



Australian Government
Australian Customs Service

Annual Report 2004-05

CUSTOMS protecting our borders

**The vision of Customs is to be
a world leader in customs
administration by delivering
high-quality service to the
community, industry and commerce.**

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Australian Government
Australian Customs Service

Annual Report 2004–05

Protecting our borders

The Australian Customs Service provides effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.

Customs operational expenditure in 2004–05 was \$925.1m and capital expenditure was \$63.4m.

In 2004–05, Customs received 4.8m import and export declarations, processed 20.9m passengers, detected approximately 2375kg of MDMA, 193kg of cocaine and 176kg of heroin, plus illegal firearms, weapons and other prohibited imports, and raised \$7.9b in revenue.



Customs House
Constitution Avenue
Canberra City ACT 2601

Senator the Hon Chris Ellison
Minister for Justice and Customs
Parliament House
CANBERRA ACT 2600

Dear Minister

I present to you the Annual Report of the Australian Customs Service for the financial year ended 30 June 2005.

This report was prepared in accordance with sub-section 17(1) of the *Customs Administration Act 1985*, and the guidelines approved by the Joint Committee of Public Accounts and Audit referred to in sub-sections 63(2) and 70(2) of the *Public Service Act 1999*. These guidelines are applied as a matter of policy to prescribed agencies, including the Australian Customs Service, under section 5 of the *Financial Management and Accountability Act 1997*.

This report details performance for the year for Customs five Outputs and their contribution to the achievement of the Customs Outcome.

Sub-section 17(2) of the *Customs Administration Act 1985* requires you to present this report to Parliament.

A handwritten signature in black ink, appearing to read 'L B Woodward'.

(L B WOODWARD)

4 October 2005

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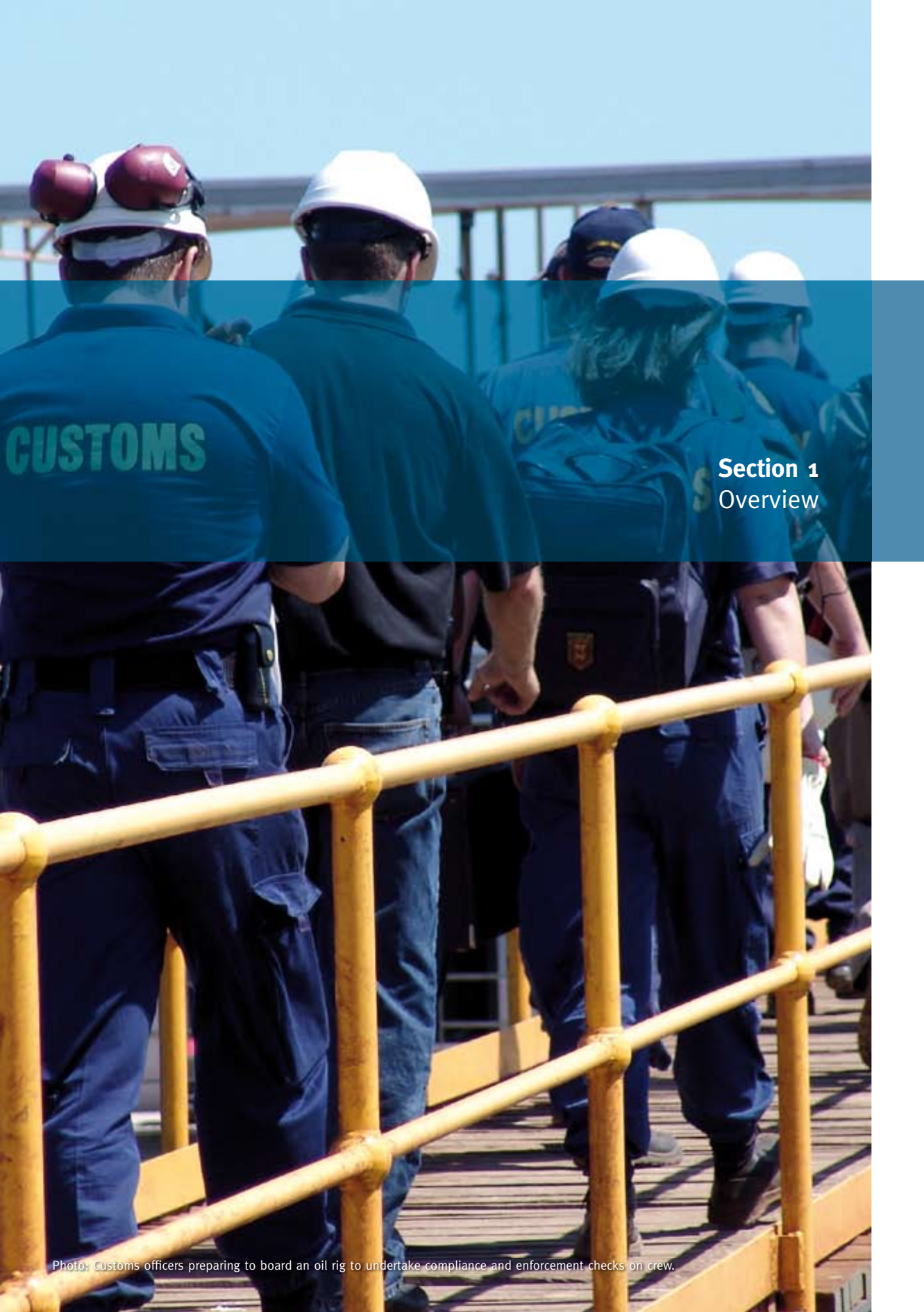
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Section 1
Overview

Photo: Customs officers preparing to board an oil rig to undertake compliance and enforcement checks on crew.

Review by the CEO

This year has again been a demanding one for Customs.

Some of the demands resulted from Government decisions associated with the need for enhanced controls over the border. Others have emerged as a consequence of rapidly increasing cargo and passenger movements into and out of Australia. The more significant of the remaining pressure points were:

- The culmination of almost eight years of effort to introduce what we believe to be the world's first fully integrated imports and exports system. That system has significant data warehousing capabilities and, associated with this, considerable intelligence assessment capabilities. The overall system, and associated legislation and business practice changes, has gone by the acronym 'CMR' (Cargo Management Reengineering).
- The additional budget funding to complete the CMR project and the associated external review of the Customs financial position.
- Continuing reassessment of emerging threats in the aviation and maritime security environments where Customs not only has the greatest Government agency presence but, arguably, the best 'working' knowledge.

Cargo Management Reengineering

There have been criticisms of CMR – some justified and some not. A balanced assessment needs to take the following into account:

- Australia will have a cargo control system which will be significantly ahead of any comparable cargo system elsewhere in the world.
- Its intelligence data and manipulation capability, together with operational links to passenger information, provides a unique ability to enable Customs and associated agencies to protect Australia against terrorist acts.

- Customs cargo systems have a history going back to the 1970s and 1980s. They were close to the end of their 'expected lives'.

Criticism was something we anticipated as no project of the size of CMR has gone without a hitch. But we did anticipate greater recognition of the challenges and the effort and innovation needed in the design and implementation of the project.

As the 12 October 2005 cut over to the new system approaches, I can only signal my pride at the team of Customs staff and contractors who have worked so hard and harmoniously in recent years to bring about its successful completion. This is all the more so because:

- The idea was born within the organisation.
- It was largely funded by internal reallocation of funding.
- It was orchestrated with the support of the international trading community, external software developers and two particular Commonwealth agencies – the Australian Quarantine and Inspection Service and the Australian Bureau of Statistics.

Customs financial position

We were active participants in a review by the Department of Finance and Administration of the Customs financial position. The review resulted from a forecast loss in 2004–05 due in large part to the final stages of the CMR project and the fact that we had been required to undertake some Government initiatives without additional funding.

The review consultants and the senior team within the Department of Finance and Administration adopted a thorough, rigorous but fair approach. The review resulted in the development of a sound basis for continued funding of the organisation, including a formula to deal with the ever-increasing international passenger flows and recognition that our compliance capabilities had been cut to the bone and needed to be restored. There was recognition of the need for adequate funds to be provided to maintain systems around which a regulatory agency such as Customs needs to operate.

Joint Offshore Protection Command

Elsewhere in the report, we outline the formation of a Joint Offshore Protection Command which introduces an innovative way to link the Customs Civil Surveillance role with the Australian Defence Force's responsibility for patrolling and responding to threats emerging to our oil and gas installations and similar maritime threats. The Joint Command works within directives issued jointly by the Chief of the Defence Force and by the CEO of Customs. It is headed by a Rear Admiral who, with his headquarters staff, works from Customs Central Office.

International

A focus on international cooperation and engagement with our neighbours have been key ingredients in the Customs contribution to improved security for international cargo movement. Australian Customs has made a significant contribution to international work in relation to securing of the supply chain (i.e. the chain which begins when cargo consignments are first packed in an exporters or freight forwarders premises, through to the point of unpacking on importation into another country). Our contribution has been through the World Customs Organization (WCO), through cooperative arrangements with other countries and in regional forums. The WCO initiative, known as the Framework of Standards for Securing the Supply Chain and Facilitating Trade, provides the basis and standardised approach for the work of each country. But much more work on the framework needs to be carried out by the WCO and Australian Customs will be participating in this.

Law enforcement cooperation

This year there were numerous attempts, ranging from small to large scale organised crime involvement, to import narcotics and other prohibited imports. Many of the detections involved a combination of good intelligence work, including significant contributions by our partner law enforcement agencies, the use of sophisticated technology and the dedication of highly skilled Customs staff. Details are set out in the Report.

Staffing

Recruitment and retention of qualified staff is a concern not only for Customs but for other Commonwealth agencies. We have been fortunate that so many people have become aware of the diversity and challenges of Customs work and have seen the organisation as one which would provide interesting work and a harmonious working environment.

I must say also that there has been a positive spin off from participation of many officers in the Channel Seven production of *Border Security*. Our staff have felt the program has shown Customs work as being both interesting and necessary for the proper protection of the Australian community. It is also clear that people outside the organisation have seen Customs in a new light and are now showing increased interest in working for the organisation.

Review of Actions

Customs staff are employed under the Public Service Act and, as a consequence, have the rights and obligations of Public Servants generally. For the greater part, the system works well. But there are some staff members who, undoubtedly with genuinely felt grievances against management or other agencies, place enormous time and other pressures on senior staff by using most or all of the numerous review or appeal mechanisms open to them.

Like the pressures which senior staff feel arising from Freedom of Information requirements, the resulting strain on senior management can be significant. A solution needs to be found.

One option is compulsory mediation and, if necessary, final settlement by a third party. This would apply in those few cases where relationships between management and an employee have completely broken down but where redundancy, retirement or dismissal cannot be pursued.

Sustainable development

Customs has chosen to introduce voluntary reporting on how it contributes to sustainable development. This is in response to increased government and community focus on the impact of environmental, social and economic performance, in addition to mandatory reporting on outcome performance and financial results. The first report is listed in Enabling Outputs and will be the forerunner for more refined reporting in future years.

Next year

Over the years, Customs has proven itself to be an adaptable, flexible organisation able to respond quickly to new developments. Customs will face some new challenges over the next year. Finalising the implementation of Cargo Management Reengineering and capitalising on the system capabilities will be high on the list. The Civil Maritime Surveillance Project 2004 tender finalisation and transition to new contracts will keep Coastwatch busy, as will the bedding down of the Joint Offshore Protection Command arrangements.

The next big project will involve information technology service market testing and the evaluation of a program to replace the Customs Bay Class vessels.

The opportunities provided by several election budget funding commitments will reach the final stages next year. It will be a challenge to bring these projects in on time and on budget, together with maintaining day to day operational commitments. International activities will continue to grow over the next few years as a result of Free Trade Agreement negotiations, hosting the Asia Pacific Economic Cooperation (APEC) in 2007, implementation and capacity building related to the Framework of Standards on Securing the Supply Chain and Facilitating Trade.



Lionel Woodward
Chief Executive Officer



Mr John Jeffery
Deputy Chief Executive Officer



Mr Lionel Woodward
Chief Executive Officer



Mr John Drury
Deputy Chief Executive Officer

Major achievements during 2004–05

Figure 1: A summary of Customs in 2004–05

Drug detection totals	Cocaine	194kg
<i>More information under</i>	Heroin	177kg
<i>Output 1 on page 39</i>	MDMA (ecstasy)	2375kg
	Amphetamine-type stimulants	151kg
	Cannabis	5kg
Major single drug detections	Cocaine	100kg
	Heroin	115kg
	MDMA (ecstasy)	1236kg
	Amphetamine-type stimulants	125kg
Import/Export statistics	Number of import entries lodged	3.5m
<i>More information under</i>	Number of export declarations	1.3m
<i>Output 4 on page 74</i>		
Maritime surveillance	Number of Coastwatch contracted aircraft	15 fixed-wing aircraft and 2 helicopters
<i>More information under</i>	Number of surveillance flights	4425
<i>Output 3 on page 59</i>	Number of Customs Bay Class vessels	8
	Number of National Marine Unit vessel sea days	2372
	Number of suspect illegal entry vessels intercepted	0
	Number of suspect unlawful non-citizens (including crew) intercepted by sea	0
Detector dog program	Number of operational detector dog teams	45 operational teams and 4 teams in training
<i>More information under</i>		
<i>Output 1 on page 31</i>		
Staffing		see page 106
Organisational structure		see page 99
Cargo management reengineering progress	Cutover from export systems to the ICS	October 2004*
<i>More information under</i>	Cutover from import systems to the ICS	19 July 2005**
<i>CMR on page 75</i>		
Container and pallet x-ray funding	Facilities in Melbourne, Sydney, Brisbane and Fremantle. Pallet x-ray installed in Adelaide.	
<i>More information under</i>		
<i>CEF on page 33</i>		

* The go-live date for the exports component of ICS was 22 September 2004. For a period of two weeks, the ICS and the existing reporting system EXIT operated in parallel. At 2am (AEST) 6 October 2004, EXIT was switched off and all export reporting was completed in the ICS.

** The final date for the imports cutover is 12 October 2005.

Overview of Customs

Customs assists in management of the security and integrity of Australia's borders. It works closely with other government and international agencies, in particular the Australian Federal Police, the Australian Quarantine and Inspection Service, the Department of Immigration and Multicultural and Indigenous Affairs, the Department of Transport and Regional Services and the Australian Defence Force, to detect and deter unlawful movement of goods and people across the Australian border.

The agency is a national organisation employing over 5000 people around Australia and overseas. It has a fleet of eight ocean-going patrol vessels and operates Coastwatch civil maritime surveillance and response. Protecting the Australian community through the interception of illegal drugs and firearms is a high priority and sophisticated techniques are used to target high-risk aircraft, vessels, cargo, postal items and travellers. These include intelligence analysis, computer-based analysis, detector dogs, container x-ray and various other technologies.

Information on Customs organisational structure is on page 99.

Vision and roles

The vision of Customs is to be a world leader in customs administration by delivering high-quality service to the community, industry and commerce.

Customs three principal roles are to:

- facilitate trade and the movement of people across the Australian border while protecting the community and maintaining compliance with Australian law
- collect customs revenue efficiently
- administer specific industry schemes and trade measures.

Minister and portfolio

Customs has been responsible to the Minister for Justice and Customs since 21 October 1998 and is an agency within the Attorney-General's portfolio. Senator the Hon Chris Ellison was appointed Minister for Justice and Customs on 30 January 2001.

Authority and power

Customs derives its authority from the Australian Constitution, which provides for the levying of customs duties and for laws concerning trade and commerce. Customs was established in its present form on 10 June 1985 by sub-section 4(1) of the *Customs Administration Act 1985*.

