States of America and Canada. This will be based on the New Zealand model however it will significantly differ, as the history of the product will be kept separate from the Health Certificate itself. This will reduce the transmission times and provide a more effective and efficient service."

Development

AQIS report that:

"Following the Food Safety Quadrilateral held in Hawaii in April 2002, Australia and New Zealand agreed to develop a joint electronic certification messaging system, to be known as E-cert.

A specification document entitled "EceDEx" has been drafted which will be suitable for use by all exporting economies for development of automated export documentation messaging systems.

The critical elements of this "standard" are the ability to view certificates on-line via the Internet in an agreed XML format for transfer of certification data. All countries will be able to interactively view certificates on-line and have the facility to accept, reject, detain or request a replacement electronically.

The agreed E-cert approach provides importing countries with two options for accepting certification electronically.

- Countries with developed infrastructure will be able to integrate certification data, in XML format, into their automated import management systems for processing and bypass the web entirely if desired.
- Countries using the web will be able to download and print the certificate data viewed on the screen.

Initial trialing of E-cert will be available through the provision of user logon IDs and passwords to the E-cert environment of the exporting country. Countries would then indicate when they are ready to commence a pilot, during which time the electronic and paper systems will run in parallel. Importing countries will have the discretion of continuing to receive paper certificates until satisfied that only the electronic certification is required.

The E-cert development will cover all traded food commodities, including meat, seafood, dairy, horticulture and grain products and animal by-products such as trophies, hides and wool plus inedible meat products including pharmaceutical products, pet food, rendered meals and tallows.

The Australian development, which is proposed for completion in mid 2003, will cover all of these commodities except inedible meat products which will be included later.

New Zealand will initially provide functionality for meat, seafood and by-products, with dairy following in the short term and plant products following later.

Australia and New Zealand have agreed to jointly approach trading partners to promote the adoption of E-cert. The initiative will be promoted both bilaterally and via multilateral fora as opportunities arise, such as relevant APEC meetings and sub-committees of Codex.

E-cert provides an unprecedented level of certificate security as the data is retained on a secure website within the exporting country that is protected by suitable security firewalls. Transmission of data is protected by Public Key Infrastructure, PKI, encryption using the HTTPS or SFTP secure transmission protocols. Logons to E-cert will be country, authority and commodity specific with an additional qualifier of port of inspection if required.

Authorities at the port of discharge will have read only access to respective certificate data, while staff at ports of inspection will have the ability to process certificates on the web to advise the results of product disposition."

Base Issues

Fundamental challenges

The fundamental issues that emerged while conducting the demonstration of "Paperless Trading" included:

1. **Relationships** between contracted commercial organisations, Australian government bodies and overseas participants in both government and commercial operations. Some of the underlying core questions are:

- Can commercial organisations orchestrate government bodies in selected economies to participate in the demonstration? AQIS had been actively promoting the use of their E-cert before the project commenced and naturally wanted to continue this thrust during the project activities. This raised the possibility of causing some confusion where people were concerned who was the 'driver' of the demonstration – the APEC project team or the E-cert originating body.
- How do government bodies view a commercial operation endeavouring to establish a new government to government communication? When presenting the E-cert concept to government bodies in other economies; the main aim of establishing government to government communication is highlighted. The government body approached may naturally seek to correspond with the government body originating the E-cert, thus bypassing the commercial company. This factor requires close relationship between the Australian commercial and government organisations to effectively manage this potential cross communication.
- Will relevant industrial and governmental bureaucracies be prepared to participate in what may be perceived as a commercially oriented venture aimed at changing their information flows and procedures? The prospect of introducing change initiated by an organisation from another economy is often viewed in a negative manner. The concept must obviously offer significant advantage to those commercial organisations for it to be considered.

2. **Relevancy** of the document selected to spearhead the "Paperless Trading" project. Some of the underlying questions that have arisen are:

- Are the legal requirements for the Health Certificate based on current legislation or are some of these laws no longer strictly applicable? AQIS prepares the structure and content of the Health Certificate precisely in accordance with the guidelines and requirements promulgated by the authorities in the importing economy. However this information is occasionally superseded by common practice. It is reasonable that legislature may lag commercial practice, however some of these and related issues required some time to resolve.
- Is the Health Certificate prepared in a form and format applicable for its present usage? When examining the situation from the perspective of cross-border trade in dairy products, it appears that the majority of economies do not use the Health

Certificate format but instead extract selected data for their purposes. The data is therefore generally 'interpreted' by the user to satisfy their requirements.

- Is the Health Certificate used by the intended recipients in the manner for which it was designed? As noted, the intended recipients are now often ignoring the Health Certificate when applied to dairy products. It is noted this response is also applicable to fish and some grain imports. However other products, specifically meat, require a precise Health Certificate that is examined by the recipients, USDA in particular, for whom it was designed.

4. **Reality** of the situation in which the E-cert methodology was to be introduced. While Australia is well advanced in electronic technology, it is recognised that other economies are less, equally or better advanced. While TEDI in Japan and Bolero in the USA have been described in the first report, other electronic trading activities in those more advanced economies by government agencies and commercial entrepreneurs must be expected. Such activities may accommodate or reject the E-cert concept.

Thus introduction of the E-cert must be expected to encounter a variation of responses depending on the technical capabilities of economy, the products represented by the E-cert and the administrative attitudes in the government agencies of each economy approached with the E-cert concept.

Initial Impediments

The main impediments first encountered and their impacts are:

A. The first report described the actions behind the E-cert and within the project group. The group concentrated on how the data was 'compiled' and 'sent' in a structured form titled the "Health Certificate". The receiving end of the communication received little attention and that report summarised the concluding export process steps:

16. Importer/Client representative:
    - Arranges for suitable permits to be obtained.
    - Receives documents for goods.
    - Arranges for clearance of goods with Customs.
17. Importer/Client representative presents delivery order/ release of goods documentation and unpacks goods. Goods transported to final destinations.

These steps of the import process proved to be significantly over simplified. First, the importing companies all used freight forwarders or brokers who had no interest in or motivation to participate in a project that, in essence, tended to bypass their business and livelihood, although the benefits and advantages were promoted.

Further, these organisations were unable to provide detailed information concerning the organisation structure of the government organisation where the Health Certificate was presented. Hence the key person responsible for the acceptance of the Health

Certificate was not readily identifiable. This feature presented an unexpected and significant impediment that could not be quickly resolved with this approach.

B. The natural preference for government bodies to communicate with other government bodies was recognised from the outset. However skills within those government bodies to conduct cross-border negotiations were sometimes limited when the people involved had no previous experience in conducting such agreements. Project history, subtleties of communication and cultural differences all added to the complexity of the tasks causing impediments and delays.

It is understood that government authorities like and need to be well informed. However the act of making a decision, particularly in some economies, is generally extremely complex and involves many people in various departments and even across different government bodies. Thus the act of informing interested parties is complex, as timing, ranking and manner of communicating the information can all be crucial.

C. It was recognised that the project had to be carefully presented as a practical demonstration, aimed at showing a concept that could be readily realised in that economy. Any sense that the demonstration was a trial or pilot and thus a precursor to process changes was avoided as presumptuous at this time. Further, any suggestion that any participation entailed a workload or commitment in the future was also avoided.

However inherent caution sometimes could not be avoided. The idea of attending or being present at a demonstration concerned some people because attending the demonstration might be construed by others to be endorsing this concept. This was of particular concern if people were unsure of the project, their organisations perception of the proposal and the technology associated with the concept.

Such sensitivities are very difficult to address in impersonal communications only using the written word. Misconceptions arise which are not clearly articulated and reactions are therefore often misinterpreted in turn. The result is often a myriad of information flows, exacerbated by cultural differences plus the prevalence and ease of use of e-mail messages. Such confusion that may start to emerge can result in a significant project delay, unless a simple message can be heard clearly expressing the fundamental intentions of the project.

Cognisant of these issues, an introductory letter was drafted for the potential participants in each of the target economies as shown on the following page. However like many written communications, this message may also be overlooked or only briefly scanned or read with preconceived ideas.

Thus these broad issues posed many challenges that were difficult to properly resolve within a limited timescale.

Murray Goulburn Co-Operative Co. Limited
ABN 23 004 277 089

140 Dawson Street Brunswick Victoria 3056
PO Box 4307 Melbourne 3001 Australia
Telephone (613) 9387 6211
Facsimile (613) 9387 5741

14 April 2003

Demonstration - Electronic Health Certificate

This document is to advise you of the background of the E-cert electronic health certificate demonstration and to invite you to participate.

In October 2002 the APEC Secretariat, on behalf of the APEC Transport Working Group, awarded a contract for "Paperless Trading Demonstration Project - Electronic Transmission of the SANCRT Message" to Dialectrics Pty Ltd and Murray Goulburn Co-operative Company Limited. Together with the Australian Quarantine and Inspection Services (AQIS), the project is to demonstrate how "paperless trading" may be achieved between organisations in the APEC region.

After extensive investigations by the group, the initial report concluded that the project objective is best achieved by focussing on establishing an electronic version of the Health Certificate. This certification is transmitted between AQIS, as the Australian government department responsible for preparing Sanitary and Phytosanitary certificates and the appropriate government regulating authority in the economy that is importing Australian food products.

At present Australian food exporters obtain an AQIS authorised Health Certificate in paper form and physically despatch this document together with other relevant documents to the company importing the products. The concept is to remove involvement of commercial organisations in what is essentially a government to government transaction.

AQIS are providing a secured Internet web site to convey Health Certificates through an "E-cert" program. E-cert is a joint initiative between AQIS and the New Zealand Food Safety Authority.

With the E-cert system, the appropriate Government department of the importing economy checks the health certification information on the secured AQIS website. Information contained in that website is provided directly by AQIS. Thus the importing regulator may readily obtain more immediate and trustworthy information than checking paper documents presented by an importing company.

In general, electronic transmission of Health Certificates produces both commercial as well as Government to Government benefits:

- Achieving more secure communication of this key document by transmitting information directly between authorised government departments.
- Reduced transaction costs by excluding the commercial organisations' involvement and decreasing time to produce the requisite health certification.
- Quicker clearance of goods and faster transactions between participating traders.
- Control of the health certificate information is retained by the original responsible government authority, independent of ownership of the specific goods.
- The government regulator may electronically record the information for more efficient product clearance, cheaper archiving and lower cost retrieval when required.

AQIS has considerable background experience in electronic certification. In 1992 AQIS developed the EXDOC electronic documentation system for edible meat exports. This was later extended to other animal, agricultural and fish commodities.

In 1994 AQIS worked with their associated agencies in the United States of America and New Zealand to develop an electronic version of the sanitary and phytosanitary certificates. These received approvals through the UN EDIFACT[1] message design standards and the resultant message was called SANCRT.

Using SANCRT messages lowered transaction costs by simplifying the quarantine process and reducing the time for preparing certification. The SANCRT message is transferred directly between government agencies and the security of the data is significantly improved.

Following the Food Safety Quadrilateral meeting held in Hawaii in April 2002, Australia and New Zealand agreed to develop a joint electronic certification messaging system, to be known as "E-cert".

AQIS are now actively seeking to implement an Australian "E-cert" Health Certificate with the United States of America, Japan and Canada. . This development will improve security and provide a more effective and efficient service.

A draft XML message specification entitled "ECeDEx" has been prepared that will assist exporting economies when developing automated export documentation systems. The ECeDEx XML specification has been presented to UN CEFACT for ratification and is being forwarded to the World Customs Organisation for their sanction as well.

The E-cert certificate data can be viewed on-line on a secure web site via the Internet. Also the data will be available in the agreed XML format so that import authorities may download the certification data for inclusion into an automated import management facility. Suitably authorised officers of import authorities will be able to view certificates on-line and have the facility to accept, reject, detain or request replacement certificates.

The E-cert will encompass all traded food commodities, including dairy, meat, seafood, horticulture and grain products and animal by-products such as trophies, hides and wool. Later, inedible meat products including pharmaceutical products, pet food, rendered meats and tallows will be included.

A trial of the E-cert will take place from 28th April 2003 for a period of 5 weeks to conclude on the 31 May 2003. Both an E-cert electronic certificate and a traditional printed paper certificate will be generated for the trial.

At any time participants may obtain clarification about:

- The E-cert and health certification in general through AQIS from:

  Ms Fiona Cornwell Manager EXDOC/E-cert ecert@affa.gov.au
  Mr Norm Scott E-cert Administrator ecert@affa.gov.au

- The "Paperless Trading Demonstration Project" through the contractors:

  Mr John Hart Dialectrics Pty Ltd jdhart@ozemail.com.au
  Mr Robert Coode Murray Goulburn Co-operative Co. Ltd robert.coode@mgc.com.au

[1] United Nations Electronic Data Interchange for Administration, Commerce and Transport

Technological Issues

Introduction

The main technologies used commercially for electronic document preparation and transmission were described in the first report of this series. That report described the attributes of the various methods currently being deployed around the world for this purpose plus their strengths and weaknesses.

This section briefly reviews the important features of those technologies that were considered suitable for this project.

Exchanging Data Electronically

Business companies needed an expedient method to communicate data between users who had installed computers to store and process data electronically. The aim was to use existing telecommunication networks to convey the data directly into a trading partner's computer based business application. These electronic interchanges improved response time, reduced paperwork and eliminated potential transcription errors.

The first electronic interchanges were based on proprietary formats that were agreed between two trading partners. Due to different document formats, it was difficult for a company to exchange data electronically with many trading partners. S*tandard* formats for the exchange of data emerged to meet this commercial need.

The American National Standards Institute, ANSI, did much of the pioneering work on standards for Electronic Data Interchange, EDI with ANSI X-12. This was directed at transportation, grocery and retail business segments with intra-industry transactions of purchasing, transportation and general financial data.

While the ANSI X12 standard became adopted in the USA, international users often found that the U.S. standards did not meet their needs. Thus the United Nations established the UN/EDIFACT, Electronic Data Interchange For Administration, Commerce and Trade, to develop international EDI standards. These standards have been increasingly deployed and Canada and Australia have selected UN/EDIFACT as their national EDI standard.

However EDI suffers from a high cost of implementation and operation. This cost arises from installing appropriate software, establishing robust connection between traders, software maintenance, telecommunications charges, additional computer hardware, staff training and restructuring business processes

Therefore, in large companies, the cost of EDI may be offset by increased efficiencies, however for smaller companies that cost may be prohibitive.

The Internet has now emerged as a viable alternative to EDI offering speed, standardisation and acceptance in the global business community.

Internet-based EDI solutions show potential to cut the costs and constrictions of EDI. Business processes may be retained in their present form and the Internet facilities added in a relatively low cost exercise.

The Internet has emerged as a core communications mechanism as it is designed and constructed to interlink computer data utilising normal telecommunications networks. The Internet permits computers to communicate independently of their internal software architectures or their manufacturers.

The globally used Transmission Control Protocol/Internet Protocol, TCP/IP, enables computer systems to communicate anywhere in the world. While the Internet is a platform that enables computers to communicate with each other, the World Wide Web, WWW, is an application that uses the Internet to allow international freedom for information sharing.

The WWW world links documents through indexes composed in HyperText Markup Language, HTML, using the HyperText Transfer Protocol, HTTP, with commercially available inexpensive browser programs.

Internet documents based on HTML are defined in terms of headings, paragraphs, images, graphics and sound. HTML is directed towards describing how data should be presented to a Web browser. The WWW Consortium therefore developed the Xtensible Markup Language, XML. This is a more complex metalanguage however very similar to HTML but with a different purpose. This provides a simple method that enables information to be readily exchanged.

XML technology promises to be a replacement methodology for the strictly structured and expensive EDI standards. Various sub-forms of XML have been developed to address various limitations, both real and perceived, of the basic XML technology. For example an XML/edi method redefines the EDI message formats into XML for the purpose of being able to view the information contained in the message on the Internet.

Because XML separates presentation from actual data, separate files may be constructed to define how the data is to be presented. Documents may be prepared to suit the medium being used to view them. Because XML is an open protocol it can be an excellent solution for sharing data and storing in computer databases. The introduction of XML opens up entirely new routes for the exchange of computer based data.

XML is an evolving standard, which means it may offer practical solutions. However, it does not contain recognisable international standard document sets sought by many organisations and available in other methodologies such as EDI.

The conclusion offered in that initial report was XML is considered to offer the best technical advantages for business use at the lowest cost and risk.

Specific Data Exchanges

Arising from the increasing use of computing in business and government applications direct communication of data is demanded between computer databases. This process gains obvious efficiencies while avoiding costs of re-keying data with inevitable errors.

The means and methods are constantly undergoing change with the advancements in technology both in computing and in telecommunications. The commercial drive seeks to exploit the advances as quickly as possible and therefore explores avenues as they are opened or even before they become practical.

From the above brief outline of recent technological progress, it may be seen that the demand for data communication led to EDI ANSII X12 which was largely superseded by UN/EDIFACT and then the Internet.

Continuing commercial demands still continues to drive these developments and this "Paperless Trading Demonstration" project seeks to advance this process. Other mechanisms may also be noted; two of the most significant methods are briefly outlined in the following sections.

The challenge for such systems is whether their inherent strengths and weaknesses are superior to those methods that preceded them. Alternatively, it may be better for business to adopt such practices on the grounds of immediately increased efficiencies and be prepared to abandon them just as rapidly when new systems become available.

It may be noted that many of the systems described here commenced using one form of technology – EDI – then converted to a newer technology – XML - when users expressed a preference for that method.

The 'proprietary' characteristics of systems often proposed for general commercial user are a distinct disadvantage and prevent wide adoption. This implies that the systems are developed and controlled by interests that may not be in accord with the user's interests at some later date. This includes systems underwritten by government as well as particular industry group's processes. "Neutral" or "open" systems are strongly preferred and sought by world industries and governments of less advanced economies.

Canada

Canada does not have any specific data exchange technology that impacts on Australian dairy trade at this date.

Japan

Trade Electronic Data Interchange, TEDI, was developed by the government as a system to support paperless trading. The responsible ministry is now the Ministry of Economy, Trade and Industry, METI. The group comprises senior trading companies, shipping agents, banks, insurance companies and many other companies. The main members of TEDI are Mitsubishi Corporation, Mitsui & Co. Ltd., Sumitomo

Corporation, Itochu Corporation, Marubeni Corporation, NTT-C; Hitachi, Ltd., IBM Japan, Ltd., and Fujitsu Limited plus more than thirty other companies.

Their main goal is to reduce the time and cost of trading for businesses and increase international competitive power. This is to be achieved by encouraging fewer paper documents and more electronic documents. Data is planned to be exchanged electronically over a safe and reliable network.

A standard TEDI document is now created in XML rather than using EDI demonstrating the attractiveness of XML technology as the preferred protocol.

United States of America

The Bills of Lading Electronic Registry Organisation, BOLERO, operating as Bolero International Ltd is an equal joint venture between the Society for Worldwide Interbank Financial Telecommunication, SWIFT, and the Through Transport Club, the TT Club.

Their aim is to provide a simple and robust method for trading partners to exchange data and documents over the Internet without the need for a bilateral Electronic Data Interchange, EDI, agreement. Bolero seeks to eliminate the amount of paperwork involved in trade such as bills of lading, insurance certificates and other documentation.

The initial Bolero system was based on EDI communication and directed at Bills of Lading particularly in the Latin-America region. The new Internet based system utilises XML technology to replace the expensive EDI format structure. The bolero$_{XML}$ strategy is based on the idea that the precise documentation standards are not needed for these transaction methods and enables trading partners to exchange data and documents over the Internet without the need for a bilateral data interchange agreement.

Quantifying the Issues

Some of the main issues involved in paperless trading in the three selected economies have been briefly outlined above. In an effort to summarise the issues, the following sub-section offers some quantified factors that significantly impact the project and paperless trading in general.

Technology. The concepts of E-commerce, E-business and ‘paperless trading’ have all been made possible through the emergence of electronic technology.

Business processes have to keep up with the latest advances or be left behind as later technologies offer competitive advantages of faster transactions, lower costs, flexibility and more functions. Therefore organisations labouring to implement EDI practices may be regarded as ineffectual in a rapidly changing commercial environment. The effect is seen in the changes to the TEDI and Bolero systems where the EDI technology has been partially supplanted by XML.

This communication methodology must be supported by computer based applications within the business, comprising computing processes and storage systems. There must

be a background capability to access data, process it and then present the data in the form of information that may then be meaningfully conveyed to a recipient. This means the use of Microsoft, UNIX, Linus and other processing technologies may all impact this process. Similarly the storage programs must store the data in an accepted format to facilitate the communication process.

The underlying issue is if such system technologies change significantly over perhaps 10 years, businesses have to implement new practices and recover costs within that timeframe. It would appear that many concepts are based on a more static timeframe.

World Standards. Some of the globally oriented organisations endeavouring to facilitate world trade have been mentioned in relation to the selected economies. These include the World Trade Organisation, WTO, the World Customs Organisation, WCO, and the International Standards Organisation, ISO. While their aims and mission statements are not disputed, their time to produce results is often lengthy. The aim of using "standardised" message formats containing "standardised" data elements for "harmonised" product descriptions and numbering is essential for international trading.

The number and array of organisations, associations, sub-committees and working groups addressing these issues indicates the extent of the problems and the perceived trading opportunities that are emerging.

The United Nations "Rules For Electronic Data Interchange For Administration, Commerce and Transport" contains references to UNTDID, the UN/EDIFACT Standard directory, and UNTDED, the UN Trade data elements directory. These documents contain the rules and general information on establishing and using EDIFACT message types. Together they constitute a United Nations Standard Message UNSM manual.

EDIFACT favours general usefulness, hence a UNSM should be generally useable in all applications within its defined function. The same applies for segments in relation to messages and for composite- and simple data elements in relation to segments. To ascertain such alignment, each message type and its components, new or amended, are checked by Maintenance Advisory Groups, MAG, and Technical Assessment Groups, TAG, often combined, within the respective Rapporteurs' Teams and before submitting to WP.4 by its Directories Reference Group, DRG.

In order to be generally useful in all application areas within its defined function, it is evident that a UNSM will allow for more data than will normally be used in any single message. This might discourage some prospective users fearing a large overhead; however, since sub-sets of message types can be defined, messages can be reduced in size to meet user requirements.

The International Standards Organisation, ISO, is a worldwide federation of national standards bodies. Preparation of International Standards is normally carried out through ISO technical committees. International Organisations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission, IEC, on all relevant matters.

Draft International Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an International Standard requires approval by at least 75% of the member bodies casting a vote.

Although these 'standards' are essential for unambiguous ubiquitous data transfer, they currently require extensive time to determine when viewed from a commercial operator's perspective. Thus these supporting 'standards' can be a significant impediment to rapidly implementing "paperless trading".

Commercial. Australia trades with over 250 economies around the world. To trade in some 100 economies with approximately 30 types of dairy products incurs preparation of over 40 different documents. These documents are compiled in different sets for any one transaction from at least 70 data elements, as shown in Report 1 of this series.

Economies may have over 200 internal organisations that stipulate what data is required for cross-border trading. The USA has over 250 organisations and Australia between 40 and 50. These organisations range from specific product boards and associations through to government security bodies.

Some economies are well advanced in their electronic capacities while others have trouble in achieving reliable paper based documents. However all government bodies are aligned to supporting their respective economies in universal world trade. Achieving a common consensus from these wide variety of backgrounds, aims and understanding is a significant challenge.

Currently, it is suggested that those economies who are most technically advanced and who are the 'customers' or 'clients' in the trading relationship may tend to dictate the technology and processes. This trend will be tempered by commercial practicalities of costs and time for delivering the goods and services being traded.

Basic documents required for importing dairy products into the selected economies are:

Kraft Canada	**Mitsubishi - Japan**	**Erie Foods USA**
Invoice	Invoice	Invoice
Bill of Lading	Bill of Lading	Bill of Lading
Packing List	Packing List	Packing List
Certificate of Origin	Certificate of Origin	Certificate of Origin
	Insurance Certificate	Insurance Certificate
Health Certificate	Health Certificate	Health Certificate
Analysis Reports	Analysis Reports (LIMS)	Analysis Reports (NATA)
		Certificate as to Condition (Dry milk products)

Activity Summary

The following pages summarise the core activities directed at gaining participants to the APEC Paperless Trading Demonstration Project.

Only a few selected e-mail messages are shown with the pertinent comments briefly summarised. The telephone conversations are generally not included as these are considered transitory and are generally supported by follow up e-mail messages that are shown where appropriate.

It is the outcome of these communications that forms the base of the 'Findings' and 'Conclusions' in this report.

SUMMARY OF CONTACTS and RESPONSES - May 2003

CANADA

Main Contact	*Outcome*	*Status*
Commercial		
Kraft Canada		
Normand Pomerleau Cc. Information System leader - Louis Comtois Cc. Traffic leader /customs expert - Mark Barras	Issue referred to CFIA Ottawa -Gail Daniels then to Dr L Skrinar	Refer Dr L Skrinar, CFIA
Freight Forwarders/Brokers		
Livingston International Inc John Ammendolea	No interest in the electronic Health Certificate. Interested in the proposal to convey the total document set electronically	Ongoing
Government		
Canadian Food Inspection Agency		
Chief of Dairy Programs Gail Daniels Cc. Jacques Dépault Cc. Don Raymond Cc. Ray Rush	Advice: "am copying other interested parties in our Agency who are also interested and request them to comment. [This is an] initiative that we have been interested in" "Unfortunately, both the honey and dairy programs require extensive program, policy and regulatory changes to become in line with our CFIA policy. currently both of these programs do not require foreign country certification for food imports - we rely on the Canadian importers to ensure the imported product meets Canadian standards".	**CFIA state 'not generally interested in dairy products at this time. '**

Main Contact	*Outcome*	*Status*
Import Coordination Mark Willcox	Interested in project and requested details	Referred issue to Dr Skrinar
Cc. National Import Operations Michel LaBrosse	No response	
Food of Animal Origin Chief, Import Programs Dr. L.P. Skrinar	"Before any food shipment is released by Cdn customs CFIA must release as well."	***Actively participating.*** **Advised he will act for CCRA**
National Import Operations Kathy Telmosse	Refer matter to CFIA IMT specialist	
Cc. Plant Health and Production Import / Export section Plant Health Information Systems Patrice Sinave	Advised: This is not about Plant health, but interesting	
Canada Customs and Revenue Agency		
Cc. Electronic Commerce/Assistance Unit Terrence Otis		Referred issue to Dr Skrinar

JAPAN

Main Contact	*Outcome*	*Status*
Commercial		
Mitsubishi Corporation Foods, Products, Division Takashi Kiyama Cc. Masato Kondo Cc. Naoto Sasaki Cc. Yuichiro Niwase Cc. Takaaki Sakata [TEDI]	Advised of TEDI interest Advised that "certification only required for Natural cheese by Customs. " Advised by TEDI to use Tradegate	**No inspection authority involved. CTB interested in Natural Cheese for tariff application or new products only.**
Murray Goulburn Office Japan General Manager Shuichi Kameyama Cc. Tim Barnstable Cc. Masako Sugino	Multiple messages between multiple sources in Japan and Australia commence, resulting in some confusion. All later actions reside with AQIS.	Await AQIS advice. CTB express non-participation at this time
Government		
All contacts via AQIS and DOTARS	Advised "CTB not been informed from Japan Dept of Transport about project and suggested MHLW and/or MAFF. would be better participants. Branch customs officers do not have ready access to the Internet - would need to access a separate standalone machine. So called "health certificate" is a voluntary document provided by importers to assist with tariff classification. CTB wants trial to utilise new, electronic lodgement, F Cornwell, AQIS, visits Japan	Await AQIS advice.

USA

Main Contact	*Outcome*	*Status*
Commercial		
Erie Foods Import Representative Mark Delaney	Advised passed message to AEI Danzus Danzus referred issue to FDA	Ongoing
DHL Danzas Air & Ocean Iowa & Illinois Sales Ms Pam Nichols Chaundra .Fulrath	Referred to a fax number to contact. Contact is to USDA – APHIS [Refer USDA responses.] No interest in electronic Health Certificate Electronic transmission of total documents would be of interest.	Ongoing
Cc. DHL Danzas Air & Ocean Technical Advisor, Technical Services, Ron Reuben	Advises Health Certificate is not an issue in port of Los Angeles, per USDA and FDA."	
Government		
FDA		
Center for Food Safety and Applied Nutrition Office of Plant, Dairy, Food and Beverages Director, Division of Dairy and Egg Safety Mr John F. Sheehan	Referred matter to M Eckel	

Main Contact	*Outcome*	*Status*
Office of International Programs Director, International Policy Staff Matthew Eckel	Advises: "FDA does not have a general health certificate requirement."	**FDA has no certification requirement for dairy goods.** ***NOTE: Based on other information, this is believed to be incorrect or misinterpreted.***
CFSAN Dr Catherine.Carnevale	Advises: "FDA does not routinely issue or require export certificates."	Confirms FDA has no requirement for dairy product health certificates
Bureau of CBP,		
Information and Technology, Assistant Commissioner – Mr S W Hall Jr.	Refers issue to Elizabeth Durant	
Ms. Elizabeth Durant Executive Director, Trade Programs	Refers issue to Michael Denning, Director CBPMO/ACE program	Await outcome - Ongoing
US DA		
Cc. Agricultural Marketing Service, Associate Deputy Administrator for Standards & Grading, Dairy program, Mr Duane Spomer,		**USDA has no certification requirement for dairy products.**

Main Contact	*Outcome*	*Status*
US DA - APHIS		
Cc. Export Specialist Susan G Dublinski	Advises: "I have forward the information to several other departments which may have interest in this demonstration."	**APHIS no apparent interest in dairy products.**
Peter Fernandez Mark Grzeszkowiak	P Fernandez referred issue to Mary Lisa Madell who covers Australian animal and plant health issues	
Cc. Trade Support Mary L Madell	Advises "I am forwarding it (APEC information) to Dr. Steve Weber"	
Cc. Centers for Epidemiology and Animal Health Veterinary Services Center for Animal Disease Information & Analysis, Dr. Steve Weber	No response	
US DA - FSIS		
Cc. Karen Stuck	Advised: "I am your contact for meat certificates. Not dairy"	**FSIS Not dairy products.**

OTHER ECONOMIES and CONTACTS

Main Contact	*Outcome*	*Status*
Commercial		
Australia John Olden	John Olden Kraft Asia, Melbourne assisted with contacts for Indonesian and Philippines	Ongoing
Indonesia Kraft Indonesia Deni D Hidayat	Indonesian Quarantine consider it too early for them to participate in the demonstration.	
Malaysia Premier Milk – Malaysia Tham Su Yin	No response to date	
Philippines Kraft Philippines Kraft Manila Purchasing Manager, Manila, - Abet Bacsa Cc. V Cabello	Advised: " BOC nor BFAD does not require submission of Health Certificates for our importation of dairy materials."	Apparently no use made of Health certificate.
Singapore Malaysia Dairy K S Chan	Advised contact Shipping Executive Mr. Quan Sin Huat who has requested further details and is examining these. Advised Health Certificate is not used to clear shipments – E-cert of no immediate interest.	Ongoing

Findings

First Phase

As foreshadowed in the first report of this project, the original concept was that Dialectrics would contact the primary Murray Goulburn clients in Canadian, Japanese and USA economies with the request that they inform us to whom and in what government authority they presented the Health Certificate.

