

Custom-made

Lesley Bankes-Hughes talks to Doug Tweddle, Director Customs & International, HMRC, about progress on domestic and global Customs' initiatives, as well as his candidacy for the post of Secretary General of the WCO



To describe the work of **Her Majesty's Revenue and Customs (HMRC)** as 'dynamic' might appear to be a contradiction in terms (TV reality shows aside), but on the basis of its involvement with domestic, European and global initiatives in the first few months of 2008, it would seem to be a wholly fair description of its activities. Much work has been done in rolling out the Authorised Economic Operator (AEO) programme throughout the European Union (EU), and April saw the conclusion of the Secure Freight Initiative (SFI) at Southampton with its focus on the somewhat contentious issue of 100% screening of cargo bound for the United States. An EU/China pilot project looking at the exchange of electronic advance manifest information is well under way and about to move into its second phase, while on the home front, HMRC has been much preoccupied with the strengthening of UK border controls through the formation and roll-out of the new **UK Border Agency**.

This would appear, therefore, to be an opportune moment to talk about HMRC's role in a rapidly evolving European and global trade environment where the importance of 'trade facilitation' and 'the security and integrity of the supply chain' are the key phrases repeated again and again at every conference, exhibition, and briefing – whatever the particular commercial/industry sector involved may be.

Ahead of an awards ceremony at the UK Treasury in May for the first UK recipients of AEO status, Doug Tweddle, Director Customs & International, talked to *Cargo Security International* about the issues and challenges confronting HMRC. The discussion was also well-timed on another front: in June, Doug Tweddle will learn whether his campaign to become the next Secretary General of the **World Customs Organization (WCO)** has been successful. With a long career in the service of HMRC, and a period at the WCO in which he led the team which undertook the revision of the Kyoto Customs Procedures Convention, he is extremely well-qualified to take the long view on the future direction and priorities

of national and global Customs authorities.

'It is an interesting time to be in Customs,' observes Doug, pointing to the formation of the UK Border Agency, which began operations on 1 April, as a current 'major delivery area for HMRC'. The new agency is an umbrella organisation for all the work previously undertaken by the border operations of HMRC, UK Visa Services of the Foreign and Commonwealth Office, and the UK Border and Immigration Agency.

The Border Agency will enable 'flexibility and breadth' in managing the UK's borders, says Doug, 'and will provide a joined-up approach between all point of entry facilities. 9/11 had a major effect on the trading world, and integrated border management is the current buzz word with security as a driver.'

In addressing the increasing global pressure on manufacturers, shippers, forwarders and national agencies to achieve total supply chain security, the issues of trade facilitation and security must be given balanced consideration. Doug Tweddle has played a significant role in driving forward and creating a global plan of action in these areas. During his time at the WCO, he chaired the organisation's International Trade Supply Chain Security Task Force which led to the formation of the SAFE Framework of Standards which was adopted by the WCO in June 2005. The central tenets of this Framework are the harmonisation of electronic information, the use of non-intrusive detection equipment for inspections and the application of a common risk management approach to trade facilitation and security issues.

The development of a system of electronic data exchange so as to create a paperless and simplified 'relationship' between Customs authorities and traders is defined within the EU's 'Multi-Annual Strategic Plan' (MASP). This programme, which encompasses a number of initiatives intended to drive forward the introduction of compatible computer systems across the EU, was developed, says Doug, 'to ensure that 27 countries didn't apply the same sort of standard in 27 different ways'. MASP aims to 'converge and harmonise' these



standards, and Doug points to the 'exciting possibility' that a trader could in the future file all his pre-arrival/pre-departure information and Customs' declarations within one Member State, which would then act as a hub to disseminate and transfer this data across all EU Member States. However, the realisation of this ambition will not be achieved in the near term; initial deployment of the Single Electronic Access Point initiative is slated for 2012 and will take some time to be rolled out across all Member States.