The constitutional authority of Customs is given legislative expression through the Customs Act and related legislation. Customs also administers legislation on behalf of other government agencies, especially for the movement of goods and people across the Australian border.

Statutory powers of the CEO of Customs

The *Customs Administration Act 1985* provides for the establishment of Customs and for the appointment of a CEO who, under the Minister, controls Customs. The CEO is appointed by the Governor General for a specified period of not more than five years but is eligible for reappointment.

Certain statutory functions and powers are vested in the Minister but most decisions made under Customs legislation are the responsibility of the CEO of Customs. The CEO may, by signed instrument, delegate to an officer of Customs all or any of the functions and powers of the CEO. Where a function or power is delegated and exercised, the CEO is taken to have personally performed or exercised the function or power.

Commonwealth legislation under which Customs has powers

Primary legislation under which Customs has powers includes:

- *Customs Act 1901*
- *Commerce (Trade Descriptions) Act 1905*
- *Copyright Act 1968*
- *Passenger Movement Charge Act 1978*
- *Trademarks Act 1995.*

Other legislation under which Customs exercises powers includes:

- *Australian Postal Corporation Act 1989*
- *Crimes Act 1914*
- *Environment Protection and Biodiversity Conservation Act 1999*
- *Financial Transactions Reports Act 1988*
- *Fisheries Management Act 1991*
- *Migration Act 1958*
- *Narcotic Drugs Act 1967*
- *National Health Act 1953*
- *Olympic Insignia Protection Act 1987*
- *Psychotropic Substances Act 1976*
- *Quarantine Act 1908.*

Other legislation under which Customs collects charges and revenue includes:

- *A New Tax System (Goods and Services Tax) Act 1999*
- *A New Tax System (Wine Equalisation Tax) Act 1999*
- *A New Tax System (Luxury Car Tax) Act 1999*
- *Customs Depot Licensing Charges Act 1997*
- *Customs Securities (Penalties) Act 1981*
- *Customs Tariff Act 1995*
- *Customs Tariff (Anti-Dumping) Act 1975*
- *Customs Undertakings (Penalties) Act 1981*
- *Import Processing Charges Act 2001*
- *Passenger Movement Charge Collection Act 1978.*

Administrative Acts that Customs complies

with include:

- *Customs Administration Act 1985*
- *Administrative Decisions (Judicial Review) Act 1977*
- *Disability Discrimination Act 1992*
- *Financial Management and Accountability Act 1997*
- *Freedom of Information Act 1982*
- *Occupational Health and Safety (Commonwealth Employment) Act 1991*
- *Privacy Act 1988*
- *Public Service Act 1999.*

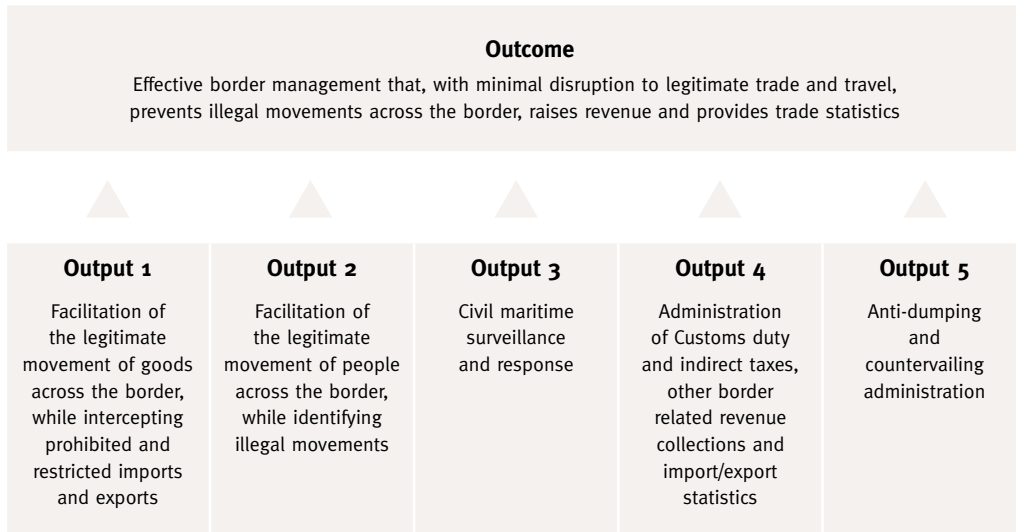
These lists are not exhaustive and do not include all delegated legislation, such as regulations.

Significant changes in the functions or services of Customs

The Joint Offshore Protection Command brings together the resources and expertise of both Customs and the Australian Defence Force to create a single maritime surveillance and response system. The command reports to the CEO of Customs and the Chief of the Defence Force. Its headquarters, in Canberra, opened in March.

Outcome and Output structure

Figure 2. 2004–05 Outcome and Output framework



The Outcome is the social and economic result of Customs Outputs. Outputs are the services Customs delivers to government and the community.

Corporate priorities 2004–05

To help meet its Outcome, Customs developed and acted on a number of corporate priorities. The relationship between these Corporate Priorities, organisational initiatives in 2004–05 and Customs Outputs is set out below.

Corporate Priorities	Initiative detailed in performance reporting	Output
<p>Counter terrorism/ Improved Quarantine Intervention</p> <ul style="list-style-type: none"> – maintain strong focus on physical and electronic screening of cargo, vessels and passengers for criminal and other threats – enhance organisational security measures – implement systems and procedures that improve national security but minimise disruption to legitimate activity, where possible. 	<ul style="list-style-type: none"> First port boarding Ammonium nitrate regulations Relevant technology initiatives (including container examination facilities, detector dogs, radiation and chemical detectors, Neutron Scanner) Pre-arrival screening of passengers Advance passenger processing Joint Offshore Protection Command 	<ul style="list-style-type: none"> Output 1 Output 1 Output 1 Output 2 Output 2 Output 3
<p>Border Protection</p> <ul style="list-style-type: none"> – detect prohibited and restricted goods – regulate people movements across the border – maximise the detection of illicit drugs and precursor chemicals – contribute to the improved protection of Australia's natural marine resources and primary industry. 	<ul style="list-style-type: none"> Drug research, National drug strategy Cooperation with other agencies Pre-arrival screening of passengers Advance passenger processing Aerial surveillance coverage National Marine Unit Australian Maritime Identification System Maritime surveillance contracts Operation Clearwater Southern ocean maritime patrol and response Relevant technology initiatives 	<ul style="list-style-type: none"> Output 1 Output 1 Output 2 Output 2 Output 3 Output 3 Output 3 Output 3 Output 3 Output 3 Output 3 Outputs and 3
<p>International Cooperation</p> <ul style="list-style-type: none"> – participate in negotiation and implementation of trade agreements – promote Australian interests and security through cooperative relationships with relevant overseas Customs administrations and other bodies. 	<ul style="list-style-type: none"> Proliferation security initiative Free Trade Agreements Supply chain security Antidumping WCO, WTO, APEC, OCO and capacity building 	<ul style="list-style-type: none"> Output 1 Output 4 Output 4 Output 5 Enabling Outputs
<p>Innovation and Technology</p> <ul style="list-style-type: none"> – deliver, implement and manage the transition to the systems that support the CMR Project – continuously improve revenue collection and border protection, including methods to detect nuclear, chemical, radiological and biological weapons, through better technology. 	<ul style="list-style-type: none"> Cargo Management Reengineering Container Examination Facilities Detector dog program Radiation detectors Chemical detectors Closed circuit television Computer forensics Neutron scanner SmartGate Satellite surveillance High frequency surface wave radar/ unmanned aerial vehicle Secure communication 	<ul style="list-style-type: none"> Outputs 1 and 4 Output 1 Output 1 Output 1 Output 1 Output 1 Output 1 Output 1 Output 2 Output 3 Output 3 Output 3

Corporate Priorities	Initiative detailed in performance reporting	Output
Revenue Collection		
– Efficient and effective administration of Customs duty, indirect taxes and industry schemes.	Cargo reporting strategy	Output 1
	Passenger Movement Charge	Output 2
	Passenger and crew duty free concessions	Output 4
	Tariff, rules of origin and valuation	Output 4
	Antidumping	Output 5
Enhance Organisational Performance and Capability		
– Enhance organisational performance and capability through people, finance, information and communication technology and information management.	Improved licensing processes	Output 1
	Improving airport flow	Output 2
	Corporate governance (Including, risk management, business continuity, performance analysis and the Annual Report)	Enabling Outputs
	Information and information technology management	Enabling Outputs
	Training and development	Enabling Outputs

Anticipated results

Results Customs aimed to achieve in 2004–05:

- certainty and security for Australian industry and trade
- protection of Australian society from the potentially harmful effects of prohibited and restricted goods through both air and sea movements
- facilitation of legitimate traveller movements
- protection of the community from the entry of unauthorised people
- protection of Australia's natural marine resources
- implementation and enforcement of international protocols including the protection of wildlife
- collection of revenue to Government that is accurate and timely
- reporting of accurate and timely statistics
- application of World Trade Organization (WTO)-consistent remedies for industry for injury caused or threatened by dumped or subsidised imported goods.

Workforce characteristics

Customs strives to have employees who exhibit values and characteristics that include:

- integrity
- honesty
- accountability
- professionalism
- fairness
- innovation
- flexibility
- responsiveness
- continuous improvement
- team orientation.

Customs teams – leading Customs

Within Customs, it is the Senior Executive Service and Regional Directors who lead the organisation.

At a meeting of this group in May, the Chief Executive Officer, Lionel Woodward, reflected on the role of the Senior Executive Service since he had joined Customs in 1994.

“The senior executive management team is a group of skilled, experienced and dedicated people with a flair for innovation and a drive to implement change quickly and well.

The team is now a balance of men and women. Some 40 per cent of the Senior Executive Service team are women.

We have consciously sought to bring in demonstrated experience from outside and we have a team where less than half have spent more than five years in Customs.

The quality of the people is what we aim for and a team that is responsive to change but has sufficient corporate knowledge to ensure mistakes are not repeated”.



The Senior Executive Service and Regional Director team at the conference in May 2005, left to right, front to back: Tim Chapman, John Eldridge, Peter Naylor, Graeme Charwood, Phil Burns, Geoff Johannes, Jaci Fisher, Jamie Macgregor, Sue Pitman, Jane Bailey, Christine Marsden-Smedley, Jenny Peachey, Andrew Rice, Lionel Woodward, Murray Harrison, John Marks, Virginia Lynch, Brian Hurrell, Tom Marshall, Kirsten Whitehouse, Russ Crane, Peter Thomson, Marion Grant, Jeff Buckpitt, Richard Janeczko, Jo Hein, John Valastro, Roxanne Kelley, Michelle Kinnane, Paul O'Connor, John Jeffery, Gayle Brown, Matthew Corkhill, David Collins, Jenny Eutick, Annwyn Godwin, Jon Brocklehurst, Gail Batman, Geoff Lanham and Philomena Carnell.



Section 2
Performance reporting



Photo: Customs officer Geoff Quinn at Sydney airport.

The Customs Outcome

Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics

The goal of Customs is to provide the nation with effective border management in line with the Government's commitments to increase border protection.

In 2004–05, Customs protected Australia's interests by detecting, controlling and, where appropriate, preventing the entry and exit of individuals and goods that had the potential to adversely affect the safety or quality of life in Australia.

In addition, Customs protects Australia's revenue base through effective collection of revenue and the administration of certain government industry schemes and trade measures.

Customs strengthened maritime security capability by:

- contributing to the Joint Offshore Protection Command
- increasing first port boarding
- increasing the operating hours and throughput of the Container Examination Facilities
- commencing the extension of the closed circuit television network to additional ports
- examining the development and implementation of a standardised data set for whole of government reporting.

Following the successful Southern Ocean surveillance and enforcement program undertaken in 2003–04, the Government extended the interim program. In cooperation with the Australian Fisheries Management Authority and supported by Defence and the Australian Antarctic Division, Customs conducted surveillance and armed patrols for vessels engaged in illegal fishing. This also protects Australia's sovereign interests

in, and the environmental values of, the Southern Ocean.

Between November 2002 and November 2003, Customs established Container Examination Facilities at the ports of Sydney, Melbourne, Brisbane and Fremantle, with a smaller facility in Adelaide commencing operations in March 2005. The increased examination capacity is a core element of Australia's border protection strategy under the Government's *Tough on Drugs* and *Protecting our Borders* policies.

Customs, with the Department of Foreign Affairs and Trade and the Department of Immigration and Multicultural and Indigenous Affairs, expanded the trial of an automated biometric border-processing system. Customs received funding to upgrade and install an additional automated biometric border-processing transaction point with passport biometric chip-reading capacity.

Customs continued with the reengineering and integration of business processes for cargo management to improve service delivery to industry and to make greater use of technology. A consultative approach with industry is providing a smooth transition from the old to the new systems.

In 2004–05 Customs:

- cleared 5.5m air cargo consignments and 1.8m sea cargo consignments (5m air cargo and 1.7m sea cargo in 2003–04)
- processed over 20.9m people through international airports and seaports (18.8m in 2003–04)
- achieved a 99.4 per cent proportion of electronically lodged entries where an authority to deal is transmitted within 15 minutes of receipt of entry payment and finalisation of entry details (99 per cent in 2003–04)
- achieved a 95.1 per cent proportion of arriving international passengers processed through the entry control point within 30 minutes of arrival (target 95 per cent)

- conducted over 4400 surveillance flights over coastal and offshore areas, equating to a total area of about 140m square nautical miles (4500 surveillance flights over an area of 138m square nautical miles in 2003–04)
- seized 194kg of cocaine (131kg of cocaine in 2003–04), 2375kg of MDMA (ecstasy) (873 of MDMA in 2003–04), 151kg of amphetamine-type stimulants (6kg of amphetamine type stimulants in 2003–04), 177kg of heroin (62kg of heroin in 2003–04) and 5kg of cannabis (709kg of cannabis in 2003–04).

Customs duties collected amounted to over \$5b in 2004–05 (over \$5b in 2003–04). In addition, Customs administered \$1366m of

Government concessions including \$548m under the Tariff Concession Scheme (\$479m in 2003–04) and \$121m in duty drawbacks to industry (\$106m in 2003–04).

Customs measures performance against the Outcome and five Output targets set in 2004–05 Portfolio Budget Statements and Additional Estimates Statements. Targets include quantity and quality performance measures (for the Outputs) and effectiveness measures (for the Outcome).

Customs performance against the targets set at the beginning of the year are below.

Figure 3: Outcome performance against targets set in 2004–05 Portfolio Budget Statement

Effectiveness indicators	Measures	Target*	Actual
Minimum disruption to legitimate trade and travel			
Cargo facilitation	Proportion of electronically lodged entries where an authority to deal is transmitted within 15 minutes of receipt of entry payment and finalisation of entry details	97%	99.4%
Passenger facilitation	National proportion of arriving international passengers processed through the entry control point within 30 minutes of arrival	95%	95.1%
Prevent illegal movement across the border			
Illicit drugs	Trends in the number and weight of drug detections	**	See Figure 11 and Figure 12
Other prohibited goods	Trends in the number of detections and/or seizures of other prohibited imports and exports	**	See Figure 7 and Figure 8
Civil maritime surveillance	Undetected suspect illegal entry vessels (SIEVs) subsequently found to have breached the Australian border	**	See Figure 24
Raise revenue			
Revenue collection	Significant revenues collected (including Customs duty, GST collected and Passenger Movement Charge)	\$7 878m (net of GST deferred)	\$7 892m [#]

* Targets may be performance targets, service level targets or estimates.

** Performance targets cannot be estimated through any reliable statistical or other method.

Revenue excludes the dollar value of Automotive Competitiveness and Investment Scheme (ACIS) credits acquitted (moneys forgone by Customs). ACIS Credit is a duty liability not paid but acquitted against a credit granted under the ACIS set out in the *ACIS Administration Act 1999*.