It was then intended that the appropriate people in that authority would be approached to invite them to participate in a demonstration of the electronic form of health certification and possibly download an XML version for later examination. Feedback would then be sought from the participants on the appropriateness of the communication medium, transfer mechanism and suitability of the data contained within the certificate plus any other comments relevant to the demonstration.

Unfortunately this elementary approach proved to be over simplistic and could not be readily realised in practice.

Second Phase

The initial general attitude of the importing companies was acceptance of the concept. This warmed as they became aware of the potential commercial benefits, however this was tempered with the expectation of a significant work load and resulting confusion during any change needed to implement the proposed methodology. Further, when the potential impact on their present paper based procedures, technological planning and systems implementation was considered the proposal was politely ignored.

The next commercial layer, comprising freight forwarders and brokers exhibited significantly less interest. Firstly this concept applied to only one of the multiple documents used in clearing shipments and secondly, as their routine tasks were well established, this change appeared a retrograde step. Usually the paper Health Certificate was transmitted by fax together with other necessary documents, then filed. To have to access a separate source, print the document and associate it with other documents from another source before fax transmittal did not appear attractive.

These agents used the documents supplied by Murray Goulburn, including the Health Certificate, predominantly to clear the product into the economy. This was often done by physically passing the paper documents to the Customs official at the entry port for each shipment. The agents generally have little knowledge of the organisational hierarchy of the Customs organisation and hence cannot assist in advising to whom to refer the matter of an electronic Health Certificate.

The next step was to seek interest from those government bodies who composed regulations for which the Health Certificate is prepared to address. After extensive investigations and significant time, it was reasonably established that, in general, the

government regulating bodies did little or no direct checking but relied on their Customs counterparts to check that their regulations were suitably administered.

However, the primary 'regulatory agencies' of each economy were approached to determine who might be concerned with a possible change from paper based to electronic document forms. This investigation commenced by identifying the leading regulating authorities, particularly those requirements that were used by AQIS in the preparation of the Health Certificate. This process necessitated virtual 'cold calling' by e-mail messages or telephoning various people internationally. The Australian Embassies, located in the selected economies, assisted by suggesting many people who could be contacted by the project group.

After considerable effort it was concluded that the 'regulatory agencies' had very little if no concern regarding detailed checking health certification of dairy products. There was concern about some products, specifically meat, however these products were processed through different channels using special regulatory and checking agencies.

Further if such regulatory government bodies were asked to associate a single Health Certificate with other documents presented from a separate source for each shipment on behalf of commercial interests, it was obviously rejected as the work load exceeded any possible benefits.

From the information gained in this research, the project group concluded that the government Customs bodies were the main users of the Health Certificate and would be most concerned with the potential change of the document. Freight forwarders and brokers have little knowledge of the hierarchical structure of the Customs organisations. Hence they were unable to quickly advise who might be the appropriate person responsible, although contacts were still sought through these operators.

Additional information was therefore sought for possible contact names in the Customs organisations of the selected economies through Australian Embassies, Australian Customs and the inspection agencies in the selected economies.

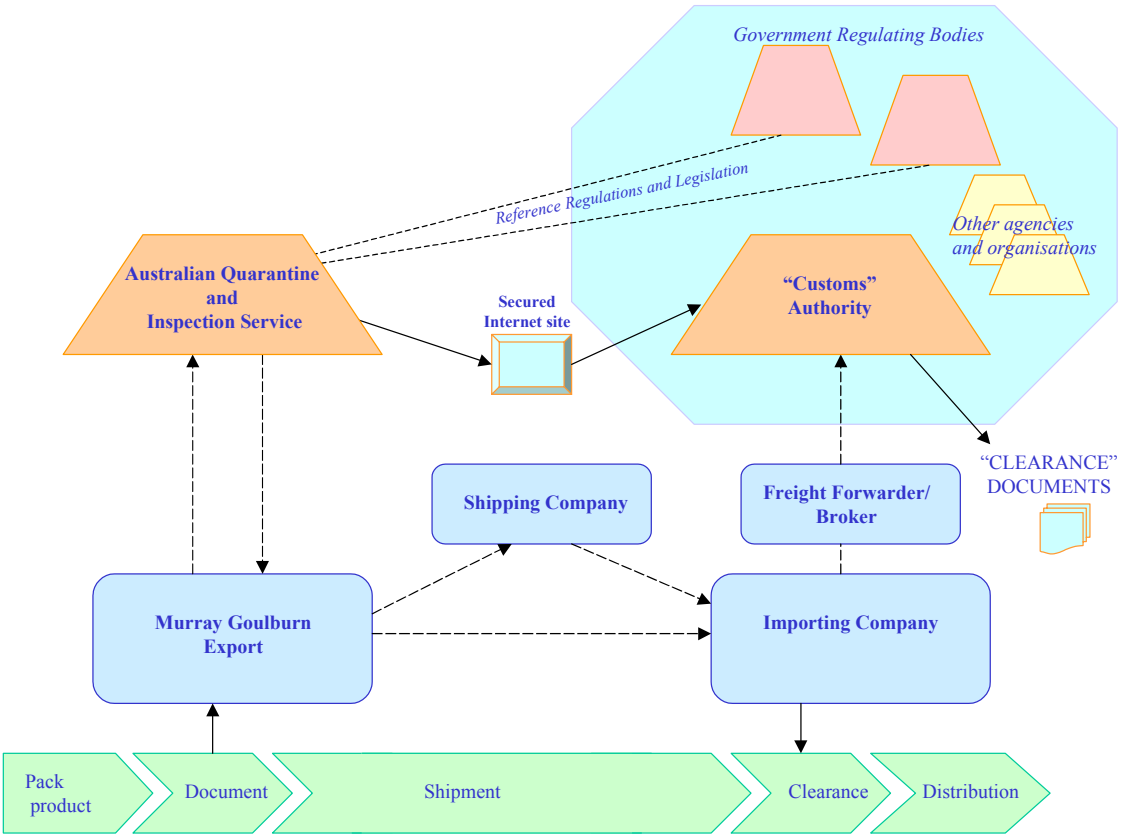
The Customs body in each economy represents many government and often non-government bodies seeking information about imported goods and services. Hence the Customs people checking the products generally appear to use the Health Certificate as a document that contains certain information they need and do not necessarily check the Health Certificate as a "Health Certificate".

Now the project focus turned to determining the appropriate central Customs contact in each economy.

Before examining each economy in detail, the broad findings to date are summarised:

- The Health Certificate used for dairy products being imported into three selected APEC economies has been traced from source to recipient.
- The certificate is prepared by AQIS on advice from Murray Goulburn for each individual shipment of dairy products in accordance with the receiving economy's regulatory bodies' requirements and conforming to their legislation.

- The certificate has been found to be primarily used in each economy for customs clearance of the imported dairy products.
- The "Customs" agencies in each economy act on behalf of the government regulators and other government and non-government bodies when checking the Health Certificate associated with the particular shipment.
- Each shipment is cleared at a Customs office associated with the Port of Entry. The Customs officer checks the paper documents supplied by the importing company's representative - freight forwarder or broker. This check covers a range of items including container numbers and seals. Computers, computer communications and equipment for printing documents are not traditionally used in this procedure.
- This basic procedure is illustrated in the diagram below, including the addition of the possible Health Certificate conveyed electronically over secured Internet.



Third Phase

Information gathered to this date is summarised for each of the selected economies:

Canada

Canadian Food Inspection Authority, CFIA

The Canadian Food Inspection Authority stated in an e-mail message dated 12 April:

"CFIA has established an Import Policy for which the 14 programs we administer are to evolve in line with. Unfortunately, both the honey and dairy programs for which I oversee, require extensive program, policy and regulatory changes to become in line with our CFIA policy. For example, currently both of these programs do not even require foreign country certification for food imports - we rely on the Canadian importers to ensure the imported product meets Canadian standards. As could be expected, our CFIA Policy has foreign certification as one of several key components. The reason I mention all of this is to put into perspective the extensive work that needs to be done for both of these programs and I believe this is required before we, as a program, even start to analyze the issue of electronic certification."

Gail Daniels
Chief of Dairy Programs - Canadian Food Inspection Authority

Subsequently Dr. L.P. Skrinar, Chief, Import Programs for Food of Animal Origin, CFIA, expressed interest in the project and actively participated in resolving early technical issues and provided significant feedback on the proposed E-cert process.

Dr Skrinar commented that he remembers the electronic health certification process using protected e-mail messages for meat products being imported into Canada. This concept proved unsuccessful in practice and was abandoned.

Dr Skrinar also advised that CFIA were currently examining their computer system processes. Their idea was that the broker would provide the total package of documents to Canadian Customs where the computer process would extract the information for Customs requirements and then communicate the relevant information to the CFIA. The CFIA would evaluate the information received for completeness and correspond to Customs with any deficiencies, corrections or amendments needed.

At present CFIA receives official information from AQIS, which is then re-keyed into the CFIA computer system. This information is then compared for validity with the information provided by the broker. These checks include shipping marks, labelling, container seals etc. The broker also provides essential shipment 'tracking' information – where the shipment originated, transferral points and destination.

Dr Skrinar has stated that: "The reason our Customs are not interested is because they allow entry of dairy products only if the CFIA tells them that the shipments were cleared. We, CFIA, clear the shipments based on our requirements, which currently for

dairy products is an import declaration document. Even the CFIA does not require official certificates for import of dairy products."

All activities relating to Customs has therefore been collated in the following section.

Japan

Japan is the number one importer of Australian dairy products. Mitsubishi Corporation, the major dairy products importer, advised that the Health Certificate is not normally required but it is used for Natural Cheese products or establishing new products in the dairy range. In this case Mitsubishi pass the Health Certificate through to the Nissin freight forwarding group for Customs clearance. The Health Certificate appears to be used as a "Customs Declaration" form and a "Cargo Release" document" when it is presented to:

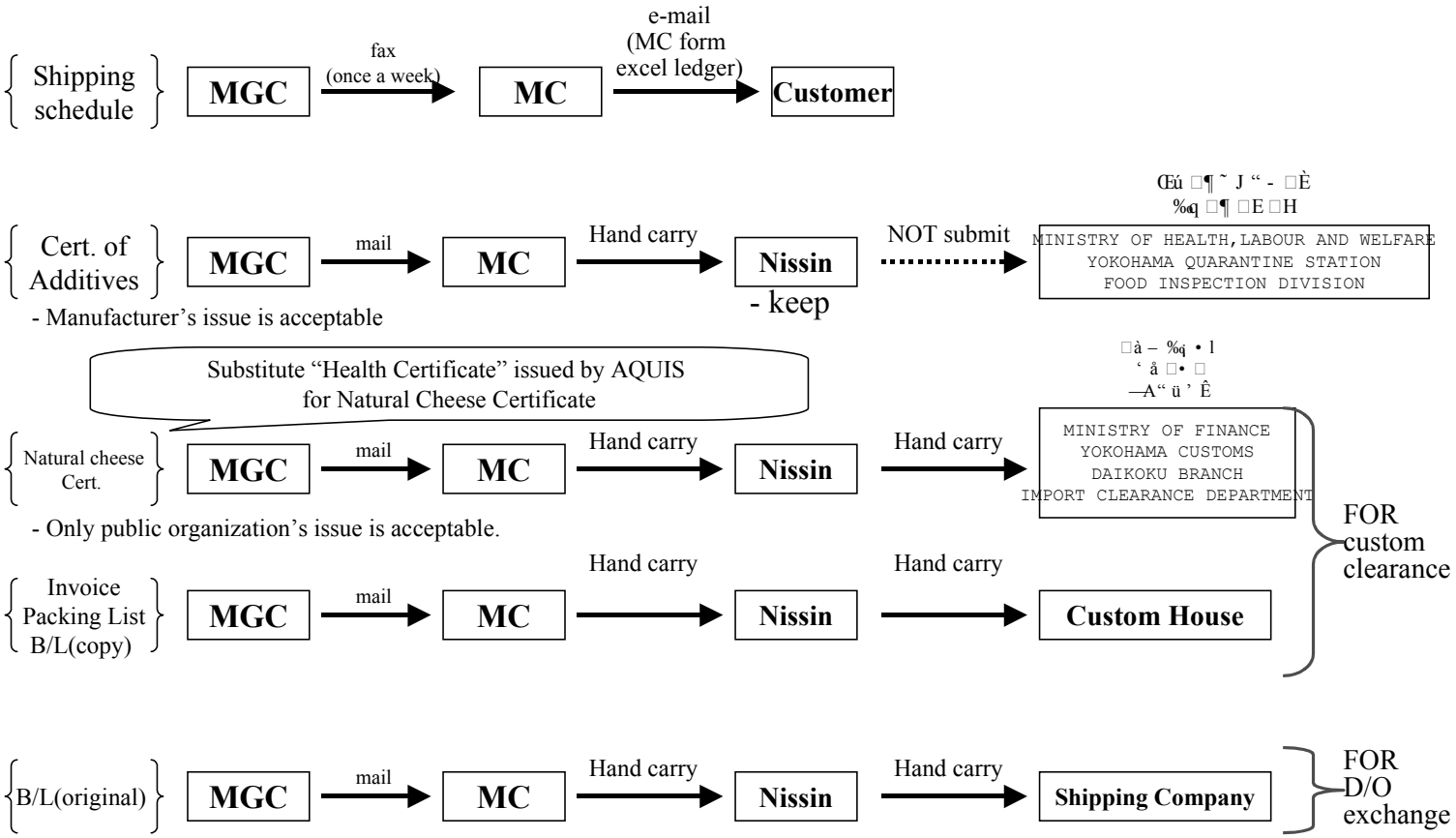
Ministry of Finance
Yokohama Customs
Daikoku Branch
Import Clearance Department

Mitsubishi Corporation contact, Mr Takashi Kiyama, when initially approached by the project group, produced a very comprehensive flow diagram showing the route followed by the export documentation entering Japan. This showed that for imported dairy products the Health Certificate was only used for Natural Cheese. When Mitsubishi received the certificate, they passed it through the freight forwarders, Nissin, to the Customs and Tariff Bureau.

Clarification of detail was then sought if any inspection agency was also involved and if a responsible person could be nominated in the Japanese Customs Tariff Bureau who would be prepared to participate in the demonstration.

At this point in time AQIS sought to assist and involved the Australian Embassy in Tokyo. The task was then escalated to include several other government Ministries in Japan and the General Manager of Murray Goulburn's Tokyo office.

Current Document Handling To Import Natural Cheese To Japan



Note) MGC=Murray Goulburn Corporation, MC=Mitsubishi Coporation
Note) NOTHING for MAFF(Ministry of Agriculture, Forestry and Fisheries of Japan)
Note) Nissin Corporation is Japanese forwarder

Ministry Of Agriculture, Forestry And Fisheries, MAFF

By definition of their role in the economy described in Attachment 5 and their reported statements, MAFF do not examine the individual Health Certificates for the shipments of dairy products arriving in Japan.

Ministry of Health, Labor and Welfare MHLW

By definition of their role in the economy described in Attachment 5 and their reported statements, MHLW do not examine the individual Health Certificates for the shipments of dairy products arriving in Japan.

Customs and Tariff Bureau, CTB

The Bureau and its functions are described in the next "Customs" section of this report.

United States of America

It is noted from the Customs and Border Protection Internet website that:

> **Question:** What are the regulations for importing dairy products?
>
> **Answer:** Milk, Cream, Butter, Cheese, Cheese Products and ice cream are subject to quota restrictions administered by both Customs and the Department of Agriculture. All dairy products are subject to Department of Agriculture, Animal and Plant Health Inspection Service, APHIS, requirements. They are also subject to Food and Drug Administration requirements. Milk and Cream may not be imported without a permit from the FDA. The wrappers or cartons for these products must be printed with the country of origin.

Food and Drug Administration, FDA

Several sources including the Office of International Programs, Director, International Policy Dr M Eckel and Dr Catherine Carnevale advised that "FDA does not have a general health certificate requirement" and "FDA does not routinely issue or require export certificates."

However the Health Certificate prepared by AQIS is done according to the Code of Federal Regulations compiled and issued by the FDA. The primary factors are the declaration for Foot and Mouth disease, Throat infections and Seals on containers. As observed in the opening paragraphs of this section, policing of product shipments to ensure conformance with these criteria appears to be the responsibility of the CBP.

United States Department of Agriculture, USDA

This department appears to have a coordinating role for imported food products. The department appears to rely on the sub-departments of APHIS and FSIS for control.

The advice received to date is that the USDA has no certification requirement for dairy products.

USDA –Animal, Plant and Health Inspection Service, APHIS

The advice received from APHIS is that APHIS has no interest in dairy products imported from Australia. However DHL Danzus inform us that they submit their copies of the Health Certificate to the USDA APHIS office for mandatory stamping prior to clearing the shipment.

USDA – Food Safety and Inspection Service, FSIS

The advice received to date is that FSIS does not regulate or examine dairy products imported from Australia.

Conclusions

From the information acquired from all known sources as detailed above, it became apparent that while various government authorities issued regulations for importing products into their economies, the policing of these regulations was the sole responsibility of the related Customs authorities.

Importing of food products appears to be seen as a very minor part of the Customs operations and thus has a commensurately low priority. Further, Customs authorities require more than a Health Certificate to grant a clearance status to a shipment. Other documents are to be presented simultaneously, depending on the economy's regulations - Appendix 5 refers. Hence Customs authorities are not amenable to having two sources of documents that they must collate: Particularly as they currently use only one source.

This conclusion appeared to be contrary to expectations and present reported acceptance of the AQIS SANCRT message in various economies. Hence further information was sought on this aspect.

SANCRT is a UN/EDIFACT message that was approved by the UN in the early 1990s for the purpose of electronically transmitting a Health Certificate between trading economies. This message form has been used by the authorities in Japan since 1996 for accepting imports of meat products from Australia, utilising the AQIS prepared Health Certificate. It is currently used in the printed form and not able to be electronically processed at this time.

The SANCRT message was trialed and actively promoted in the USA and Canada in the early to mid 1990s to the Customs authorities at both senior and operative levels. However neither of these economies accepted the message for various reasons. It is understood that no further action to gain acceptance has been recently undertaken. No other economies use the SANCRT message for importing any products from Australia.

As a result of these findings, the focus turned from the regulatory authorities to the customs and border protection agencies of each economy to determine the practical use of the electronic Health Certificate produced by AQIS as the "E-cert."

Customs

General

It is noted that within APEC, the Sub-Committee on Customs Procedures, SCCP, manages customs cooperation. The SCCP reports to the Committee on Trade and Investment, CTI, and takes policy direction from the heads of Customs of member economies. These people determine the strategic direction for the customs work of APEC. In the Bogor Declaration, APEC made free trade a focus and it is relying on customs organisations to put in place the customs framework for liberalised trade.

Given the continued exponential growth in international trade transactions, many economies are actively seeking to utilise the potential benefits that appear practical and possible through the use of electronic technology. This process has been carried out over at least the last decade in advanced economies and the E-cert is the predominant Australian contribution to this objective.

The World Customs Organisation, WCO, in conjunction with the World Trade Organisation, WTO, and International bodies such as the International Standards Organisation, ISO, have addressed many of the issues associated with international trade at a high level. Their objective is to facilitate trade between all economies.

Canada

Canadian Customs

Contacts were actively sought in the Canadian Customs and Revenue Agency, CCRA, through the Australian Customs Service, Australian Embassy in Washington DC and the CFIA through several channels the most recent being the National Manager, Import Coordination Mr M Willcox. None of these avenues proved immediately successful.

Dr Skrinar advised: “The reason our customs are not interested [in the E-cert] is because they allow entry of dairy products only if the CFIA tells them that the shipments were cleared. We (CFIA) clear the shipments based on our requirements, which currently for dairy products is an import declaration document. Even the CFIA does not require official certificates for import of dairy products.”

The Canada Customs and Revenue Agency, CCRA, was formed on 1 November 1999 from Revenue Canada; accountable to the Minister of National Revenue and Parliament.

The CCRA administers:

- tax laws for the Government of Canada and for most provinces and territories;
- customs services;
- international trade legislation; and

- various social and economic benefit and incentive programs delivered through the tax system.

Their mission is to promote compliance with tax, trade and border legislation. The CCRA produces regulations and through communication, quality service and responsible enforcement.

The Canadian government is well aware of electronic commerce and has commissioned many reports in this area. They have contained statements such as:

"Significant advancements and innovations in information and computer technologies coupled with growing domestic and international trade have transformed the economic and social environment. Electronic commerce is the foundation of this transformation, and represents the most radical force of change that nations have encountered since the industrial revolution. It is affecting every sector of industry as well as government operations."

Electronic Commerce and Report of the Minister's Advisory Committee on Electronic Commerce

In the Report of the Minister's Advisory Committee on Electronic Commerce - Summary of General Recommendations contained several key statements including:

"Leadership

- Since electronic commerce is driven by market forces, and by new and rapidly developing technologies, the private sector should lead in its management.
- By fostering a favourable business and regulatory environment, Canada can assure itself of a leadership position in the new world of electronic commerce.
- The Government of Canada should affirm its commitment to the goal of Canada becoming a world leader in electronic commerce, and confirm its belief in the central role of the private sector in accomplishing this objective.

Policy and Legal Environment

- Governments should create a favourable policy and legal environment for the growth of electronic commerce and ensure that the network and physical infrastructure requirements for electronic commerce figure prominently in their policies and programs.
- All levels of government in Canada and key players in the private sector should work cooperatively to build trust in the electronic marketplace and establish clear policies on the recognition of digital signatures, the use of encryption, and protection of consumer rights and personal information.
- Immediate action should be taken by Revenue Canada and the Government of Canada to bolster consumer confidence in the electronic economy and to clarify and communicate the application of existing government policies and practices to electronic commerce activities.

International

- Revenue Canada and the Government of Canada should promote consistency in electronic commerce policies among all levels of government in Canada, and among national governments around the world.
- In order for Canada to play a lead role in developing a clear set of international rules for transnational electronic commerce, Revenue Canada and Industry Canada should work closely together to ensure the success of the upcoming OECD Ministerial Conference, especially in relation to taxation issues.
- Consistent with the theme of private sector leadership, Canadian business and industry associations should continue to work with their international colleagues in the management, promotion, and development of electronic commerce."

The CCRA assists some 16 Other Government Departments, OGDs, in the administration of their legislation as relates to the importation, in-transit movement and exportation of various commodities in and out of the economy.

The Customs Automated Data Exchange, CADEX, and Customs Declaration, CUSDEC, are EDI systems offered by the CCRA to allow importers and brokers to file customs accounting documents, B3 forms, electronically.

CADEX and CUSDEC offer centralised accounting privileges and can send accounting information to clients. Other features include data transmission for notification of customs release, overdue entries and classification. The system also includes information on tariffs, GST and excise tax rate changes on commodities.

CADEX was the first EDI system offered for Canadian customs operations. CADEX lets import data move both ways between CCRA and CADEX participants, who can use anything from personal computer systems to large corporate mainframes. As of January 2002, 97% of the total commercial entry documents that CCRA processed are transmitted by CADEX. Participants may include customs brokers, importers and courier companies.

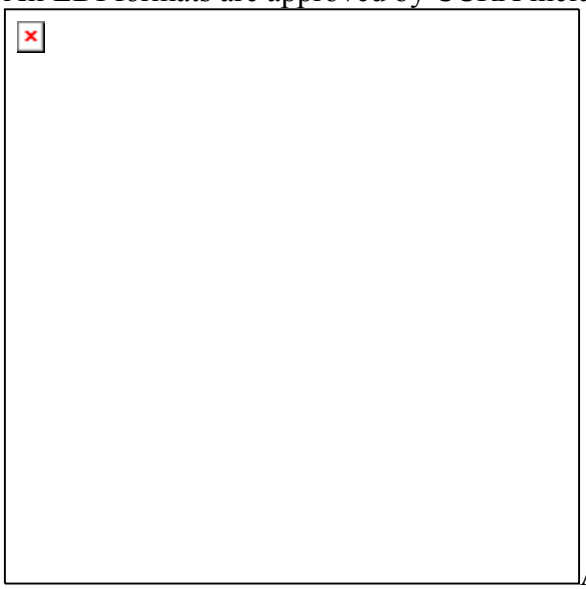
CADEX and CUSDEC users must purchase application and communications software. CADEX users connect to CCRA computers and CUSDEC users connect through a Value-Added Network. Both CADEX and CUSDEC users have to pay for their telecommunications costs.

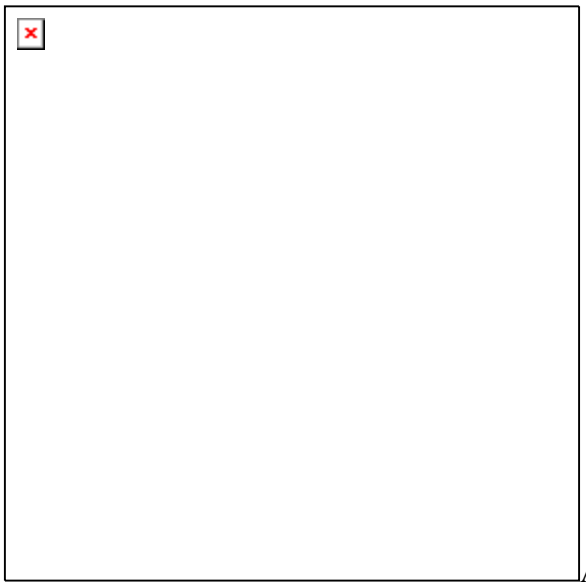
CADEX and CUSDEC applicants must post security with CCRA before they can obtain release of imported goods from any customs office and pay duties and taxes monthly at the office of their choice.

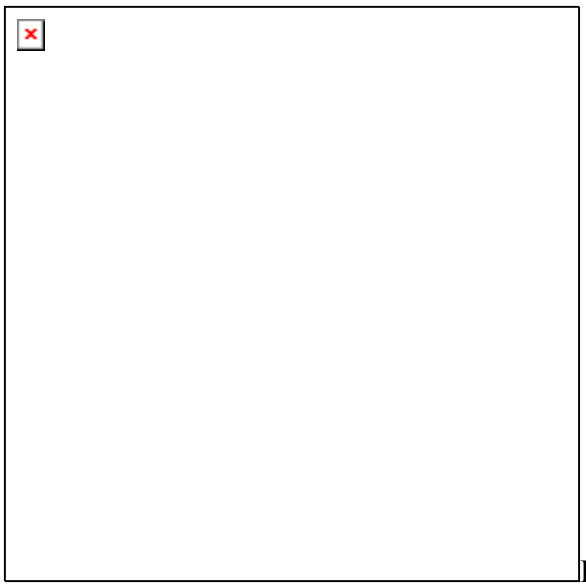
The Customs Internet Gateway Exchange, CIGE, is an alternative way of transmitting customs data. Clients can apply to transmit their CADEX B3 accounting data, ACROSS release data, send arrival messages and receive their Release Notification System, RNS, messages over the Internet.

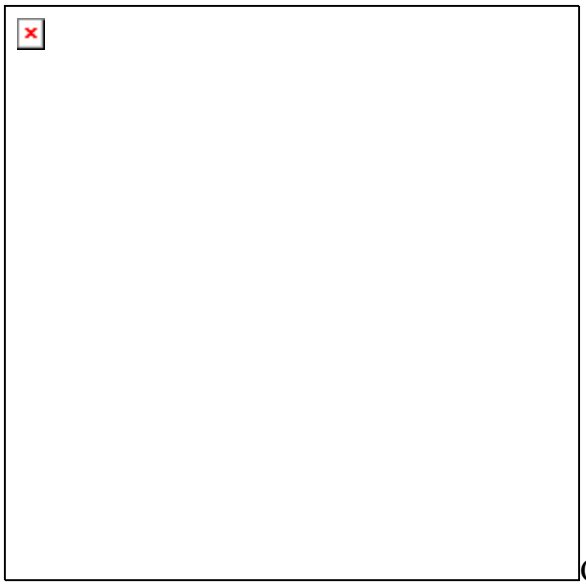
Commercial software is available from several sources to process transactions via EDI or through CIGE thus ensuring timeliness and quality of the process.

