

Customs broker invites Customs to lift their game in regards to low value permit goods

Platinum Freight Management founder and CEO PETER MCRAE* writes about how imported unsafe low value permit goods may be popular with consumers again this Christmas, looking at hoverboards as the example. He writes that if more unsafe hoverboards were stopped at the border last year the problem would not have been as great

AS WE head into the annual Christmas freight season, I'm concerned again about unsafe and inaccurately declared on-trend, low value permit goods, such as hoverboards, coming into Australia.

In the first half of this year there were a number of stories in the media about the dangers of imported hoverboards. Similar to the recently discontinued Samsung Galaxy Note 7, hoverboards have been the cause of hundreds of house fires around the world (up to 100 in the US and six in Australia); the hoverboards having caught fire inside homes while they are recharging.

These fires, which in Australia destroyed three homes, led the ACCC to ban hoverboards in March this year for 30 days, and they continued this ban until July.

But since then, there has been nothing except the announcement of new mandatory safety standards, which the ACCC must police. Customs and the Department of Infrastructure and Regional Development

(DIARD) knew of the hoverboards trend from as early as September 2015, so it should not have taken them six months to impose the ban in the first place.

I think the ACCC's ban should have continued, but I also think Australian Border Force (ABF) and DIARD should be doing more to stop imported hoverboards at the border.

In December 2015, I wrote about imported hoverboards flooding the local market.

At the time, I said: "Hoverboards were flying through mail centres, shipping yards and air freight terminals across Australia" and they were.

They were not being pulled up for a permit (which costs the importer \$50); permits which the DIARD were legislated to impose.

And ABF was asleep at the wheel for not realising this import was flying through the borders without a permit (because they were going through as a Self-Assessed Clearance [SAC]).

Neither party were enforcing the motor over 250 watts requirement (except the savvy customs broker, I'll write more about this below); and no one for sure was testing, evaluating or reporting the safety of the hoverboards before they reached consumers.

Why pay \$50 to DIARD for a permit to import if there is no testing, evaluating or reporting on the item and there are ways for an importer without a customs broker managing their import to get around the permit, and it's 30-day clearance delay, if they can?

A big part of the reason so many unsafe hoverboards were allowed into Australia is because if they were valued at less than AUD\$1,000 they fell under the SAC threshold. So importers were declaring their hoverboard at less than \$1,000 to qualify for a SAC and avoid the need for a permit and its required inspections.

In my opinion, a SAC of \$1,000 is extremely generous – seeing as it

used to be AUD\$250 – and provides importers with greater potential to successfully import potentially dangerous goods without catching the ABF's attention.

In my business I've also seen manufacturers provide importers with two sets of paperwork – one set that declares the true value of the item being imported, and another set declaring the item at a lower value, so it meets the SAC criteria, which allows the item to be processed at the border without a permit and without being stopped.

I know I'm writing for an industry audience here, but according to Australian Customs Law, declaring an item at a lower value in an attempt to defraud the Commonwealth is classified as smuggling. That's not stopping importers though...

By raising this point, I am saying: if the SAC threshold was lowered, hoverboards – and potentially other dangerous items – could be captured, inspected, tested at the border and stopped if they are found to be dangerous before they become an issue for Australian consumers and the ACCC.

I also want to pose the questions, even though they are the basis for a whole other comment piece, but looking at the problem of unsafe hoverboards coming into Australia as an example, is the current SAC threshold of \$1,000 too generous and is the current system being abused? In my opinion, yes and yes.

The nature of trade has changed over the years and we have seen a significant increase in low value goods (ie. less than \$1,000) being imported into Australia.

In fact, the volume of low value goods imported into Australia on SAC declarations has grown on average by 34.3% each financial year from 2011-12 to 2013-14, now totalling more than \$27 million per year. A SAC provides an importer with nil duty, nil GST and nil Import

Processing Charges.

Another ABF requirement that should stop more dangerous hoverboards coming into Australia is the requirement that a hoverboard with a motor larger than 250 watts requires an import permit from the DIARD.

Applying for the permit costs \$50 and it takes up to 30 days for DIARD to issue it.

However, if a hoverboard – or any other motorised item for that matter – is declared to have a value less than AUD\$1,000 and a motor less than 250 watts, Customs clear that item without a second look.

On top of this, for the hoverboards that were processed by Platinum Freight and required a permit from the DIARD, not one hoverboard was inspected, tested or evaluated.

With that in mind, what is the point of DIARD being the authorised Government department to issue an import permit, when the importer pays \$50, waits 30 days for a permit and doesn't have the goods tested or evaluated? Plus, consumers are exposed because without inspection the permit does nothing to protect them from importing or buying a potentially dangerous item.

It appears to be a dysfunctional process. I'd be supporting importers to ask for a refund from DIARD for not undertaking work that they should have been doing as part of the application process.

So, without a ban by the ACCC (the new mandatory safety requirement means the ACCC has to catch individual retailers selling untested hoverboards, which is time consuming and untargeted), what's to stop hoverboards becoming popular again over Christmas this year despite the obvious risks they pose to the owners and anyone who lives in the same home as the owner?

I'm well aware the ACCC's new mandatory safety standard for hoverboards will deter many importers and retailers, but if unsafe and inaccurately declared hoverboards were stopped at the border in 2015, hover-

boards would not have become as significant a safety issue as they did earlier this year.

And ABF and DIARD have not changed their policies regarding hoverboards since they became popular last year, so unsafe hoverboards are just as likely to make it into Australia this Christmas.

This downfall is one of the key reasons so many dangerous hoverboards came into Australia last year. I hope that the media coverage about the dangers of hoverboards, and the ACCC's (now out of date) ban on hoverboards, and subsequent mandatory safety standards, has deterred Australian consumers away from hoverboards and towards a safer product for Christmas 2016.

This is a private opinion and does not necessarily reflect the views of Lloyd's List Australia.

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