Funding for Outcome and Outputs

The prices for the Outcome and Outputs are calculated using activity-based costing information and attributed across the outputs to provide a complete picture, including for Enabling Outputs (see Figure 4).

Approximately 73 per cent of Customs costs can be directly attributed to an Output. For the remaining 27 per cent, the costing model allocates overhead expenses to Outputs on a staff full time equivalence (FTE) per Output basis.

Resources allocated for the Outcome

Figure 4: Resources allocated for the Customs Outcome 2004–05

	(1) Budget* 2004–05 \$'000	(2) Actual results 2004–05 \$'000	Variation (column 2 minus column 1) \$'000
Administered Expenses (including third party outputs)	255	4 612	4 357
Total Administered Expenses	255	4 612	4 357
Price of Agency Outputs			
Output 1 – Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	329 235	329 675	440
Output 2 – Facilitation of the legitimate movement of people across the border, while identifying illegal movements	107 926	117 899	9 973
Output 3 – Civil maritime surveillance and response [#]	317 531	306 953	-10 578
Output 4 – Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	190 964	162 790	-28 174
Output 5 – Anti-dumping and countervailing administration	5 283	7 816	2 533
Total Price of Outputs**	950 939	925 133	-25 806
Revenue from Government (Appropriation) for Agency Outputs	758 296	758 296	0
Revenue from other sources	192 643	203 918	11 275
Total Revenue for Outputs	950 939	962 214	11 275
TOTAL PRICE FOR OUTCOME 1 (Total Price of Outputs and Administered Expenses)	951 194	929 745	-21 449
TOTAL REVENUE FOR OUTCOME 1 (Total Revenue for Outputs and Administered expenses)	951 194	966 826	15 632
Average Staffing Level (Number) (full-time equivalents, including inoperatives)			2004–05 4 686

* Full-year budget, including additional estimates.

** Total Price of Outputs and Total Revenue for Outputs compares the total of the prices derived from estimated revenue to the total of the prices derived from actual expenses. The difference between the 'actual total price of Outputs' and the 'actual total revenue for Outputs' reflects Customs operating surplus for the year.

Price includes the resources received free of charge from the Australian Defence Force.

Figure 5: Resources allocated for the Customs Outcome 2005-06

	Budget* 2005-06 \$'000
Administered Expenses (including third party outputs)	280
Total Administered Expenses	280
Price of Agency Outputs	
Output 1 – Passenger movement and intelligence	261 600
Output 2 – Border compliance and enforcement	375 800
Output 3 – Cargo regulation, trade facilitation and revenue collection	104 400
Output 4 – Civil maritime surveillance and response [#]	236 600
Total Price of Outputs**	978 400
Revenue from Government (Appropriation) for Agency Outputs	783 265
Revenue from other sources	195 135
Total Price of Outputs	978 400
TOTAL FOR OUTCOME 1 (Total Price of Outputs and Administered Expenses)	978 680
Average Staffing Level (Number) (full-time equivalents, including inoperatives)	2005-06 4 902

* Budget as announced in the Portfolio Budget Statements. Revised structure.

** Total Price of Outputs compares the total of the prices derived from estimated revenue to the total of the prices derived from actual expenses. The difference between the actual total price of outputs and the actual total revenue for outputs reflects Customs operating surplus for the year.

Price includes the resources received free of charge from the Australian Defence Force.

Portfolio Budget Statements

The total price of Outputs in the initial 2004-05 Portfolio Budget Statement was \$879.900m, including an appropriation of \$702.619m and revenue from other sources of \$177.281m.

Customs was also appropriated an equity injection of \$19.471m in 2004-05. This included the provision of capital funds associated with initiatives such as biometrics, Container Examination Facilities, enhanced security arrangements, the Neutron Scanner program and preparation for the Melbourne Commonwealth Games 2006.

Portfolio Additional Estimates Statements

After Portfolio Additional Estimates hearings, the total price of Outputs was revised to \$950.939m (up \$71.039m). This reflected an increase in funding for new Government initiatives and additional funding from the review of Customs financial position.

Actual expenditure

Details on the actual expenditure of Customs in 2004-05 are shown in Figure 4. Further information on this expenditure is available in the financial statements and accompanying notes on pages 148-211.

Review of Customs financial health

An independent review of Customs financial position was conducted in 2004-05 to assess the future funding requirements of Customs. The review was contracted to Ernst and Young on behalf of Department of Finance and Administration and Customs. It was completed in October 2004 and included a comprehensive assessment of activities, costs and ways to improve Customs financial position. The government adopted the report which now also provides a workload measurement device for passenger processing.

Customs contribution to other agencies

Customs provides a range of services to assist almost 100 Federal and State agencies to achieve their outcomes. Customs services provided to key agencies are detailed below. These services are normally governed by agency-to-agency Memorandums of

Understanding and Service Level Agreements which are periodically reviewed.

Customs also administers legislation on behalf of these and other government agencies, especially in relation to the movement of goods and people across the Australian border.

Australian Federal Police	<ul style="list-style-type: none"> – referrals at the border under criminal legislation, including drug detections, persons of interest, (for example criminal activity or potential terrorists) and undeclared excess currency – civil maritime surveillance and response activities for people smuggling and remote area logistic support
Australian Fisheries Management Authority	<ul style="list-style-type: none"> – regulation of the import/export of certain fish products – civil maritime surveillance and response
Australian Quarantine and Inspection Service	<ul style="list-style-type: none"> – assist in the delivery of quarantine inspection services for goods, people, ships and aircraft at the border and remote ports – logistic support within the Torres Strait – civil maritime surveillance and response
Australian Taxation Office	<ul style="list-style-type: none"> – administration of revenue collection activity including Tourist Refund Scheme, the Passenger Movement Charge, Customs duty and indirect taxes, the goods and services tax, the luxury car tax and the wine equalisation tax
Department of Defence	<ul style="list-style-type: none"> – resources, including surveillance and response assets, in support of Operation Relex II (people smuggling focus) – assessment and clearance functions and referrals for restricted exports on the Defence and Strategic Goods List
Department of Health and Ageing	<ul style="list-style-type: none"> – providing expertise and advice on the National Drug Strategy policy on import and export of substances – identifying new substances which may require regulation at the border – contributing to the whole-of-government position on licit and illicit drugs – prohibiting the import of viable materials derived from human embryo clones – prohibiting the import and export of human embryo clones – regulating the movement of drugs and other substances
Department of Immigration and Multicultural and Indigenous Affairs	<ul style="list-style-type: none"> – clearance functions for passengers and crew at international airports and seaports – civil maritime surveillance and response
Department of the Environment and Heritage	<ul style="list-style-type: none"> – assessment and clearance functions and referrals for restricted imports and exports, including endangered species (flora and fauna), ozone hazardous waste and cultural heritage – provision of intelligence – investigations into actual or suspected breaches of relevant Acts and/or Regulations – examinations of cargo where there is a suspected or actual breach of a relevant Act or Regulation – assistance in transportation, storage and disposal of hazardous waste and ozone depleting substances – collection and provision of data in relation to illegal fishing and environmental information in the Southern Ocean – assistance in environmental protection in the Ashmore Islands Nature Reserve – civil maritime surveillance and response.

Other agencies contribution to Customs Outcome

Australian Federal Police	<ul style="list-style-type: none"> – investigation of Commonwealth offences – provision of intelligence information – training support for investigations officers and training in use of force for National Marine Unit/ Southern Oceans Maritime Patrol Response (SOMPR) officers
Australian Fisheries Management Authority	<ul style="list-style-type: none"> – targeting information on threats in Australian Fishing Zone – training of Customs officers on fisheries legislation and enforcement procedures – support SOMPR with embarked fisheries officers
Australian Quarantine and Inspection Service	<ul style="list-style-type: none"> – providing assistance to Customs during vessel inspections, clearance of passengers and crew and surveillance functions. This includes shared use of x-rays, CCTV and joint vessel patrols within Australian waters – referral of animal or plant products (prohibited under the Environment Protection and Biodiversity Conservation Act 1999), narcotics, dutiable items, undeclared currency and community protection items (including weapons) that are detected during quarantine inspection of ships, aircraft, passengers and incoming international mail – providing support to Customs in achieving 100 per cent inspection of HVLV consignments
Australian Taxation Office	<ul style="list-style-type: none"> – information as necessary and authorised by law and released under the Memorandum of Understanding between Customs and the Australian Taxation Office with particular reference to Schedule 2, Excise matters. These matters generally relate to industry information, and the exportation and importation of alcohol, tobacco and petroleum which may have revenue consequences for the payment of Excise duty
Department of Defence	<ul style="list-style-type: none"> – resources in support of civil maritime surveillance and response – secondment of staff to Coastwatch and the Joint Offshore Protection Command – provision of intelligence – scientific advice in relation to emerging technologies – training and technical advice to assist in the identification of goods on the Defence and strategic goods list – logistic and training support for arming Australian Customs Vessels with deck-mounted weapons systems
Department of Health and Ageing	<ul style="list-style-type: none"> – providing expertise and advice on health related licit and illicit drug issues – ensuring operational and policy responses reflect whole-of-government position on licit and illicit drugs – regulating the movement of drugs and other substances
Department of Immigration and Multicultural and Indigenous Affairs	<ul style="list-style-type: none"> – immigration clearance training – decisions on entry clearance – expert document examination
Department of the Environment and Heritage	<ul style="list-style-type: none"> – assistance in assessment and clearance functions and referrals for restricted imports and exports, including endangered species (flora and fauna), ozone depleting substances, hazardous waste and cultural heritage – provision of intelligence and expert technical advice – providing appropriate training for Customs officers – storage and security of ozone depleting substances – assistance in respect of the transportation, storage and disposal of hazardous waste – provision of comprehensive medical support and infrastructure for SOMPR – medical and dental support for SOMPR – policy advice on matters relating to the Commission for the Conservation of Antarctic Marine Living Resources for fisheries patrols.

Increased Quarantine Intervention

In 2001–02 the Government approved additional funding to strengthen Australia's quarantine programs through the Increased Quarantine Intervention (IQI) initiative. This was in response to the outbreak of foot and mouth disease in the United Kingdom and Europe. As part of the initiative Customs committed to inspecting all High Volume/Low Value (HVLV) consignments imported through air express couriers and screening all international mail. The Government has extended quarantine border security funding until at least 2008–09.

Customs achieved 100 per cent inspection of HVLV consignments and postal items in conjunction with the Australian Quarantine and Inspection Service. In addition to the interception of items presenting a quarantine risk, inspections also resulted in the detection of narcotics, weapons and other prohibited imports.

Proceeds of crime

As part of the Government's proceeds of crime legislation, \$885 314 was provided for enhanced closed circuit television monitoring at airports.

Customs initiated five new proceeds of crime investigations. As at 30 June 2005, six investigations had been concluded and 16 are under active investigation.

Output 1

Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports

Output 1 pricing is shown in the financial statements on page 210.

To prevent the import or export of prohibited items, and to control the movement of restricted items, this Output covers the processing of goods across the border, including:

- risk assessment of vessels, aircraft, cargo, mail, air and sea passengers and baggage
- intelligence, targeting and search activities
- surveillance of international airports, waterfronts and international mail centres
- land-based surveillance of the coastline, and aerial/marine surveillance and response for specific operations.

The Output covers the investigation and prosecution of non-narcotic prohibited import and export offences, including measures by Customs to control or restrict the movement of goods on behalf of other agencies. Prohibited and restricted items include illicit drugs, weapons, pornography, unsafe and unlabelled products, therapeutic goods, wildlife, quarantine items and counterfeit and pirated goods. Broadly, this Output covers Customs community protection role by carrying out all the above mentioned activities.

This part of the report includes measures taken to streamline the flow of legitimate trade, as well as initiatives introduced in 2004–05 designed to enhance community protection.

Key operational objectives in 2004–05 included:

- improving (or sustaining) industry compliance with cargo and trade-related Customs laws while minimising any adverse impact on industry/business
- increasing first port boarding to 75–80 per cent by the end of the 2004–05 financial year
- expanding the number of detector dog

teams to enhance the Detector Dog Program and strengthen border protection

- increasing operating hours and throughput at Container Examination Facilities (CEFs)
- ensuring existing and new technology effectively supported Customs business processes.

Key achievements included:

- leading a project to standardise data for import, export and transitions of cargo and crew, and exploring creation of a single window for data required by Government
- improving sea cargo reporting
- upgrading INTERCEPT which records vessel and crew movements
- increasing first port boarding to 76 per cent compared with 70 per cent in the previous year
- inspecting 128 411 TEU (twenty-foot equivalent) containers at the CEFs
- expanding the Detector Dog Program to enable the graduation of five new teams in May 2005 and the commencement of four teams into the training program
- expanding the fleet of radiation detectors
- deploying new trace detection equipment in key operational areas for chemical detection
- installing CCTV surveillance systems at airports and seaports
- progressing the neutron scanner trial, to efficiently screen air cargo, by establishing a facility at Brisbane airport to house the scanner
- detecting/seizing 194kg of cocaine, 2375kg of MDMA (ecstasy), 151kg of amphetamine-type stimulants, 177kg of heroin and 5kg of cannabis
- intercepting prohibited imports including 403 wildlife detections and 1010 firearm and firearm parts detections from international passengers
- participating in forums aimed at combating identity fraud, money laundering and corruption.

Performance figures against targets set in the 2004–05 Portfolio Budget Statement are detailed on page 22.

Figure 6: Performance against targets set in the 2004–05 Portfolio Budget Statement – Output 1

Quality/quantity performance measures	Target*	Actual
Facilitate movement of goods		
Quality		
Proportion of electronically lodged entries where an authority to deal is transmitted within 15 minutes of receipt of entry payment and finalisation of entry details	97%	99.4%
Electronic cargo systems—availability to Customs clients (availability against typical work day)	Air cargo automation 99.7% Sea cargo automation 99.7%	99.9% 100.0%
Rates of appeal against decisions where the original decision by Customs is overturned	**	See Appendix D on page 219
Quantity		
Number of imported air waybills reported	5 410 000	5 484 627
Number of imported sea cargo manifest lines reported	1 890 000	1 848 511
Number of export declarations lodged [^]	1 200 000	1 252 972
Interception of prohibited/restricted goods		
Quantity		
Weight and number of drug detections by significance of offence	**	See Figure 12
Weight of drug detections by mode of importation	**	See Figure 11
Number of detections and/or seizures of other prohibited imports and exports	**	See Figure 7 and Figure 8
Price	\$329.235m	\$329.675m

* Targets may be performance targets, service level targets or estimates.

** Performance targets cannot be estimated through any reliable statistical or other method.

[^] Includes both ECNs (or export clearance) issued under the old EXIT scheme, and EDNs (or export declarations) issued when the Integrated Cargo System (ICS) Exports module went live on 22 September 2004.

Figure 7: Number of detections/seizures of prohibited imports* for international air passengers other than illicit drugs

	2002-03	2003-04	2004-05
Quarantine[^]	106	41	42
Revenue	3 126	2 705	3 211
Major	45	75	123
Minor	3 081	2 630	3 088
Undeclared excess currency (referred to AFP)	190	156	158
Wildlife	1 225	637	403
Major	24	2	7
Minor	1 201	635	396
Prohibited imports	5 444	4 859	..
Major	213	179	..
Minor	5 231	4 680	..
Firearms (including firearm parts)	..	..	1 010
Major	..	..	34
Minor	..	..	976
Other weapons	..	..	1 038
Major	..	..	51
Minor	..	..	987
Other prohibited goods	..	..	3 282
Major	..	..	61
Minor ⁺	3 221

* A major find usually refers to an incident where a record of interview is conducted or prosecution action commenced. A minor find usually refers to an incident where a record of interview is not conducted or no prosecution action has commenced.