One key element of MASP is the electronic filing of pre-arrival and pre-departure information which is due to begin on 1 July 2009. Doug Twedde acknowledges that he shares some of the concerns voiced within the EU over the ability to meet this tight deadline: 'There is a feeling that this does not give us sufficient time to test the system; 10 member states have expressed their concern that this introduction date is slightly too early.'

'The technical specifications [for the system] have only just been frozen,' says Doug. 'It is a complex IT system...and businesses have already said that they will need six months to do the testing.'

In terms of the UK's input on this particular project, he highlights the fact that 'most IT development work in HMRC has been contracted out so we are still waiting to find out when this can be done by.'

He suggests that: 'The EC doesn't properly take into account that we are working with commercial suppliers. It is not like having our own in-house IT department that we could tell what to do;

it is a different relationship, not least in that we have to ensure that we are getting good value for the public's money.'

The development of a platform for electronic information exchange, in line with SAFE Framework requirements, is the focus of the EC-China Smart and Secure Trade Lanes Pilot Project which involves the ports of Rotterdam, Felixstowe and Shenzhen. This project evolved out of a Customs co-operation agreement between the EU and the Chinese government in 2004, and the first phase of the programme concentrated on the movement of sea containers between Shenzhen and the UK/Netherlands. The culmination of this initial phase was an exercise involving the exchange of advance manifest information last November. All European companies involved in the pilot are AEO-accredited and the Chinese businesses have a 'similarly reliable' status.

The project, which asked for company involvement on a voluntary basis, 'is working reasonably well, and a number of consignments have been processed,' says Doug. However, he acknowledged that 'it would be fair to say that it is only testing partially at the moment'. While Chinese companies have been enthusiastic about participation in the initiative 'we have been less successful in identifying UK exporters who are exporting to the Chinese port, and I think the Dutch are finding this as well'. For the moment at least, it seems that freight flows between the European ports and Shenzhen are less than evenly balanced: 'There are lots of full containers coming over from China, but lots of empty containers go back,' he acknowledges.

The next phase of the programme will see the inclusion of e-seal and container security providers – yet again on a voluntary basis. An initial requirement that participants should conform to ISO 18185 standard has been changed so that the programme can consider developing technologies. Doug believes that 'there is some interesting technology coming along, but it is very expensive....Clearly, on high value cargos, the overheads of this will be worth taking on, but unless [the equipment] becomes cheaper, it may not be of interest to everyone.'

He then addressed the thorny issue of 100% scanning of containers bound for US ports. The SFI was born out of the 2006 US **SAFE Port Act**, and Southampton has taken part in the first phase of this trial, along with Port Qasim in Pakistan and Puerto Cortes in Honduras. The results of this initial phase will be included in an EC report, but doubts have regularly been aired in Europe as to the feasibility, and perhaps more importantly, the necessity of implementing this degree of scanning. The cost implications of introducing 100% scanning on a global basis have also engendered a good degree of scepticism and debate – not least as to who would foot the bill for the equipment and associated costs if the programme was rolled out on a global scale.

Looking at the experience gained from Southampton, Doug says that US input in gearing up for the pilot was impressive: 'To give them credit, the speed with which they reconfigured the reception arrangements at Southampton left you almost breathless!'

He emphasises that the US has absorbed

the scanning equipment costs for the SFI, but admits that if 100% scanning were to be adopted globally 'the US has given no sign of any willingness to pay for the equipment'.

He acknowledges that: 'The Southampton trial has demonstrated that [100% scanning] is perfectly feasible, particularly with goods arriving by road... it would, however, be more difficult with goods arriving by train and in the case of transshipments.'

(Indeed, canvassing the opinions of freight industry representatives at the AEO certification awards in May, *Cargo Security International* received positive feedback about the Southampton trial in that the scanning procedure had worked smoothly, with none of the widely-predicted delays in processing the containers.)

Although the Southampton trial finished in April, the scanning equipment is still at the port and available for use by the port operator. Discussions between the US government and the port operator are still ongoing, and HMRC will provide a response service when required.