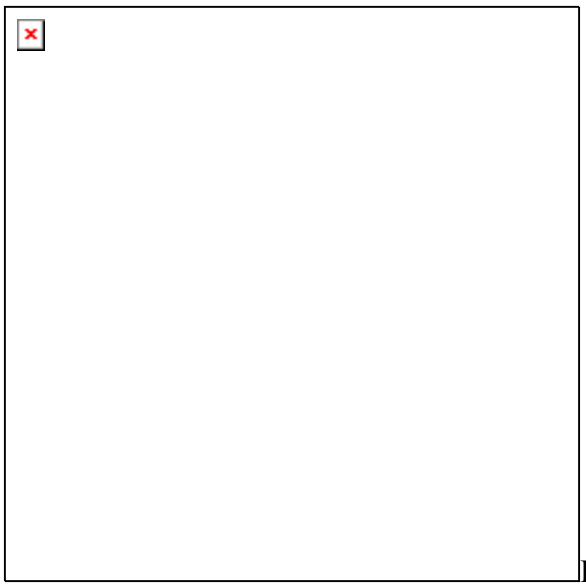
All EDI formats are approved by CCRA including

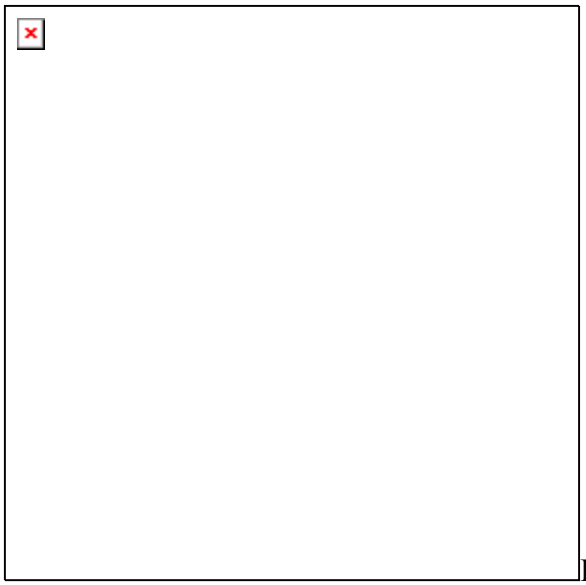

Auto process or on-demand updates,

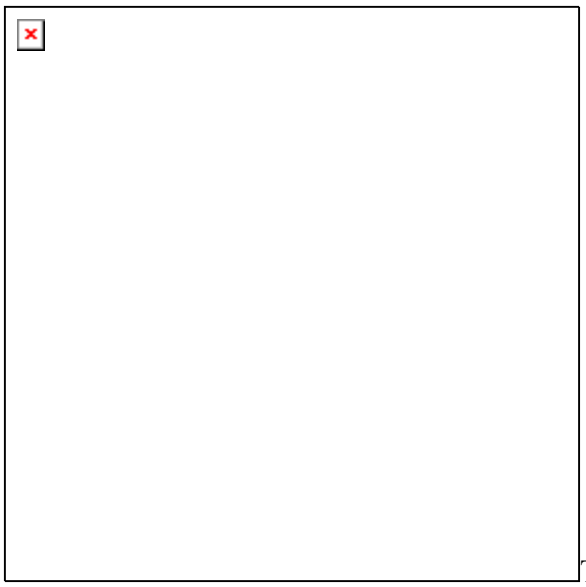

ACROSS,

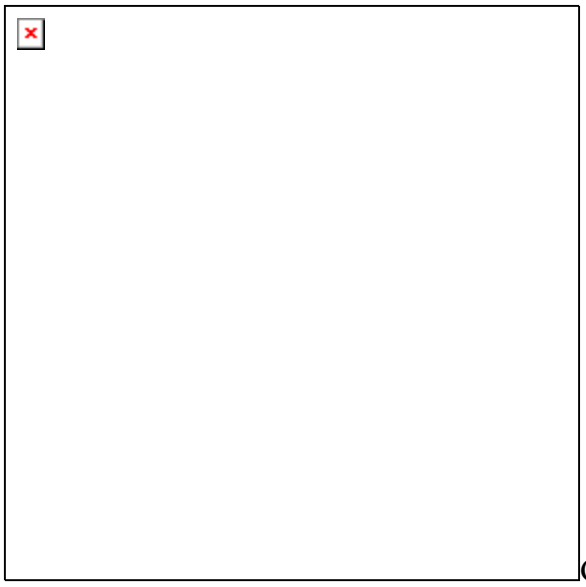

RNS,

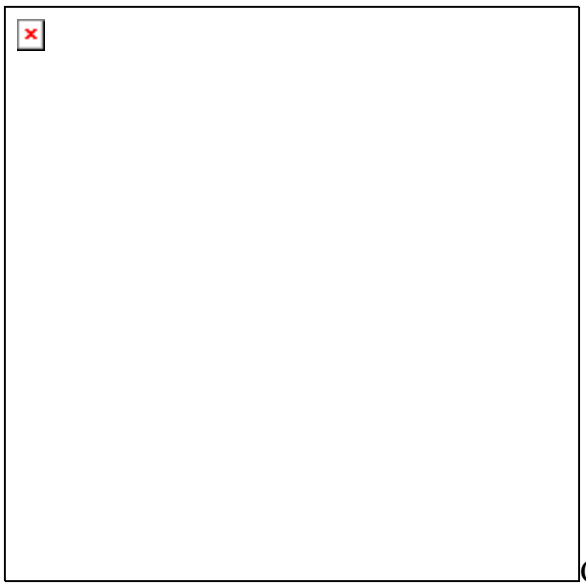

CADEX,

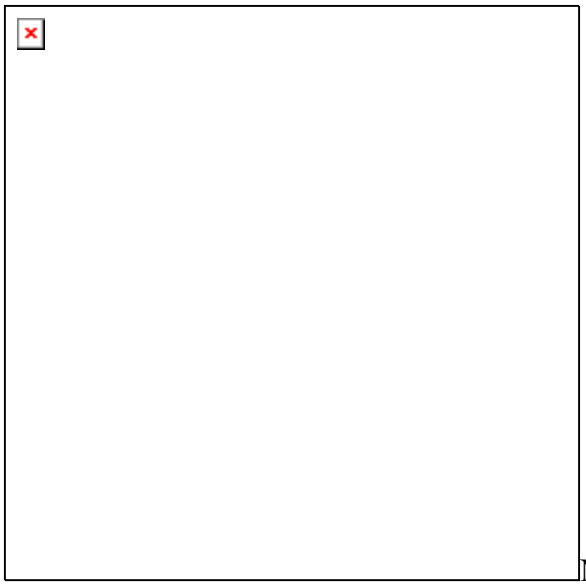

HS Codes,

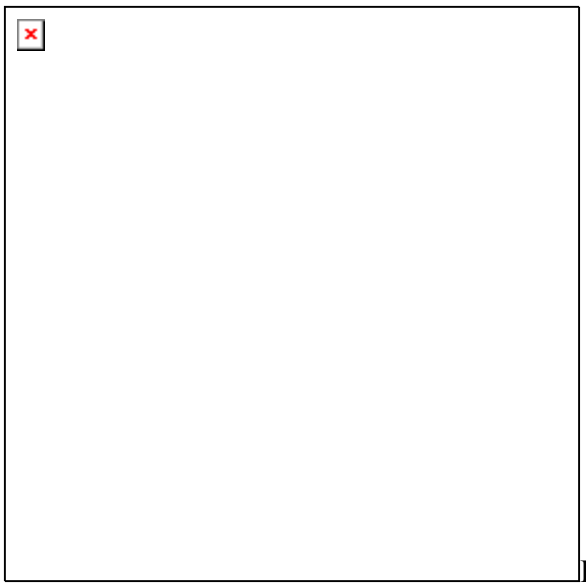

Excise,

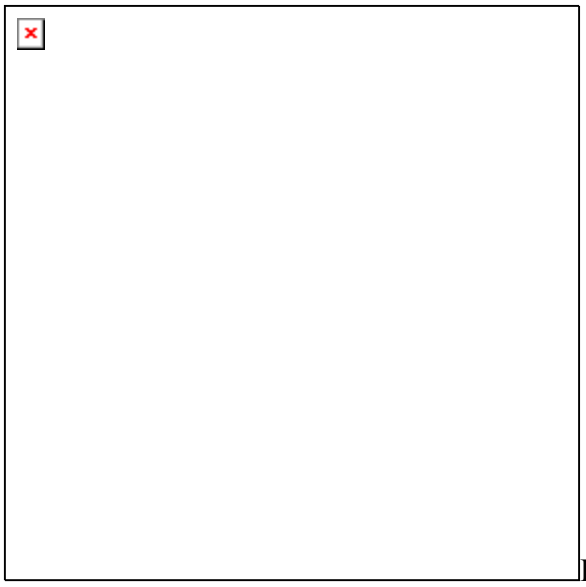

Tariff,

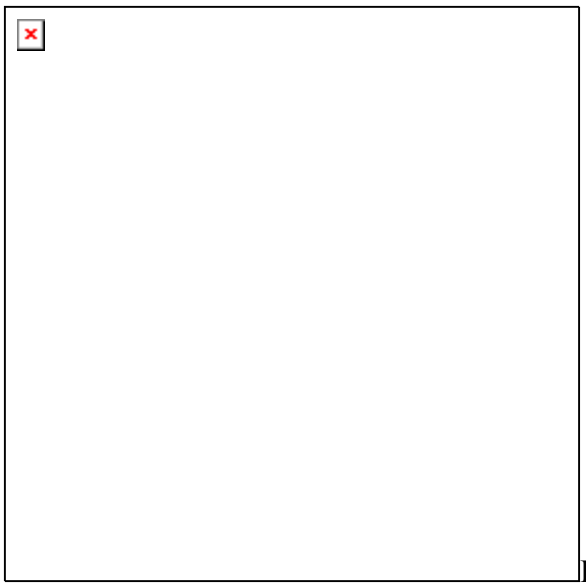

GST,

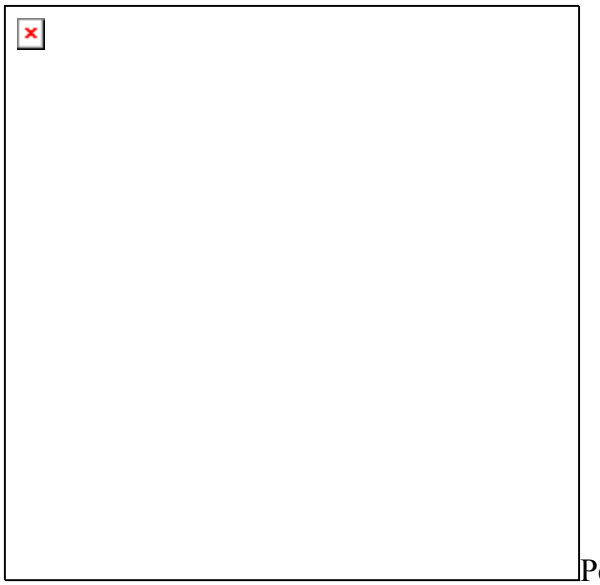

Currency Exchange Rates,

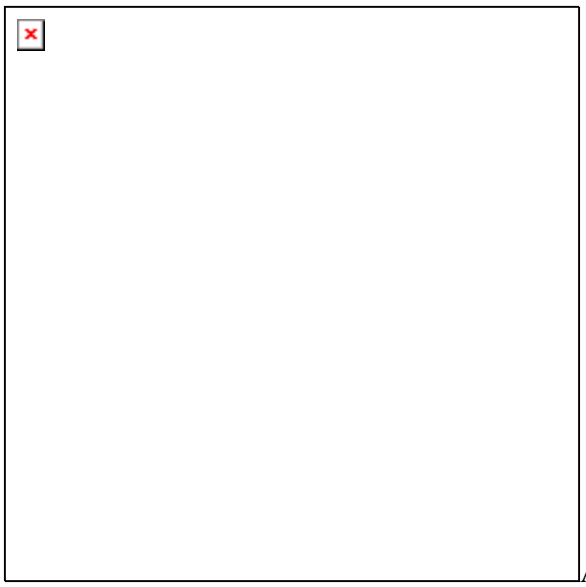

Notification of Release,


Release Status,


K84 Daily/Monthly,


Broadcast Messages,


Performance Measurements,

 Acceptance and Error message processing

The CCRA's Accelerated Commercial Release Operations Support System, ACROSS, allows the importer to transmit, release and invoice data using standard EDI.

The CCRA's, Automated Canadian Customs Electronic Service Solution, ACCESS, Accounting module embraces industry standards and increases productivity.

Japan

Contacts were initially sought in Japan's Customs and Tariff Bureau, CTB, through the Murray Goulburn importing company Mitsubishi Corporation. Their representative notified the project team, as described in the preceding section, that the CTB used the Health Certificate for Natural Cheese products only to determine tariffs.

AQIS sought additional assistance from the Australian Embassy in Tokyo to introduce the E-cert to the CTB and relate this more recent electronic certification process to the existing SANCRT message. This action resulted in the involvement of the General Manager of Murray Goulburn's Tokyo office.

By mid-May, 2003, the CTB advised that they had not been informed from their Department of Transport about the trial of the Health Certificate and suggested that MHLW and/or MAFF would be better participants. They commented that as their branch customs officers do not have ready access to the Internet, they would need to access a separate stand-alone machine. Further they commented that the so called "Health Certificate" is a voluntary document provided by importers to assist with tariff classification only.

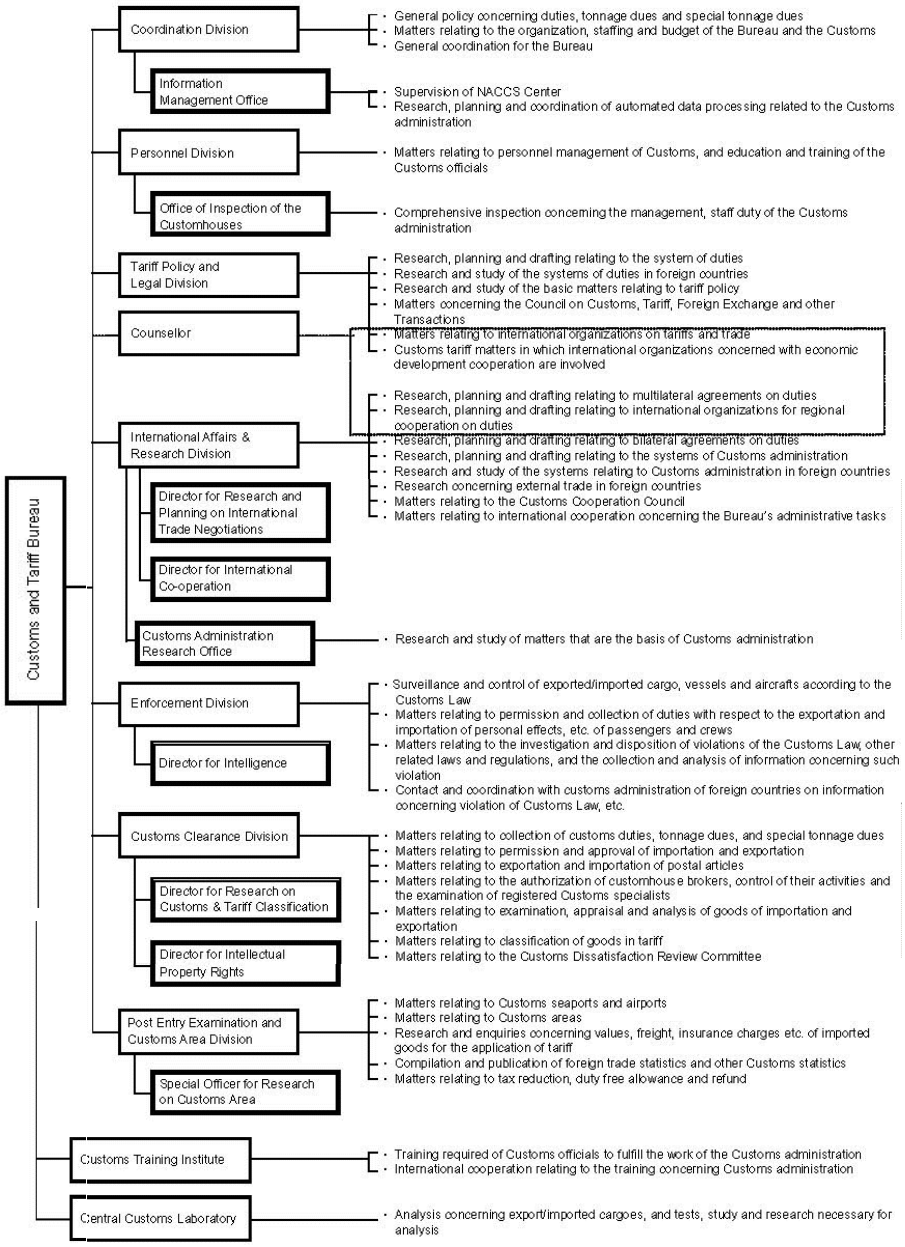
This was a very disappointing result as the CTB website contains much information on that organisation's interest in electronic data transfer between APEC economies, the

APEC initiatives, including the "Paperless Trading" from Australia and how CTB embrace these electronic methods.

The CTB is an internal bureau of the Ministry of Finance, MOF. The Director-General of the CTB is assisted by two Deputy Director-Generals and a Councillor. The organisation is shown in the preceding section.

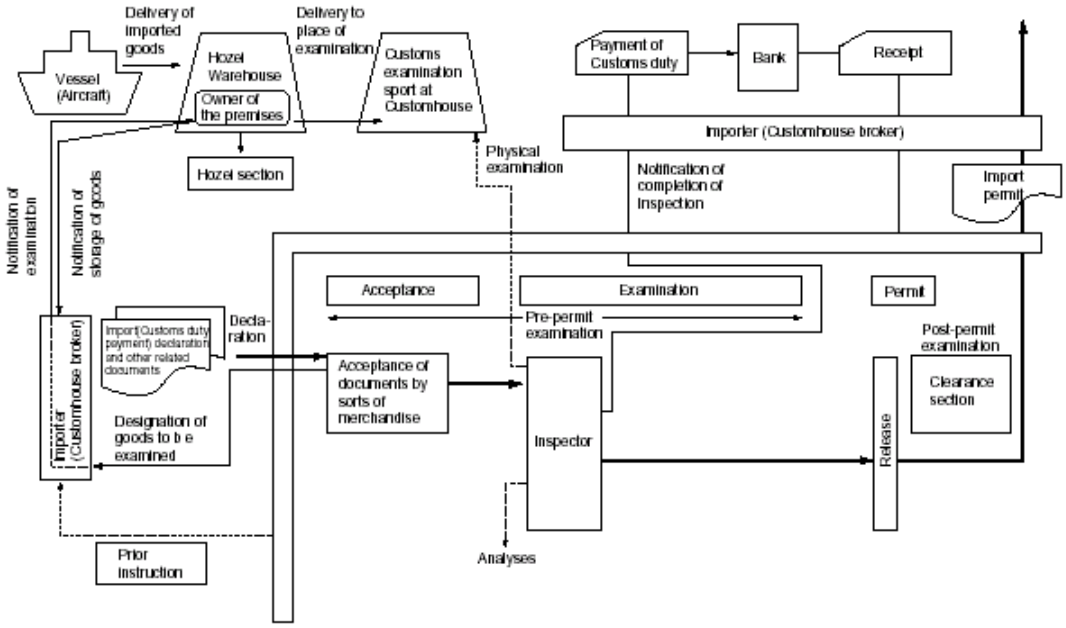
The basic organisation structure is shown below:

Organization and Main Tasks of the Customs and Tariff Bureau

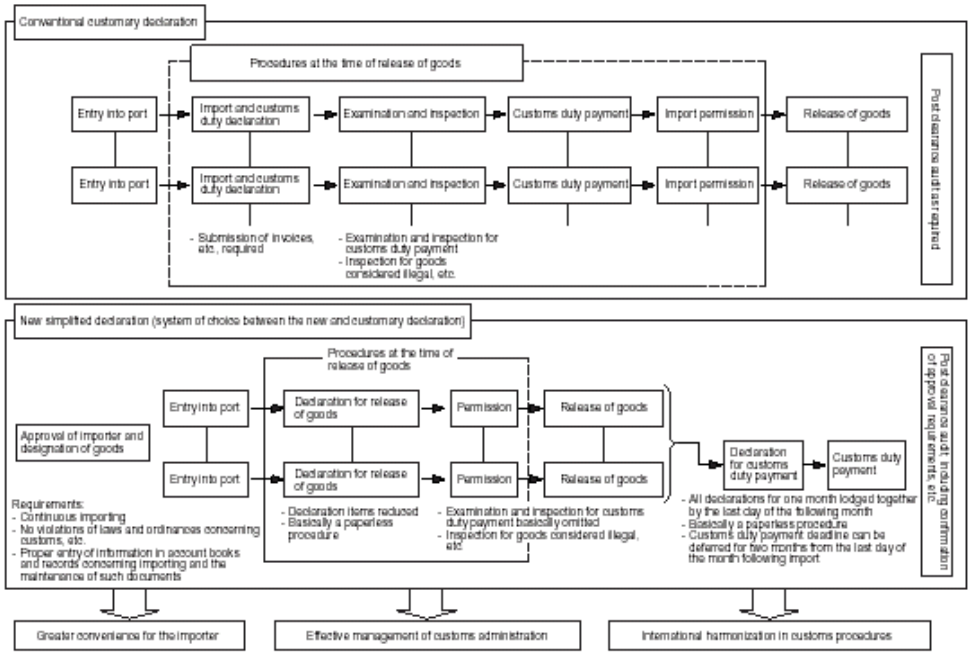


The traditional Customs clearance and the enhanced processes are:

Flow Chart of Import Clearance Procedures



Outline of the Simplified Declaration Procedure



The main responsibilities of the Customs and Tariff Bureau are:

1. Matters relating to Research, Planning and drafting of Customs duties, tonnage dues, special tonnage dues and other of Customs administration, including agreements on Customs duties with other countries, ;
2. Matters relating to the imposition and collection of Customs duties, tonnage and special tonnage dues, the local consumption tax imposed on international freight
3. Matters relating to the surveillance and control of exports and imports, vessels, aircraft and passengers in accordance with Customs related laws and regulations;
4. Matters relating to the operation of Hozei Areas;
5. Matters relating to supervision of Customhouse brokers and specialists;
6. Matters relating to the process of International cargo Nippon Automated Cargo Clearance System, NACCS;
7. Matters relating to the Customs statistics;
8. Matters relating to the education and training of customs officers;
9. Matters relating to general support for Tariff Branch of Council on Customs, Tariff, Foreign Exchange and other transactions.

In June 2000, following a CTB initiative, a report was made on various issues arising from the impact of the IT revolution on the international movement of goods.

That report recognised that the IT revolution was changing business methods and there was a focus on Supply Chain Management. This approach was seen to produce more efficient production process and promote competitiveness in the global market. This technique also encouraged fewer inventories due to shorter lead times, as deliveries were now more predictable. This new method offered reduced transaction costs by shifting from paper based to electronic transactions. Consequently, trade-related authorities including Customs administrations must confront the need to provide for shorter cargo clearance time and reduced costs through computerisation while maintaining their traditional purpose of protecting economy and society.

Technology issues arose, as each major Japanese corporation possesses their own procedures and systems. Within the ports and related industries there are many small to medium size enterprises, SMEs, with little or no capacity to participate in more advanced electronic forms of technology. Efforts must therefore be made toward both internal and external harmonisation and standardisation of product descriptions and data.

It was strongly recommended in that CTB report that the Japanese government address these challenges in collaboration with the business sector in order to provide a globally competitive business environment.

The Customs computerised system Nippon Automated Cargo Clearance System, NACCS, was introduced in 1978 as the first computerised system in trade-related

procedures to facilitate speedy product clearance. It is reported that NACCS has been playing a central role to extend a one-stop service, and other government authorities have developed their computerised systems to interface with NACCS. To further streamline procedures and to increase user's convenience, further exploration of a single window system for all the relevant authorities is necessary to provide advanced one-stop clearance service. It is proposed that NACCS be a practical base to realise this single window system.

It was subsequently proposed that Customs administration adopt a more advanced computerised risk management system to make full use of prior information and hence realise more rapid and improved customs control. Measures to promote business sector participation were also predicted to be of vital importance.

NACCS is a comprehensive Customs clearance, physical distribution, and inventory control processing system for import/export and air/maritime cargo. It is an on-line system used by Customs, airlines, warehouse operators, customs brokers, consolidators, air cargo agencies and banks to complete Customs procedures.

It is claimed that approximately 90% of maritime cargo import /export declarations are processed by NACCS. Data interchange may be conducted with other government systems including the Ministry of Health and Welfare, Food Automated Import Notification and Inspection Network System, and the Ministry of Agriculture, Forestry and Fisheries, Plant Quarantine Network System,

After input from a customs broker of necessary information on import/export declarations through the user's terminal, the NACCS host computer performs basic functions such as currency conversion and duty calculation to complete the declarations and prints them out to terminals. A registered customs specialist confirms and transmits the declaration. The system automatically selects the customs examination process upon the declaration.

In case of simplified examinations, import/export permission is instantly given if the declared commodity is duty-free, duties are payable by electronic funds transfer, or deferred payment is approved. On examination completion of the information by Customs, the declared import/export is permitted.

The Japan Association for Simplification of International Trade Procedures, JASTPRO, originally organised a legal study and research group to facilitate trade procedures through EDI in 1992. In March 1997, this group has developed a guideline for the model interchange agreement according to UN/CEFACT Recommendation No.26 for EDI/EC users in Japan. NACCS first operated at Narita Airport in 1978 and has been upgraded and expanded widely throughout Japan.

United States of America

Initial contact with the Customs and Border Protection, CBP, was made through the Assistant Commissioner, Information and Technology, Mr S W Hall Jr. He passed the

matter to Ms. Elizabeth Durant who then passed the matter to Mr Michael Denning who is Director of the Automated Commercial Environment, ACE, under the broader Customs Modernization Organization, CMO. Contact was established through e-mail messages and telephone calls with the result that Mr Denning took an interest in the project and has passed the details to his team to determine how it could fit into his activities. This is an ongoing task.

From the broader perspective, the International Trade Data System, ITDS, is a technology initiative by the US Federal government. The project is to develop a system to collect all information for the US Federal trade processing including an integrated government wide system for the electronic collection, use and dissemination of international trade data. The aim is to improve trade procedures, trade promotion, trade policy development, and trade statistics to benefit both the public and the government.

Initially, the ITDS system project office was under the Secretary of the Treasury however in November 1999 it was transferred to the Customs Service where it is now part of the Office of Information and Technology. A multi-agency board of directors, currently chaired by a representative of the U.S. International Trade Commission, guides the ITDS project. ITDS is a Subcommittee of the Trade Support Network, TNS,

The ITDS system is aimed at facilitating information processing for businesses and the over 100 federal agencies involved in international trade. While Customs current automated processing system, the Automated Commercial System, ACS, is designed to accommodate the needs of some federal agencies, ITDS will be designed to accommodate all agencies that need international trade data, including those agencies not serviced by the current ACS system.

The stated goals of ITDS are:

- Reduce the cost and burden of processing international trade transactions for both the private trade community and the government;
- Provide the trade with a standard data set and a single system for import, export, and transit procedures relative to the goods involved and the transportation employed, conveyances and crew;
- Improve compliance with government trade requirements such as public health, safety rules and export controls, and
- Provide users with access to more accurate, thorough and timely international trade data.

Further the ITDS consider that a single, coordinated, government-wide data collection system that eliminates duplicative reporting requirements will benefit the trading community, the government and general public. However, ITDS consider some simple measures are required to coordinate definition of ITDS requirements with development of the Customs Automated Commercial Environment, ACE, while facilitating the transition from current trade reporting systems.

Importing and exporting organisations are required to submit a range of information for legal reasons, duty applicable or food safety. Currently this information is provided to many trade agencies using different paper forms, different automated systems or a combination of forms and systems. The United Nations Conference on Trade and Development, UNCTAD, has estimated the cost of redundant information and preparation of documentation is equal to 4 - 6% of the cost of the merchandise.

With ITDS, standard electronic data for imports or exports will be entered only once. ITDS will distribute prescribed standard data to the relevant US federal agencies for their selectivity and risk assessment. Thus the ITDS system will serve as a government data collection and distribution facility, a "single window" system through which information necessary for trade transactions can flow efficiently. ITDS will also collect information on behalf of federal agencies that will enable Customs to more effectively assist them in enforcing laws and regulations relating to international trade.

Development of ITDS is planned to be coordinated with the development of the Customs Automated Commercial Environment, ACE, broader Customs Modernization effort plus current and future requirements of other agencies' processing systems

The development of ACE requires the identification of all “Participating Federal Agencies” and determining their view on imports and exports. To facilitate a more standard approach, it is recommended that these agencies should develop "account management" and "pre-review/pre-approval" methodologies. However this may require a change to the business process of the agencies.

Other standardisation practices required to fulfil the objectives include;

- Information technology solutions that are interoperable and store data in compatible structures with full inter-communication facilities.
- Companies that import or export products also need to be identified, categorised and stratified.
- Regulatory data captured, codified, analysed and maintained to facilitate "account" information and "pre-approval" information to the agency
- Effective communications links between the companies and the federal agency compliance offices and units.
- Risk management systems that trigger compliance checks, inspection or operational anomalies and other issues. Systems that alert a suspicious activity pattern and assist in evaluating threats and potential vulnerability.

The US Government and the participating traders must agree that such an approach to obtain data for the new ACE system is acceptable. Data collected includes parties to the transaction such as shippers, sellers, consignees, buyers, manufacturers, brokers, forwarders and carriers. Standard information about the goods such as quantities, ‘harmonised’ product descriptions, entry number ranges are also needed.

The volume of data must be minimised to reduce transaction costs and give confidence that transactions will flow smoothly. To expedite Customs practices it is planned to employ Risk Management policies for each of 4 possible Tracks.

Customs and the other government agencies must decide on the information matrix to be provided and the status of each matrix element such as a risk level, examination consequence or pre-approval of goods possibly based on supplier or economy. This could also provide census information.

As international trade includes a wide range of companies over a large number of economies with varying technological capabilities, it is considered essential that ACE provide a commensurate variety of means of data communication. This includes EDI, XML and web-based systems.

Cargo is continuously moving at all times during the year thus it is necessary in a "just in time" environment that the system is available for cargo release. Any delays are costly and could result in line or plant shut downs with the resulting significant loss of revenue. Hence the systems must be available on a 24/7 basis with timely responses to account holders on the status of individual transactions. The response time must be within seconds of electronic notification that the cargo has arrived.