[^] Refers to quarantine related finds by Customs that result in prosecution action. The number of minor finds referred to AQIS is not shown.

⁺ Includes 'Other' finds.

A new recording system, the Baggage Action General Statistics (BAGS) system, was introduced in the middle of 2003-04 financial year. One major change with BAGS was that only undeclared items located during a baggage examination or personal search conducted by Customs were recorded in the statistics. Undeclared items located otherwise, for example, during AQIS intervention, are not captured in BAGS. The other was that prohibited goods were broken up into sub-categories: firearms (including parts), other weapons, other prohibited goods and 'other' breaches of Commonwealth legislation not covered under legislation specified in defined sub-categories. This split is shown for the first time in 2004-05.

Framework

Changes to legislation

Commercial quantities

The *Customs Amendment Act 2004 (No.133, 2004)* amended Schedule VI of the *Customs Act 1901* (the Customs Act) to ensure that a commercial quantity is prescribed for all narcotic substances. This means that life imprisonment penalties are available for offences against section 233B of the Customs Act where a commercial quantity of the prescribed drug is involved. Before this legislative change, life imprisonment sentences were only available for drugs that had commercial quantities specifically prescribed. The new penalties apply to all offences committed on or after 10 December 2004.

Serious drug offences

The *Law and Justice Legislation Amendment (Serious Drug Offences and Other Measures) Bill* was tabled in Parliament on 26 May 2005. The purpose of the Serious Drug Offences Bill includes consolidating all Federal drug offences in one place, and increasing the uniformity of drug offences across States and Territories of Australia. The new offences are based on the *Model Criminal Code Officers Committee Report on Serious Drug Offences* (Chapter 6) – published in October 1998. Customs provided extensive input into the development of the Serious Drug Offences Bill.

Prohibited Imports Regulations amendments

In 2004–05, amendments to the *Customs (Prohibited Imports) Regulations 1956* and the *Customs (Prohibited Exports) Regulations 1958* included:

- revised regulatory and legislative controls on the import and export of child pornography and child abuse material to reflect the change in age from 16 to 18 years embodied in the *Crimes Legislation Amendment (Telecommunications Offences and Other Measures) Act 2004*
- revised arrangements for the import and export of industrial and agricultural chemicals in line with the Stockholm Convention on Persistent Organic Pollutants

and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade

- changes to controls on the import of un-manufactured tobacco leaf
- a Disallowance Motion overturning a regulation which allowed the importation of breeds of dangerous dogs for certain scientific purposes. From 30 November 2004, the proposed permission-based regulations reverted to the former absolute prohibition on the import of dangerous dog breeds.

Protection of indicia and images – 2006 Commonwealth Games

To prepare for the Melbourne 2006 Commonwealth Games, Customs is working with the Department of Communication, Information Technology and the Arts (DCITA), Intellectual Property Australia, the Department of the Prime Minister and Cabinet (PM&C), the Attorney General's Department and the Melbourne 2006 Commonwealth Games Corporation. New legislation enacted on 26 June 2005 is designed to prevent the unauthorised commercial use of certain indicia and images associated with the Melbourne 2006 Commonwealth Games.

The legislation will provide a more secure environment for the Melbourne 2006 Commonwealth Games Corporation to raise revenue through sponsorship and can prevent ambush marketing. The *Melbourne 2006 Commonwealth Games (Indicia and Images) Protection Act 2005*, in force until 30 June 2006, is additional to current legislative controls (*Copyright Act 1968*, *Designs Act 1906*, *Trade Marks Act 1995* and the *Trade Practices Act 1974*).

Ammonium nitrate

On 25 June 2004, the Council of Australian Governments (COAG) agreed to a national approach for the regulation of the use, transport and storage of security sensitive ammonium nitrate (SSAN). This is a counter terrorism measure adopted by COAG so that only specially licensed users who can

demonstrate a legitimate need and will apply safe and secure storage and handling procedures will have access to SSAN.

State and Territory regulatory agencies will issue licences to appropriately authorised users and handlers of SSAN.

Amendments to the *Customs (Prohibited Imports) Regulations 1956* and the *Customs (Prohibited Exports) Regulations 1958* will enter into force in July 2005. The new regulations give Customs the authority to withhold unlicensed imports and exports of SSAN. Customs cooperated with PM&C throughout the development of the controls, and will report to the State and Territory regulatory agencies on all imports and exports of SSAN.

Australian Sports Commission Amendment Act 2005

Suspected prohibited activities and doping allegations made against elite Australian athletes in the 2004 Olympics resulted in Customs activity. Customs completed checks on over 850 team members in three days. The checks completed were complex and involved research into Customs data holdings across Australia.

A number of process and legislative framework issues were identified to assist sports bodies to investigate doping in sport. Customs consulted with DCITA during the development of amendments to the *Australian Sports Commission Act 1989*.

The *Australian Sports Commission Amendment Act 2005* allows the Australian Sports Commission Executive Director to authorise the disclosure of Customs information. Customs information covers the importation or attempted illegal importation of performance and image enhancing drugs (PIEDs), uncovered either by postal intercepts or discovery on a person at the border.

The amendments enhance Australia's existing anti-doping framework and affirm Australia's commitment to achieving a sports environment free from prohibited substances.

Improved licensing processes

Premises used to handle and store cargo are subject to Customs control, and conditions apply to their operation. Goods may be stored until the owner enters the goods into home consumption and meets any revenue liability, or exports the goods.

Customs licences a total of 360 depots and 425 warehouses. These figures include 24 new depots and 30 new warehouses licensed during 2004–05. Licences are renewed annually. In some cases supplementary information was obtained from the applicants where insufficient details were provided.

In May 2005, Customs implemented a new computer system, the Licensing Module, to replace the Licensing and Permissions System of the 1990s.

The Licensing Module allows for:

- better management of the licensing process
- improved information to support regional compliance
- interface with the Integrated Cargo System to identify licensed brokers and premises
- support for the electronic reporting of goods and their movement
- interface with financial systems for improved reporting.

National Customs Brokers Licensing Advisory Committee

Customs brokers are licensed to act as agents for owners importing or exporting goods.

The National Customs Brokers Licensing Advisory Committee (NCBLAC) advises the CEO on licensing customs brokers issues. NCBLAC is composed of one member nominated by an organisation representing brokers, one Commonwealth member nominated by Customs CEO and an independent Chair.

In 2004–05, NCBLAC made recommendations to the CEO about a new course of study for brokers. In this period NCBLAC also considered 100 licence applications and held 11 hearings.

Weapons and strategic goods

Customs continues to administer the certification of firearm dealers for newly imported handguns. Customs imposes limits on the number of newly imported handguns that a certified dealer may hold. Where a dealer imports handguns in excess of the specified limit, the imports are stored by Customs on the dealer's behalf. At 30 June 2005, there were 338 gun dealers certified by Customs to hold newly imported handguns. Of these, the majority (over 90 per cent) are certified to hold an amount of no more than ten.

During 2004-05 the number of legitimate commercial importations was 38 786 firearms (including 22 348 rifles, 8466 handguns, 6973 shotguns, 915 military firearms and 84 antique firearms). Commercial exports comprised 8454 firearms (including 2020 rifles, 5430 handguns, 511 shotguns, 69 military rifles, and 424 antique firearms). In the same period, Customs detected and seized 1033 prohibited or undocumented firearms and parts and 6235 air guns.¹

Customs also controls the import and export of other types of weapons. These include weapons such as blades, blowguns, crossbows, knuckle dusters and slings as well as items intended for use in warfare (such as large-calibre cannons and incendiary devices). Importation of these weapons is restricted under Schedule 2 and 3 of the *Customs (Prohibited Imports) Regulations 1956*.

In 2004-05, Customs processed 1004 applications for permission to import Schedule 2 and 3 weapons. This represents an increase of approximately 10 per cent when compared with the period 2003-04. Of the 1004 applications, 964 were approved. The remaining 40 applications were either refusals or applications that, on examination, related to goods that were not restricted.

Customs works cooperatively with other Commonwealth and State/Territory agencies.

The officials-level Firearms Policy Working Group is able to promote national consistency of controls on firearms and other weapons and changes to the controls on crossbows. Customs also contributes to the Australasian Police Ministers' Council process on a range of firearms and weapons related issues.

Facilitating the movement of legitimate goods across the border and ensuring compliance

Cargo reporting

Customs approach to facilitating the movement of legitimate cargo relies on the ability to assess and identify suspect shipments quickly so as to minimise the impact on bona fide consignments. The accuracy of reported cargo by importers and exporters is critical to Customs risk assessment processes.

A compliance improvement strategy for cargo reporting was implemented in the first half of 2003 after Customs identified a need for improved timeliness of reporting, especially for sea cargo. This strategy has since been extended to air cargo.

Key elements of the strategy include provision of regular feedback to cargo reporters on levels of compliance and general education of industry. Customs conducted over 500 educational visits nationally. Continuous monitoring of the environment has improved the overall timeliness of sea cargo reporting.

Nationally, on-time import sea cargo reporting has improved by seven per cent from the time the strategy was implemented to December 2004.

New legislation was introduced in January 2005 to provide Customs with information about cargo before its arrival in Australia and to allow Customs more time to risk assess cargo. The legislation requires all cargo intended to be landed at any port or airport in Australia to be reported prior to its arrival at its first Australian port or airport. In some cases change in business practices has been necessary. Customs continues to assist industry to meet new reporting requirements.

¹ These figures include the seizure of firearms (and parts) and weapons shown in Figure 7.

Customs teams – making trading data talk all languages

Customs is leading an ambitious whole-of-government project that aims to simplify data requirements for trade into and out of Australia. Rather than requiring different data for a range of government agencies, the project aims to develop a common data set that can be read easily by all parties involved in trade.

The Standardised Data Set involves input of more than 80 Federal and State agencies and industry body stakeholders. The project commenced in November 2004 and is required to present two deliverables by the end of October 2005. They are:

- a standardised data set for the submission of import, export and transit data relating to cargo, crew and conveyance (ships and aircraft) details
- a business case exploring options for a trade ‘single window’ facility to enable industry to submit the data required by Government agencies as part of the international trade process only once and have that data used many times.

The project lays the foundation for harmonisation of import, export and transit processes. Anticipated outcomes are a more coordinated risk assessment approach, enhanced supply chain security and cost savings for both industry and government.

The completed data set will be mapped against a widely endorsed international benchmark to facilitate the opportunity for international data exchange as part of trade transactions. The Standardised Data Set project team received a high level of support and cooperation from government and industry stakeholders.



Standardised Data Set Project team, back left to right: Julie Wright, Julie Olarenshaw, Lindy Leavold, Manda Tomić, George Szuty. Middle: Peter King, Malcolm Galer, Jeff McKee. Front: Neil Hogan, Gareth Lewis, Paul McLellan.

Counter terrorism

Proliferation Security Initiative

The Proliferation Security Initiative is of vital importance to most countries to prevent terrorist threats. Customs participated in a variety of conferences and international exercises including Operational Experts Meetings, to share information and plan future exercises. Customs participated in Samurai 04, a maritime exercise, hosted by Japan. Customs provided a team leader/observer and a four-man boarding and search team. Samurai 04 enabled countries to work together to improve procedures and readiness in the prevention of the spread of weapons of mass destruction and missile-related trade. The exercise was valuable for Customs, providing a rare opportunity to work with international agencies as part of a joint training exercise.

Australia is hosting an air/ground interception exercise in April 2006 called Pacific Protector 06. Initial planning for the scenario has commenced.

Australia Group

To mark the 20th anniversary of the Australia Group, the annual forum for the prevention of the proliferation of chemical and biological weapons was held in Sydney. Customs produced a table-top discussion exercise attended by many of the conference delegates. The table top exercise focused on an international investigation dealing with attempts to obtain dual use chemicals for transshipment to a third country for proliferation purposes. The cross section of Customs areas and various government agencies involved in the exercise demonstrated the:

- complex nature of border security
- need for countries to form close partnerships between their domestic agencies and internationally.

Interagency cooperation

Customs continued to provide counter terrorism awareness and response training to all staff. A two day advanced counter terrorism awareness course was also developed for operational staff.

To facilitate interagency cooperation in the counter terrorism environment, the course includes participants from agencies such as the Australian Security Intelligence Organisation, the Australian Federal Police and State and Territory police.

International Maritime Organization

Customs was part of the Australian delegation at the International Maritime Organization (IMO) Legal Committee in April 2005 to discuss strengthening the international response to maritime terrorism. Amendments to the Suppression of Unlawful Acts against the Safety of Maritime Navigation Convention and the Protocol for the Suppression of Unlawful Acts against Safety of Fixed Platforms Located on the Continental Shelf 1988 were discussed.

The IMO legal committee proposed the introduction of criminal offences to prohibit the transport of terrorists, as well as prohibited weapons including chemical, biological and other weapons of mass-destruction. Provisions that will allow the boarding of vessels suspected of committing these offences will be finalised in October 2005.

Outer Edge 05

In April 2005, Customs participated in a counter terrorism investigation and consequence management exercise coordinated by the Protective Security Coordination Centre of the Attorney General's Department. The exercise involved a deployment phase, a number of discussion exercises and training activities, focused on a simulated terrorist attack in Darwin. The exercise tested Customs ability to coordinate, communicate and work effectively with other Federal and State agencies.

Maritime security

Customs continues to work closely with the Department of Transport and Regional Services (DOTARS) in applying the *Maritime Transport and Offshore Facilities Security Act 2003*, which came in to effect on 1 July 2004. Customs has a liaison officer working closely with the Office of Transport Security, which oversees and coordinates maritime security compliance.

Customs has special powers under the Act as law enforcement officers at ports. These include stopping and searching people, vehicles and vessels, or removing them from a security zone. These powers supplement the extensive powers Customs has in the maritime environment for the movements of vessels, crew and cargo.

INTERCEPT

Customs upgraded its INTERCEPT information computer system, which records details of all vessel and crew movements including recording of ship security information as required by DOTARS. Online access to INTERCEPT has been arranged for a number of external agencies involved in the processing of sea crew.

Increased compliance through first port boarding

In the 2004–05 Budget, the Government provided half-year funding of \$2.8m for Customs to employ an additional 19 Customs officers in Western Australia, the Northern Territory and Queensland.

In 2004, as part of a Government initiative to increase maritime security, Customs received an additional \$9.3m over three years to maintain the rate of boarding ships at the first port of arrival in Australia. The target is 75–80 per cent. As at 30 June 2005, Customs achieved 76 per cent first port boarding, an increase from the 2003–04 figure of 70 per cent.

Customs teams – helicopter flights speed up first port boarding procedures

Staff at Customs district offices undertake checking and clearing of international vessels and crew at a ship's first port of entry into Australia. The logistics of this key part of border security are not always easy.

Not all ships can tie up at a wharf immediately when they arrive. An example is at Mackay, Queensland, where massive bulk ore ships may be required to anchor 12km off the coast before they come into port. Boarding at Mackay is also complicated by tidal movements and wharf infrastructure design that hampers use of gangways.

Customs staff at Mackay use ready-response vessels, but the logistics and officer safety issues involved in boarding ships off the coastline and in variable conditions are challenging.

The Mackay District Office began a trial using helicopters to reach these ships quickly. The helicopter speeds up the process of clearing crews and vessels, and allows Customs to increase the number of first port boardings it undertakes.

The helicopter lands on the ship and departs leaving the officers aboard to complete their clearance procedures. On completion of their procedures, the officers summon the helicopter back to pick them up and transport them to the next ship waiting at anchorage. Transfer between ships only takes one or two minutes.

The trial was completed in 2004–05, judged a success and has become an important part of Mackay's first port boarding processes.

