



Revenue Evasion

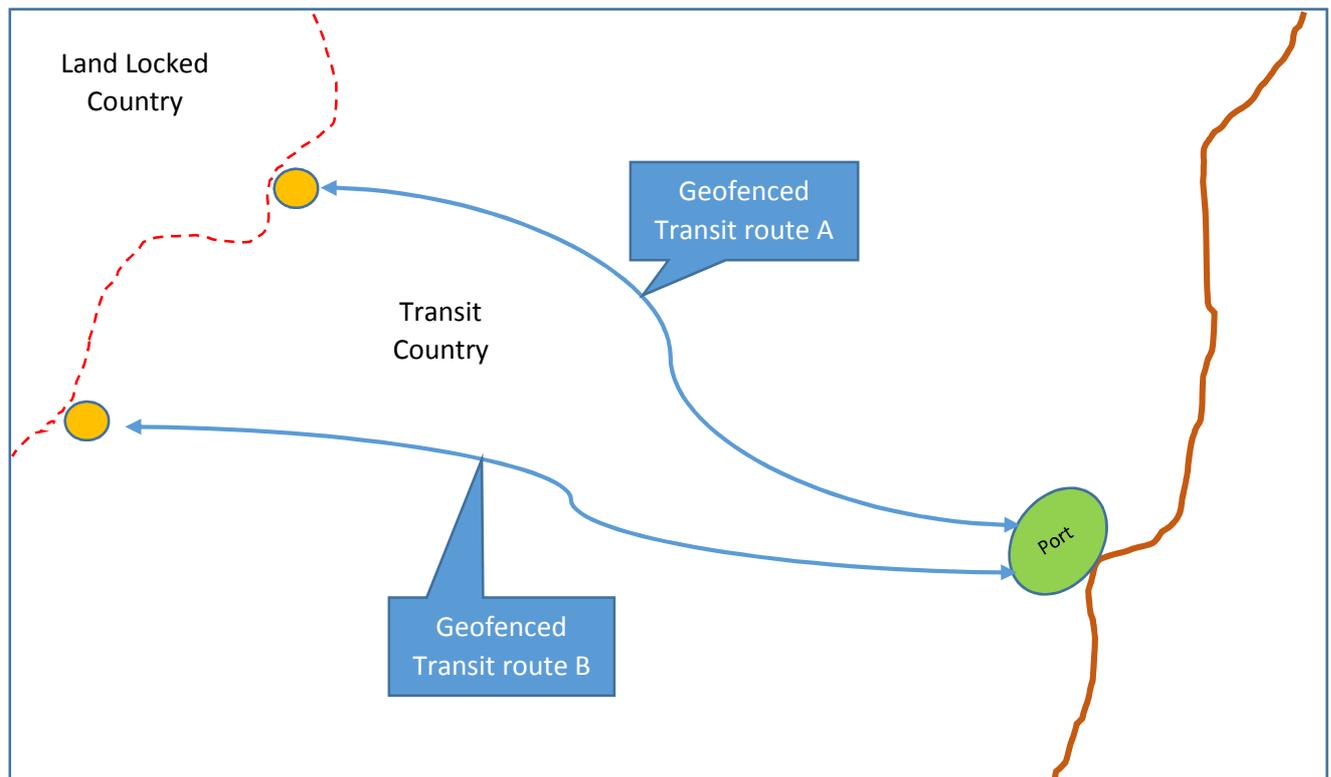
Andrew Harrison

Revenue Evasion

In this use case the key issue is not the loss of the freight but the loss of revenue to a government.

Scenario 1

A container arrives in a port. This container is destined for another country but that country does not have its own coastline. Therefore the container must transit through the arrival country to reach its destination country.



As the goods in the container are not destined for the country where it is unloaded from the ship there is no duty payable to that country for the goods in the container. The container must effectively travel as a customs bonded unit.

The container leaves the port to travel to its destination where the good contained will pay a duty. These duties will vary depending on the goods carried and the applicable duties levied by the destination country on that commodity.

It may be that the goods are correctly declared or, if there is criminal intent, the declared goods may be mis-declared in order to have a much lower duty levied at the destination.

En route the container is opened and the goods in the container are removed. These goods now enter the markets in the transit country. No duties or taxes will have been paid on them.

The container travels on to the destination country where a small duty may be paid on mis-declared goods. Possibly no duty is paid at all as the receiver may inspect the container and report that they have been stolen.

In the meantime the actual goods will now be sold in the markets of the transit country. They will have paid no duty, which is a loss to the revenue authority. They will also be able to be sold at a reduced price, therefore undercutting legitimate importers of similar goods.

As an example Kenya estimates that at least 60% of its domestic markets are actually grey or black imports, losing the government millions in lost revenue.

To prevent this from happening countries have adopted a number of strategies.

1. Trucking companies that carry transit goods are required to fit a RFID 'base station' into the tractor unit at their own expense. Containers are then fitted with RFID tags to the locking gear. These RFID tags should info the base station of any openings. However the use of an RFID tag in the locking gear is as easy to circumvent as any standard bolt seal. The trucking companies also have to carry the cost burden of fitting the RFID base station to their tractor unit. This is also a wasted investment for the periods when the tractor unit is pulling a container that is not in transit between countries.
2. The revenue authorities only allow shipments to move in convoys that are escorted. There are a number of problems with this. Firstly it may take several hours to a number of days for a convoy to be built up. This causes hauliers to have drivers and trucks sitting around for long periods doing nothing. Also escorts in low income countries can be bribed to turn a blind eye to a container being opened or a truck having mechanical problems and needing to be left behind.

Scenario 2

In many countries there are imports of components and materials for use in local manufacturing. The manufactured end product is then exported. These imported goods are often used in manufacturing in special economic areas. The imported materials are allowed to have different import duties to those of a similar nature intended for domestic use.

The problem arises when a container carry goods declared for use in the special economic area are diverted or opened en route to that destination. Again a similar model of revenue evasion as in scenario 1 is seen. There is also the possibility of the goods being exported from the special economic area being diverted into the local markets.

The same 'solutions' exist in this scenario as in the first.

The E-Containerlock Solution

Containers destined for transit are simply fitted with an E-Containerlock at the point of departure from the docks. In the Guardfreight platform the specific E-Containerlock is associated with the container it is attached to. The E-Containerlock will prevent the container from being opened without an alert being raised.

The E-Containerlock equipped container may be required to follow a prescribed route to the border. This can be geofenced on the Guardfreight tracking platform so that any deviations from the route generate an alert.

Once the E-Containerlock equipped container arrives at the border post the E-Containerlock is simply removed and returned to the port for the next trip.

There are many subtleties to this system and the use of the E-Containerlock.

1. There could be reporting to the platform for the trucking company or cargo owner to access with the same data stream being pushed to a customs platform for monitoring.
2. Geofencing for routes/safe zones/no go zones could be deployed for single or multiple routes
3. The E-Containerlocks could be owned by the trucking companies and used only when needed.
4. A third party could own the units and place a per trip charge on the use of each unit. They could be contracted to the revenue authority.

The advantages are that the trucking company would not need to have base stations in all of their trucks or have dedicated trucks for use on the transit routes in order to optimise their necessary investment in hardware.

Use of Sensors

The E-Containerlock remote sensor could add to the system in that it could secure bulk liquid tankers (fuel oil, domestic oils) by being placed on the man covers of these units. Any opening would generate alerts. Likewise the E-Containerlock necessary to monitor the remote sensors could be used, with a suitable adapter, to secure and monitor the valve controls on such tankers.