Customs have been asked to produce a working ITDS data standard for implementation in ACE. The data standard must satisfy all Customs requirements and adhere, to the extent possible, to the G7 standard. Any changes to the existing ITDS, G7 and NCAP, National Customs Automation Program, prototype standards will be negotiated. However the establishment of working ITDS data standard for ACE implementation has now become urgent if the planned goals are to be achieved.

ITDS and Customs are to continue to work toward both bilateral and multilateral international standardisation of import, export and transit procedures as well as data requirements. It is desired that shipment procedures should meet government requirements at origin, transit and destination.

The G-7 Countries have agreed to standardisation and simplification of customs data requirements. The G-7 Customs Group has developed message implementation guidelines based on the UN/EDIFACT standard customs messages. This uses a minimum of six G-7 common data elements for release of cargo;

1) *Description of goods,*
2) *Origin of goods,*
3) *Gross weight,*
4) *Type and transport document number,*
5) *Name of importer or optionally, Agent or Broker,*
6) *Estimated Commercial Value, optional.*

In addition, reduced data elements for cargo release and more data elements for declaration are required. ITDS agree to accept, maintain and support the "G7 Initiative on Customs Harmonisation and Simplification".

The ITDS Board of Directors should require Participating Government Agencies, PGA's, to provide a level of systems and operational service adequate to ensure reliable and efficient operational procedures supported by ITDS.

The Automated Commercial Environment, ACE, will change Customs processes for imported goods by providing an integrated, fully automated information system to enable the efficient collection, processing and analysis of commercial import and export data. ACE will simplify dealings between Customs and traders by automating time-consuming and labour intensive transactions and movement of goods.

ACE benefits include:

- Reduced data entry
- Reduced financial processing
- Reduced paper handling
- Increased access to data

ACE is being designed to be flexible and adaptable-so it can change as business needs change or as new technologies become available. Systems integration work began in August 2001 on this large-scale, complex project that will be the foundation of Customs Modernization Organization, CMO. In March 2002, Customs began building the foundational elements of ACE. In spring 2003, Customs will begin to provide support via the Internet to Customs trade account managers and 40 selected importers. ACE capabilities will be expanded approximately every 6 months as the project continues.

Customs is carefully preparing for a planned and phased process for the transition from the old import system, ACS, to ACE. Over the period, official record systems and data will be migrated to ACE and Customs will steadily modernise its systems and processes to provide significantly more reliable and efficient operations for its users.

Outline of WCO

The World Customs Organisation, WCO, is an international organisation established in November 1952 to contribute to the development of international trade by securing the highest degree of harmonisation and standardisation in Customs systems. The WCO is composed of 157 Members as of July 2001.

Subsequently two major treaties were concluded: the "Convention on Nomenclature for the Classification of Goods in Customs Tariff" effective September 1959 and the "Convention on Valuation of Goods for Customs Purposes, " effective July 1953.

The Council is the supreme decision making body of the WCO. The heads of Member Customs administrations may attend Council meetings once a year in June, usually in

Brussels. The Permanent Technical Committee examines problems related to Customs procedures other than tariff classification, Customs valuation and compliance.

The "Kyoto Convention" was named after a WCO Council Session held in Kyoto, Japan in 1973. It was signed in May 2001 by 60 countries and the EC customs union. At that Convention, the WCO adopted the "International Convention on the Simplification and Harmonisation of Customs Procedures", aimed at simplifying and harmonising Customs procedures in each economy to facilitate international trade.

Due to the growing volume of trade, the Permanent Technical Committee radically revised this Convention. The aim was to use information technology and risk analysis to select targets for inspection and actively incorporate post clearance audit, while improving the transparency of Customs procedures.

In addition, the Committee is carrying out activities to further increase the efficiency of Customs procedures, such as setting up a special sub-committee to study technical problems related to the computerisation of Customs procedures.

The Customs Cooperation Council Nomenclature, CCCN, adopted in 1950, was widely used for tariff nomenclatures. However, major trading nations such as the United States and Canada, continued to use their own nomenclatures. In addition, there arose a need to revise the CCCN due to the changes in technological innovations and trading patterns since the development of CCCN.

To comply with this need, the WCO developed the "Harmonised Commodity Description and Coding System, HS, " for a multipurpose goods nomenclature which can be used not only for Customs tariffs but also for transport classifications, statistical nomenclatures, etc. The HS Convention became effective in January 1988. 101 countries and one Customs union have acceded to the Convention, including the United States and Canada as of May 2001.

Under the WCO's sphere, the world is divided into six regions including Asia and the Pacific, 25 members; America, 25 members; Europe, 49 Members, etc. Each region carries out various activities under the initiative of the Regional Representative. Since July 2000, Hong Kong has been the Regional Representative of Asia and the Pacific region.

The Regional Conference of Customs Administration for the Asia and the Pacific region is convened every two years to discuss the common interest of the region.

Conclusions

The Customs authorities in each economy have slightly different roles and therefore perform slightly different tasks. These roles are essentially based on risk management strategies the government adopts to protect their communities.

The Australian produced Health Certificate is therefore used for different purposes in the selected economies. In Japan it is viewed by the CTB as a tariff measure while in Canada it is first viewed by the CFIA as an inspection criteria.

In the USA, the FDA produce regulations that AQIS use when preparing the Health Certificate. The CBP 'police' those regulations before clearing the dairy product shipment. However the Health Certificate must first be 'stamped' for approval by the USDA group APHIS whose management claim no knowledge of any Health Certificate requirement for dairy products.

In general it has become apparent that the Health Certificate is only one of the documents required to be simultaneously presented to the Customs representative for clearance of shipment. Thus splitting of the Health Certificate away from the rest of the documents offers no advantages.

The proposal of conveying the Health Certificate between government agencies bypasses the other links in the supply chain and therefore removes an information source often used by those links. This is seen as detrimental to the present procedures.

The selected economies are all actively pursuing their own individual electronic means of receiving and sending trading documents. Thus any new and different methodology may be seen as a diversion or delay in their implementation process.

World organisations and standards bodies are endeavouring to facilitate trade by composing appropriate standards. The Australian Health Certificate may be perceived by those bodies as digression from their main objective.

Summary

The major issues and impediments that have been encountered in arranging the trial demonstration of the AQIS E-cert Health Certificate have included:

1. The initial concept of simply contacting the overseas commercial recipient of the Australian Health Certificate to determine to whom and in what government body the certificate was presented proved to be overly simplistic.

   The first impediment encountered was that all three importing companies used Freight Forwarders / Brokers to clear shipments into their economy. These groups dealt with operatives and could offer no senior contacts in the government organisations responsible for accepting the shipments into their economies.

2. AQIS prepares the Health Certificate based on published government regulations and legislation of the target economy. While this is undoubtedly correct, it does not allow for the inevitable change over time for which the document is used in practice in a particular economy – the published or even advised legal requirements may lag common practice by up to several years.

   Commercial interests such as banks that stipulate real and perceived requirements for themselves and for their clients exacerbate this situation. However this information is often of a commercial nature and not subject to legislation or presentation to government authorities. Therefore this aspect is considered separate to the current issue and is not included in the considerations of this project.

3. Changes in the number of organisations, regulating bodies, roles of the involved government agencies and external demands all affect the use of the Health Certificate. Even the '24 hour rule', suddenly imposed by the USA legislature, have all had significant impact on the route followed by that paper document.

4. It has been found that the Health Certificate is used for purposes other than that for which it was originally intended. In some cases specific data contained in the Health Certificate has been considered pertinent by various interested bodies and hence is extracted for their own purposes.

5. Tracing the flow of the paper Health Certificate in the various economies has proven to be a significantly onerous task. The data contained in the Health Certificate may be extracted and combined with other data to compose other documents for presentation to inspection and customs authorities such as a 'Customs or Import Declaration' form.

6. Specifically, from the understanding gained from a volume of e-mail messages and discussions over the last months, the Health Certificate appears to be predominantly used by the Customs authorities in the target economies for clearing shipments.

   A convention has been established where the Customs authorities in the target

economies expect to be presented with a Health Certificate document before they will clear a shipment. By reason of routine as well as legislation, this document must conform to their expectations.

7. Following investigations, the project team focussed on Customs authorities in each of the selected economies to ascertain the 'users' and 'use' of the Health Certificate.

   It was found that Customs authorities in each of the selected economies usually act as agents for regulating authorities and other bodies seeking their services such as trade associations, statistics bureaus and revenue collection.

8. It was also found that Customs authorities act as 'policemen' or 'guardians' of their economies. Thus they often used the Health Certificate as only one of a total document 'set' for checking information supplied against their requirements to clear product shipments.

9. There are a considerable number of organisations globally involved in establishing standards and practices for 'Paperless Trading'. Often government bodies support and promote their own economy's proprietary systems. This feature sometimes tends to complicate the advancement of open system 'Paperless Trading' as few economies desire to participate in another's proprietary system.

Conclusions

The following observations are made based on information gained during introducing and conducting the demonstration of "Paperless Trading" using the AQIS developed E-cert "Health Certificate" as a 'test' document and methodology.

- Information regarding the 'ownership' of any one consignment may change during the period of shipment. Therefore it is difficult to maintain the paper Health Certificate current when this occurs. However while this feature is not a particular issue for dairy products, it is observed to be critical for products such as meat and hence is a key factor in any proposed electronic methodology.
- The Health Certificate is used in significantly different ways in the selected economies when accepting imports of dairy or other food products. However the Health Certificate appears universally used as a key document by all government bodies responsible for safeguarding those economies. Thus the choice of this document for the project is confirmed.
- The basic supply chain comprises:
  - Murray Goulburn, as the exporting organisation collating the information from various sources to produce an appropriate 'set' of documents.
  - Shipping company (Bill of Lading, Packing List/Manifest)
  - Stevedores and Port Authority (Receival – paper or electronic)
  - Importing company, in the trading economy
  - Freight Forwarder or Broker, to manage shipment receipt
  - Government based border protection bodies, including Customs (Charges, Fees and taxes)
  - Government and other related agencies (Inspection, Quarantine, Statistics, etc.)
  - Shipping company, at Port of Entry (Collect goods)
  - Banks and financial institutions (Payment of goods)

  The proposed 'E-cert' method bypasses most of the present supply chain process. This change offers no advantage to the various 'links' in the chain, as they would now lose information.
- The Health Certificate is only one document of the 'set' needed to clear product shipments. Other documents needed to be attached to complete the document 'set' depend on the importing economy:
  - *Kraft, Canada* – Invoice, Bill of Lading, Packing List, Certificate of Origin, Health Certificate, Analysis Reports
  - *Mitsubishi, Japan* – Invoice, Bill of Lading, Packing List, Certificate of Origin, Insurance Certificate, Health Certificate, Analysis Reports (LIMS)

- *Erie Foods, USA* – Invoice, Bill of Lading, Packing List, Certificate of Origin, Insurance Certificate, Health Certificate, Certificate as to Condition, Analysis Reports (NATA)

With the 'E-cert' proposal, the final recipient is now asked to collate information from two markedly different sources, an additional task that was previously unnecessary.

- The Health Certificate, proposed as the 'E-cert' is seen as an isolated government to government document. To gain acceptance, the Health Certificate must be presented with other documents in the required 'set'. The total document 'set' is preferred to be passed through the supply chain so that all 'links' may be informed and be able to perform their tasks and interact with both government and commercial agencies to complete established procedures.
- Clearance of imported goods is a complex process. The simplified procedures for the three economies examined, excluding payments of port fees, charges, taxes and payment for goods through the banks, are:
  - *Japan* – Nissin compile and submit the Import Food Application on behalf of Mitsubishi to the MHLW Food Inspection division. The information includes, vessel's name, date of arrival, item name, weight, ingredients, name of storage warehouse, manufacturer and factory item, additives and manufacturing flow.

    Nissin submit the Commercial Invoice, Packing List, Bill of Lading and Health Certificate to the CTB to obtain clearance documents for the shipping line.
  - *Canada* – Livingston fax the information to one of three CFIA Import Service Centers (ISCs). Part of that information is the Import declaration; this form is available on the Internet. The ISC reviews the information and if approved, stamp the 'Request For Release' form as released by CFIA and fax it back to Livingston. In turn Livingston fax it to Customs who then allow entry by providing clearance documents for the shipping line.
  - *USA* - DHL procedure includes: Fax the Health Certificate, Certificate of Origin and Vet permit (from Erie Foods) to the USDA with a copy of 3461 (customs release form) completed by DHL. The USDA faxes DHL a stamped copy after they review the documents. DHL then submit the entire document set to US customs agent for release and to obtain the clearance documents for the shipping line.
- Advanced economies, such as those selected for the project, are already actively implementing various electronic systems that will assist international trading. The E-cert appeared to be perceived as another system that needed to be examined in detail to ascertain how it may fit into their pre-determined concepts. The potential benefits of the E-cert were then weighed against the estimated workload to conduct this investigation and its possible impact on existing work priorities.
- Participants in the demonstration had no difficulty in accessing the information after the few initial minor difficulties were overcome.

This Internet based technology has proven successful, as it is very simple, quick and easy to implement in a wide range of economies with varying technological capabilities. Thus it is a low cost solution requiring minimum electronic hardware and software with no appreciable staff training. This method is particularly advantageous for the majority of APEC economies over the earlier EDI solutions.

- At present the majority of electronic transactions being conducted in each of the three selected economies utilise EDI as their main technological base. As observed in the "Technology" section of this report, this is considered to be a sub-optimal technology by current standards. However conversion from the preferred XML to EDI is technically practical for reasonable costs.
- The core difference between the "E-cert" Internet and the EDI approach is considered to be the "Pull" and "Push" characteristics respectively. The user has to enter the Internet website and 'pull' the information down into the desired computer database or the user has the information 'pushed' into the desired computer database by the sender.

  As the present paper based principles may be considered more analogous to the 'push' method and the information is provided at the demands of the importing client; the 'push' type technologies must be considered as most likely to prevail.
- The Internet/XML technology offers a strong solution to achieve "Paperless Trading". At this date, it appears to be a mandatory requirement that the full collated document 'set' is transferred along the supply chain if electronic methods are to be realised in practice.
- The "E-cert" is only one document in the 'set' of documents needed to progress shipments through a supply chain. Therefore it offers no advantage to any organisation in the supply chain, government or commercial, as an isolated document bypassing the chain. On its own, the "E-cert" appears to be considered by all those organisations as counter-productive.

End of document

Glossary

A relatively comprehensive listing of Mnemonics, Acronyms and Abbreviations used in Export activities was provided in the first report and readers requiring clarification are directed to that document. The following Glossary contains only selected terms.

Term	*Description*
ACE	Automated Commercial Environment, USA,
AFFA	Agriculture, Fisheries and Forestry, Australia
APHIS	Animal, Plant and Health Inspection Service, USDA,
AQIS	Australian Quarantine and Inspection Service
CCRA	Canada Customs and Revenue Agency
CBP	Customs and Border Protection, USA,
CFIA	Canadian Food Inspection Agency
CTB	Customs and Tariff Bureau, Japan,
DOTARS	Department of Transport and Regional Services, Australia,
FDA	Food and Drug Administration, USA,
FSIS	Food Safety and Inspection Service, USDA,
HS	Harmonised Commodity Description and Coding System
HTML	HyperText Markup Language
ISO	International Standards Organisation
ITDS	International Trade Data System, USA,
MAFF	Ministry Of Agriculture, Forestry And Fisheries, Japan,
MHLW	Ministry of Health, Labor and Welfare, Japan,
NCAP	National Customs Automation Program, USA,
NCCS	Nippon Automated Cargo Clearance System, Japan,
UN/EDIFACT	UN/Electronic Data Interchange For Administration, Commerce and Transport
UNTDED	Trade Data Elements Directory - Standard Data Elements
UNTDID	UN/EDIFACT Standard Directory
UNSM	United Nations Standard Message
USDA	United States Department of Agriculture
XML	eXtensible Markup Language

Internet Reference Sites

A relatively comprehensive listing of Internet reference sites was provided in the first report and readers requiring further information are directed to that document. The following Reference Sites are only those selected sites used in this second report .

Organisation	*Acronym*	*Internet reference*
Agriculture, Fisheries and Forestry, Australia	AFFA	www.affa.gov.au
AQIS E-cert	E-cert	www.aqis.gov.au/ecert
Asia Pacific Economic Cooperation.	APEC	www.apec.org www.apecsec.org.sg
Australia New Zealand Food Authority	ANZFA	www.anzfa.gov.au
Australian Customs Service	ACS	www.customs.gov.au
Australian Quarantine and Inspection Service	AQIS	www.aqis.gov.au
Bolero	BOLERO	www.boleroltd.com
Canadian Customs and Revenue Agency	CCRA	www.ccra-adrc.gc.ca
Canadian Food Inspection Service	CFIA	www.inspection.gc.ca
Customs and Tariff Bureau - Japan	CTB	www.customs.go.jp
Department of Foreign Affairs and Trade	DFAT	www.dfat.gov.au
Ecert, New Zealand,	E-cert	www.nzfsa.govt.nz/ecert
Erie Foods	ERIE	www.eriefoods.com
Food and Drug Administration	FDA	www.fda.gov
International Chamber of Commerce	ICC	www.iccwbo.org
International Trade Data System	ITDS	www.itds.treas.gov
Japan External Trade Organisation,	JETRO	www.jetro.go.jp
Japanese Trade EDI	TEDI	www.tediclub.com
Kraft Foods	KRAFT	www.kraft.com
Ministry Of Agriculture, Forestry And Fisheries	MAFF	www.maff, go.jp
Ministry of Health, Labor and Welfare	MHLW	www.mhlw.go.jp
Mitsubishi Corporation	MC	www.mitsubishicorp.com
Standards Australia	SA	www.standards.org.au
Tradegate		www.tradegate.com.au

Organisation	*Acronym*	*Internet reference*
Tradenet, Singapore,		www.tradenet.com.sg
US Customs and Border Protection	CBP	www.customs.gov www.cbp.gov
US Department of Agriculture	USDA	www.usda.gov
USDA Animal, Plant and Health Inspection Service	APHIS	www.aphis.usda.gov
USDA Food Safety and Inspection Service	FSIS	www.fsis.usda.gov
World Customs Organisation	WCO	www.wcoomd.org
World Trade Organisation	WTO	www.wto.org

Attachment 1

The Australian Dairy Industry

Introduction

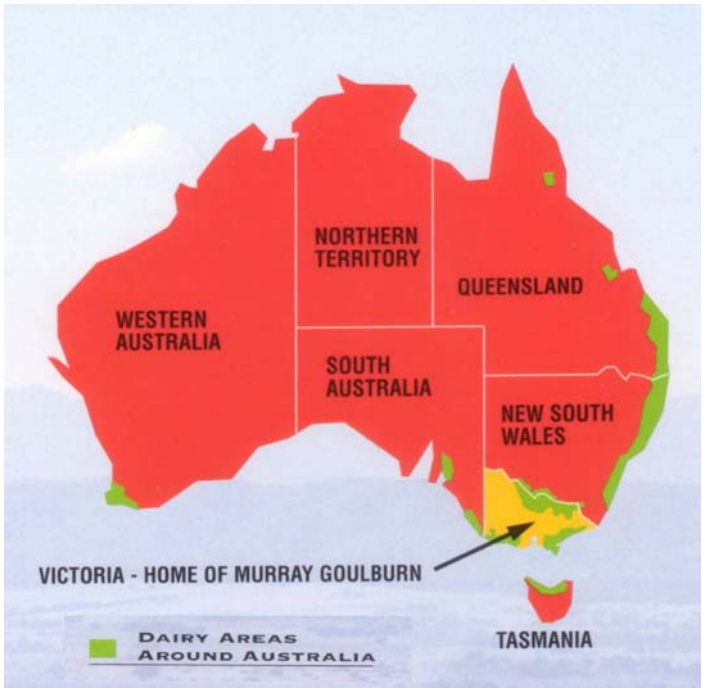
Derived from "In Focus 2002" produced by the Australian Dairy Corporation 2002

Home page: www.dairycorp.com.au

The organisation of the Australian Dairy Industry was shown in the first report of this series. It operates under the Australian federal government and comprises farmers, manufacturing companies and policy organisations that help coordinate and align the industry.

The dairy industry is a major rural industry in Australia. Based on a farmgate value of production just over $3.7 billion dollars in 2001/02, it ranks third behind the wheat and beef industries. Dairy is also one of Australia's leading rural industries in terms of adding value through further downstream processing. Much of this processing activity occurs close to farming areas, thereby generating industry and employment in country regions. At the ex-factory level, industry output was estimated to be over to $9.0 billion dollars in 2001/02.

Australia's climate and natural resources are favourable to dairying and allow the local industry to be predominantly pasture - based, with approximately 80 percent of cows' feed from grazing. This results in efficient, low cost, high quality milk production. Australian milk production costs are well below those in most other major dairy producing countries around the world. Most dairy production is located in coastal areas where pasture growth generally depends on natural rainfall. Nevertheless, there are several inland irrigation schemes - most notably in northern Victoria and southern New South Wales.



Feedlot-based dairying remains unusual in Australia, although the use of supplementary feed, with hay, silage and grains, is becoming increasingly more widespread. Australian

dairy farmers continue to increase on-farm productivity through improved pasture, feed and herd management techniques.

Dairying has a long history in many areas of Australia. While the bulk of milk production occurs in Victoria, 66 per cent in 2001/02, all states have viable, productive industries, supplying fresh milk to nearby cities and towns. In addition, a wide range of high quality manufactured products - from fresh lines such as yogurt and a wide variety of cheese types to bulk and specialised milk powders - are produced in most Australian states.

From 1986, federal government regulation of the manufacturing sector aimed at providing a small measure of support for manufacturing milk prices, while still allowing them to move in line with export returns. This support, provided via various government schemes, was progressively phased down and ended 30 June 2000.

Historically, state governments were responsible for ensuring year round supplies of fresh and wholesome drinking milk to consumers. Individual state governments achieved this using either pooling or quota systems to source milk from farms, and by controlling prices and distribution from the farm gate to the consumer. During the 1990s, the various states gradually phased out post-farmgate controls, until only farmgate pricing and sourcing regulations remained.

Deregulation commenced in early 1999, when the industry's peak policy body, the Australian Dairy Industry Council, ADIC, approached the federal government with a plan for an orderly, national approach to the deregulation of the drinking milk sector in conjunction with the end of manufacturing milk price support. On 28 September 1999, the federal government announced it would implement the Dairy Structural Adjustment Program, DSAP. The DSAP involves the imposition of a, retail, Dairy Adjustment Levy of 11 cents per litre on consumers of products marketed as dairy beverages. The levy funds quarterly DSAP payments, over eight years, to Australian dairy farmers, to assist them to make the necessary adjustments to a deregulated environment, with minimal social and economic disruption.

As the last steps in the deregulation process, all states repealed legislation governing sourcing and pricing of drinking milk, and the state milk authorities, which administered these controls, were wound up from 1 July 2000.

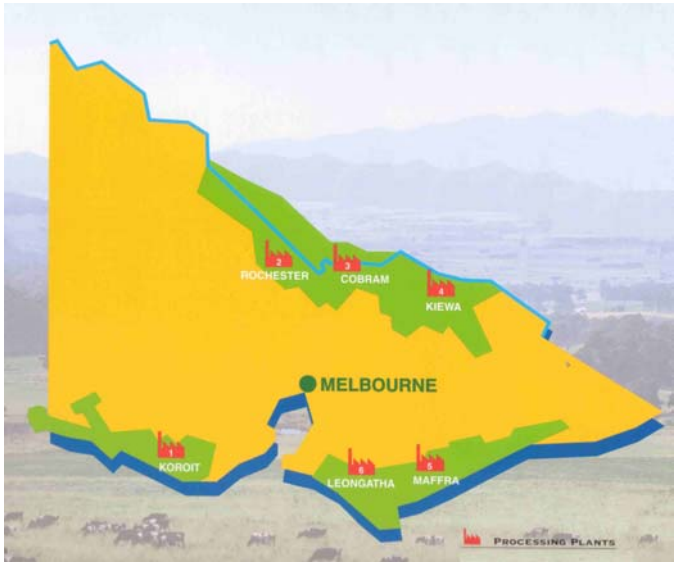
The impact of deregulation at the farm level varied across the different states of Australia - very much dependent on how important drinking milk, with its regulated higher farmgate price, was to the individual farm enterprise in relation to their total milk production. A number of farmers took advantage of the exit payments offered under the DSAP scheme to leave the industry. The overall impact was a decrease in the number of farms, which was simply the continuation of an industry trend that has been apparent for over three decades. With the return of favourable seasonal conditions in 2001/02, milk production volumes reached new record levels and strong industry growth has continued.

As a world competitive industry, Australian dairy farmers now operate in a completely deregulated industry environment, where international prices are the major factor in determining the price received by farmers for their milk. At an average of approximately US 15c per litre, Australian dairy farmers receive a low price by world standards and therefore have to run very efficient production systems.

Nevertheless, today over 55 percent of Australian milk production is exported - primarily as manufactured products at international market prices for a value of $A3.25 billion dollars in 2001/02.

Murray Goulburn Co-operative Company Limited

Murray Goulburn is a farmers' co-operative, now over 50 years old, representing some 3, 500 dairy farmer suppliers in Victoria. Annual sales in 2002 exceeded $2 billion with exports of $1.3 billion. Murray Goulburn is Australia's largest exporter of dairy products and processed food representing some 8% of world trade in these products. Exporting to over 100 countries, it produces some 40% of all Australian manufactured dairy-based export products, including cheese varieties, from approximately 40 % of Australia's total milk production.



The Brunswick based Co-operative is geographically diverse with major processing plants in Cobram, Kiewa, Koroit, Leitchville, Leongatha, Maffra and Rochester plus global distribution centres at Footscray and Laverton. It is the largest container user in the Port of Melbourne.

Murray Goulburn continues to achieve strong growth in global markets, although significant challenging economic changes have occurred over the past several years. During 2002, export sales increased in tonnes of product shipped by almost 11%. The company expects this growth pattern to continue and therefore seeks to pursue all avenues of improving business practices.

Extract from the Murray Goulburn Annual Report of 2002

2001/2002 was an extraordinary year.

Early in the year export prices reached a record peak and then fell dramatically to the lowest level in almost two decades. Markets were tough and very competitive, nevertheless the Co-operative was able to pay suppliers a record milk price and set the price for the Australian dairy industry. Again Murray Goulburn Co-operative finished the year with new records for milk price, milk intake, sales revenue and profit.

Strong product prices and milk flow provided a total revenue of $2.01 billion, an increase of 24% on the previous year's record. Out of that revenue the profit before tax and dividends grew to $62.8 million, an increase of 25%. Shareholder equity rose by $96 million to $500 million, whilst retained profits and reserves increased by $61 million to $299 million. Murray Goulburn was able to increase its equity ratio together with the overall growth of the Co-operative.

The extraordinary fall in international markets occurred as stocks in the US and European Union increased. EU subsidies grew to the highest level for seven years resulting in a freefall of prices. Despite the depressed prices, strong demand for Murray Goulburn product led to exports of over 400, 000 tonnes with a value of $1 .3 billion. Handling this quantity of exports is a major challenge.

Murray Goulburn maintained a strong presence in the local Australian market through the national Devondale brand, house brand, industrial and foodservice sales. Domestic business turnover was over $700 million.

The new warehouse at Laverton North was completed on schedule in early 2003 and significantly enhances the company’s ability to manage the logistics of export stocks as well as the ever increasing domestic distribution requirements.

Part of Murray Goulburn's success has been the ability to respond quickly to customers requirements. Following the end of the ADC single desk in Japan, the opening the new trade office in Tokyo should facilitate an even stronger relationship with valued customers and trading partners in Japan.

International demand for high value components of milk continues to develop, MG Nutritionals, formed two years ago has provided additional impetus to this exciting segment of our international activities.

The 2001/02 year saw expenditure of $136 million on capital works. A total of $328 million has been spent over the last three years, contributing a major boost to the rural economy of Victoria. These investments have put our Co-operative in a strong position to withstand the current downturn. The major project in the reporting year was the $60 million upgrade at Koroit. This site is in the centre of the fastest growing dairy region in the nation and indicates Murray Goulburn's faith in and commitment to the future of dairying.

As part of our commitment to the environment a new $6 million effluent treatment plant was commissioned at Maffra together with further investment in environmental performance and integrity at all manufacturing sites.

Throughout most of the supply area seasonal conditions were good to excellent lifting milk intake to 4.1 billion litres. Strong growth from both existing and new suppliers, including former Kraft suppliers, ensured milk intake growth of over 20%. Murray Goulburn processed approximately 37% of the nation's milk supply. The number of suppliers increased to 3, 508, with the average farm supplying almost 1.2 million litres. The deterioration of seasonal conditions in some supply zones late in the year is a large concern as we move into the new dairy year.

Murray Goulburn's Board held a strategy seminar in February 2002. This seminar reinforced the general direction of the company and the Board formally adopted the OECD Principles of Corporate Governance.

The Board Compliance Committee was established during the year. It consists of board members, a management representative and an independent member with legal qualifications. The Committee's charter is to verify that the Co-operative's policies and procedures are sufficient to enable the organisation to comply with its statutory, regulatory and corporate governance obligations.

Purchased at the beginning of the year the Kraft plant at Leitchville has been integrated successfully. It has added significant value to our business. Investment in whey processing facilities at Leitchville has enhanced the value of the acquisition.

Attachment 2

Initial commercial participants:

Canada – **Kraft Canada**

Japan – **Mitsubishi Corporation**

USA – **Erie Foods**

Freight forwarders/Brokers:

Canada – **Livingston International Inc.**

Japan – **Nissin Corporation**

USA – **DHL Danzus (AEI)**

Canada - Kraft Foods

Compiled from Kraft Home page www.kraft.com

Kraft is the largest branded food and beverage company in North America and the second largest in the world. Kraft Foods operates globally in more than 150 countries with some 113, 000 employees.