The first port boarding workload at Mackay is significant. In 2004–05, it was Australia's fourth busiest port for first port arrivals with 953 ships, behind Dampier, Brisbane and Newcastle and ahead of Fremantle, Port Hedland and Sydney.



Mackay officers Catherine Harpley (left) and Jay Costello get ready to board their helicopter flight.

Five hundred and thirty-nine more vessels were boarded this financial year compared with last year. The number of first port arrival vessels also increased by 170.

Customs is developing nationally consistent guidelines for boarding of ships at their first port of arrival. The guidelines will be finalised early in 2005–06.

Identifying and intercepting prohibited and restricted imports and exports

Identifying risks

Customs selects goods or people that pose a threat to Australia from large numbers of travellers, consignments or vessels.

Sophisticated risk identification techniques and intelligence facilitate this.

The highest priority for Customs risk identification and intelligence in 2004–05 was the translation of risk identification practices into the new Integrated Cargo System. This involved the design of the system, training of Customs staff, and detailed technical work. From October 2004, all export cargo was reported and risk assessed within the new system.

The Government's decision to increase the level of Customs boarding of commercial vessels led Customs to increase intelligence support to this function, including through a strengthened Port Intelligence Unit. This allows better targeting and a greater flow of information.

Intelligence analysis supported the new air cargo screening trial, the implementation of Free Trade Agreements, and regional counter terrorism initiatives.

Customs teams – Customs in South Australia working with eBay on Project Enniska – targeting illegal goods purchased on the Internet

As international trade online grows, the potential for people to import prohibited goods, sometimes by accident, increases. Customs has put in place measures to detect prohibited goods coming into Australia, through an Internet purchase under a national project, Enniska.

While targeting all online trade, the Project Enniska team works closely with online marketplace leader eBay. eBay Australia monitors key areas of the site and has strict policies in place to prevent the sale of prohibited items. It is inevitable that on occasions there will be some items available in international eBay markets that can be legally sold overseas but are prohibited in Australia. The Project Enniska team seeks to identify transactions of interest for further investigation.

Investigative action by Project Enniska has resulted in seizures of firearms and weapons and drug referrals to law enforcement agencies.

This project demonstrates Customs ability to adapt to changing risks and take action. Project Enniska is a true public-private partnership to protect the Australian community.



Left to right: Kym Schrapel, Sandra Corletto and John Schulte receiving the 2004 Australia Day Award Medallion for Achievement in South Australia.

Customs also strengthened liaison with foreign partners and improved the technology underpinning its intelligence processes. This in turn enabled Customs to better manage its risk and achieve some notable seizures.

Development of Customs intelligence systems

The Integrated Cargo System and associated applications provide Customs intelligence with powerful tools for analysis. The intelligence area has a number of projects in train to take full advantage of these tools. These include work on data cleansing, better automation of information search and retrieval and changes to information handling processes. The changes are underpinned by the redevelopment of much of Customs intelligence training.

Detector Dog Program

At the end of 2004, as part of the Government's election initiatives, Customs received additional funding of \$6.89m over four years to expand the number of detector dog teams to enhance the Detector Dog Program and strengthen border protection.

As at 30 June 2005, there were 45 operational teams deployed, which included five new narcotics detector dog teams that graduated in May 2005. These new teams are stationed in Brisbane, Cairns, Darwin, Melbourne and Perth.

Also in May 2005, another four teams commenced a three-month training course in firearms and explosives detection. They will supplement the six existing firearms and explosives detector dog teams already stationed throughout Australia.

An additional firearms and explosives detector dog team, which will commence operations in April 2006, together with replacement training for a further four teams, will raise the number of detector dog teams deployed to 54. This will include two teams trained in the detection of chemical precursors.

The Government's election initiatives included \$1m over four years to strengthen border protection by enhancing the Customs detector dog breeding and training capability through further development of a hazardous chemical detection capability, strengthening Customs

counter terrorism capacity and ensuring the agency's national and international standing in this emerging field.

Some of this funding facilitated the upgrading of training facilities in Brisbane, Perth and at the National Breeding and Development Centre in Melbourne. Work commenced on a pseudoephedrine pilot and developing a chemical detection program. Other projects include a new and improved reporting system for dog taskings, increased accountability for the control of training aids and a new fitness protocol for dog handlers being developed by Health Services Australia.

The Detector Dog Breeding and Training Program received a 'Highly Commended' Award at the Prime Minister's Award for Excellence ceremony on 10 November 2004.

A program to develop a Customs detector dog breeding and training capability in the People's Republic of China (China) commenced in May 2005. Customs will donate 12 pups to China by the end of 2005 to start their own breeding program. Chinese Customs is expected to have the infrastructure and expertise to commence a breeding program by June 2006.

Customs is developing a similar cooperative program to supply quality detector dogs to Indonesian Customs and Excise.

Enforcement operations training

Operational command training

Over 500 staff accessed relevant components of the online Operational Command training. This year also saw seven face-to-face courses conducted resulting in 19 staff qualifying as Operation Chiefs, 56 as Operation Commanders and 88 as Group Commanders. Each region now has access to a base of operational command capability at all levels to lead and manage operational response for the interception of illicit goods or smuggling.

In addition to the large regional centres, staff from 16 District Offices were also trained. The challenge is to increase the numbers of operatives undertaking the training. The online program is proving a suitable platform to facilitate this.

Customs teams – a new generation of detector dogs

Australia is recognised as a world leader in best practice for detector dog breeding, development, training and deployment.

Current international cooperative partnerships include the US Department of Homeland Security, China Customs and the Customs and Excise Directorate General Administration of Indonesia. Customs also remains a major source for supply of quality detector dogs for narcotics and firearms and explosives detection to other agencies such as the Australian Federal Police, Australian Army, State Police forces and a number of State Correctional Services. Customs also provides dogs to the Australian Quarantine and Inspection Service for further training to assist in detecting goods of quarantine concern.

The challenge is to meet this demand while still maintaining high standards and to satisfy Customs requirement for detector dog taskings. Customs received additional funding of \$6.89m over four years to strengthen border protection through expansion of the Detector Dog Program.

Five narcotics detector dog teams were trained and deployed in 2004–05 and training commenced for four more teams in firearms and explosives detection.

Some of the more interesting findings by detector dogs during 2004–05 include:

- 1.25kg cocaine in heat-sealed binders in the post at Sydney
- five ecstasy tablets in a passenger's pocket at Melbourne airport
- 850gm cocaine strapped to a passenger's legs at Sydney airport
- gun components in parcel post at Melbourne
- plastic bottle full of cannabis, ecstasy and amphetamines in hay bales on a prison farm during an operation with Tasmanian Police.



Chris Williams from Customs in New South Wales with firearms and explosives specialist dog Ossie.

The Operational Readiness Unit assists with deployment exercises to put into practice command and other operational skills. Two exercises were conducted in Broome and Melbourne which also provided the opportunity for a productive exchange of information to streamline the delivery of the exercises and to identify further learning needs and opportunities.

Training of New Zealand Customs officers

In May 2005, New Zealand Customs officers took part in a small craft and ships search training course held in Sydney and Brisbane. The training was facilitated by the Customs National Enforcement Training Centre. A further three New Zealand Customs officers attended the ship search course held in June 2005.

Container Examination Facilities (CEFs)

All cargo movements across the border are screened by Customs using a range of intelligence, targeting and profiling techniques. Long-standing cooperation between Customs and other domestic and international law enforcement and security agencies facilitates effective joint operational activity and information exchange that may also assist in identifying and intercepting illicit cross-border activity.

In July 2004, the Government provided an additional \$57.5m over four years to further increase sea cargo inspections at the CEFs from 106 000 to 133 000 TEU (twenty-foot equivalent units) a year. To achieve the increased throughput, each CEF works one shift on Saturdays and from early March 2005, the Brisbane CEF increased its hours of operation to include Monday to Friday afternoon shifts.

The Minister for Finance and Administration opened the Adelaide CEF in 2005 bringing the number of CEFs to five. The Adelaide CEF incorporates a state-of-the-art dual view pallet x-ray system that increase the container inspection rate tenfold at the port of Adelaide from 173 TEU a year to approximately 1733 TEU a year.

The Australian National Audit Office (ANAO) conducted a performance audit of the CEFs during 2004 and reported in December 2004. The ANAO found that Customs CEFs are administratively effective and that Customs had 'implemented effective systems and processes for target selection and development'. The ANAO Report notes that the CEFs significantly bolstered Customs sea cargo inspection rates, providing enhanced border security for all Australians.

The ANAO Report made eight recommendations for improvements in CEF operations. These recommendations covered:

- improving logistics management
- performance reporting
- data integrity improvements
- target development and selection processes
- undertaking a comprehensive review of all the logistics contracts prior to re-negotiations or re-tendering in 2006.

Customs agreed to all recommendations and has made significant progress in their implementation. Customs welcomed the ANAO's recommendations as they will enable Customs to further enhance the CEFs' operations.

Achievements at the Container Examination Facilities

Maintaining inspection and examination rates is an important aspect of the CEF operations, but the result from the increase in sea cargo inspections is the most important outcome. The significant detections listed in Figure 8 on page 34 are often the result of collaboration with other law enforcement agencies.

Figure 9 shows the increasing number of containers inspected at the CEFs over the past two financial years and the declining number of complaints. Increased complaints in certain months are usually linked to particular events. For example, in the September quarter 2004, the increase in complaints coincided with increased inspection rates, the issuing of Australian Customs Notice 2004/33 regarding sea cargo examination arrangements and significant weather-related disruptions to shipping.

Figure 8: Significant Container Examination Facility detections from sea cargo, 2004–05

Date	Facility	Quantity	Item found
11 August 2004	Sydney	3361kg	loose tobacco
14 September 2004	Melbourne	99	imitation flint lock rifles, pistols and carbines
12 October 2004	Sydney	125kg	crystal methamphetamine
14 October 2004	Sydney*	820kg	MDMA
15 October 2004	Sydney	100kg	loose tobacco
5 November 2004	Sydney	161kg	MDMA
6 November 2004	Melbourne	1397kg	loose tobacco
8 November 2004	Melbourne	9151kg	loose tobacco
11 November 2004	Melbourne	304	daggers and trench knives
22 November 2004	Sydney	2000kg	loose tobacco
16 December 2004	Melbourne	3000kg	loose tobacco
21 December 2004	Melbourne	38 200kg	loose tobacco
21 December 2004	Melbourne	3860	cigarettes
22 December 2004	Melbourne	6655kg	loose tobacco
22 December 2004	Melbourne	3505kg	loose tobacco
27 December 2004	Melbourne	2.5m	cigarette sticks
1 February 2005	Sydney	11 083kg	loose tobacco
5 February 2005	Sydney	12.4kg of	MDMA
7 February 2005	Sydney	11 000kg	loose tobacco
22 February 2005	Sydney	500 000	cigarette sticks
8 April 2005	Sydney	91kg	MDMA
10 April 2005	Sydney	5m	cigarette sticks
13 April 2005	Melbourne	1014kg	MDMA
21 April 2005	Melbourne	9.9m	cigarette sticks
5 May 2005	Melbourne	21 888kg	loose tobacco
10 May 2005	Sydney	320	assorted weapons
12 May 2005	Sydney	2 960kg	loose tobacco
12 May 2005	Sydney	4 650kg	loose tobacco
12 May 2005	Sydney	1m	cigarette sticks
13 May 2005	Sydney	2900kg	loose tobacco
13 May 2000	Sydney	1m	cigarette sticks
18 May 2005	Sydney	11 000kg	loose tobacco
18 May 2005	Sydney	500 000	suspected fake \$2 coins
26 May 2005	Sydney	2.16m	cigarette sticks
2 June 2005	Melbourne	4150	assorted prohibited imports including replica firearm lighters, spring bladed knives and novelty lighters
7 June 2005	Melbourne	396kg	chewing tobacco
7 June 2005	Melbourne	1.94kg	chewing tobacco
7 June 2005	Melbourne	1940	soft air guns

* Examination of air cargo at the CEF.

Figure 9: Customs performance at the Container Examination Facilities

Performance indicators	2003–04	2004–05
Number of TEU		
Inspected (x-rayed) at CEFs	89 687	128 411
Physically examined at CEFs	7 562	11 735
Number of complaints formally received about CEF operations	295	221

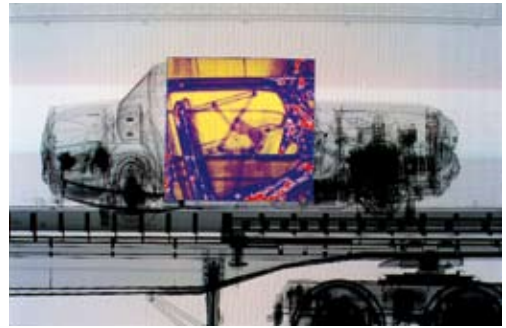
The most common complaints were about:

- fees charged as a result of exceeding the free storage period
- the withholding of containers
- delayed delivery.

Customs has worked with Stevedores, IT contractors and related parties to improve processes to reduce the negative impact on importers.

Effective management of new and existing technologies

Customs border protection capabilities are multi-purpose to detect threats such as narcotics, explosives and chemical and radioactive substances. Customs has a panel of experts to advise and assist in selecting new technology. To ensure effective management of technologies, Customs maintains and upgrades existing equipment, and monitors developments in technology through links with suppliers,



Container Examination Facility x-ray image.

research and development agencies and academic experts. Customs only deploys new technology after robust technical and field evaluation processes demonstrate its suitability for Customs operational needs.

A number of new technology projects were funded in 2004–05 as part of the Government's election commitments and as priorities to enhance maritime and aviation security.

Customs teams – maritime security stepped-up

On 20 July 2004, at the Brisbane Container Examination Facility, the Prime Minister announced a \$75.4m Customs maritime security funding package.

The new funding will allow Customs to increase the number of containers examined, increase the number of Australian ports covered by the national waterfront closed circuit television network, maintain a high level of ship boarding at their first Australian ports of call and identify information that may impact on security for the Australian community. These measures enable an even higher level of protection for Australia against illicit drugs, illegal arrivals, disease and enhance the nation's welfare.

As a result of this funding package, the Brisbane Container Examination Facility increased staffing levels, their hours of operations and throughput of containers x-rayed.



At the opening of the Brisbane CEF: the Hon. John Howard MP (Prime Minister), the Hon. Philip Ruddock MP (Attorney-General), the Hon. Chris Ellison (Minister for Justice and Customs), Mr John Anderson (then Deputy Prime Minister and Minister for Transport and Regional Services), with Vinnie (detector dog) and Customs Detector Dog Unit and Brisbane Container Examination Facility staff.

These projects include:

- biological and chemical agent screening—\$20.5m over four years for the purchase of new technology for chemical detection including: raman spectrometers, gas chromatograph-mass spectrometers (GC-MS), ion mobility spectrometers (IMS) and immuno-assay trace detectors
- mail screening technology—\$13.2m over four years for the purchase and installation of advanced automatic x-ray machines at the Sydney Gateway Facility and the Melbourne Airmail Transit Centre. This funding will also cover metal-detection technology for general mail items
- extension of waterfront closed circuit television network (CCTV)—\$22.4m over four years to extend the existing waterfront CCTV system from the current 32 proclaimed ports to all 63 proclaimed ports
- neutron scanner trial—\$8.4m over two years for the field trial of new neutron scanning technology developed by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) capable of scanning air cargo containers.

Radiation detection technologies

The fleet of radiation detectors is being expanded to include 119 radiation pagers and 31 radiation identifiers. It is expected that these will all be received by Customs and deployed across Customs operational environments by the end of 2005. The training program was revised to reflect the new operational priorities with an emphasis on counter terrorism related security applications. This training program includes the trial of new computer based training techniques.