Doug Tweddle does, however, have reservations about the SFI initiative: 'Is it actually worthwhile? To do it on a risk basis when the risk is low, may not actually be the best use of resources.' He also points to the comments of Jayson Ahern, the Deputy Commissioner of US **Customs and Border Protection (CBP)**, 'who has acknowledged that perhaps it should only be applied to places of significant risk'.

The introduction of 100% scanning at ports worldwide would, says Doug, 'be a vast expense and very discriminatory against some port operators'.

He is also realistic about the difficulties in achieving complete transparency in the movement of trade: 'Some countries in the world have integrity problems; quite frankly, there can be significant corruption issues, and while goods may be scanned at a port there is no saying that what is loaded at the port is actually what turns up at the destination.'

In his address to the UK recipients of AEO accreditation, he was adamant that 'this is the way that the world is going to

do its business'.

'Customs authorities must stop bad things happening, but we have a responsibility to facilitate the legitimate.'

He accepted that the uptake for AEO certification had been less than expected. While around 1000 firms in Europe are now in the authorisation 'chain', 'we have not been inundated with applications...we do have the capacity to deal with rather more than we are doing at the moment'.

However, he highlighted that the UK, for example, already provides a highly facilitative trade environment, where a relatively low percentage of cargo is examined. Of those cargos that are selected for inspection, 28% will be found to be carrying questionable, or suspicious, freight – a significant improvement over the 18% level of three years ago.

Doug Tweddle was also enthusiastic about the number of AEO-type schemes taking shape around the world: 'I was in Delhi recently for a meeting of AsiaPacific nations...and Malaysia is doing remarkable things – ahead of where we are – China is also developing its equivalent, and Australia and New Zealand are well ahead.'

In his interview with *Cargo Security International*, he said that there were no plans to make AEO accreditation anything other than a voluntary scheme: 'The UK seeks for deregulation, and the UK would not wish to see it made mandatory.'

He is also clear that he sees early 2009 as a realistic date for mutual recognition between the European AEO and US Customs-Trade Partnership Against Terrorism (C-TPAT) schemes (100% scanning notwithstanding). He noted that C-TPAT will soon be applied to exports as well as imports (which might silence some of those who are scathing about the likelihood of mutual recognition), and he stressed that: 'Mutual recognition certainly is on the cards with the US; the presidential elections may be getting in the way of a realistic assessment of the situation – we are getting very tied up in the politics at the moment, and no-one is going to back down from being seen as a firm upholder of homeland security.'

The WCO elections in June are also on the near horizon for Doug Tweddle. On

28 June, he will find out whether his bid to secure the post of Secretary General has been successful. His Customs 'credentials' are clearly impressive; he started his career as a uniformed Customs officer and has occupied some of the top jobs within HMRC, including being UK Customs Chief Investigation Officer, and Head of Customs for London Airports. Within the WCO, he has also held the post of Director of Trade Compliance and Facilitation (before the events of 9/11).

'I am a good candidate with a good track record', he says. 'I saw through the Kyoto Customs Procedures Convention and established a network of regional intelligence offices.'

The WCO is dealing with a very complex, and nervous, trading world after 9/11, so what would Doug Tweddle's priorities be if he took over the reins at the organisation? Harmonisation of standards and procedures would seem to be the key issues. 'The right standards must be accepted around the world; only a third of WCO members have acceded to the Kyoto convention, and only three countries have agreed to information exchange,' he says.

'We must help developing countries to implement those standards as well as establishing an integrated data model covering international trade – we must make sure that we are not all reinventing our own wheel.'

Finally, 'the role of Customs needs to be promoted; it has a major contribution to make. Massive fraud continues to take place, and the position of many developing countries would be transformed if this was halted. In particular, developed countries are often reluctant to share information with developing countries – there must be more transparency over this.'

He is facing competition in the elections from six candidates from the EU and others from Senegal, Japan and China. Whether he returns to the WCO for another stint will soon be revealed, but he is clearly dedicated to pushing through Customs' reforms and new initiatives on the domestic front as well as the world stage. For Doug Tweddle, these are, unequivocally, exciting times to be working in Customs.