Kraft has 218 manufacturing and processing facilities worldwide, with 100 in North America and 118 outside North America. Kraft's Corporate and North American headquarters are located in Northfield, Illinois, a northern suburb of Chicago. Additional headquarters are located in the North American businesses.

The company is built on a history of quality and innovation over hundreds of years. Over that time, Kraft Foods has grown from modest beginnings to become the second largest food and beverage company in the world.

Kraft business spans five core sectors: snacks, beverages, cheese, grocery and convenient meals. The company holds the number one share position in 21 of the 25 top categories in the U.S. and 21 of the top 25 country categories internationally.

At the annual shareholders meeting on April 22, 2003 - Louis C. Camilleri, Chairman of the Board of Kraft Foods, said, "The future of Kraft is bright. Our business fundamentals are strong. And we have the brands, the people, the innovation and trust to keep us growing in the years ahead."

During the meeting, senior management advised that the company had delivered strong results in 2002, despite a difficult operating environment. It was a year of outstanding innovation – generating a record $1.1 billion in net revenues from new products. 2002 was also a year of disciplined cost management, where $425 million were gained in cumulative synergy savings from the integration of Nabisco, well ahead of the original plan and productivity savings met the target of 3.5% of cost of goods sold.

Volume for 2002 grew 6.7%, operating companies income was up 4.1% to $6.3 billion and net earnings increased 80.3% to $3.4 billion and diluted earnings per share grew 67.5% to $1.96. $2.5 billion was generated in discretionary cash flow and the dividend increased by 15% in the second quarter, bringing the annual rate to 60 cents per share.

Japan - Mitsubishi

Compiled from the Home page www.mitsubishicorp.com

Mitsubishi Corporation is one of the world's most diverse enterprises. This diversity is manifested in Mitsubishi 's 804 subsidiaries and affiliates, 76 regional subsidiaries and its network of 36 offices in Japan and 104 overseas. The company's extensive network and wide-ranging activities give it a decisive edge in gathering the timely, accurate market information vital to success.

The company's six business groups - New Business Initiative, Energy business, Metals, Machinery, Chemicals and Living Essentials - work closely with clients to develop new business opportunities. Project coordination, sourcing of raw materials, investments and development of sales channels are typical of the ways Mitsubishi Corporation creates value for business partners, customers and shareholders.

Mitsubishi Corporation is mid-way through its current three-year business plan, which outlines the company's growth strategies for creating value. These strategies include reshaping existing business portfolio and forging new business models through the convergence of offline and online businesses.

The activities of Mitsubishi Corporation are divided into 6 business groups:

New Business Initiative Group

This group has been tasked with spearheading Mitsubishi Corporation's E-Commerce drive through financial technology, FT, information technology, IT, logistics technology, LT, and marketing technology, MT.

Living Essentials Group

Food-related activities extend from dairy products, grain and other commodities to processed foods and state-of-the-art distribution. This group also handles textiles and clothing, lumber and paper, and other business fields closely tied to the needs of consumers worldwide.

Energy Business Group

Working with principal oil- and gas- producing countries and multinational oil conglomerates, the group seeks to ensure stable, long- term environmentally acceptable energy supplies for customers in Asia and around the world.

Metals Group

This group participates in all business areas related to the iron and steel industries, as well as non-ferrous metals.

Machinery Group

Backed by expertise in planning, development, coordination and construction, the group engages in diverse activities including large-scale power-generation, chemical and steel plants to shipbuilding, automobiles, construction equipment, industrial machinery and real estate development.

Chemicals Group
This group is involved in production and distribution activities in virtually all areas of the global chemicals industry, from basic and specialty chemicals to novel synthetic fibre materials, petrochemicals and non-organic chemicals and fertilisers.

Food Products Division
Foods Products Division originated its business in exporting marine products. Since then, the division has been directing its resources to the expanding domestic market and bringing more imports to Japan, due to the rising labour costs in Japan and high appreciation of Japanese yen. Transactions in the Japanese market is now the largest share of its overall business.

The division develops strong ties with Japanese food processors to handle their domestic distribution as well as their international procurement. The division also develops partnerships with several wholesalers to build nationwide distribution channels, covering a full range of food products.

The key advantage that customers are offered strategic assistance in responding to the fiercely competitive and changing markets. Mitsubishi Corporation's international network also provides a strong backbone that enables the division to gain opportunities to source new products and technologies all over the world.

USA - Erie Foods

Home page: www.eriefoods.com

Erie Foods International commenced manufacturing casein in Erie, Illinois, and supplied caseins suited for industrial applications such as adhesives, buttons, combs and billiard balls where casein was used as a raw material. Casein also found niches in paints, textiles, rubber, white washes and paper coatings.

The domestic manufacture of casein was abruptly halted in the late 1940s when the US government established the dairy support program. Erie's manufacturing efforts shifted to Australia, where a joint processing venture was initiated with a plant which later became part of Murray Goulburn Cooperative Co. Ltd., a relationship which continues today.

Caseins status was markedly elevated in the 1950s with USDA standards for edible caseins. This higher profile made casein a major player in ingredients developed for the rapidly evolving market for processed foods. Given the name ECCO Brand, Erie's caseins contributed many functional properties, which improved formulations for bakery, cheese, dairy products and comminuted meats.

Erie Foods gained further market share in the 1960's with domestic facilities designed to convert caseins into caseinates. Far more soluble or dispersible than casein, caseinates led the charge into new markets including coffee creamers whipped toppings, frozen desserts, dietary supplements and pharmaceutical preparations.

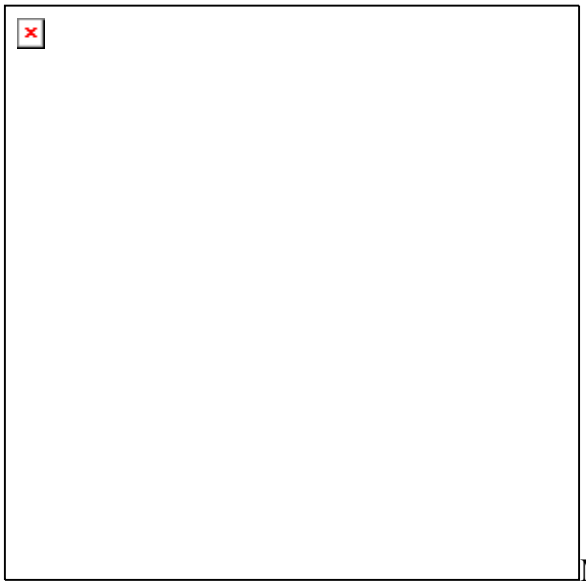
In tbe early 1970's, Erie established Erie AG Switzerland to purchase milk proteins directly from producers in what is now the European Union. Further global expansion was achieved with joint ventures in Australia, Ireland, Sweden and Denmark.

The 1980s were a pivotal growth period for Erie with the construction of a research and manufacturing facility in Rochelle, Illinois. Rochelle's proximity to O'Hare International Airport and major intestate rail and highway network, give Erie the advantage of a central United States manufacturing location. Erie/Rochelle with its "Superior" rating from the American Institute of Baking and FDA approval as a drug facility produces a wide range of ingredients for the food and pharmaceutical industries.

As part, of it's 50th anniversary, “The Erie Casein Company”, change its name to “Erie Foods International” to better reflect it's extended product line and manufacturing services.

Established in 1992, subsidiary company Intermix Australia Pty Ltd. has been a primary mover in global expansion to Australia, Asia and the Pacific Rim, representing a joint venture with Japan. Intermix manufactures infant formulas, coffee milk blends, wheat flour blends, cocoa preparations and dairy blends

Erie Foods International's Rochelle manufacturing facility has expanded its agglomeration processing capabilities. Erie Europe, located in Paris, France was established as a subsidiary to assist the manufacturing and marketing of products from Erie Foods and its affiliated companies.



Murray Goulburn Cooperative has had an expanding, working relationship with Erie Foods International, Inc. for over 25 years. Murray Goulburn assists Erie Foods in maintaining global connection. This allows Erie Foods to provide the latest technological and product advancements to our customers.

Freight Forwarders/Brokers

Livingston International Inc.

Compiled from: www.livingstonintl.com

Livingston International was established in 1945 and employs 1800 people in Canada and the United States. Livingston Operations claims to be the largest customs brokerage and trade services company between Canada and the United States. Offering a complete range of services, from clearing goods through customs in Canada and the United States to developing strategies and managing trade processes. With an extensive network of offices in Canada and the U.S., Livingston International is the market leader in trade consulting services and cross-border transportation management facilitating two-way trade between Canada and the U.S.A.

Their corporate objective is to help businesses involved in trade primarily between Canada and the United States move their goods across the border quickly and easily, while helping them comply with all applicable laws and regulations.

Livingston International is the leading customs brokerage company and trade services provider offering the full spectrum of customs brokerage, regulatory compliance, customs and tax consulting. Providing North American transportation and logistics and international freight forwarding services; Livingston International meets a wide range of importer and exporter needs, backed by advanced technology solutions.

Livingston International clears an average of 11, 000 shipments a day or approximately $1.6 billion, into Canada and the United States, up from about 5, 000 a day in 1996. The company was recognised as one of Canada's *50 Best Managed Companies* in 2000 and requalified as a *50 Best* company again in 2001.

Livingston offers the most innovative and comprehensive information management solutions available today. Committed to providing North American businesses with the cutting-edge technology they need, Livingston has taken the lead in developing trade information management systems for importers and exporters.

Insight® suite of technology solutions brings speed, accuracy, and simplicity to the cross-border trade process. The Insight suite includes leading edge on-line solutions that can help manage the supply chain, quickly and easily prepare export documents, and manage customs compliance. The Insight family consists of seven unique web-based solutions for importers and exporters:

e-Link, formerly ezNet, provides U.S. companies who ship to Canada with the ability to transmit their invoice information electronically to Livingston, helping to ensure faster release of shipments at the border and improved accuracy of customs entries.

Customs Info©, an electronic trade reference and information library, complete with U.S. and Canadian HS codes and tariff schedules, import rulings and other regulatory information.

Self clearance solutions are available for those Canadian importers who want to take part in the Customs Self Assessment, CSA, program. Insight Partner is an online system for self-clearance importers and bundled with other Insight solutions in order to provide a system linking importers, suppliers and the CCRA.

Nissin Group

Compiled from: www.nitusa.com

Nissin is a 100% owned subsidiary of Nissin Corporation of Tokyo Japan. Nissin established operations in the United States beginning in 1973, and have since grown to services most of the major cities of North America. Nissin's traditional business in air and ocean freight forwarding, customs brokerage and warehousing have provided a solid background to enter the increasingly dynamic global transportation markets, with services such as third party logistics and supply chain management.

Since the mid-1990s, the Nissin Group has undertaken a long-term commitment to using the latest technologies in data and communications to provide their customers with the most current information about their products. Nissin believe that in the growing global economy, information about a product can be as valuable as the product itself. The established network of offices and agents worldwide, supplement their electronic capabilities by providing cost effective and seamless door to door services. Additionally, any of their individual services can be customised or combined with external services to meet specific requirements.

DHL

Compiled from: www.dhl.com

DHL was formed in 1969, pioneering the air express industry with its first route from San Francisco to Honolulu. The success of the company was founded in its innovative idea of sending out documentation in advance of cargo arriving, thereby speeding up the process of importing goods.

The DHL Network grew quickly. The company encompassed Hawaii into the Far East and Pacific Rim, then the Middle East, Africa and Europe. In just four years, the company had expanded to provide services to 3, 000 customers with over 300 staff.

By 1977, it had extended its range of services and started to deliver small packages as well as documents. 1982 saw the first growth with an additional 30 countries and territories added in one year.

The DHL pioneering spirit remains part of the company culture today which operates in over 220 countries and territories. In 2002 there were over one million customers

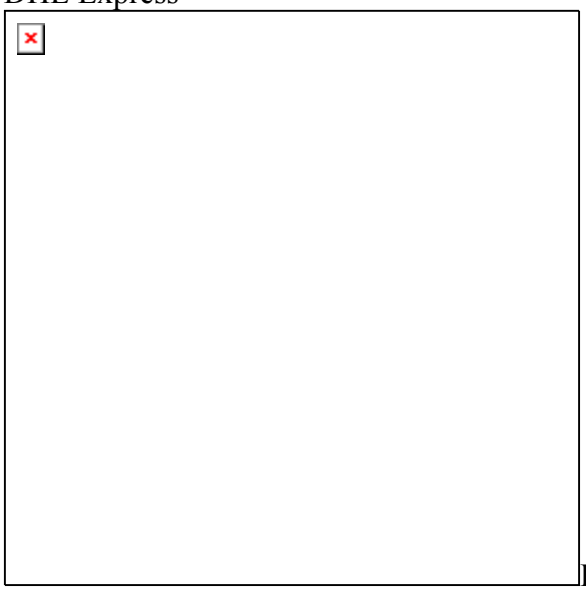
The management and divisional structure of DHL was changed at the beginning of 2003. Deutsche Post World Net's STAR Program had identified that it made sense to use one brand to represent all of their express and logistics business worldwide. As a

result, the services of fellow group companies Danzas and Deutsche Post Euro Express are currently being integrated.

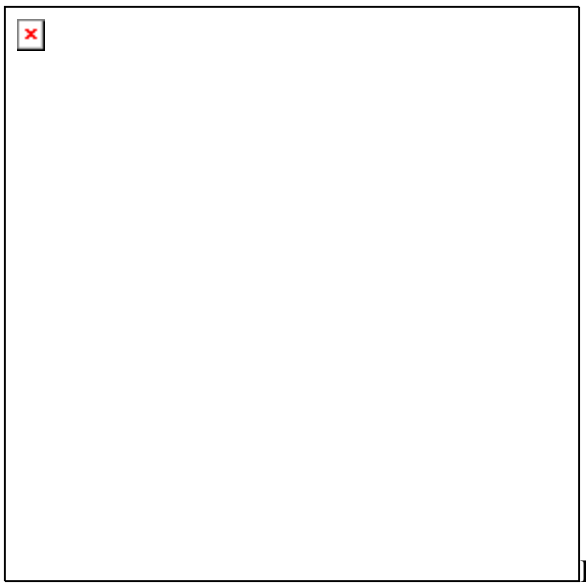
Danzas was formed in 1815 and in 1854 the first branch in Switzerland opened in Basel. In 1920, the company embraced air transport, and started to use air freight between France and England. In 1962, the company opened its own freight terminal in Paris. In 2000, the merger between Danzas Intercontinental and Air Express International Corporation made the group worldwide number one in air freight and one of the five leaders in ocean freight, operating in 150 countries.

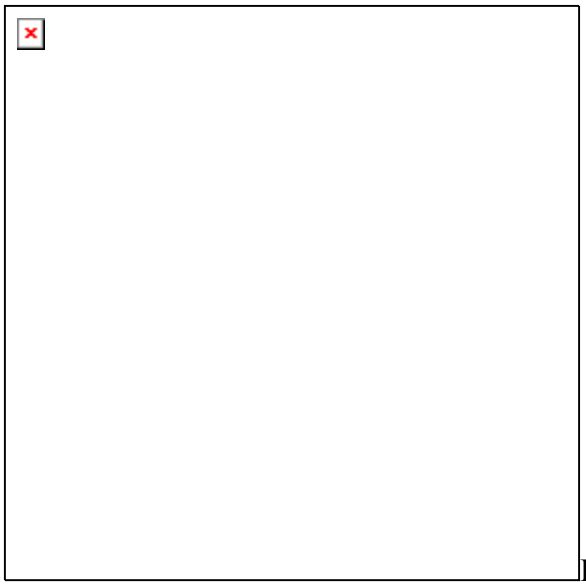
There are now four divisions within DHL:

DHL Express



DHL Freight


DHL Danzas Air & Ocean


DHL Solutions

The strengths of the these companies from which the new DHL was formed combine to make a formidable presence in the logistics and transportation industry:

Attachment 3

AQIS Prepared "E-CERT BRIEF"

The following text was prepared by AQIS as an 'information brief'.

Background

- E-cert provides a web interface that enables importing authorities to access SPS certificate data held in a secure environment in the exporting country.

- The E-cert development covers all traded food commodities, including meat, seafood, dairy, horticulture and grain products and animal by-products such as inedible meat products, petfood, rendered meals and tallows, pharmaceuticals, trophies, hides and wool.

  -The Australian development, which is proposed for completion in mid 2003, will cover all of these commodities except inedible meat products which will be included later.

  -New Zealand currently provide functionality for meat, seafood and by-products, with dairy following in the short term and plant products following later.

- E-cert provides an unprecedented level of certificate security as the data is retained on a secure website within the exporting country that is protected by suitable security firewalls.

  - Transmission of data is protected by encryption using the HTTPS or SFTP secure transmission protocols.

- E-cert also provides importing authorities with early advice regarding impending arrivals requiring clearance, allowing better planning and resource allocation.

- The agreed E-cert approach provides importing countries with two options for accepting certification electronically.

  - All countries will be able to interactively view certificates on-line and have the facility to accept, reject, detain or request a replacement electronically.

  - Countries with developed infrastructure will be able to integrate certification data, in XML format, into their automated import management systems for processing and bypass the web entirely if desired.

- Authorities at the port of discharge will have read only access to respective certificate data, while staff at ports of inspection will have the ability to process certificates on the web to advise the results of product disposition.

- Implementation of the E-cert system will commence July 2003 in Australia following an official launch at the APEC "Cross Border Paperless Trading Symposium" in Chinese Taipei in September 2003.

- Initial introduction to E-cert will be available through the provision of read-only user logon IDs and passwords to the E-cert environment of the exporting country. Countries would then indicate when they are ready to commence a pilot, during which time the electronic and paper systems will run in parallel

    - A logon to E-cert could be made available to Taiwan after 1st July 2003 to assist with improving system familiarity.

- Logons to E-cert will be country, authority and commodity specific with an additional qualifier of port of inspection if required.

- A specification document, ECeDEx, for the E-cert XML message has been drafted which will be suitable for use by all exporting economies for development of the message structure to be used in automated import documentation systems.
    - The critical element of this “standard” is that it is an agreed Extensible Markup Language, XML, format for transfer of certification data
    - The ECeDEx specification has recently been submitted to UNCEFACT and World Customs Organisation for ratification,
- Uptake will be encouraged as follows:
    - the Quadrilateral countries and Mexico, followed by
    - APEC countries, particularly Singapore, Taiwan, Korea, Japan, Malaysia and Thailand,
    - Middle Eastern countries – an Australian delegation last October identified high level interest in Saudi Arabia, Dubai, Jordan and would extend the network to the GCC
    - Europe – New Zealand has just finished an E-cert trial with The Netherlands and will use E-cert to implement the paper certificates required under the NZ/EU Veterinary Agreement.
- An APEC sponsored E-cert trial for dairy exports to Canada, the US and Japan will be conducted for 5 weeks during May, to prove the concept of electronic certification and to foster familiarity with the system. The result of the trial will be reported to APEC at the next Transport Working Group forum.

- China, AQSIQ, Singapore, AVA, and UK, DEFRA and Port of Tilbury, have expressed interest in trialling E-cert during 2003.

BACKGROUND

AQIS has considerable experience in electronic certification.

In 1992 AQIS developed the EXDOC electronic documentation system for edible meat exports. This was later extended to other animal, agricultural and fish commodities.

In 1994 AQIS worked with their associated agencies in the United States of America and New Zealand to develop an electronic version of the sanitary and phytosanitary certificates. These received approvals through the UN EDIFACT[1] message design standards and the resultant message was called SANCRT.

Using SANCRT messages lowered transaction costs by simplifying the quarantine process and reducing the time for preparing certification. The SANCRT message was transferred directly between government agencies and the security of the data significantly improved.

Following the Food Safety Quadrilateral held in Hawaii in April 2002, Australia and New Zealand agreed to develop a joint electronic certification messaging system, to be known as E-cert to replace the SANCRT system.

[1] United Nations Electronic Data Interchange for Administration, Commerce and Transport

Other AQIS Briefs

Other briefs have been prepared by AQIS to address various audiences and situations that have arisen over the period. One such brief is included below:

E-cert, Electronic Certification,

Background

Following the Food Safety Quadrilateral held in Hawaii in April 2002, Australia and New Zealand agreed to develop a joint electronic certification messaging system, to be known as E-cert. The purpose of this paper is to advise of progress relating to that development.

- A specification document, ECeDEx, has been drafted which will be suitable for use by all exporting economies for development of the message structure to be used in automated export documentation messaging systems.
    - The critical element of this "standard" is that it is an agreed Extensible Markup Language, XML, format for transfer of certification data
    - The ECeDEx specification has recently been submitted to UNCEFACT for ratification.
- E-cert also provides a web interface that enables importing authorities to access SPS certificate data held in a secure environment in the exporting country.
- The agreed E-cert approach provides importing countries with two options for accepting certification electronically.
    - All countries will be able to interactively view certificates on-line and have the facility to accept, reject, detain or request a replacement electronically.
    - Countries with developed infrastructure will be able to integrate certification data, in XML format, into their automated import management systems for processing and bypass the web entirely if desired.
    - Countries using the web will be able to download and print the certificate data as viewed on the screen.
- Initial trialling of E-cert will be available through the provision of read-only user logon IDs and passwords to the E-cert environment of the exporting country. Countries would then indicate when they are ready to commence a pilot, during which time the electronic and paper systems will run in parallel. Importing countries will have the discretion of continuing to receive paper certificates until satisfied that only the electronic certification is required.
- The E-cert development will cover all traded food commodities, including meat, seafood, dairy, horticulture and grain products and animal by-products such as inedible meat products, petfood, rendered meals and tallows, pharmaceuticals, trophies, hides and wool.
    - The Australian development, which is proposed for completion in mid 2003, will cover all of these commodities except inedible meat products which will be included later.
    - New Zealand currently provide functionality for meat, seafood and by-products, with dairy following in the short term and plant products following later.
- Australia and New Zealand have agreed to jointly approach trading partners to promote the adoption of E-cert. The initiative will be promoted both bilaterally and via multilateral fora as opportunities arise, such as relevant APEC meetings and sub-committees of Codex.
    - Australian and New Zealand expertise will be available to assist countries considering developing automated export systems.

- E-cert provides an unprecedented level of certificate security as the data is retained on a secure website within the exporting country that is protected by suitable security firewalls.
    - Transmission of data is protected by encryption using the HTTPS or SFTP secure transmission protocols.
- Logons to E-cert will be country, authority and commodity specific with an additional qualifier of port of inspection if required.
    - Authorities at the port of discharge will have read only access to respective certificate data, while staff at ports of inspection will have the ability to process certificates on the web to advise the results of product disposition.

Comment/update

- Implementation of the E-cert system will commence mid 2003 in Australia.
- Implementation is underway in New Zealand,
    - New Zealand uses E-cert to provide paper certificates to Canada, USA, Mexico, Hungary, Jordan, Romania, Turkey and the Czech Republic. Each country receives an E-cert user pack including a temporary logon ID and password to view certificates on-line.
- Priority will be given to the Quadrilateral countries and Mexico, followed by
    - APEC countries, particularly Singapore, Chinese Taipei, Korea, Japan, Malaysia and Thailand,
    - Middle Eastern countries – an Australian delegation last October identified high level interest in Saudi Arabia, Dubai, Jordan and would extend the network to the GCC
    - Europe – New Zealand has just finished an XML trial with The Netherlands and will use E-cert to implement the paper certificates required under the NZ/EU Veterinary Agreement.
    - An APEC sponsored workshop will be held at the "Cross Border Paperless Trading Seminar" in Chinese Taipei in June 2003.
- Importing authorities intending to use E-cert have 2 options to obtain certificate data
    1. Access the web site using a PC and web browser, and suitable logon and password, selecting the number of the certificate required, or
    2. implement an electronic import management system capable of processing XML files downloaded from the web site
        - download of XML files would be automated and can be arranged for any timeframe that the importing country may wish to nominate

AQIS E-cert Processing Procedures

AQIS
AUSTRALIAN QUARANTINE AND INSPECTION SERVICE

Department of AGRICULTURE FISHERIES & FORESTRY – AUSTRALIA

ABN 24 113 085 695

E-cert Electronic Certification Demonstration Procedures For Dairy Products to United States and Canada

Purpose

This document details the procedures for the participants in the demonstration of E-cert electronic certification for dairy products.

E-cert

- E-cert is an electronic certification system being developed jointly by the Australian Quarantine and Inspection Service AQIS) and the New Zealand Food Safety Authority (NZFSA) for Sanitary and Phytosanitary certificates.
- E-cert uses a secure web site to display certificate data in a standard format that includes all data required by importing authorities for import clearance.
- E-cert also has the capability to allow import authority's download of certificate data into automated import management systems
  - An XML standard has been developed for the download message and has been presented to UN CEFACT and the World Customs Organisation for ratification.

Trial Background

- This trial seeks to prove the concept of electronic certification by participants viewing certificate data displayed on the secure E-cert web site, and to confirm that data by comparing it to traditionally generated paper certificates.
- The trial will involve an Australian dairy exporter lodging trial health certificates for dairy produce to US and Canada onto the Australian E-cert web site.
- A printed trial paper health certificate will also be generated and will be faxed to the participants to enable them to compare the data between the E-cert electronic certificate and the traditional paper certificate.
- This trial does not replace any existing clearance arrangements.
- The E-cert Web site address is: www.AQIS.gov.au/ecert

Procedures

Trial Commencement

- A logon to the AQIS E-cert web site will be issued to trial participants
  - There will be 5 logons each for US and Canadian trial participants to use:
    - ecert.us01 through ecert.us05
    - ecert.ca01 through ecert.ca05
  - These logons have the same password as logon id (ie. logon id ecert.us01 = password ecert.us01)
  - If necessary each logon id may be logged on more than once at a time for the period of the trial only

Edmund Barton Building Barton ACT GPO Box 858 Canberra ACT 2601 ph +61 2 6272 3933 www.affa.gov.au

- These logons will not be activated until 28th April 2003.

- The officers participating in the trial should Email their name, Agency, position held and fax number to the E-cert Administrator at ecert@affa.gov.au with a cc to Mr John Hart the APEC consultant responsible for the project - jdhart@ozemail.com.au

During the trial

- From 28th April 2003, trial electronic health certificates for export dairy products to US and Canada will be generated by the E-cert system.
  - Both an E-cert electronic certificate and a traditional printed paper certificate will be generated.
  - The trial E-cert certificate will immediately be available on the E-cert web site for viewing by trial participants. The printed trial certificate will be faxed to the respective participants to enable them to compare the data.
- The receipt of the faxed trial certificate will confirm that a trial E-cert certificate is available for viewing on the E-cert web site
  - The participants can then view the respective certificates at a time suitable to them. The E-cert web site can be accessed at any time.
  - Trial E-cert certificates that are placed on the web site will be retained on the web site for viewing for the duration of the trial.
- The trial will conclude after 5 weeks at COB on the 30th of May 2003.

Contact

- Any observations or queries about this project should be Emailed to the E-cert Administrator at ecert@affa.gov.au with a cc to jdhart@ozemail.com.au
  - The E-cert Administrator is Mr. Norm Scott, EXDOC Development Manager, Australian Quarantine and Inspection Service.
- Any observations or queries about the project should be Emailed to the Contractors jdhart@ozemail.com.au and robert.coode@mgc.com.au

Feedback

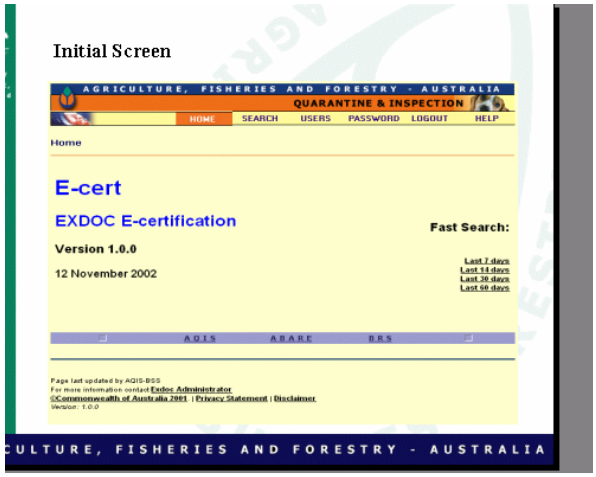
To assess the success of the trial, the views of the participants will be sought through two simple questionnaires. These are planned to be distributed:

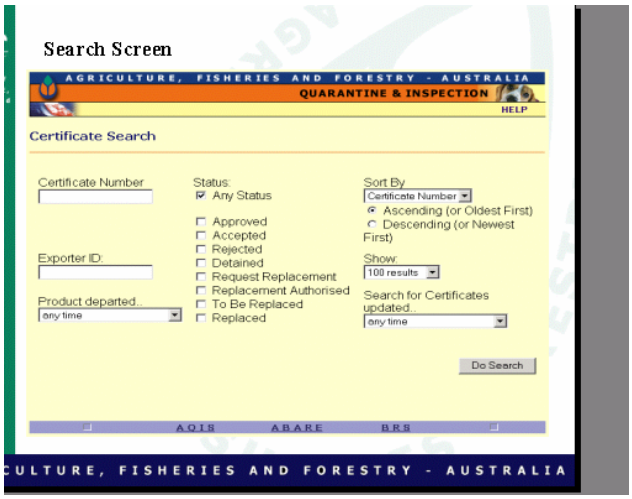
- In the second week of the trial and,
- at the end of the trial.

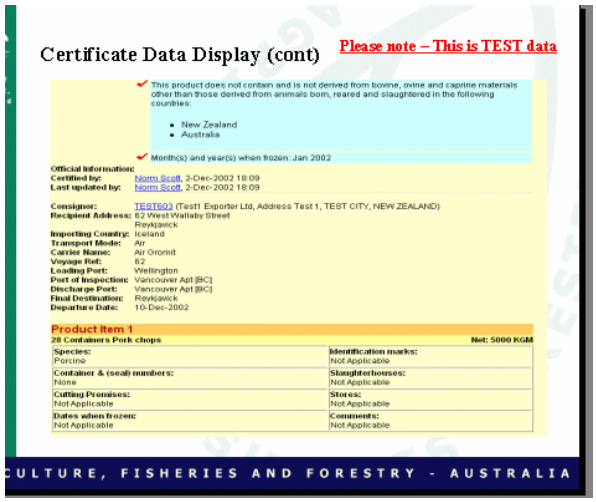
After the trial

- All trial E-cert certificates will be deleted from the web site at the conclusion of the trial.
- All trial logons will be disabled at the conclusion of the trial and the web site will then be prepared for production implementation on the 1st of July 2003.
- It is planned that a summary of findings will be issued to the participating economies.
- The E-cert web site will be available after the 1st of July. Trial participants will need to complete and download an Application for Access form to gain on-going access.
  - The form will be available from the web site logon screen.