Chemical detection

Customs deployed new trace detection equipment in key operational areas. The new dual mode (narcotics/explosives) ion mobility spectrometers replaced a single mode (narcotics) spectrometer. Thirty-nine units of the dual mode instruments are deployed with further procurement planned for 2005–06.

Five units of selected ion flow tube mass spectrometers (SIFT-MS) were purchased and deployed at the CEFs in Melbourne, Sydney, Brisbane, Fremantle and Adelaide. Designed to detect a wide range of chemical compounds quickly and accurately, the SIFT-MS units also replaced the laborious, costly and time-consuming method of chemical test tubes for fumigant detection.

Customs also purchased 15 raman spectrometers, capable of rapid, non-destructive identification of solid and liquid chemical substances, and deployed these in key operational areas.

In consultation with the manufacturers, Customs continued to fine tune the immuno-assay trace detector and GC-MS to ensure they meet Customs requirements. Further evaluation of other technologies for chemical detection continued to identify suitable technologies to enhance Customs capability to detect substances of concern.

Closed circuit television (CCTV)

New installations and expansions in 2004–05 enhanced the Customs CCTV surveillance systems at airports and seaports.

Video surveillance recording facilities were upgraded from analogue to digital infrastructure at seven of the eight international airports. Adelaide airport is scheduled for upgrading when the new terminal building is completed in October 2005. Video surveillance coverage of the outwards primary line area at all eight international airports was significantly enhanced with the placement of additional camera services. The existing CCTV surveillance coverage at Brisbane, Coolangatta, Melbourne, Perth, and Sydney international airports was enhanced with the installation of additional cameras.

CCTV surveillance coverage at seaports was improved in Albany, Cape Lambert, Dalrymple Bay, Dampier, Geraldton, Gladstone, Gove, Hay Point, Hobart, Mackay, Mourilyan, Port Botany, Port Hedland and West Swanson Melbourne.

A project to expand the current waterfront CCTV system to all 63 proclaimed ports is underway. A detailed planning process commenced and includes prioritisation of the ports, site visits to the 31 new ports and development of an integration solution to link the new system to the existing one. The installation of the additional cameras will commence in October 2005.

Radio communications

Relocation of the Sydney and Townsville Customs Houses provided the opportunity to upgrade and enhance the communication infrastructure at each location. Customs also fitted the Southern Ocean Patrol and Response vessel, the *Oceanic Viking*, with a secure link for data, voice and video communications through a commercial satellite.

Computer forensics

Customs established a national computer forensics capability to respond effectively to the growing need to access electronic evidence.

Customs worked with other Federal and State law enforcement agencies where material identified

related to offences under their jurisdiction. The experience of both Australian and international agencies in the development of strategies to seamlessly integrate computer forensics benefitted Customs border protection role.

To enhance Customs abilities computer forensics facilities, data acquisition and storage equipment were purchased. Customs officers responsible for computer forensics continuously undergo training to keep abreast of ever changing technology.

A Customs officer commenced a six-month exchange with the United States Cyber Crime Centre in the Bureau of Immigration and Customs Enforcement, Department of Homeland Security, to evaluate methods and approaches applicable in Australia.

High-tech crime

The HighTech Crime Centre, hosted by the Australian Federal Police, is responsible for the coordination of efforts to combat serious crime involving complex technology. Customs participated in the work of the Centre through an outposted officer arrangement.

Figure 10: Proclaimed ports in Australia



Customs teams – neutron scanner to inspect air cargo containers

Customs is using new technology, developed with scientific experts, to find a more efficient way of checking the contents of air cargo. The neutron scanner is a good example of Customs and scientific experts working together to solve operational problems.

Commonwealth Scientific and Industrial Research Organisation (CSIRO) scientists developed a laboratory prototype of the neutron scanner, which demonstrated that it was capable of scanning containerised air cargo and providing information on the density and composition of objects.

Based on the outcome of the laboratory testing, the Government allocated \$8.4m over two years, as part of the *Aviation Security Initiatives*, to conduct a field trial of a commercial prototype of the neutron scanner. The scanner uses gamma radiation and neutron-analysis technology to provide information about the size, shape, density and composition of the items being scanned.

A facility at Brisbane Airport has been purpose built to accommodate the commercial prototype neutron scanner under construction by the CSIRO. The scanner will be commissioned in the second half of 2005 and will be used to

mass-screen containerised air cargo during an 18-month field trial which will test the technology's effectiveness in a real-time operational environment.

The trial will also assess government and industry systems and processes that will be implemented to accommodate a more secure air cargo regime. Customs and the Department of Transport and Regional Services (DOTARS) are assessing how the technology can best be integrated with aviation security measures.

Customs established an Industry Consultative Group to provide Customs, DOTARS and industry with a contact point for the broader air cargo industry. The consultative group also assists Customs make decisions about industry issues associated with the facility operations.



The neutron scanner team, from left to right: Nicola Viney, Michael O'Donovan, Ole Andersen, Michael Crawford and Kristin Williams.

Detection and investigation

Illicit drugs and precursor chemicals

Customs continued to develop drug policy, contribute to projects and provide input into external drug-related research to support operational functions for the detection of illicit drugs and precursor chemicals. Customs contributed to the objectives of the National Drug Strategy: Australia's Integrated Framework 2004–2009 by reducing the supply and use of

illicit drugs in the community through its detections of illicit drugs and precursor chemicals at the border.

In 2004–05, Customs detected a greater quantity (weight) of cocaine and MDMA (ecstasy) consignments at the border than in the previous year, with a decrease in the number of detections. Customs detected a higher quantity and greater number of heroin and amphetamine-type stimulants at the border.

Figure 11: Drug detections* by mode of importation

	Detections			Weight (kg)^		
	2002-03	2003-04	2004-05	2002-03	2003-04	2004-05
Air passengers and crew						
Cannabis	149	79	35	1.71	4.34	0.40
Cocaine	14	63	26	17.00	77.51	40.94
Heroin	47	26	27	46.65	19.81	27.05
MDMA (Ecstasy)	20	29	15	10.30	37.89	42.59
ATS~	13	15	7	1.06	2.40	8.06
Precursors##	66	56	23	..	..	..
PIEDs@	97	99	70	..	..	..
Other**	77	56	46	..	..	..
Cargo and postal#						
Cannabis	545	574	433	16.39	704.36	4.53
Cocaine	403	590	415	43.70	53.02	52.17
Heroin	57	37	166	147.28	41.36	149.85
MDMA (Ecstasy)	291	265	154	545.89	835.06	2332.36
ATS~	199	124	196	238.26	3.51	133.30
Precursors##	1 550	726	253	..	..	..
PIEDs@	1 181	1 116	981	..	..	..
Other**	4 074	2 843	1 518	..	..	..
Shipping and aircraft+						
Cannabis	7	6	1	3.99	0.72	-
Cocaine	-	-	1	-	-	100.67
Heroin	1	-	-	125.00	-	-
MDMA (Ecstasy)	-	-	-	-	-	-
ATS~	3	1	1	0.01	0.01	9.81
Precursors##	1	-	-	..	..	..
PIEDs@	-	1	-	..	..	..
Other**	5	-	-	..	..	..
Total						
Cannabis	701	659	469	22.09	709.42	4.94
Cocaine	417	653	442	60.70	130.53	193.77
Heroin	105	63	193	318.93	61.17	176.90
MDMA (Ecstasy)	311	294	169	556.19	872.95	2374.95
ATS~	215	140	204	239.33	5.92	151.17
Precursors##	1 617	782	276	..	..	..
PIEDs@	1 278	1 216	1 051	..	..	..
Other**	4156	2 899	1 564	..	..	..

* Drug detections subject to further investigation might not appear.

^ Weight shown may be the confirmed weight (if available) or the gross, net or estimated weight.

Where weight of detections of ATS and MDMA (ecstasy) was not available, an estimate of 0.29g per tablet was used.

Estimated weight values for precursors, PIEDs and 'Other' drugs are not shown as there is no consistent unit of measure available.

Items in these categories can be measured in grams, volume, dose unit or capsules.

Includes detections made from air cargo, sea cargo and international post.

+ Includes detections made from searches of sea passengers and crew, vessels and aircraft.

~ Amphetamine-type stimulants (ATS) includes methamphetamine and amphetamine but excludes MDMA (ecstasy).

Precursor figures refer to detections of chemical substances that are prohibited imports/exports which may be used in the manufacture of illicit drugs. Many precursors detected were likely not intended for the manufacture of illicit drugs, but were active ingredients in health supplements, cold and flu preparations, herbal medicines and weight-loss products purchased on the Internet.

@ PIEDs include steroids, DHEA (dehydroepiandrosterone/prasterone) and hormones.

** 'Other' drug detections refer to stimulants other than cocaine or amphetamine-type stimulants, narcotics/analgesics other than heroin, psychotropics/hallucinogens other than MDMA (ecstasy) or cannabis products, and all depressants and sedatives. Excludes precursors.

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the AFP. Detections subject to further investigation might not initially appear.

Figure 12: Drug detections and significance of offence

Significance [^]	Detections			Weight (kg)*		
	2002-03	2003-04	2004-05	2002-03	2003-04	2004-05
Commercial						
Cannabis	-	1	-	-	644.38	-
Cocaine	4	14	15	15.05	49.79	144.97
Heroin	17	7	10	295.61	47.78	151.27
MDMA (Ecstasy)	16	32	21	550.14	861.81	2 369.49
ATS**	2	1	8	233.90	2.32	146.78
Trafficable						
Cannabis	44	31	13	18.99	63.03	3.20
Cocaine	390	616	411	45.63	80.72	48.79
Heroin	86	53	179	23.32	13.39	25.63
MDMA (Ecstasy)	281	247	146	6.05	11.13	5.46
ATS**	179	117	170	5.41	3.59	4.37
Minor						
Cannabis	657	627	456	3.10	2.01	1.73
Cocaine	23	23	16	0.02	0.02	0.01
Heroin	2	3	4	0.00	0.00	0.00
MDMA (Ecstasy)	14	15	2	0.00	0.00	0.00
ATS**	34	22	26	0.02	0.01	0.02
Total						
Cannabis	701	659	469	22.09	709.42	4.94
Cocaine	417	653	442	60.70	130.53	193.77
Heroin	105	63	193	318.93	61.17	176.90
MDMA (Ecstasy)	311	294	169	556.19	872.95	2 374.95
ATS**	215	140	204	239.33	5.92	151.17

* Weight may be confirmed weight (if available) or gross, net or estimated weight. Where detections of amphetamine-type stimulants and MDMA (ecstasy) was not available, an estimate of 0.29g per tablet was used.

[^] Significance of offence is based on the classification used in the *Customs Act 1901* and is summarised as:

	Heroin	Cocaine	Cannabis	Cannabis resin	MDMA (ecstasy)	ATS
Commercial	1.5kg and over	2kg and over	100kg and over	50kg and over	0.5kg and over	0.75kg and over
Trafficable	Between 2g and 1.5kg	Between 2g and 2kg	Between 100g and 100kg	Between 20g and 50kg	Between 0.5g and 0.5kg	Between 2g and 0.75kg
Minor	Less than 2g	Less than 2g	Less than 100g	Less than 20g	Less than 0.5g	Less than 2g

** Amphetamine-type stimulants includes methamphetamine and amphetamine but excludes MDMA (ecstasy).

Commonwealth legislation specifying commercial quantities of amphetamine and methamphetamine (and other narcotic substances) took effect on 10 December 2004. Previous Annual Reports assumed a commercial quantity of 2kg for amphetamine-type stimulants. These figures have been revised.

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from Australian Federal Police. Also, detections subject to further investigation (including controlled deliveries) might not initially appear.

Customs teams – more records broken

Customs was involved in some of the largest ever detections of illicit drugs in 2004–05.

In August 2004, Customs and the Australian Federal Police (AFP) conducted a joint operation which led to the seizure of 100kg of cocaine, with a street value of approximately \$45m, allegedly imported on the bulk grain carrier *MV Marcos Dias*. The operation involved extensive surveillance of the vessel in Australian waters using a combination of Coastwatch Dash 8 electronic surveillance aircraft, a Customs patrol boat, thermal-imaging equipment and Customs closed-circuit television network in Albany Harbour, Western Australia. Coastwatch undertook extensive surveillance of the vessel from the time it entered Australian waters. The Australian Customs Vessel *Botany Bay* shadowed the *Marcos Dias* as it entered Albany Harbour and then crew later assisted in the search of the vessel. Albany District Office was also involved in the operation assisting both Customs officers from Fremantle and the AFP. The AFP arrested a Bolivian national and two Sydney men for the alleged attempted importation.

In October 2004, 24kg of heroin was detected in a parcel from the *Bow de Silver* at Port Botany. Customs inspected the parcel, which was reported as fuel testing equipment. Five months later, two female Malaysian nationals were arrested in connection with this import.

In October 2004, 818kg of MDMA (ecstasy) was detected in the walls of an oven, imported from Poland through air cargo into Sydney. AFP quickly identified and arrested two New South Wales men in connection with the import.

At Port Botany in November 2004, 161kg of MDMA was detected in a sea cargo consignment originating from Belgium. The drug was concealed within coffee bags, inside two boxes held within a consignment of furniture.

In April 2005, the world's largest seizure of MDMA was made in Melbourne as a result of a joint operation by the AFP and Customs. The one tonne seizure was detected in a sea cargo

consignment of tiles from Italy. The detection was made by x-ray, which revealed large cavities in the middle of eight pallets of tiles. Four Melbourne men were arrested. The seizure had an approximate street value of \$250m.

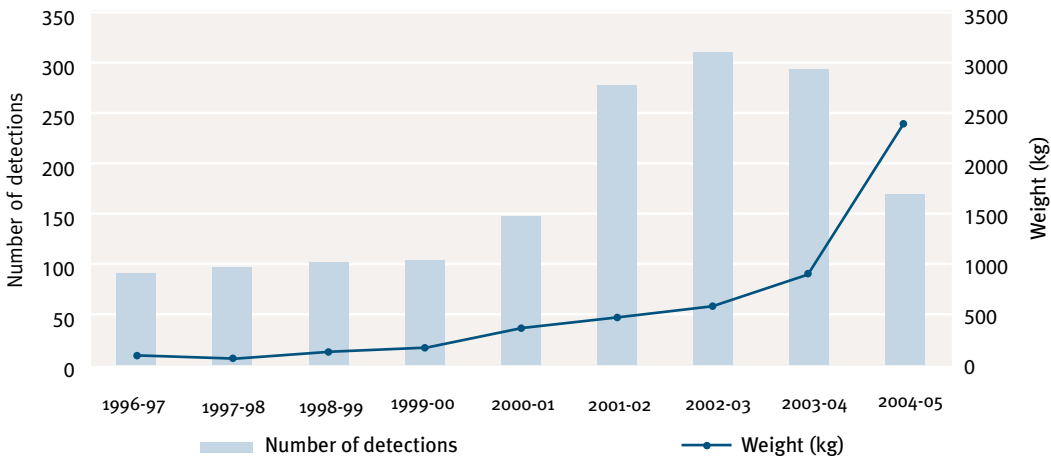
In May 2005, more than 115kg of heroin was seized and five men were arrested in a joint Customs and AFP operation. More than 399 small blocks of heroin were concealed within the roofing of two shipping containers, listed to be carrying plastic chairs. The drugs had a potential street value of more than \$60m. The seizure, the largest ever of heroin in South Australia, was the result of a 12-month investigation involving cooperation with law enforcement authorities in Belgium, the Netherlands, China and Hong Kong.