Initial E-cert Internet screens

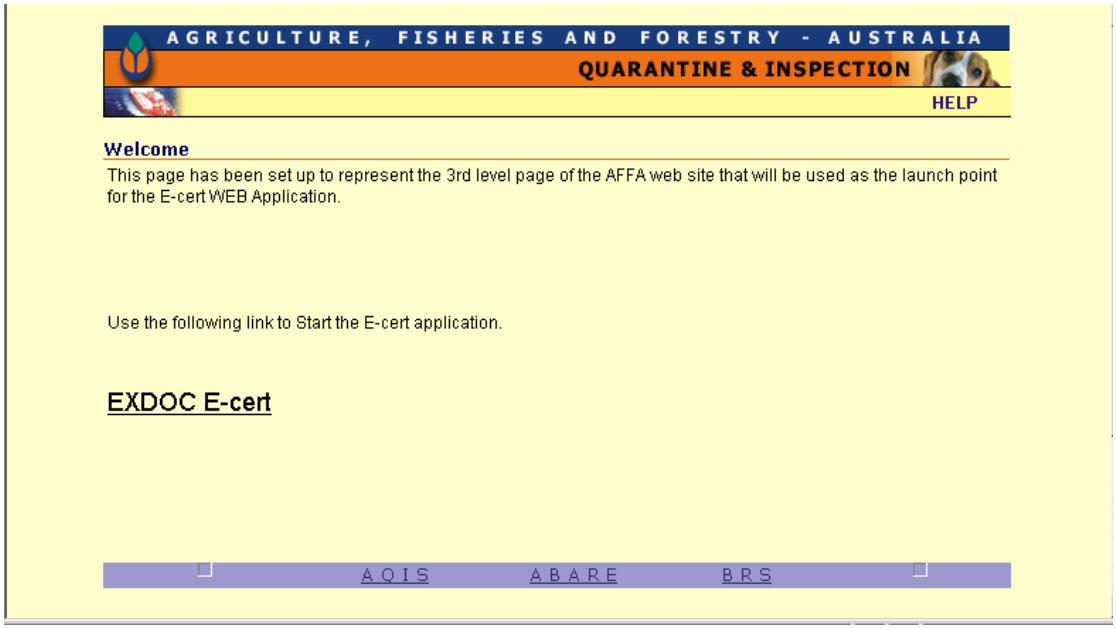






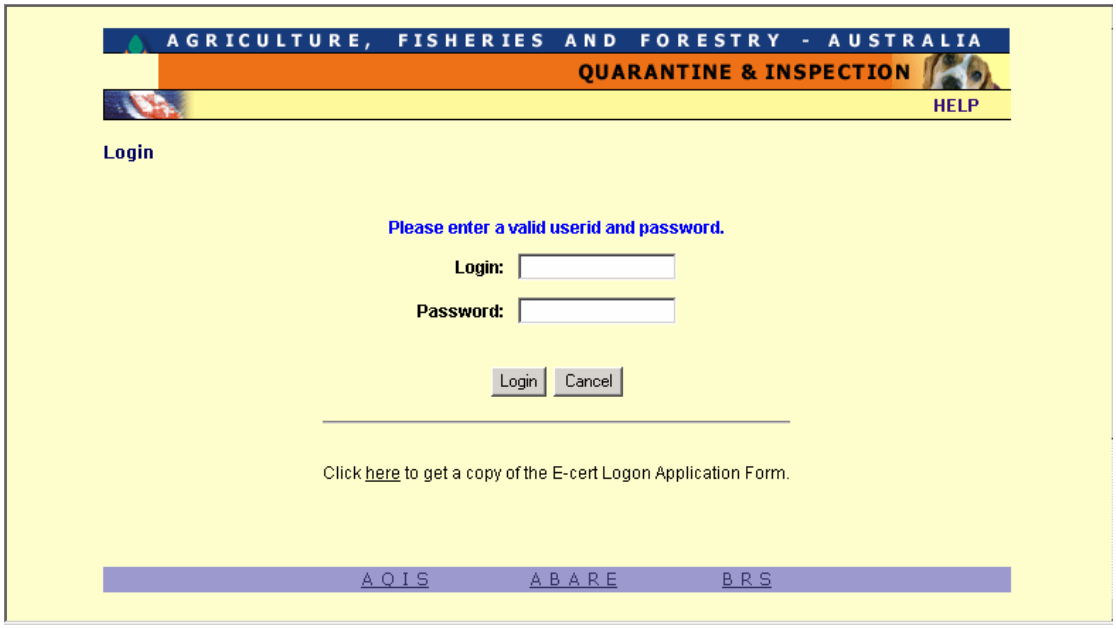
Actual Test Internet screens

Screen presented at the web address "www.aqis.gov.au/ecert"



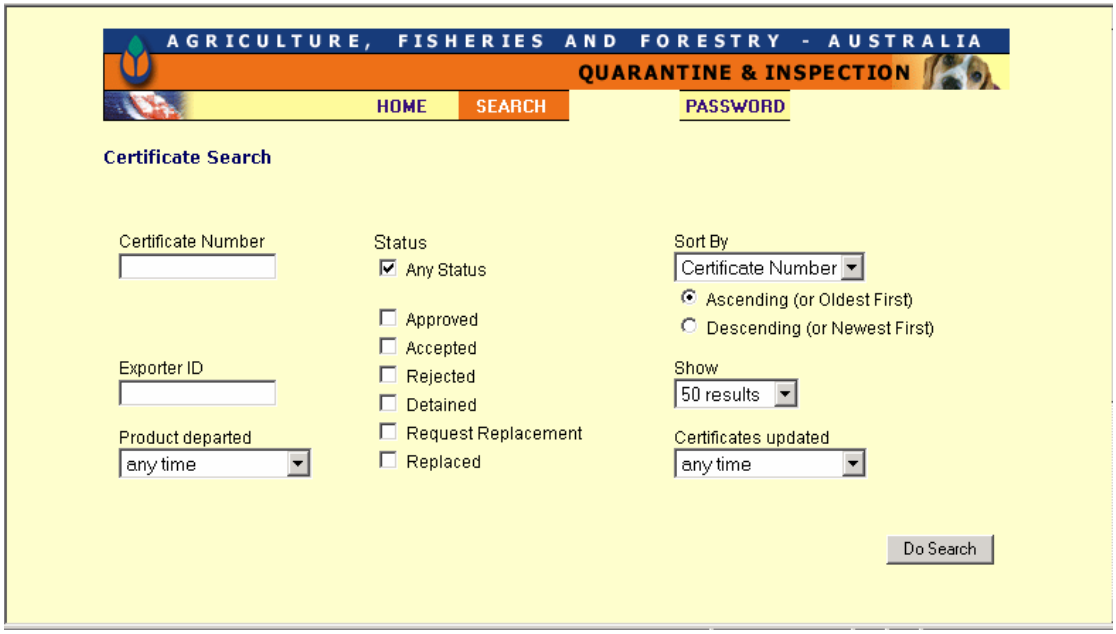
After 'clicking' on the "**EXDOC E-cert**" link on the screen above, the following screen is accessed. This may also be directly addressed through

"www.aqis.gov.au/ecert/asp/login.asp"

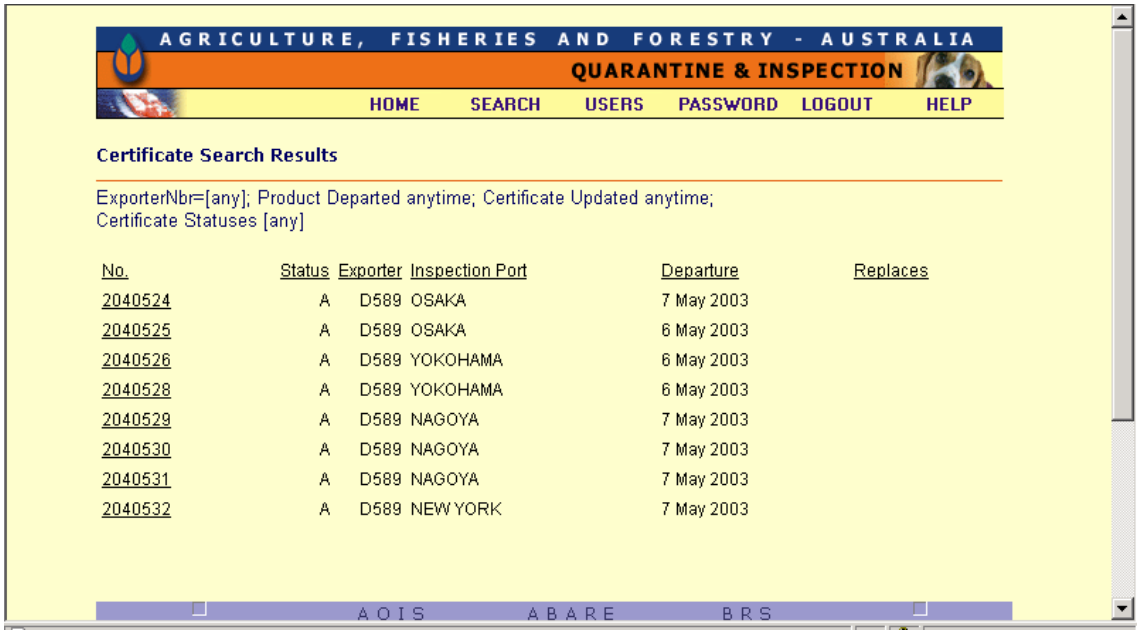


After a correct "login", the following screen is displayed. This offers various options to the participant. Informed comments are particularly sought on these next screens.

The result of selecting the "Manual Search" option is the screen below:

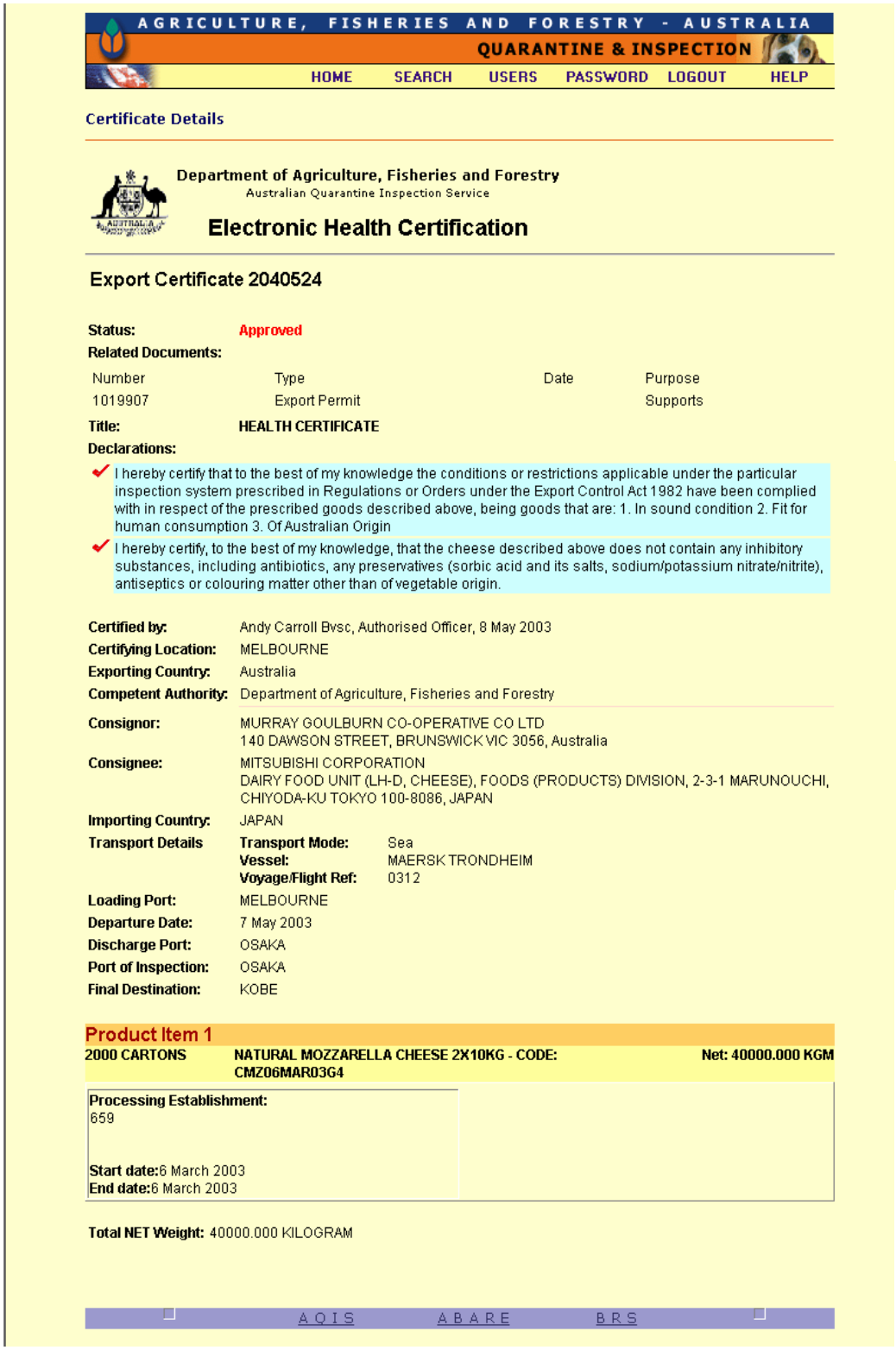


When no certificate number or other search attribute is selected and the "Do Search" button is 'clicked', the following screen opens. In this case TEST data is shown.



The underlined text, in the case shown, the Certificate "No.", may be 'clicked to open up that specific certificate for scrutiny.

These certificate screens may then be viewed, printed or downloaded as XML files for local ongoing processing.



AGRICULTURE, FISHERIES AND FORESTRY - AUSTRALIA

QUARANTINE & INSPECTION

HOME SEARCH USERS PASSWORD LOGOUT HELP

Certificate Details

Department of Agriculture, Fisheries and Forestry

Australian Quarantine Inspection Service

Electronic Health Certification

Export Certificate 2040524

Status: Approved

Related Documents:

Number	Type	Date	Purpose
1019907	Export Permit		Supports

Title: HEALTH CERTIFICATE

Declarations:

✔ I hereby certify that to the best of my knowledge the conditions or restrictions applicable under the particular inspection system prescribed in Regulations or Orders under the Export Control Act 1982 have been complied with in respect of the prescribed goods described above, being goods that are: 1. In sound condition 2. Fit for human consumption 3. Of Australian Origin

✔ I hereby certify, to the best of my knowledge, that the cheese described above does not contain any inhibitory substances, including antibiotics, any preservatives (sorbic acid and its salts, sodium/potassium nitrate/nitrite), antiseptics or colouring matter other than of vegetable origin.

Certified by: Andy Carroll Bvsc, Authorised Officer, 8 May 2003
Certifying Location: MELBOURNE
Exporting Country: Australia
Competent Authority: Department of Agriculture, Fisheries and Forestry

Consignor: MURRAY GOULBURN CO-OPERATIVE CO LTD
140 DAWSON STREET, BRUNSWICK VIC 3056, Australia

Consignee: MITSUBISHI CORPORATION
DAIRY FOOD UNIT (LH-D, CHEESE), FOODS (PRODUCTS) DIVISION, 2-3-1 MARUNOUCHI, CHIYODA-KU TOKYO 100-8086, JAPAN

Importing Country: JAPAN

Transport Details
Transport Mode: Sea
Vessel: MAERSK TRONDHEIM
Voyage/Flight Ref: 0312

Loading Port: MELBOURNE
Departure Date: 7 May 2003
Discharge Port: OSAKA
Port of Inspection: OSAKA
Final Destination: KOBE

Product Item 1

2000 CARTONS **NATURAL MOZZARELLA CHEESE 2X10KG - CODE: CMZ06MAR03G4** **Net: 40000.000 KGM**

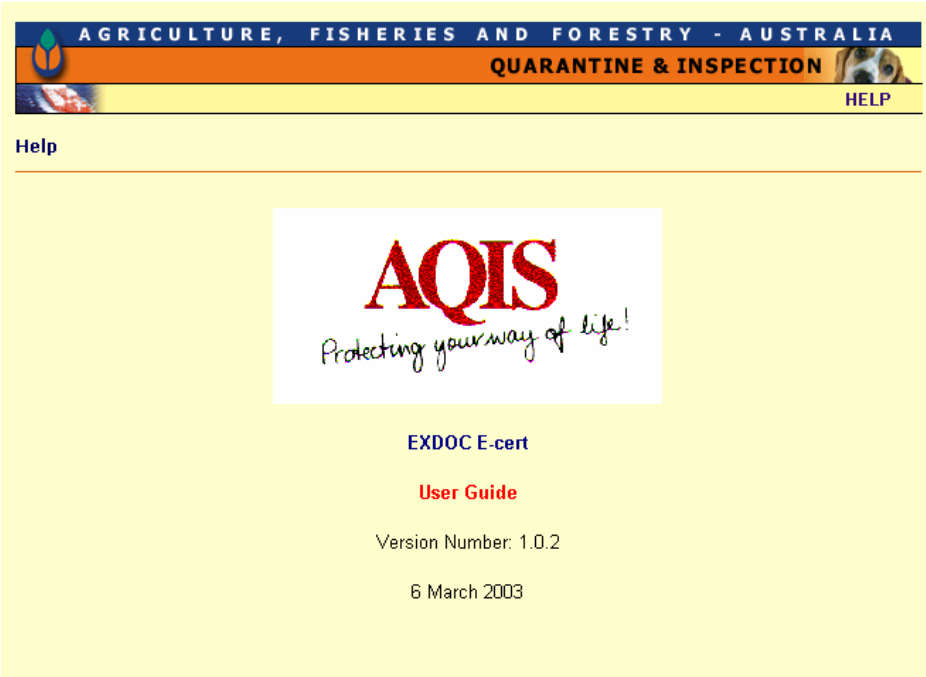
Processing Establishment:
659

Start date: 6 March 2003
End date: 6 March 2003

Total NET Weight: 40000.000 KILOGRAM

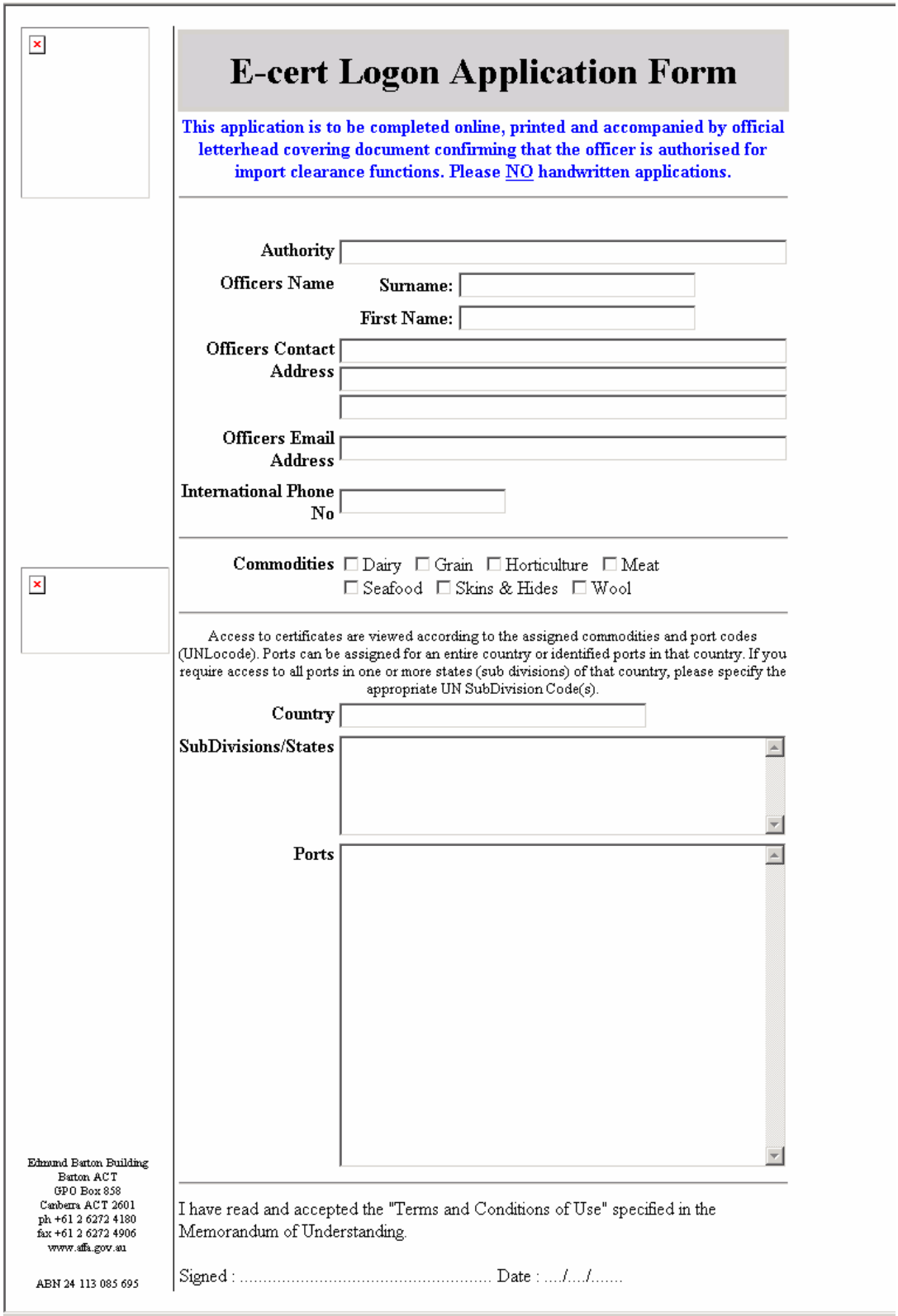
AQIS ABARE BRS

Assistance is offered to the user through the HELP screen and User Guide accessed through the main menu in the screen header.



To use this method of obtaining data that is contained within the Health Certificate, application may be made using a form available 'on-line'. This is simply filled out on the screen, printed and sent to the Australian Quarantine and Inspections Services in Canberra, Australia.

A sample copy of this form is shown below.



E-cert Logon Application Form

This application is to be completed online, printed and accompanied by official letterhead covering document confirming that the officer is authorised for import clearance functions. Please NO handwritten applications.

Authority

Officers Name **Surname:**

First Name:

Officers Contact Address

Officers Email Address

International Phone No

Commodities ☐ Dairy ☐ Grain ☐ Horticulture ☐ Meat ☐ Seafood ☐ Skins & Hides ☐ Wool

Access to certificates are viewed according to the assigned commodities and port codes (UNLocode). Ports can be assigned for an entire country or identified ports in that country. If you require access to all ports in one or more states (sub divisions) of that country, please specify the appropriate UN SubDivision Code(s).

Country

SubDivisions/States

Ports

I have read and accepted the "Terms and Conditions of Use" specified in the Memorandum of Understanding.

Signed : ..... Date : ..../..../.....

Edmund Barton Building
Barton ACT
GPO Box 858
Canberra ACT 2601
ph +61 2 6272 4180
fax +61 2 6272 4906
www.affa.gov.au

ABN 24 113 085 695

Attachment 4

Draft questionnaires

The following two questionnaires were prepared by Dialectrics Pty Ltd in April 2003 in response to a request from AQIS.

The underlying objective of the questionnaire is to elicit as much information as possible. Therefore the aim was to produce a non-threatening, simple environment to encourage the respondent to provide maximum information about the demonstration.

It was also aimed at ascertaining what sort of physical and operational conditions the potential E-cert user may encounter in practice.

In practice it was found that the questionnaires were inappropriate for the respondents to the invitation to participate in the "E-cert" demonstration.

Initial Report

At the end of the first week of the ECERT demonstration it would be appreciated if you would provide a brief written assessment of your experience and offer any suggestions for improvements that may be made to the service in your opinion.

It would assist us if the following questions were addressed in your response. Where any impediment was encountered, it would be appreciated if you would describe the issue and any measures you took to overcome it. Please e-mail the completed report to:

"jdhart@ozemail.com.au" and "norm.scott.aqis.gov.au"

1.	What Personal Computer experience do you have?, None, several months, several years.,	
2.	How would you rank the conditions for operating and viewing the PC demonstration?, Very good, Fair or Poor?,	
3.	Do you have sufficient information for you to fully participate in the demonstration?, If you require further information, please specify.,	
4.	Did you have any difficulty in accessing the Internet from your location?	
5.	Did you have any difficulty in accessing the secured website?	
6.	Did the page open and present the ECERT information as expected?	
7.	Was the full page presented on your screen correctly?	
8.	What speed Internet connection did you use?	
9.	Was the Internet connection through a "dial-up" telephone connection or dedicated data line?	
10.	What Internet connection speed was used for the demonstration?	
11.	What was the name of the Internet Service provider used for the demonstration?	
12.	What was the browser, Windows Explorer or Netscape or other?,	
13.	What PC type, s, was used for the demonstration?, IBM or Apple; processor speed.,	
14.	What size screen, s, was used for the demonstration?	

15.	Would a faster Internet connection, faster PC processor or larger/smaller screen improve the service?	
16.	Does the ECERT compare favourably or unfavourably with the paper based version? Brief reasons would be appreciated.	
17.	Were the colours used on the screen and on the ECERT clear and pleasing?	
18.	Was the ECERT information presented in a clear format?	
19.	Did the ECERT contain sufficient information or should the information be amended?	
20.	Could you make any comment or suggestions on how the ECERT information may be better presented?	
21.	Do you wish to make a paper copy of the ECERT?	
22.	How would you store the information?, Not store, store electronically, store paper copy, other,	
23.	Did you have any difficulty closing the Internet page and logging off from the site?	
24.	Do you have to share or pass the ECERT information on to other members of your department or to outside organisations?	
25.	Did you find the process difficult in any way? Please outline any issues.	

Department: ……..……..

Position/Title: ……

Signed: ……

Printed name: ……....

Date: ……

Final Report

At the end of the fifth and final week of the ECERT demonstration it would be appreciated if you would provide a brief written assessment of your experience and offer any suggestions for improvements that may be made to the service in your opinion.

It would assist us if the following questions were addressed in your response. Where any impediment was encountered, it would be appreciated if you would describe the issue and any measures you took to overcome it. Please e-mail the completed report to:

"jdhart@ozemail.com.au" and "norm.scott.aqis.gov.au"

1.	Were you comfortable in participating in the demonstration? If not, could you briefly outline the reasons?	
2.	Did you receive sufficient information before and during the demonstration? If not, could you briefly outline what information was missing.	
3.	Do you consider that the ECERT would assist you in your work and would you provide brief reasons for your opinion?	
4.	Would you be prepared to recommend that the ECERT was used to replace the present paper-based method? If not, could you briefly outline what would prevent such a recommendation.	
5.	What operational impediments do you see to adopting the ECERT?	
6.	What system impediments do you see to adopting the ECERT?	
7.	What geographical impediments do you see to adopting the ECERT?	
8.	What management impediments do you see to adopting the ECERT?	
9.	Are there any other impediments you see to adopting the ECERT?	
10.	Do you have any other comments you would share about the ECERT?	

Department: ……..……..
Position/Title: ……
Signed: ……
Printed name: ……....
Date: ……

Attachment 5

Regulatory Issues in the Selected Economies

The following excerpts are presented as an indication of the regulations that currently exist in the economies selected for this APEC project. Thus the regulations are known to be incomplete and are not to be construed in any way as the criteria for exporting or importing any products in those economies.

The Australian Quarantine and Inspection Service, AQIS, Dairy Review Unit, have compiled advice for Australian exporters.

This document provides the current known importing country requirements. These requirements often change and it is the responsibility of the exporter to ensure that they are aware of the current requirements.

AQIS have kindly given permission to include this information in the report.

Country Requirements including endorsements for Dairy Products only

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
CA	**CANADA**	An EX46 with "Australia was free from foot and mouth disease and rinderpest for twelve months prior to the export of the above product." signed by a Veterinary Officer of AQIS. There are quota limitations.	EX46	453	Foot and Mouth & Rinderpest statement.	
					Radioactivity, Foot and Mouth & Rinderpest statement.	360
JP	**JAPAN**	**Natural Cheese:** An EX46 with "I hereby certify, to the best of my knowledge, that the cheese described above does not contain inhibitory substances, including antibiotics, any preservatives, sorbic acid and its salts, sodium/potassium nitrate/nitrite, antiseptics or colouring matter other than of vegetable origin." signed by an AQIS authorised officer. Cheese exports use ADC letterhead for quota purposes.	EX46 + known statement	459	JAPAN Natural Cheese Inhibitory substances statement	
					JAPAN Natural Cheese radioactivity & inhibitory substances	398
					JAPAN Natural Cheese Inhibitory substances, Disease & Radioactivity statements	396

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	Japan continued				JAPAN Natural Cheese inhibitory substances & Disease statements	400
					JAPAN Natural Cheese Inhibitory substances, Disease & Radioactivity statements	
					JAPAN Natural Cheese inhibitory substances & Disease statements	
		Skim Milk Natural Cheese Powder	EX46		1. An EX46 with "I hereby certify, to the best of my knowledge, that the cheese described above does not contain inhibitory substances, including antibiotics, any preservatives, sorbic acid and its salts, sodium/potassium nitrate/nitrite, antiseptics or colouring matter other than of vegetable origin." signed by an AQIS authorised officer. and/or; 2. Radiation certificate; and/or 3. Animal Health Statement	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	Japan continued	**Cream Cheese** An EX46 with "To the best of my understanding the product referred to above is natural cheese as defined in Clause 15 of Article II of Ministerial Ordinance No. 52 of the Japanese Ministry of Health and Welfare and the Appendix thereto concerning "Standards of natural cheese, processed cheese and cheese food.". The above mentioned product has been produced from milk/cream, as appropriate, which has been pasteurised at a temperature of not less than 72 degrees Celsius for at least 15 seconds, fermentation by lactic acid bacteria and removal of whey. , Here add a list of additives, eg. fruit, gum, stabiliser etc., are added." signed by an AQIS authorised officer.	EX46	450	JAPAN Cream Cheese	
					JAPAN Cream Cheese, Radiation and Animal health statements	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	Japan continued	**Butter and Dried Milk Powder** An EX46 with "The merchandise described here, I, Contains no antiseptic, preservative or coloring matter and, II, Complies with the quality and analysis requirements of the National School Lunch Corporation, Tokyo, Japan." Note: Clarification of the requirements of the National School Lunch Corporation, Tokyo, Japan Both the Ministry of Health and Welfare, MHW, and the Ministry of Agriculture, Forest and Fisheries, MAFF, have confirmed that there are no specific quality requirements for the school lunch program, eg for the skim milk powder for the program, provided the program is classified under the Customs Tariff Item No. 0402.10 and 0402.21. Director General of MAFF, Livestock Industry Bureau, however, is entitled to seek the Japanese applicants for the quota allocation, Japanese importers, to submit product for analytical testing by either the Japan Dairy Technical Association, JDTA, or other designated food testing laboratories if he deems it necessary. Accordingly certification is able to be provided which indicates compliance with the requirements of the Japanese National School Lunch Corporation, Tokyo, Japan	EX46	460	JAPAN Butter & Dried Milk Powder National School Lunch Corp, Tokyo.	
					JAPAN Butter & dried Milk Powder Disease, Radioactivity & School Lunch Statements	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	Japan continued				JAPAN Butter & Dried Milk Powder, Radioactivity & School Lunch Statements	
					JAPAN Butter & Dried Milk Powder Disease & School Lunch Statements	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
US	**United States of America**	**<u>Certification is required when product transits through the USA</u>** **Dairy Products which are exported indirect to USA, or Guam etc,** The USA aim to prevent entry of Foot and Mouth Disease and Rinderpest and certification requirements reflect this. Notice Of Intention, EX28, or Export Clearance Declaration, EX222, with endorsement in 'other relevant information or comments'; "The raw milk contained in this product was wholly produced in, insert country, and the product was processed in, insert country, " signed by the company representative "The containers in which the above product have been loaded have been sealed with AQIS seal numbers ....., list seal numbers, " signed by the person applying the seal This statement will form the basis of the corresponding sections in the veterinary certification.	EX46 + known statements		1. Radiation certificate; and/or 2. Animal Health Statement	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	United States of America, continued	EX46 with; "As a full time salaried veterinary officer of, insert country, I declare from information provided to me the following is true and correct: Raw milk contained in this product was wholly produced in, insert country, and the milk contained in this product was processed in, insert country, which is a/are country/countries recognised as free from Rinderpest and Foot and Mouth disease according to United Regulations 9CFR 94.1. Signed and dated by AQIS veterinary officer The product has been sealed, as regulated under United States regulation 9CFR 94.16, c, with the following serially numbered seals:, list seal numbers." Certification endorsements and requirements detailed in Steve Bailey's minute of 14 July 1995 "Sealing of containers for all milk products being exported to the United States of America" should be incorporated into the establishment's procedure "Application of AQIS one seals" in the approved FPA/AQA program.				

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	United States of America, continued	**Dairy Products which are exported direct to USA, or Guam etc,** The USA aim to prevent entry of Foot and Mouth Disease and Rinderpest and certification requirements reflect this. Notice Of Intention, EX28, or Export Clearance Declaration, EX222, with endorsement in 'other relevant information or comments'; "The product will be air freighted/shipped directly to the US. The raw milk contained in this product was wholly produced in, insert country, and the product was processed in, insert country." signed by the company representative. This statement will form the basis of the corresponding sections in the veterinary certification. EX46 with; "As a full time salaried veterinary officer of, insert country, I declare from information provided to me the following is true and correct: Raw milk contained in this product was wholly produced in, insert country, and the milk contained in this product was processed in, insert country, which is a/are country/countries recognised as free from Rinderpest and Foot and Mouth disease according to United Regulations 9CFR 94.1." Signed and dated by AQIS veterinary officer	EX46 + known statementts		1. Radiation certificate; and/or 2. Animal Health Statement	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	United States of America, continued	"I have no reason to doubt that the above product will be directly freighted to the USA." Certification endorsements and requirements detailed in Steve Bailey's minute of 14 July 1995 "Sealing of containers for all milk products being exported to the United States of America" should be incorporated into the establishment's procedure "Application of AQIS oneseals" in the approved FPA/AQA program. If you are aware or suspect that the ship or flight may stop en route then the seal, s, should be applied to the container, s, and certification completed accordingly.				
		Non-prescribed goods including ice-cream The USA aim to prevent entry of Foot and Mouth Disease and Rinderpest and certification requirements reflect this. EX188 with certification requirements as per 'Dairy products which are exported indirect/direct to USA'. Statements which form the basis for veterinary certification will be required to be provided in the form of a Statutory Declaration instead of on the EX28/EX222. Where goods are not directly exported to the USA, seals will need to be applied by AQIS or State Dairy Authority staff.	ZD001, EX188, + known statements		1. Radiation certificate; and/or 2. Animal Health Statement	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	United States of America, continued	**Dried Milk Powder for human consumption including dry whole milk, nonfat dry milk, lowfat dry milk, dry cream, dry whey, dry buttermilk, casein, caseinates and co-precipitates, covered by MOU with USA re dried milk products,** E236 with the same certification requirements as per 'Dairy products which are exported indirect to USA.' The E236 is to be accompanied by a NATA certificate of 30 subsamples of 25 g each, total 750g composited, certifying that the product is free of Salmonella, Penicillin and Phosphatase as per the Memorandum of Understanding, MOU, with the USA. NATA certificates should indicate the following methods and results; Salmonella - AS 1766.2.5; Food microbiology; Examination for specific organisms; Salmonella., using XLD agar and CLED medium and other media specified in the standard, negative in 750g, Phosphatase - AS 2300.1.10; Methods of chemical testing for the dairying industry; General methods and principles; Determination of Phosphatase activity. , Aschaffenberg and Mullen method, *≤10* µg/ml p-nitrophenol,	ZD002, E236, + known statements		1. Radiation certificate; and/or 2. Animal Health Statement	

	Country	Known Country Requirements	Default Certificate	Default Endorse No.	Endorsement Text	Optional Endorse No.
	United States of America, continued	Penicillin - AS 1766.3.11; Food microbiology, Dairy products, Test for Penicillin. , B stearothermophilus disk assay method, <0.003 µg/ml Penicillin G				
		Dairy product not fit for human consumption EX46 with the sameEX28/EX222 requirements and EX46 endorsements as per 'Dairy products which fly or are shipped indirect/direct to USA.' The declaration 'fit for human consumption' should be crossed out. Where goods are not directly air-freighted to the USA, and the establishment is not a registered AQIS establishment, seals will need to be applied by AQIS or State Dairy Authority staff.	ZD002, E236, + known statements		1. Radiation certificate; and/or 2. Animal Health Statement	

In addition to the above conditions, the following selected comments are noted. This text is provided as a guide only and should not be taken as definitive - all conditions and regulations must be checked with the appropriate authorities at the time of application.

Canada.

When product transits a USA port and the "country of final destination" is not the USA, USA certification, including container sealing requirements, is required in addition to the "country of final destination" certification.

There are quota limitations.

Japan

Non coded dates of manufacture are required on all consumer packs to Japan in the format: year/month/date eg. 2002/12/25. For non retail products a coded date, eg. use by date or Julian date, or an uncoded date may be used. This will be subject to audit.

United States of America

From 1 October 2002 all containers of dairy product to the USA will need to be sealed with AQIS seals.

When product transits a USA port and the "country of final destination" is not USA, USA certification, including container sealing requirements, is required in addition to the "country of final destination" certification.

Pasteurised liquid milk and pasteurised cream can only be exported into the USA if exporters have obtained a special import permit from the US authorities. Enquiries about how to apply for this permit can be forwarded to the Dairy Review Unit. This requirement does not apply to UHT or sterilised liquid milk or cream. These products can be exported to the USA provided they comply with export requirements.

The USA aim to prevent entry of Foot and Mouth Disease and Rinderpest into the USA and certification requirements reflect this objective. All dairy product to the USA should be only of Australian or New Zealand origin and only processed in Australia or New Zealand.

Product going indirect to the USA is indicated by a ‘country other than USA’ included as the ‘country of discharge’ or ‘transit country’. Product going direct to the USA is indicated by ‘USA’ included as the ‘country of discharge’ and no ‘transit country’.

Where AQIS seals are applied for all dried milk product and other product going indirect to the USA, the numbers of the seal and relevant container number should be included in the RFP or manual export documentation, both export permit and health certificate.

Product covered by the "MOU with the USA with regard to Dried Milk Product" includes dry whole milk, nonfat dry milk, lowfat dry milk, dry cream, dry whey, dry buttermilk, casein, caseinates and co-precipitates, which includes all products in Casein, Milk Powder, Infant Powder, Membrane and Ultra Filtration Products and Whey Powder EXDOC product types,

The E236 for dried milk product is to be substantiated by NATA certification of 30 subsamples of 25 g each, total 750g composited, certifying that the product is free of

Salmonella, Penicillin and Phosphatase as per the Memorandum of Understanding, MOU, with the USA.

NATA certificates should indicate the following methods and results:

Salmonella -AS 1766.2.5; Food microbiology; Examination for specific organisms; Salmonella., using XLD agar and CLED medium and other media specified in the standard, Negative in 750g

Phosphatase -AS 2300.1.10; Methods of chemical testing for the dairying industry; General methods and principles; Determination of Phosphatase activity. , Aschaffenberg and Mullen method, ≤ 10 μg/ml p-nitrophenol

Penicillin -AS 1766.3.11; Food microbiology, Dairy products, Test for Penicillin. , B stearothermophilus disk assay method, <0.003 μg/ml Penicillin G.

For all dried milk product covered by the MOU the following words should be included in the Exporter Declaration: This product is covered by NATA certificate dated, insert date.

NATA certification should be made available at audit.

Canada

The Canadian Food Inspection Agency

Compiled with information from www.inspection.gc.ca

The Canadian Food Inspection Agency, CFIA, formed in April 1997, brought together inspection and related services previously provided through four federal government departments – Agriculture and Agri-Food Canada, Fisheries and Oceans Canada, Health Canada and Industry Canada. The establishment of the CFIA consolidated the delivery of all federal food, animal and plant health inspection programs.

The Minister of Health is responsible for establishing policies and standards for the safety and nutritional quality of food sold in Canada; the administration of those provisions of the *Food and Drugs Act* that relate to public health, safety and nutrition; and for assessing the effectiveness of the Agency's activities related to food safety.

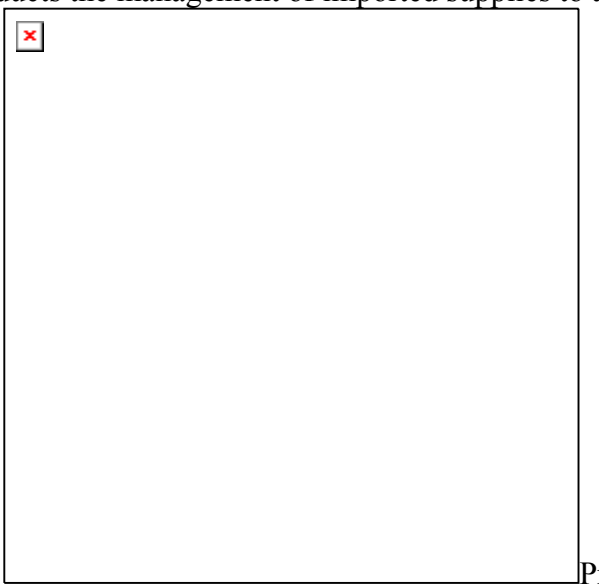
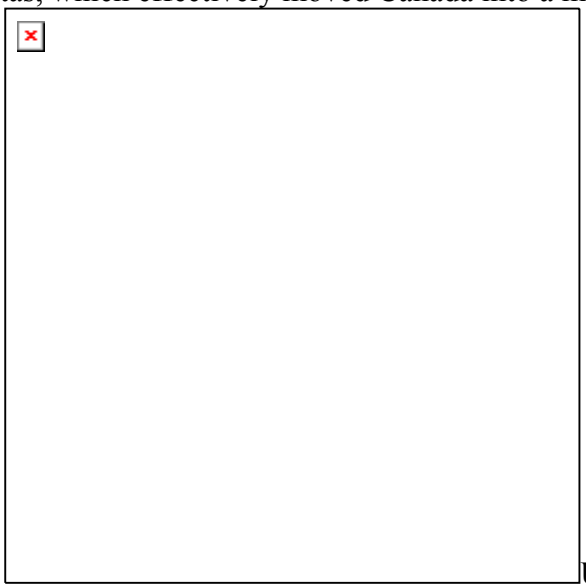
The CFIA delivers 14 inspection programs related to foods, plants and animals in 18 regions across Canada. The role is to enforce the food safety and nutritional quality standards established by Health Canada and, for animal health and plant protection, to set standards and carry out enforcement and inspection.

The CFIA is Canada's federal food safety, animal health and plant protection enforcement agency. Activities range from the inspection of federally registered meat processing facilities to border inspections for foreign pests and diseases, to the enforcement of practices related to fraudulent labelling. The CFIA also verifies the humane transportation of animals, conduct food investigations, performs laboratory testing and environmental assessments of seeds, plants, feeds and fertilizers.

The CFIA comprises 4, 600 people consisting of a broad range of specialists, including veterinarians, inspectors, systems specialists, support staff, financial officers, research scientists and laboratory technicians.

Headquartered in the National Capital Region, the CFIA organization consists of four operational areas, subdivided into 18 regional offices, 185 field offices, including border points of entry and 408 offices in non-government establishments, such as processing facilities. There are 22 laboratories and research facilities that provide scientific advice, develop new technologies, provide testing services, and conduct research.

The CFIA is led by a President, supported by an Executive Vice-President, reports to the Minister of Agriculture and Agri-Food. The CFIA is responsible for the administration and enforcement of the following Acts: *Administrative Monetary Penalties Act*, *Canada Agricultural Products Act*, *Canadian Food Inspection Agency Act*, *Feeds Act*, *Fertilizers Act*, *Fish Inspection Act*, *Health of Animals Act*, *Meat Inspection Act*, *Plant Breeders' Rights Act*, *Plant Protection Act*, *Seeds Act*, the *Consumer Packaging and Labelling Act* as it relates to food, and the enforcement of the *Food and Drugs Act* as it relates to food.

In relation to dairy products the management of imported supplies to achieve a balanced market is challenging.  Prior to 1995, Canada maintained a range of measures that placed limits on dairy product imports in order to maintain the stability of its national milk supply management system. These controls changed significantly in 1995, however, as a result of the World Trade Organization, WTO, Agreement on Agriculture. Canada and the other Agreement signatories agreed to replace former quantitative import restrictions with tariffs and tariff rate quotas, which effectively moved Canada into a much more global marketplace.  Under the terms of the 1995 WTO Agreement, Canada has established Tariff Rate Quotas, TRQ, for butter, cheese and ice cream. In 2001, the TRQ reached 3, 274 tonnes. Imports of butter under the TRQ represent approximately 3 to 4 percent of butter consumed in the Canadian market.

Japan

Ministry Of Agriculture, Forestry And Fisheries, MAFF

Compiled with information from "www.maff, go.jp", "www.customs.go.jp" and "www.mhlw.go.jp".

Agriculture, forestry and fisheries industries, is considered an important sector of Japan's economic structure and contributes to the development of national economy and stabilisation of national life by providing stable supply of foods.

MAFF is concerned to promote the harmonious development of economic society and stability of national life, sound development of the agriculture, forestry and fisheries industries and advancement of the welfare of the people engaged in these industries.

Moreover, in order to assure healthy and abundant dietary life for the people, it is considered necessary to strive towards maintaining self-sufficiency in food supplies at all times with an appropriate combination of import and domestic production.

Japan maintains necessary but minimum control or adjustment on imports consistent with the principle of free trade. Importers are allowed to import goods after submitting an import declaration and completing customs procedures. The Foreign Exchange and Foreign Trade Law mandates that certain cargo be subject to import approval or confirmation requirements, to assure sound development of foreign trade and the national economy.

Some agricultural, fishery products and food products are subject to import approval or confirmation requirements. Importers must determine in advance if the item they wish to import is subject to such a requirement and then complete the required procedures.

a. Quarantine is required prior to clearing customs for vegetables and fruits that are subject to plant quarantine. Meats, ham and sausage are subject to animal quarantine.

b. Notifications and inspections are required by the Food Sanitation Law. Importers of all food products must file a Notification of Importation of Food, etc. with the Quarantine Station of the Ministry of Health, Labour and Welfare. Products that pass food sanitation inspection may be imported into Japan.

c. Importers must pay any tariffs due as well as consumption tax before removing the cargo from customs.

d. Content labelling requirements. Products sold in Japan must bear labelling that complies with provisions of the Food Sanitation Law, the JAS Law and the Measurement Law, among others. The Act Against Unjustifiable Premiums and Misleading Representations requires accurate country of origin labelling if there is a possibility that consumers may be misled regarding the actual place of origin.

Dairy Products

HS Numbers	*Items*	*Relevant Regulations*
04-01	milk and cream	The Domestic Animal Infectious Disease Control Law Food Sanitation Law
04-02 04-03 04-04 04-05 04-06	milk and cream, concentrated or dried or containing added sugar or other sweetening matter, fermented or acidified milk and cream whey butter and dairy spreads cheese and curd	Food Sanitation Law

Inspection Procedure under the Food Sanitation Law

a. Importers of dairy products shall submit two sets of "Import notifications of foods" to the Food Sanitation Inspection division of the Quarantine Station at the import site under the Food Sanitation Law.

b. If as a result of the examination it is deemed necessary to inspect the products, the inspector will carry out an on-site inspection.

c. The Food Sanitation Law establishes composition specifications for milk and dairy products as provided for by Ministry ordinances, and in some cases sets standards for manufacturing and preservation methods.

d. Listeria contamination of natural cheese has become a problem. Therefore, natural soft and semi-soft cheese types imported from all countries are subject to inspection.

e. Specifications for composition of fermented milk, yogurt, and ice cream are established for non-fat solid content, level of lactic acid bacteria and coliform bacillus groups.

Specifications of Dairy Products under Food Sanitation Law

Items	*Specifications*	
Non-fat milk	Solid non-fat milk Fat content of milk Specific gravity, at 15-degree centigrade, Acidity, as a lactic acid, Bacterial count, per 1ml by standard surface plate method, Coliform group	8. 0% or more 0.5% 1.032-1.038 18% or less 50, 000 or less Negative
Processed milk	Solid non-fat milk Acidity, as a lactic acid, Bacterial count, per 1ml by standard surface plate method, Coliform group	8. 0% or more 0.18% or less 50, 000 or less Negative
Cream	Fat content of milk Acidity, As a lactic acid, Bacterial count, per 1ml by standard surface plate method, Coliform group	18.0% or more 0.20% or less 100, 000 or less Negative
Butter	Fat content of milk Moisture Coliform group	80.0% or more 17.0% or less Negative
Butter oil	Fat content of milk Moisture Coliform group	99.3% or more 0.5% or less Negative
Processed cheese	Milk solid Coliform group	40.0% or more Negative
Concentrated whey	Milk solid Coliform group	25.0% or more Negative

Regulations on Labelling

The Cheese Fair Trade Council has prepared "Fair competition rules concerning representation of cheese" as the industry's self-regulation under the Act against Unjustifiable Premiums and Misleading Representation

JAS Standard System

1 Quality Labelling

In accordance with the revision of the JAS law in July 1999, dairy products are required to include on the label the name of the product, ingredients, content quantity, manufacturers, date, and preservation methods.

2 Bearing of JAS mark

a. It is possible to affix the JAS mark by applying to the grading organizations. However, use of the JAS mark is at the discretion of the manufacturer and importer.

b. The JAS standard grading is available by using the inspection data from "a designated foreign testing organization accepted by the Ministry of Agriculture, Forestry and Fisheries.

c. Dairy products may obtain the JAS standard from the JAS standard registration organization. The following dairy products are specified JAS standard items: ice cream, raw milk for commercial use, butter, non-sugared condensed milk, non-fat sweetened condensed milk, full powdered milk, sweetened milk powder and non-fat dry milk.

Allergy Labelling under Food Sanitation Law

Labelling of foods containing allergenic substances was regulated in April 2002. Furthermore, foods contained milk and daily products as raw materials are regulated or recommended to display.

The procedures for importing cheese to Japan are contained in HS Numbers:

0406.10, 0406.20, 0406.30, 0406.40, 0406.90

with Rate of Customs Duties shown on Internet website “http://www.apectariff.org/”

Cheese is divided roughly into natural cheese and processed cheese. Natural cheese is what is made from the fresh milk that is curdled and fermented with lactic acid bacteria and curdling enzyme, and processed cheese is what is made from one or two types or more of cheese that is melted and mixed by heating and then emulsified. Under the customs tariff classification, cheese is classified into fresh cheese and curd, 0406. 10, grated cheese and powdered cheese, 0406. 20, processed cheese, 0406. 30, blue veined cheese, 0406. 40, and other cheeses, 0406. 90. Among these, the Tariff Quota System is applied to natural cheese imported as ingredients of processed cheese. Moreover, the import of cheese requires an Import Notification based on Food Sanitation Law.

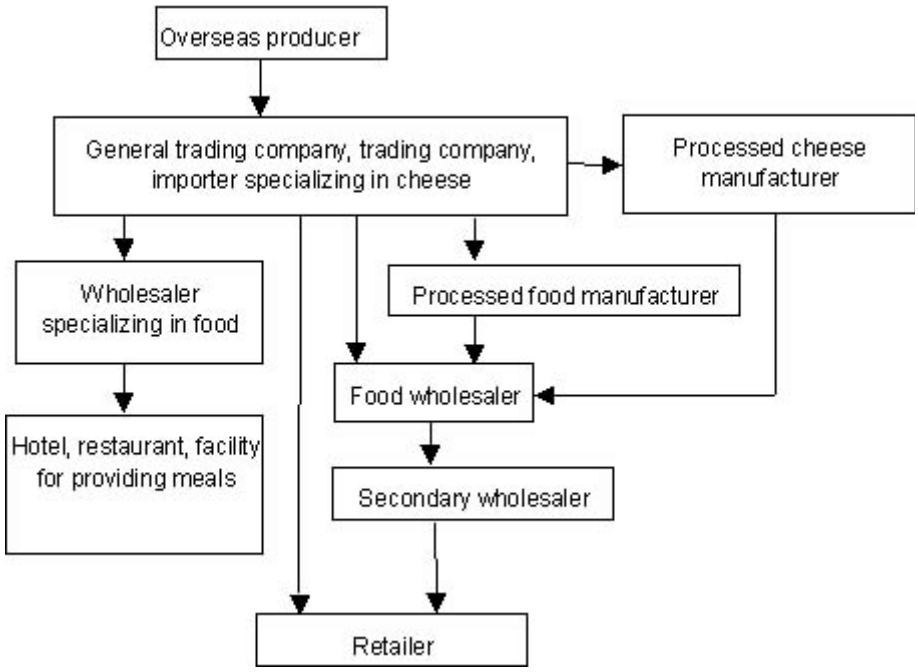
Natural cheese is specified as an item subject to the tariff quota, TQ, system. Under this system, a primary-duty rate, duty free or low-duty rate, is applied to imported cheese within a specified annual volume, up to 2.5 times of domestic natural cheese, when it is to be used as ingredients for processed cheese and a secondary-duty rate, 35% or 40% at the basic tax rate, is applied to imports exceeding that volume. In order to apply for the primary-duty rate, importers must apply to the Ministry of Agriculture, Forestry and Fisheries.

Under the Food Sanitation Law, when importing cheese for distribution, importers must file an "Import Notification of Foods, etc." along with necessary documents at a food import inspection office of the Quarantine Station, Ministry of Health, Labour and Welfare. For processed cheese, the "Ministerial Ordinance Concerning Compositional Standards, etc. for Milk and Dairy Products" based on the Food Sanitation Law provides ingredient specifications and labelling standards, and cheese that does not fit these standards is not permitted to be imported. Although the ingredient specifications are not defined for natural cheese, it is a food subject to intensive surveillance of Listeria bacteria. If, upon examination and inspection, no problems are found based on the Food Sanitation Law, the notification will be stamped with a "declared" seal and returned.

Although most imported cheese is natural cheese, there are many types and they are considered perishables that continue to ferment throughout distribution stages such as transportation, customs clearance, and domestic distribution. Maturation progresses differently with each kind of cheese. Therefore, compared with other perishable foods, more expertise in transporting cheese is required.

Natural cheese for ingredients of processed cheese is imported mostly by the food section of general trading companies and is supplied to domestic processed-cheese manufacturers. On the other hand, in many cases, natural cheese for direct consumption is imported by trading companies and importers specialising in cheese. It is conveyed by air transport or refrigerated containers in whole and cut states. A whole is cut into pieces of fixed quantity within Japan, and they are delivered to retailers, such as supermarkets and department stores, by way of food wholesalers.

From January 2003 the following procedure is in place:



Ministry of Health, Labor and Welfare, MHLW

Document Examination of the Notification Form for Importation of Foods, etc. and Inspection at the MHLW Quarantine Station

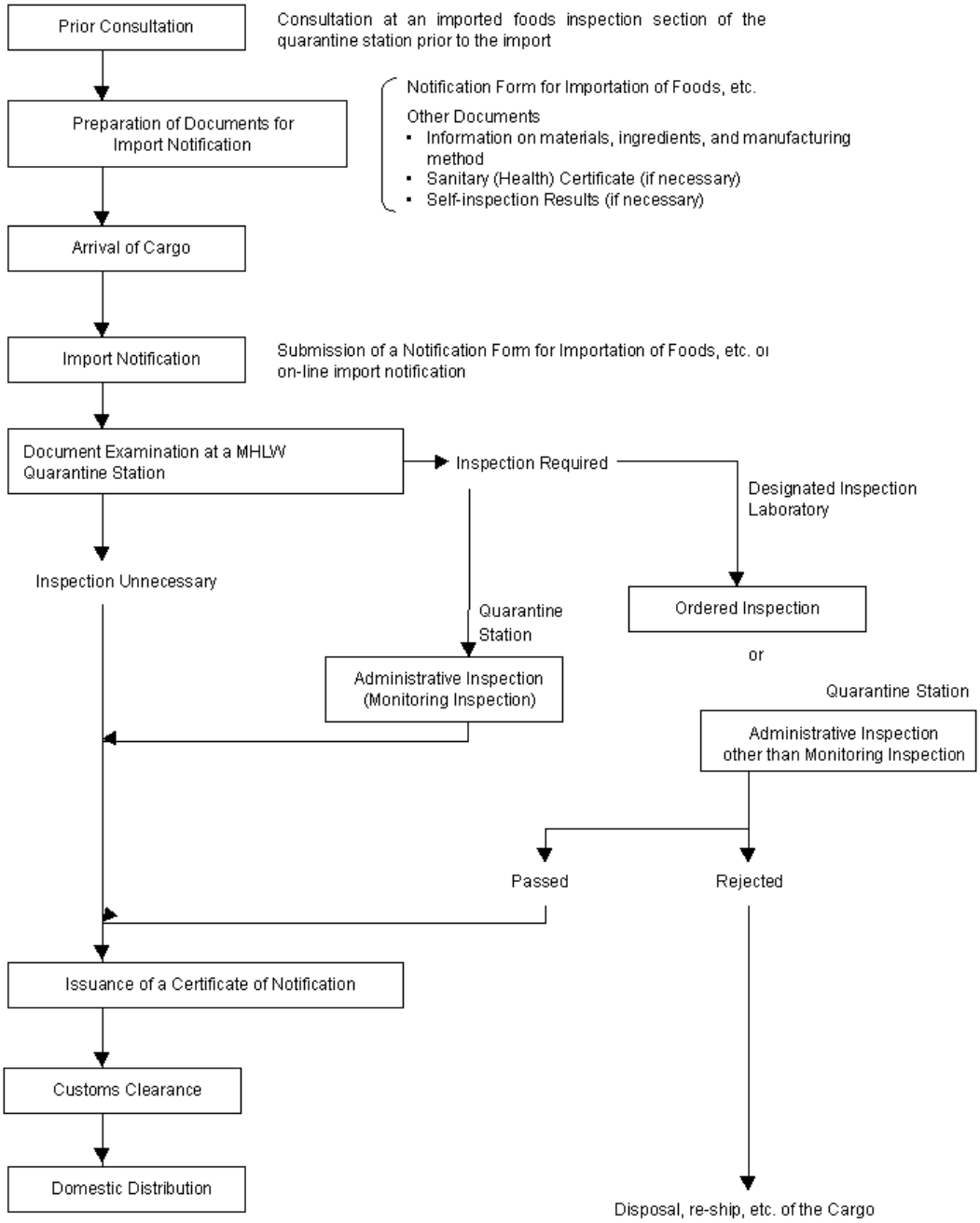
After the submission of notification, the food sanitation inspector at the quarantine station inspects the product to examine whether the item meets the regulations under the Food Sanitation Law.

During the document examination, the food sanitation inspector validates the following items, based on the information reported in the Notification Form. The judgement will be made based on the information, such as the country of export, imported items,

manufacturer, the place of manufacture, ingredients and materials, methods of manufacturing and use of additives.