Customs participated in an AFP intelligence investigation into the activities of a trans-national criminal syndicate, believed to be active in the global distribution of illicit drugs. On 8 June 2005, the investigation resulted in the seizure of approximately 11kg of suspected crystal methamphetamine hydrochloride or 'ice', and the arrest of three suspects who were each charged with importing a prohibited import. The 'ice' had been imported on a US Navy vessel into Townsville.



Customs and Australian Federal Police officers with part of the world's largest seizure of MDMA.

Figure 13: Number and weight (kg) of MDMA (ecstasy) detections



MDMA (ecstasy)

The quantity of MDMA detected increased from 872kg in 2003-04 to 2.4 tonnes in 2004-05, with a decrease in the number of detections (see Figure 13).

Precursor chemicals

Customs is a key national partner in collaborative efforts to combat the diversion of precursor chemicals. The National Working Group to Prevent the Diversion of Precursor Chemicals into Illicit Drug Manufacture (the Precursor Working Group) involves Australian and State and Territory Government representatives and members of health, law enforcement, regulatory and industry bodies.

The Precursor Working Group evaluated:

- the impact of precursor controls
- shared intelligence on precursors and clandestine laboratories.

Customs provided input to:

- a feasibility report and an evaluation report into the National Clandestine Laboratory Database

- a project proposal for the National Industrial Chemical Notification and Assessment Scheme Database—a database that will enable more detailed tracking of chemical movements within Australia.

In April 2005, Customs delivered the first of ten precursor training courses to enhance Customs officers' ability to detect and intercept precursor chemicals and equipment. The training courses use a range of expert domestic and international presenters and incorporates a chemical familiarisation component conducted in dedicated laboratory facilities. The courses assist Customs officers in developing knowledge of chemical precursors and their role in illicit drug manufacture, as well as familiarisation with basic properties of precursors, methods of concealment, misdescription and importation sources. The training is complemented by the creation of information and intelligence sharing networks with external partners in each Customs region to better target precursor diversion.

Customs made two major detections of piperonal, a MDMA precursor chemical, in December 2004 in Sydney and in February 2005 in Melbourne. Over three tonnes of piperonal were detected.

Figure 14: Interceptions of precursor type drugs*

	2002-03	2003-04	2004-05
Air passengers and crew			
Precursor for amphetamine type substance [^]	66	56	23
Precursor for LSD [~]	-	-	-
Precursor for GHB (Fantasy) ⁺	-	-	-
Precursor for MDMA (Ecstasy) ^{<}	-	-	-
Cargo and Postal**			
Precursor for amphetamine type substance [^]	1506	705	235
Precursor for LSD [~]	29	9	6
Precursor for GHB (Fantasy) ⁺	12	11	8
Precursor for MDMA (Ecstasy) ^{<}	3	1	4
Other^{^^}			
Precursor for amphetamine type substance [^]	1	-	-
Precursor for LSD [~]	-	-	-
Precursor for GHB (Fantasy) ⁺	-	-	-
Precursor for MDMA (Ecstasy) ^{<}	-	-	-
Total			
Precursor for amphetamine type substance[^]	1573	761	258
Precursor for LSD[~]	29	9	6
Precursor for GHB (Fantasy)⁺	12	11	8
Precursor for MDMA (Ecstasy)^{<}	3	1	4

* Precursor figures refer to detections of chemical substances that are prohibited imports/exports which may be used in the manufacture of illicit drugs. Many of the precursors detected were likely not intended for the manufacture of illicit drugs, but were active ingredients in health supplements, cold and flu preparations, herbal medicines and weight-loss products purchased on the internet.

[^] Precursors for amphetamine-type stimulants include ephedrine, ma huang/ephedra, henylpropranolamine/norephedrine, pseudoephedrine. The USA Food and Drug Administration introduced domestic controls on ephedra in December 2003, which took effect in March 2004. The restricted availability of these products is likely to have reduced the incidence of individuals importing ephedra products advertised as legal in the USA, unaware that it is a prohibited import in Australia. This would result in reduced rates of detection.

[~] Precursors for LSD includes ergometrine and ergotamine.

⁺ Precursor for GHB (Fantasy) include gammabutyrolactone (GBL). However, GBL is also subject to abuse in its own right, and is treated as a narcotic substance under Customs legislation.

[<] Precursors for MDMA (Ecstasy) may also be precursors to related drugs such as MDA or MDEA, and includes piperonal, and safrole, isosafrole, and methylenedioxyphenyl-2-propanone (3,4-MDP-2-P).

** Includes detections made from air cargo, sea cargo and international post.

^{^^} Includes detections made from searches of sea passengers and crew, vessels and aircraft.

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from Australian Federal Police. Also, detections subject to further investigation (including controlled deliveries) might not initially appear.

Targeting amphetamines

Project PRISM (Precursors Required In Synthetic Manufacture) is an international project on amphetamine-type stimulant precursors coordinated by the International Narcotics Control Board of the United Nations. Customs is the central national authority and acts as the single contact point for domestic and international agencies for Project PRISM. The Project operates by developing and implementing standard mechanisms and procedures to improve the application of regulatory and law enforcement controls on amphetamine-type stimulant precursors. Supporting activities include:

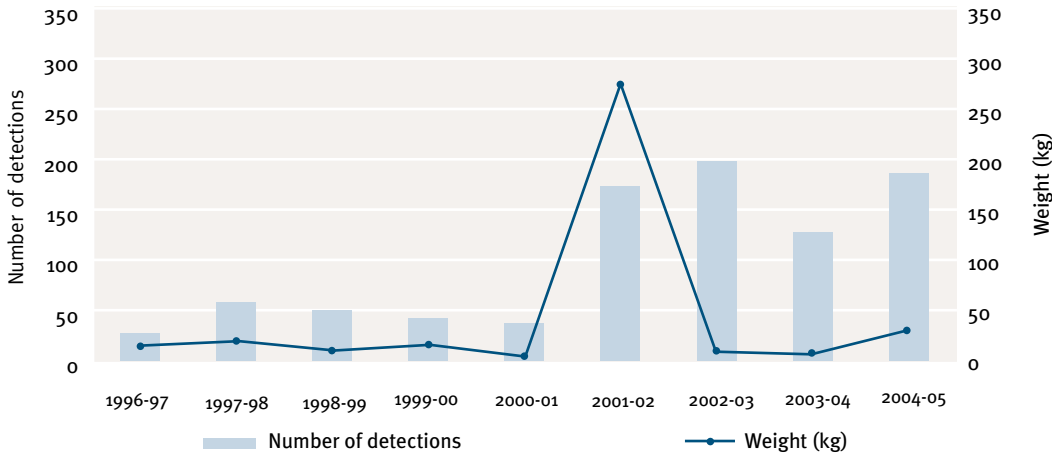
- identification of suspicious shipments

- identification of patterns of operation and smuggling routes
- prevention activities such as awareness-raising initiatives.

Customs is also a member of the Project PRISM Task Force, the governing body of the Project, and in this capacity acts as the regional focal point for Oceania. This role involves sharing information on regional precursor seizures and trends and launching and coordinating regional operations.

In 2004–05, the weight of amphetamine-type stimulants detections increased from 6kg to 151kg. The number of amphetamine-type stimulants detections increased from 140 to 204 (see Figures 15 and 17).

Figure 15: Number and weight (kg) of amphetamine-type stimulants* detections



* Amphetamine-type stimulants does not include the crystalline variety of methamphetamine called 'ice'. Excludes MDMA (ecstasy).

Figure 16: Amphetamine-type stimulants and crystalline methamphetamine (ice) detections by weight (kg)

	Amphetamine-type stimulants [#]		Crystalline methamphetamine (ice) [^]	
	Detections	Weight (kg) [*]	Detections	Weight (kg) [*]
2002–03	198	6.15	17	233.18
2003–04	128	3.55	12	2.37
2004–05	186	27.31	18	123.85

* Weight shown in the above table is an estimation. Weight is calculated using 0.29gm per tablet where a weight was not available. Some small quantity shipments of amphetamine-type stimulants do not have weight recorded, so these weight figures are a slight under estimate.

[#] Amphetamine-type stimulants include amphetamines and methamphetamines in liquid, capsule, paste, powder or tablet form. It does not include MDMA (Ecstasy) or the crystalline variety of methamphetamine called 'ice'.

[^] Crystalline methamphetamine is shown separately, but would usually be included in figures for amphetamine-type stimulants.

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from Australian Federal Police. Also, detections subject to further investigation (including controlled deliveries) might not initially appear.

Potent forms of methamphetamine

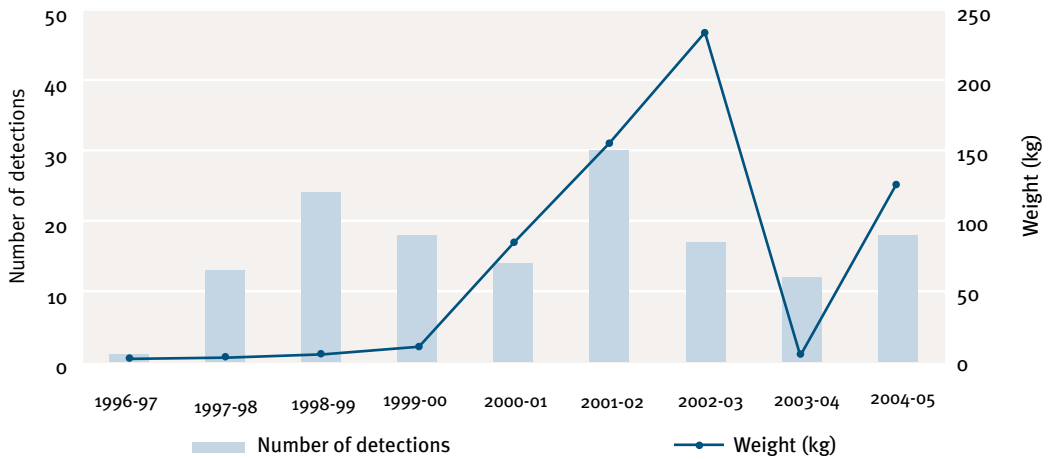
The National Drug Law Enforcement Research Fund (NDLERF) has commissioned research to examine the increased prevalence of more potent forms of methamphetamine in Australia. Customs, with the New South Wales Police, is co-investigator with the National Drug and Alcohol Research Centre. The project is focusing on the supply and distribution networks for methamphetamine, especially crystalline methamphetamine (ice).

A preliminary report, *The Methamphetamine Situation in Australia: A Review of Routine Data Sources*, was released in 2004 as a tool for policy makers and researchers.

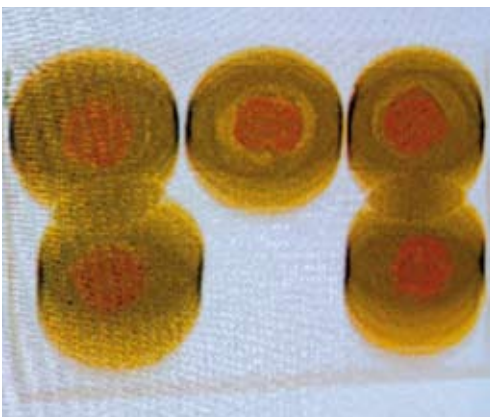
The final data collection phase has been completed and the final report will be released by the NDLERF Board in early 2005–06.

The number and weight of methamphetamine detections by Customs is further detailed below.

Figure 17: Number and weight (kg) of crystalline methamphetamine* detections



* Includes only the crystalline variety of methamphetamine called 'ice'. Excludes MDMA (ecstasy).



X-ray image of candles.



Candle cut open to reveal the drug, 'ice'.

Tough on Drugs in Sport

The primary focus of the Government's Tough on Drugs in Sport Strategy is to prevent the illegitimate use of performance-enhancing drugs by athletes. It encompasses a range of regulatory, legislative, policy, research and educational anti-doping initiatives. Customs has key supply reduction responsibilities under the strategy.

Australia also supports the World Anti-Doping Code and the Copenhagen Declaration and has a commitment to a comprehensive anti-doping framework. The ready availability of Customs information for use in anti-doping investigations and hearings is an essential element of such a framework.

Interceptions of performance and image enhancing drugs are below.

Intergovernmental Committee on Drugs (IGCD)

Customs is a member of the IGCD, a forum of senior officers who represent health and law

enforcement agencies from each Australian jurisdiction and New Zealand. The IGCD advises the Ministerial Council on Drug Strategy on drug-related matters and implements National Drug Strategy policies and programs.

A key outcome from the IGCD in 2004–05 was the establishment of an IGCD Scheduling Working Party on Controlled Substances to recommend which substances and plants, with appropriate quantities for each, should be included in the proposed Serious Drug Offences legislation. The Working Party will also review the voluntary Plastics and Chemicals Industries Association (PACIA) National Code of Practice for Supply Diversion into Illicit Drug Manufacture (the PACIA Code). Customs also provides the Secretariat function.

Customs role in drug research

Close partnerships have been developed with peak research bodies such as the National Drug and Alcohol Research Centre (NDARC) through Customs assistance in the preparation of the

Figure 18: Interceptions of performance and image enhancing drugs

	2002–03	2003–04	2004–05
Air passengers and crew			
Steroids	63	75	54
DHEA~	29	19	10
Hormones#	5	5	6
Cargo and Postal*			
Steroids	632	724	705
DHEA~	372	237	176
Hormones#	177	155	100
Other^			
Steroids	-	1	-
DHEA~	-	-	-
Hormones#	-	-	-
Total			
Steroids	695	800	759
DHEA~	401	256	186
Hormones#	182	160	106

* Includes detections made from air cargo, sea cargo and international post.

^ Includes importations via sea passengers and crew, vessels, aircraft and detections arising from post-border operations.

~ DHEA is dehydroepiandrosterone/prasterone.

Detections of EPO, Darbeoetin alpha and natural and manufactured gonadotrophins are included in the figures for hormones.

Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the Australian Federal Police. Also, detections subject to further investigation (including controlled deliveries) might not initially appear.

Illicit Drug Reporting System, a yearly report by NDARC on Australia's drug environment.

Customs also contributed to external drug-related research such as the Australian Crime Commission's Illicit Drug Data Report 2003–2004 (published in 2005).

Customs played a lead role in NDLERF through representation on its Board of Management. Customs was actively involved in a number of research projects, including developing performance measurements for drug law enforcement and research on the scale and scope of drug market activity.

Cocaine use in New South Wales and Victoria

NDARC is conducting a project which aims to determine the scale of the Australian cocaine market, especially affluent cocaine users who are less likely to come to the attention of health and law enforcement authorities. The project commenced in April 2004. Customs is represented on the Reference Group. A draft report has been circulated to Reference Group members.

Performance measurement in drug law enforcement

Customs is working with the Australian Institute of Criminology on a project to enhance performance measurement in drug law enforcement in Australia.

The first stage of the project was completed this year. This involved review of existing systems and processes and development of a trial performance measurement system. The second stage will trial performance measures.

Customs is the trial agency at the national level and New South Wales Police is the trial agency at the jurisdictional level.

A project team member from the Australian Institute of Criminology is located in Customs.

United Nations international drug control programs

Customs contributed to Australia's reporting to the United Nations in three reports:

- the 2004 annual report on the operation of the international drug control treaties

- the Biennial Reports Questionnaire for reporting on the action plans and measures adopted by the United Nations General Assembly Special Session on the World Drug Problem
- the annual report to the International Narcotics Control Board for the implementation of Article 12 of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988.

United Nations Commission on Narcotic Drugs Resolutions

Australia co-sponsored several resolutions at the 48th Session in March 2005. One resolution strengthened international cooperation to prevent the illicit manufacture of and trafficking in narcotic drugs and psychotropic substances. Another promoted sharing information on emerging trends in substances not controlled under the international drug control Conventions.

Identity fraud

Customs participates in several forums to address identity fraud including the Opal Group and the Commonwealth Reference Group on Identity Fraud.