- Whether the imported food, etc. complies with the manufacturing standards regulated under the Food Sanitation Law.
- Whether the use of additives complies with the standards.
- Whether poisonous or hazardous substance is contained.
- Whether the manufacturer or the place of manufacturing has a record of sanitation problem in the past.

MHLW quarantine stations offer import consultations to provide further information on import procedures and other matters.


Prior Consultation
Consultation at an imported foods inspection section of the quarantine station prior to the import
Preparation of Documents for Import Notification
Notification Form for Importation of Foods, etc.
Other Documents
Information on materials, ingredients, and manufacturing method
Sanitary (Health) Certificate (if necessary)
Self-inspection Results (if necessary)
Arrival of Cargo
Import Notification
Submission of a Notification Form for Importation of Foods, etc. or on-line import notification
Document Examination at a MHLW Quarantine Station
Inspection Required
Designated Inspection Laboratory
Inspection Unnecessary
Quarantine Station
Ordered Inspection
or
Administrative Inspection (Monitoring Inspection)
Quarantine Station
Administrative Inspection other than Monitoring Inspection
Passed
Rejected
Issuance of a Certificate of Notification
Customs Clearance
Domestic Distribution
Disposal, re-ship, etc. of the Cargo

Japan External Trade Organisation, JETRO

JETRO's Home Page on Information of Food and Additive Regulations and Standards:

"http://www3.jetro.go.jp/se/j/jousa/kikaku"

contains the following information:

1. When the document examination judges the cargo needs to be inspected, cargoes with many records of incompliance with the law in the past, imported shellfish, etc., an inspection order, inspection order system, a public inspection, other inspection systems, and other inspections will be carried out in order to confirm the compliance of the cargo with the law by the inspection.
2. When the document examination and cargo inspection have found that the cargo is in compliance with the law, the cargo "passed" the inspection, a "Certificate of Notification" will be returned to the importer from the MHLW quarantine station where the notification was first submitted. The import procedures, then, will proceed to the next step.
3. The cargo that has been judged not to comply with the law, the cargo that "did not pass" the inspection, cannot be imported into Japan. The MHLW quarantine station will notify the importer how the cargo violates the Food Sanitation Law, and the importer will take necessary measures by following the instructions from the station.
4. In order to simplify and expedite the import procedures, Simplified and Expedited Systems of Import Procedures of import notification are available. This includes the following advice:

Name	***System***
Advance Notification System	For all food and related products, the import notification form can be submitted starting 7 days before the estimated date of cargo's arrival. Except for the cargo that needs an inspection, a copy of certificate of notification is issued immediately, either before the arrival of cargo or after the cargo is unloaded to the bonded area.
Planned Import system	If a certain food or related item is planed to be imported repeatedly, an import plan can be submitted at the time of the first import. When the plan is found satisfactory, the submission of import notification is exempted for a certain period.
Inspection Results by Public Inspection Organizations in Other Countries	When a cargo is inspected by a public inspection organization in the exporting country prior to the export, and a report of the result from the inspection is attached to the cargo, the inspection at the quarantine station for the cargo may be exempted. Inspection items whose results are subject to change during transportation, bacteria, mycotoxin, etc., are excluded., To

	Specifications and Standards for Food, Food Additives, etc. of JETRO Home Page, ? JETRO's Home Page on Information of Food and Additive Regulations and Standards: http://www3.jetro.go.jp/se/j/jousa/kikaku,
Continuous Import of Same Items	When certain foods and related products are imported repeatedly and inspection results are attached to the import notification form at the initial import, if document examination founds no problem, inspection can be exempted in the upcoming occasions of import for a certain period.
Advance Approval of Imported Foods and related Products	When the imported foods, etc. is confirmed to be compliance with the Food Sanitation Law, the items and the manufacturers may be registered. Inspection at the upcoming import is exempted for these items for a certain period of time and the certificate of notification is issued immediately after the submission of import notification.

Customs and Tariff Bureau

The central administration is called the Customs and Tariff Bureau, which is an internal bureau of Japan's Ministry of Finance. The Customs and Tariff Bureau was separated from the Customs Department of the Tax Bureau in November 1961.

General coordination for the Bureau is through:

- Information Management Office
- Personnel Division
- Office of Inspection of the Customhouses
- Tariff Policy and Legal Division
- Counseller
- International Affairs and Research Division
- Director for Research and Planning on International Trade Negotiations
- Director for International Co-operation
- Customs Administration Research Office
- Enforcement Division
- Directer for Intelligence
- Customs Clearance Division
- Director for Research on Customs & Tariff Classification
- Director for Intellectual Property Rights
- Post Entry Examination and Customs Area Division
- Special Officer for Research on Customs Area
- Customs Training Institute
- Central Customs Laboratory

Organisation of Regional Customs

As for regional Customs services, the Japanese territory is divided into nine areas; Hakodate, Tokyo, Yokohama, Nagoya, Osaka, Kobe, Moji, Nagasaki, and Okinawa.

a. Headquarters
There is one Customhouse headquarters and several branch and sub-branch offices plus guard posts in each area. The Director-General of Customs usually delegates most of his power to the branch office chiefs.

Except for Okinawa, each Customhouse has four Divisions, Coordination, Enforcement, Customs Clearance and Post-Entry Examination and Customs Area.

b. Branches offices, Sub-branches and Guard Posts
In order to delegate part of Customs services, including Okinawa Regional Customs; hereinafter the same, branches, sub-branches and guard posts are established in certain locations.

1. Branch offices
   There are 68 Customs branch offices throughout the nation as of July 2001. This facilitates Customs services in areas remote from the Customs Headquarters in each of the jurisdictions.
2. Sub-branches
   Customs branch offices are further subdivided into sub-branches in areas where there is relatively heavy demand for Customs services. While the Customs Directors have delegated greater authority to the directors of Customs branches than to sub-Customs branches of branches, the latter effectively have the same authority as the former today. This upgrades the convenience and efficiency of services.
3. The difference between sub-branches of Customs and sub-branches of Customs branches is determined by whether the location and jurisdictional area belong directly to Customhouses or to branches. There is no substantial difference between them. As of July 2001, there are 44 sub-branches of Customs and 82 sub-branches of Customs branches.
4. There are 8 Customs guard posts throughout Japan at July 2001. Their purpose is to guard and control entries of ships, delivery and/or receipt, loading and unloading of cargo in closed ports. Since demand for Customs services has increased in areas near Customs guard posts, most of the guard posts are engaged in Customs clearance work in addition to surveillance and control.

United States of America

United States Department of Agriculture, USDA

Compiled with information from "www.usda.gov"

USDA has broad responsibility for assisting and protecting agriculture and food supplies. USDA safeguards animals and crops from pests and diseases, monitors the agricultural marketing system, ensures fair trade practices, and assures value and quality in agricultural products that are bought and sold.

An important part of the food safety chain is making sure consumers know how to handle the food once it's in their hands. To help consumers, USDA requires safe-handling labels on all raw meat and poultry products. USDA also has a Meat and Poultry Hotline where home economists, dieticians, and food technologists provide accurate answers to safe food handling and preparation questions.

The Food Safety and Inspection Service, FSIS, agency under the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, inspects all meat, poultry, and egg products sold in interstate commerce and reinspects imported products, to ensure that they meet U.S. food safety standards. FSIS protects American consumers by ensuring that the meat, poultry, and egg products they purchase are safe, wholesome and accurately labelled.

FSIS also makes certain that U.S. products sold in foreign commerce are safe for export. Performing this task are more than 7, 500 veterinarians and food inspectors located in some 6, 400 privately owned plants nationwide that produce and sell meat, poultry, and egg products. Each year FSIS staff inspects more than 7 billion birds, 136 million head of livestock, and millions of pounds of processed products.

To ensure the safety of imported products, FSIS maintains a comprehensive system of import inspection and controls. Annually, FSIS reviews inspection systems in all foreign countries eligible to export meat and poultry to the United States to ensure that they are equivalent to those under U.S. laws. Reinspection of all imported meat and poultry products entering the United States verifies that the country's inspection system is working.

The Animal and Plant Health Inspection Service, APHIS, is responsible for protecting and promoting U.S. agricultural health, administering the Animal Welfare Act and carrying out wildlife damage management activities.

The APHIS mission is part of USDA efforts to provide safe and affordable food. In recent years, the scope of APHIS' protection function has expanded beyond pest and disease management. Because of its technical expertise and leadership in assessing and regulating the risks associated with agricultural imports, APHIS has assumed a greater role in the global agricultural arena. Now, the agency must respond to other countries' animal and plant health import requirements and negotiate science-based standards that

ensure America's agricultural exports, worth over $50 billion annually, are protected from unjustified trade restrictions.

The Agricultural Marketing Service, AMS, responsibility is to stabilize the marketing process. This is done with tools such as Federal marketing orders, research and promotion programs, the Federal-State marketing improvement program, and the wholesale market development program. Agricultural transportation issues, market regulatory laws, market news, and Federal grading and certification are other tools which help assure a steady supply of high-quality food on American tables.

The Grain Inspection, Packers, and Stockyards Administration, GIPSA, helps ensure a productive and competitive marketplace for U.S. agricultural products. GIPSA provides the U.S. grain market with Federal quality standards and a uniform system for applying them, and ensures open and competitive markets for livestock, meat, and poultry

Food and Drug Administration, FDA,

Compiled with information from "www.fda.gov"

The Food and Drug Administration is one of USA's oldest and most respected consumer protection agencies. The FDA's mission is to promote and protect public health by helping safe and effective products reach the market in a timely way, and monitoring products for continued safety after they are in use. It is a blending of law and science aimed at protecting consumers.

FDA uses regulations and product standards that define specific requirements manufacturers must follow to assure product safety and to provide accurate information to health professionals and consumers.

FDA works with foreign governments to encourage the safety and quality of imported products by making sure that foreign standards are equivalent to those enforced by FDA.

Excerpt from the FEDERAL IMPORT MILK ACT:

TITLE 21 - FOOD AND DRUGS

CHAPTER 4 - ANIMALS, MEATS, AND MEAT AND DAIRY PRODUCTS

SUBCHAPTER IV - IMPORTATION OF MILK AND CREAM

Sec. 141. Prohibition of importation without permit

On and after May 16, 1927, the importation into the United States of milk and cream is prohibited unless the person by whom such milk or cream is shipped or transported into the United States holds a valid permit from the Secretary of Health and Human Services.

Sec. 142. Milk or cream when unfit for importation

Milk or cream shall be considered unfit for importation, 1, when all cows producing such milk or cream are not healthy and a physical examination of all such cows has not been made within one year previous to such milk being offered for importation;, 2, when such milk or cream, if raw, is not produced from cows which have passed a tuberculin test applied by a duly authorized official veterinarian of the United States, or of the country in which such milk or cream is produced, within one year previous to the time of the importation, showing that such cows are free from tuberculosis;, 3, when the sanitary conditions of the dairy farm or plant in which such milk or cream is produced or handled do not score at least fifty points out of one hundred points according to the methods for scoring as provided by the score cards, used by the Bureau of Dairy Industry of the United States Department of Agriculture at the time such dairy farms or plants are scored;, 4, in the case of raw milk if the number of bacteria per cubic centimeter exceeds three hundred thousand and in the case of raw cream seven hundred and fifty thousand, in the case of pasteurized milk if the number of bacteria per cubic centimeter exceeds one hundred thousand, and in the case of pasteurized cream five hundred thousand;, 5, when the temperature of milk or cream at the time of importation exceeds fifty degrees Fahrenheit.

Sec. 143. Inspection; certified statement in lieu thereof; waiver of requirements of section 142; regulations; suspension and revocation of permits

The Secretary of Health and Human Services shall cause such inspections to be made as are necessary to insure that milk and cream are so produced and handled as to comply with the provisions of section 142 of this title, and in all cases when he finds that such milk and/or cream is produced and handled so as not to be unfit for importation under clauses 1, 2, and 3 of section 142 of this title, he shall issue to persons making application therefor permits to ship milk and/or cream into the United States: *Provided,* That in lieu of the inspections to be made by or under the direction of the Secretary he may, in his discretion, accept a duly certified statement signed by a duly accredited official of an authorized department of any foreign government and/or of any State of the United States or any municipality thereof that the provisions in clauses 1, 2, and 3 of section 142 of this title have been complied with. Such certificate of the accredited official of an authorized department of any foreign government shall be in the form prescribed by the Secretary, who is authorized and directed to prescribe such form as well as rules and regulations regulating the issuance of permits to import milk or cream into the United States.

The Secretary is authorized, in his discretion, to waive the requirement of clause 4 of section 142 of this title when issuing permits to operators of condenseries in which milk and/or cream is used when sterilization of the milk and/or cream is a necessary process: *Provided,* however, That no milk and/or cream shall be imported whose bacterial count per cubic centimeter in any event exceeds one million two hundred thousand: *Provided, further,* That such requirements shall not be waived unless the farm producing such milk to be imported is within a radius of fifteen miles of the condensery in which it is to be processed: Provided further, That if milk and/or cream imported when the requirements of clause 4 of section 142 of this title, have been so waived, is sold, used,

or disposed of in its raw state or otherwise than as condensed milk by any person, the permit shall be revoked and the importer shall be subject to fine, imprisonment, or other penalty prescribed by this subchapter.

The Secretary is directed to waive the requirements of clauses 2 and 5 of section 142 of this title insofar as the same relate to milk when issuing permits to operators of, or to producers for delivery to, creameries and condensing plants in the United States within twenty miles of the point of production of the milk, and who import no raw milk except for pasteurization or condensing: *Provided,* That if milk imported when the requirements of clauses 2 and 5 of section 142 of this title have been so waived is sold, used, or disposed of in its raw state, or otherwise than as pasteurized, condensed, or evaporated milk by any person, the permit shall be revoked and the importer shall be subjected to fine, imprisonment, or other penalty prescribed by this subchapter.

The Secretary is authorized and directed to make and enforce such regulations as may in his judgment be necessary to carry out the purpose of this subchapter for the handling of milk and cream, for the inspection of milk, cream, cows, barns, and other facilities used in the production and handling of milk and/or cream and the handling, keeping, transporting, and importing of milk and/or cream: *Provided, however,* That unless and until the Secretary shall provide for inspections to ascertain that clauses 1, 2, and 3 of section 142 of this title have been complied with, the Secretary shall issue temporary permits to any applicants therefor to ship or transport milk and/or cream into the United States.

The Secretary is authorized to suspend or revoke any permit for the shipment of milk or cream into the United States when he shall find that the holder thereof has failed to comply with the provisions of or has violated this subchapter or any of the regulations made hereunder, or that the milk and/or cream brought or shipped by the holder of such permit into the United States is not produced and handled in conformity with, or that the quality thereof does not conform to, all of the provisions of section 142 of this title.

Sec. 560.400 Imported Milk and Cream - Import Milk Act, CPG 7119.05,

BACKGROUND:

Frequent inquiries are received about the requirements for importation of milk, cream, and other dairy products into the United States. Inquiries are also received regarding importation of milk or cream into Puerto Rico and possible distribution from there into the continental United States.

Persons seeking permits under the Import Milk Act have sometimes found that, even if the permit is granted, certain state or local authorities prohibit distribution of milk or cream which has been legally imported under such permit. Some states and subdivisions prohibit distribution of any milk and milk products from points beyond the limits of their own routine inspection authority unless an acceptable rating has been given by a milk sanitation officer certified by the USPHS. Section 8 of the Import Milk Act provides that nothing in the Act shall be construed to affect the powers of any state or

political subdivision thereof, to regulate the handling, sale, or other disposition of milk or cream within the state or subdivision after it has been lawfully imported.

Any milk, cream and other dairy products in interstate commerce, whether domestic or imported, must comply with the provisions of the Federal Food, Drug, and Cosmetic Act. In addition, all milk and cream imported into the fifty states and the District of Columbia are subject to the requirements of the Federal Import Milk Act of 1927, 44 Stat. 1101. This Act was passed by Congress "To regulate the importation of milk and cream into the United States for the purpose of promoting the dairy industry of the United States and protecting the public health."

Under this Act, milk or cream may be imported only by the holder of a valid import milk permit. Before such permit is issued;, 1, all cows must be physically examined and found healthy, 2, if the milk or cream is imported raw all cows must pass the tuberculin test, 3, the dairy farm and each plant in which the milk or cream is processed or handled must be inspected and found to meet certain sanitary requirements, 4, bacterial counts of the milk at the time of importation must not exceed specified limits, and, 5, the temperature of the milk or cream at time of importation must not exceed 50 degrees F.

Over the years much consideration has been given to which dairy products are subject to the Import Milk Act. According to a notice published in the Federal Register for September 10, 1966, all imported milk or cream whether sterilized or not, was prohibited unless the shipper held a valid import milk permit. Certain foreign governments filed formal memoranda with the State Department protesting this interpretation. The State Department transmitted these to the Department of Justice, requesting a formal opinion. The Attorney General's Office wrote a letter agreeing that the Import Milk Act does not apply to sterilized milk in hermetically sealed cans and saying that the earlier order should be rescinded. In accord with this decision, an announcement was published in the Federal Register for March 22, 1968, announcing the decision of the Department of Justice that imported milk products in hermetically sealed cans so processed by heat as to prevent spoilage are not subject to the provisions of the Import Milk Act.

After further consideration the Department of Health, Education and Welfare concluded that the opinion from the Attorney General's Office did not apply to sweetened condensed milk which had not been hermetically sealed and sterilized by heat. This decision and many announcements by the Food and Drug Administration are reflected in the following policy statement:

POLICY:

1. Raw Pasteurized or Frozen Milk or Cream

The provisions of the Import Milk Act apply to all raw, pasteurized and frozen milk or cream offered for import into the United States, defined in the Act as the "the 50 States and the District of Columbia". Whether intended for direct consumption or for manufacture into other foods, the following dairy products defined in 21 CFRa and/or in the Grade "A" Pasteurized Milk Ordinance, may be entered legally only by the holder of

a valid permit obtained previous to the time of importation: milk, lowfat milk, skim milk, half-and-half, light cream, light whipping cream, heavy cream, sour cream, cultured sour cream, acidified sour cream, sour half-and-half, acidified sour half-and-half, sour cream dressing, sour half- and-half dressing, Vitamin D milk, fortified milk, homogenized milk, flavored milk, eggnog flavored milk, cultured buttermilk, yogurt, concentrated milk, sweetened condensed milk, unless it can be conclusively demonstrated that the condensed milk has been hermetically sealed and sterilized, and similar products.

2. The following dairy products are considered exempt from the requirements of the Import Milk Act:

Evaporated milk which, in accordance with 21 CFRb, has been sealed in a container and so processed by heat as to prevent spoilage.

Ultra High Temperature, UHT, Processed Milk if it has, in fact, been completely sterilized and packed in hermetically sealed containers. The containers need not be metal, but must be of safe and suitable materials and meet appropriate tests for receiving and holding a hermetic seal. Even though exempt from the Import Milk Act, such products are subject to the requirements of 21 CFRc and 21 CFRd.

Dried milk, nonfat dry milk, nonfat dry milk fortified with vitamins A and D, and other dehydrated milk products, whether intended for human consumption or for animal feed., See however, former CPG Guides 7155c.03, 7156x.01, 7156x.02, 7156x.03, 7156x.04, and 7156x.05 for memoranda of understanding with various countries re: dry milk products.,

3. Milk or Cream Imported into Puerto Rico

No permit is required to import milk or cream into Puerto Rico. The milk or cream must comply with the provisions of the Federal Food, Drug, and Cosmetic Act and any subsequent distribution into the Continental United States would require the distributor to have a valid permit under the Import Milk Act.

4. Persons indicating a desire to apply for an import milk permit should be advised that even if the permit is granted, state and local officials may prohibit the distribution of the imported milk or cream.

a 21 CFR 131
b 21 CFR 131.130
c 21 CFR 113
d 21 CFR 108.35

Issued: 10/1/80

US Customs and Border Protection, CBP

Compiled with information from "www.customs.gov" and "www.cbp.gov"

The priority mission of CBP is to prevent terrorists and terrorist weapons from entering the United States. This important mission calls for improved security at America's borders and ports of entry as well as for extending our zone of security beyond our physical borders - so that American borders are the last line of defense, not the first.

CBP also is responsible for apprehending individuals attempting to enter the United States illegally, stemming the flow of illegal drugs and other contraband; protecting our agricultural and economic interests from harmful pests and diseases; protecting American businesses from theft of their intellectual property; and regulating and facilitating international trade, collecting import duties, and enforcing U.S. trade laws.

To accomplish its missions, CBP has a workforce of over 40, 000 dedicated employees.Included in those ranks are inspectors, canine enforcement officers, Border Patrol agents, trade specialists, and mission support staff. For the first time in our nation's history, people and goods arriving at American ports of entry are greeted by one single agency with one unified goal: to facilitate legitimate trade and travel while utilizing all of the resources at our disposal to protect and defend the United States from those who would do us harm.

CBP became an official agency of the Department of Homeland Security on March 1, 2003, combining employees from the Department of Agriculture, the Immigration and Naturalization Service, the Border Patrol and the U.S. Customs Service. Unifying the border agencies - a good government reform advocated by many studies over the past 30 years - will improve the way the U.S. Government manages the border. We are combining our skills and resources, to make sure that we will be far more effective and efficient than we were when border responsibilities were fragmented into four agencies, in three different departments of government.

The strategy is to become the single unified border agency of the United States. CBP's mission is vitally important to the protection of America and the American people. Our strategy to improve security and facilitate the flow of legitimate trade and travel includes:

- Improving targeting systems and expanding advance information regarding people and goods arriving in the U.S.,
- Pushing our "zone of security outward" by partnering with other governments as well as with the private sector,
- Deploying advanced inspection technology and equipment,
- Increasing staffing for border security, and
- Working in concert with other agencies to coordinate activities with respect to trade fraud, intellectual property rights violations, controlled deliveries of illegal drugs, and money laundering.

Current initiatives include:

- Customs-Trade Partnership Against Terrorism, C-TPAT. In order to develop, enhance, and maintain effective security processes throughout the global supply chain, U.S. Customs continues to accept applications in various international supply chain categories. FAST, Free And Secure Trade, is a joint border initiative between the United States and Canada within C-TPAT programs.
- Container Security Initiative. CBP officers work with host nation counterparts to protect containerized shipping from exploitation by terrorists.
- Modernization and the Automated Commercial Environment, ACE, will effect the trade community and the American public in the future with real change.
- Customs is now posting participants and their associated ports from Customs listing in the Automated Manifest System, AMS, for air, rail and sea. The inclusion of carriers on the list does not constitute any form of endorsement by U.S. Customs regarding the nature, extent, or quality of services provided by those carriers. The site will be periodically updated with new participants or changes in carrier services. Any questions that may concern specific capabilities of the carriers should be discussed with that specific service provider.
- FAST Application Information program will allow importers on the U.S./Canada border to obtain expedited release for qualifying commercial shipments. Any questions regarding the program should be directed to: "industry.partnership@customs.treas.gov"
- Trade Act of 2002 - Advance Electronic Information called for CBP to solicit comments from and consult with parties likely to be affected, such as importers, exporters, carriers, brokers and freight forwarders. As a result of all comments received, including the recommendations in the COAC report, CBP is anticipating probable changes in the timeframes in the reporting period originally outlined in the Strawman proposals. The original Strawman proposals have thus been removed from the CBP Web Site and replaced with an update on the rulemaking process.
- 24-Hour Rule is effective from December 2, 2002. Carriers and/or automated NVOCCs must submit a cargo declaration 24 hours before cargo is laden aboard the vessel at a foreign port.

Trade Act of 2002 - Update: May 1, 2003

The Trade Act of 2002, "TA", requires the Customs Service, now the Bureau of Customs and Border Protection, CBP, to promulgate regulations providing for electronic transmission to the CBP of information pertaining to cargo destined to and from the United States prior to arrival or departure of such cargo. Some of these requirements were further modified by the Maritime Port Security Act of 2002.

The TA called for CBP to solicit comments from and consult with parties likely to be affected, such as importers, exporters, carriers, brokers and freight forwarders. The government was also required to take into account factors such as the following:

- The competitive relationship among the parties required to transmit information to CBP.
- The differences among modes of transportation, such as differences in commercial practices, operational characteristics and technological capacity for electronic transmission between types of carriers.
- The extent to which the technology necessary for parties to transmit and CBP to receive and analyze data timely is available.
- Whether it is appropriate to provide transition periods between promulgation and the effective date of the regulations.
- Whether different transition periods are appropriate for different classes of affected parties.
- And whether requirements are redundant with other regulations or provisions of law.

In addition, the Trade Act directed CBP to protect the privacy and business proprietary and other confidential cargo information received by CBP, but not to override pre-existing manifest disclosure requirements for vessels.

In order to begin this process, CBP posted to the Customs Web Site, several Strawman proposals for reporting of cargo data for the modes of rail, truck, air and sea transport, and then held a series of public meetings with the trade to discuss them. These meetings were held in Washington, D.C., in January 2003. The Strawman proposals were issued for the sole purpose of generating discussion among the trade, explaining our current automated system capabilities, and exploring whether the loading of the conveyance should trigger the submission time for the cargo data.

At the end of each session with the trade, it was announced that CBP would be receiving comments in both writing and by telephone on the proposals, the meetings and other relevant issues for a period until February 18, 2003. Additionally, the Commissioner of CBP, Mr. Robert Bonner, agreed to have the Treasury Department Commercial Operations Advisory Committee, COAC, play a role as well. COAC is composed of trade members from the different parts of the importing and exporting community and serves to advise the Treasury Department on Customs matters. COAC took the opportunity to develop working groups for each mode of transportation, rail, truck, sea and air, and report back to CBP with industry proposals on how the rules should be implemented. This draft report was given to CBP on March 14, 2002.

Many of the comments received focused on the importance of just in time inventory practices and the trades' need to have as short an advanced reporting timeframe as possible. Additionally the Strawman proposal of required reporting before loading of cargo on conveyances in all modes of transport was heavily criticized.

It was made clear at the January meetings and afterwards that the timeframes annunciated in the Strawman proposals were to generate discussion only, but many have assumed that they reflected the future intentions of CBP and the proposed rulemaking. As a result of all comments received, including comments regarding supply chain security measures already in place in certain modes, as well as the recommendations of the COAC report, CBP is anticipating probable changes in the timeframes in the reporting period originally outlined in the Strawman proposals as well as in the stage during the transportation movement by when reporting must be accomplished. The original Strawman proposals have thus been removed from the CBP Web Site.

CBP anticipates issuing a Notice of Proposed Rulemaking, NPRM, in the Federal Register in June 2003. This notice will also be placed on the CBP web site "www.cbp.gov". CBP will be performing an Economic Analysis of the proposed regulations that will be published in the NPRM. The trade and other parties will have thirty days to comment on the proposed regulations, with comments returned to the location and in the manner cited in the proposal. CBP will then take those comments into consideration and make any changes to the proposed regulations deemed necessary.

In September 2003, CBP will send a report to Congress setting forth the proposed regulations, along with specified explanations, e.g. public comment analysis and reasoning for determination timeframes for data submission.

CBP will then issue the regulations in final form in the Federal Register on October 1, 2003. A final version of the Economic Analysis will also be included in this publication.

Attachment 6

DOTARS Briefing Paper

BRIEFING

DOTARS
DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES

Contact: Graham Evans – 6274 6731

APEC "PAPERLESS TRADING DEMONSTRATION PROJECT – ELECTRONIC TRANSMISSION OF THE SANCRT MESSAGE"

Background

The Paperless Trading Demonstration Project - Electronic Transmission of the SANCRT Message was initiated by Australia, who submitted a formal project proposal to the APEC Transportation Working Group. After an open tendering process the contract from the APEC Secretariat was awarded to Dialectrics Pty Ltd and Murray Goulburn Cooperative Company Ltd, to be assisted by the Australian Quarantine and Inspection Service, AQIS. The project is an APEC sponsored project, coordinated by Australian Government agencies.

Issues

The project is a demonstration only and is intended to explore the feasibility of using electronic means of communicating the health certificate in lieu of the present paper document. The demonstration is for dairy products only and is being conducted for a maximum of five weeks.

The project is being implemented in two stages. During the first stage, consultations were conducted with industry and other stakeholders to compile a list of key documents which are required for international cross-border trade and which are currently provided in paper form in the dairy industry. Solutions were examined to assist business and government institutions to replace existing paper documents with an electronic form. The second stage will be devoted to demonstrating the applicability of the electronic forms to the actual trading process. Dialectrics will work with the importer, exporter and certification authorities of the USA, Canada and Japan to perform an electronic health certification trial.

The "E-cert" demonstration will provide secure government to government communication and relevant information that can be easily downloaded to databases. AQIS will provide the appropriate government official, s, with a logon/password to E-cert website. Participating official, s, will need to logon to view Murray Goulburn's shipments over the period of the trial and compare screen data to paper certificates. These officials will be asked to provide feedback at the end of the trial. Logon access will be terminated at the end of the trial. The participants will only be required to express their opinion of the feasibility of the process through a questionnaire and no ongoing commitment will be required.

The project has the potential to supersede the present use of SANCRT messages by using inexpensive technology that is widely available and accepted. Using electronic messages instead of paper documentation offers potential cost savings for both government and businesses.

To ensure that the demonstration project can proceed, assistance is sought to identify an appropriate Japanese contact for this project. The appropriate contact person in Australia is John Hart, Dialectrics, phone: +61 3 9887 8045, email: jdhart@ozemail.com.au, or Graham Evans, DOTARS, phone: +61 2 6274 6731, email: graham.evans@dotars.gov.au.

Paperless Trading Demonstration Project - Electronic Transmission of the SANCRT Message

TPT 01/2001 T

Printed by:

Dialectrics Pty Ltd
Box 8042 Burwood Heights
Victoria 3151
AUSTRALIA

For:

The APEC Secretariat
35 Heng Mui Keng Terrace
Singapore 119616
Tel:, 65, 6775-6012 Fax:, 65, 6775-6013
E-mail: info@mail.apecsec.org.sg
Website: www.apecsec.org.sg

APEC Publication Number 203-TR-01.2

ISBN 981-04-8361-9