Opal Group

The Opal group is comprised of a number of Commonwealth agencies and is chaired by the Australian Federal Police. It meets quarterly to share information on latest trends.

Commonwealth Reference Group on Identity Fraud

Customs participates in the Commonwealth Reference Group on Identity Fraud which is chaired by the Attorney General's Department. The Reference Group is responsible for developing a whole-of-government strategy to enhance identification and verification processes in Commonwealth agencies.

Customs is participating in working groups established by the Reference Group to focus on specific issues such as authentication standards, integrity of identity data, document verification services and standard frameworks for proof of identity.

Customs teams – investigation operation

In August 2004, Customs officers carrying out mail-screening duties in Brisbane identified and intercepted a parcel containing 2.6kg of ephedrine. The ephedrine, a precursor chemical used in the manufacture of methamphetamine, was concealed in containers of diet supplements imported through the postal system from Canada.

Following the interception, Customs investigators coordinated a managed delivery operation in Queensland and investigations leading to prosecutions in Queensland and South Australia. Warrants were executed by Customs investigators in three states and assets in excess of \$350 000 were seized as proceeds of crime.

In May 2005, a Queensland man entered a guilty plea and was sentenced to 15 months imprisonment. A South Australian man also entered guilty pleas for money laundering and operating bank accounts in false names as well as the importation of the ephedrine. Sentencing is due later in 2005.

The result came from effective detection and great teamwork that involved co-operation between Customs investigators and police in Queensland, South Australia and Victoria.

The Government provided \$13.2m over three years to develop mail screening technology and increase border protection.



Weighing the evidence found. Alex O'Brien, Brisbane Investigations (left) and Darrald Blundell, Postal Operations.

Money laundering

Financial Action Task Force (FATF) – Asia Pacific Group (APG)

Australia's anti-money laundering regime is currently being reviewed by FATF. As a member of the FATF-APG Coordination Group, Customs is involved both in contributing to the Australian response to the FATF evaluation questionnaire and met with the FATF evaluation team which visited Canberra in March 2005.

Customs contributed to the development of Australia's legislative response to changes in the FATF recommendations, especially for cash courier issues. This involvement will continue through to passage of legislation anticipated in 2006.

Corruption

Convention on Combating Bribery of Foreign Public Officials

In the first half of 2005, Australia's compliance with the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* was reviewed by the Organisation for Economic Cooperation and Development (OECD). Customs contributed to the Australian response to the OECD evaluation questionnaire and met with the OECD evaluation team in June 2005.

Customs undertook several steps to raise awareness of the Convention among Customs stakeholders, including providing information on the Customs Internet site. The outcome of the review is not yet finalised.

Investigations

Customs investigates serious Customs offences including the illegal movement of prohibited and restricted goods across the Australian border. Customs also conducts financial investigations in accordance with the *Proceeds of Crime Act 2002* for recovery of assets associated with criminal offences.

Customs investigators work according to the Australian Government Investigation Standards and the Commonwealth Fraud Control Guidelines 2002.

Figure 19 summarises the number of matters involving the import and export of prohibited and restricted goods managed by Customs Investigations Branch. The gradual rise in the number of matters referred for investigation reflects the increasing rate of detections at the border.

Figure 19: Summary of investigations activities concerning the illegal import and export of prohibited and regulated goods such as weapons, performance enhancing drugs, precursor chemicals, child pornography, flora and fauna

	2002-03	2003-04	2004-05
Referrals received*	1 879	2 033	2 368
Cases adopted	627	561	387
Cases completed [^]			
with prosecution (through courts)	128	112	106
without prosecution	504	427	274
Cases where prosecution briefs completed [^]	134	119	95

* A referral is where information is passed to the Customs Investigations Branch for further investigation. A case is a referral that is found to warrant further examination. Where that examination finds sufficient evidence to satisfy a court that an offence was committed, a brief of evidence, or prosecution brief, is prepared for the Commonwealth Director of Public Prosecutions (for criminal matters) or the Australian Government Solicitor (for civil matters). In some cases, prosecution does not take place. An example of this is where, rather than prosecuting, the goods in question are seized and a warning issued.

[^] Includes cases adopted in previous years.

Customs continues to work jointly with other agencies for offences detected at the Australian border that are also related to other Commonwealth and State jurisdictions, such as firearm trafficking.

Customs became an authorised agency empowered to undertake investigation activity in accordance with the *Proceeds of Crime Act 2002* when the Act entered into effect in January 2003. During the financial years 2003–04 and 2004–05, Customs gradually increased attention to the identification and recovery of criminal assets associated with serious import and export offences. Four cases were investigated in that period and one of these investigations resulted in the restraint of alleged criminal assets, having an estimated value of \$370 000.

Managed deliveries

The Customs Act requires that the Minister for Justice and Customs report annually any managed deliveries undertaken by Customs officers in the course of their duty. A managed delivery refers to the practice of arranging the delivery of any quantity of prohibited goods or smuggled goods into the possession of a person suspected to have committed an offence, and who is expecting the delivery of those goods.

Customs conducted 18 managed deliveries for the illegal import and export of prohibited and regulated goods. Prosecution action has commenced in relation to five of these managed deliveries and investigation continues in relation to ten others, with a further three cases terminated. Seven defendants in these matters entered guilty pleas to offences including importation of precursor drugs, money laundering and evasion of Customs duty.

Planning for the future

Future plans for Output 1 are to:

- commence field trial of the neutron scanner at Brisbane airport
- evaluate portal technology capable of detecting explosives and narcotics on people
- deploy new equipment capable of chemical detection, such as raman spectrometers and immunoassay trace detectors
- continue the implementation of the ANAO recommendations on the CEFs
- develop a vessel profile capability in INTERCEPT
- investigate the feasibility of a wireless connection to Customs systems for use by Customs officers working outside the office in the operational environment
- develop joint breeding, training and deployment arrangements for the Detector Dog Program with the Australian Federal Police
- balance Customs need for detector dogs with requests for assistance by outside agencies.

Output 2

Facilitation of the legitimate movement of people across the border, while identifying illegal movements

Output 2 pricing is shown in the financial statements on page 210.

This Output covers processing of passengers, crew and craft arriving and departing Australia by sea or air, including the identification of persons of interest consistent with immigration, health, family law and other law enforcement, and national security requirements.

Key objectives in 2004–05 were to:

- access additional airline reservation systems
- progress the SmartGate trial and inform government of the outcomes of the trial
- enhance counter terrorism initiatives in airports
- investigate methods to facilitate passengers through international air and seaports while maintaining border protection
- develop and implement a passenger enforcement training program
- enhance passenger enforcement operations.

Key achievements were:

- increased access to flight and passenger information held in airline computer reservation and control systems to 85 per cent of passengers arriving in Australia
- additional pre-arrival assessment conducted against indicators of potential terrorist or criminal activity
- extension of the SmartGate trial during 2004–05. Funding of \$74.607m was received in the 2005–06 Budget to implement automated border processing nationally
- improved facilitation such as streamlined ‘back of the hall’ processing, employment of additional staff, redesigned red/green exits and introduction of more efficient queuing systems
- delivery of comprehensive training packages to all staff and creation of focus groups at all airports to implement counter terrorism initiatives
- finalisation of the passenger enforcement components of the Customs Trainee training material

- development and delivery of a deception and detection training course
- implementation of a National Airport Planning Interface
- development and introduction of an airport planning model.

After several years of low and negative growth in passenger numbers brought about by global terrorism and health threats, there was a significant growth in passenger numbers in 2004–05. The extent of growth in the first half of 2004–05 presented significant challenges for Customs. Maintaining service levels and effective border security capability with increased passenger numbers required a focused and innovative approach.

This was particularly so during the Christmas period. Customs initiatives to better manage resources, improve procedures and use technology, ensured that reasonable levels of passenger facilitation were maintained.

Customs continued to investigate technological improvements such as passenger screening in advance of arrival and biometrics.

Implementation of these measures improved Customs detection rates and facilitated the legitimate movement of people across the border while assisting with the identification of illegal movements.

Customs applies a risk assessment process to identify passengers who might pose a threat to Australia. It relies on information and intelligence from a wide range of sources and sophisticated profiling and analysis tools to target interventions while allowing the vast majority of passengers to proceed unhindered.

All passengers are checked against immigration and law enforcement alert systems before they arrive in Australia. Customs also increased its capacity to conduct pre-arrival assessment against indicators of potential terrorist or criminal activity to 85 per cent of arriving passengers. This pre-screening resulted in more efficient processing. Customs officials at the border concentrated their efforts on the much smaller number of passengers who were not pre-screened or who were assessed as being a higher risk.

Figure 20: Performance against targets set in the 2004–05 Portfolio Budget Statement – Output 2

Quality/quantity performance measures	Target*	Actual
Facilitate legitimate movement of people		
<i>Quality</i>		
Proportion of arriving international air passengers processed through the Entry Control Point within 30 minutes of arrival	95%	95.1%
Percentage of arriving passengers processed via advance passenger clearance processes	90%	98% [^]
<i>Quality</i>		
Number of international passengers (air and sea)	Arrivals 10 305 000	10 530 367
	Departures 10 253 000	10 419 944
Number of international crew (air and sea)	Arrivals 878 000	921 435
	Departures 872 000	923 767
Prevent illegal movements across the border		
<i>Quality</i>		
Number of air passenger referrals to Immigration and Health	Immigration**	266 731
	Health**	3 707
Price	\$107.926m	\$117.899m

* Targets may be performance targets, service level targets or estimates.

** Performance targets cannot be estimated through any reliable statistical or other method.

[^] Figures sources from the Department of Immigration and Multicultural and Indigenous Affairs and taken as at 30 June 2005.

Facilitation of the legitimate movement of people across the border

Facilitation rates

A total of 20.7 million international air passengers were processed in 2004–05, compared with 18.6 million in 2003–04. The increase of 11.5 per cent reflects a growth in the international aviation industry and tourism market.

Customs has an agreed government standard processing target that requires 95 per cent of air passengers to be processed within 30 minutes of arrival.

Customs achieved the target. Of the 10.4 million passengers processed inwards, 95.1 per cent were processed within 30 minutes.

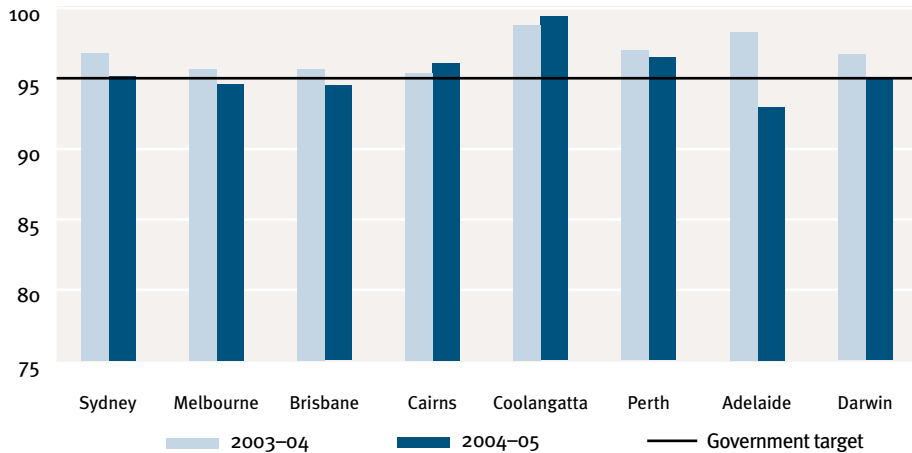
Figure 21 illustrates the percentage of incoming international arrivals cleared at the entry control point within 30 minutes, as a proportion of all incoming international air passengers.

The control point is where passengers are subject to Customs and Immigration formalities. The formula assumes a delay between aircraft arrival and the time a passenger arrives at the entry control point. The delay is tailored for each airport and varies between 12 and 17 minutes.

Challenges to maintaining processing rates in 2004–05 included:

- the introduction of new passenger duty concession that came into effect on 1 February 2005
- disruptions to the flow of passengers caused by terminal infrastructure works
- reassignment of staff to meet national priorities
- the assignment of newly trained staff to the primary line
- off schedule arrival of aircraft, particularly during peak hours.

Figure 21: Proportion of international air passengers processed within 30 minutes of arrival, by arrival airport



Improving airport flow

International passenger numbers significantly increased in comparison to 2003-04. The Australian Tourism Commission believes that this trend is likely to continue. As passenger numbers grow, a whole of airport approach will be necessary to maintain high processing standards without placing undue pressure on any single aspect of airport operations.

Customs is continually working with airport operators, airlines and other border agencies to improve the flow of passengers through airports. This year, the work focused on issues such as:

- the impact of gate allocation on timing of passenger arrival at the primary line
- joint investment in queuing aids such as tensa barriers and signage
- action by airport operators to expand reclaim and examination areas to better process peak hour passenger loads
- redesigning red/green exits in Melbourne and Sydney to create a more efficient flow of passengers at the secondary examination point.

Customs also redeployed staff to airports and recruited additional staff in response to increased workload pressures.

At the same time, Customs is exploring avenues for use of new technology, including automated processing systems using biometric technology.

National Passenger Processing Committee (NPPC)

The major role of the NPPC, chaired by Customs, is to develop whole-of-government policy approaches to processing international air passengers. The committee also coordinates various work for Commonwealth authorities at airports related to passenger processing responsibilities.

Significant issues addressed in 2004-05 included automated border-processing initiatives, designation of international airports, international health regulations, response to increased passenger numbers and the planned introduction of new large aircraft.

A major issue facing NPPC is international airlines and charters seeking to operate international services to regional airports in Australia. This has a significant impact on border agency resourcing and service levels.

Customs teams – SmartGate system improves passenger facilitation and border security

The Traveller Strategies team in Customs successfully developed an automated border control system using face recognition for identity verification. SmartGate uses the biometric chip in the prototype Australian ePassport to quickly and securely process users through the Australian border.



Qantas crewmember uses the SmartGate kiosk at Sydney Airport.

With the \$3.1m allocated in the 2004–05 Budget, Customs was able to incorporate a passport chip reader into a new SmartGate kiosk. This allows SmartGate to use the image contained within the prototype Australian ePassport, rather than stored images, for matching with the person presenting at the SmartGate kiosk.

Customs overcame many challenges to achieve this outcome within the timeframes set down by the Government. On 13 December 2004, Customs installed the new ePassport SmartGate at Sydney and Melbourne airports, nearly one month ahead of schedule. Around 2000 volunteer Qantas crew were issued with the prototype ePassport for their official travel. They will be able to use ePassport SmartGate at Sydney and Melbourne airports.

Customs worked in close partnership with the Department of Foreign Affairs and Trade and the Department of Immigration and Multicultural and Indigenous Affairs to trial ePassport SmartGate.

Evaluations of the new kiosk by Defence Science and Technology Organisation found that face recognition software used in ePassport SmartGate performed exceptionally well when using the single passport image as the source for matching with the person presenting at the SmartGate kiosk.

SmartGate

SmartGate, an automated passenger processing system, has been trialled by Customs since November 2002. The primary objective of the trial was to develop and introduce a system of self-processing utilising face-recognition biometric technology to confirm identity and streamline the traveller facilitation process.

The provision of \$3.1m to Customs in the 2004–05 Budget allowed further research and development. The funding enabled Customs, with the assistance of its strategic partner SAGEM Australasia, to extend the trial to a second international airport and to holders of prototype Australian biometric passports and selected frequent flyers.

The expansion of the SmartGate trial to selected frequent flyer members more than doubled the enrolled users in the four-month enrolment period. In excess of 225 000 SmartGate transactions have been recorded since the commencement of the trial.

Funding of \$74.607m was received in the 2005–06 Budget to implement automated border processing nationally.

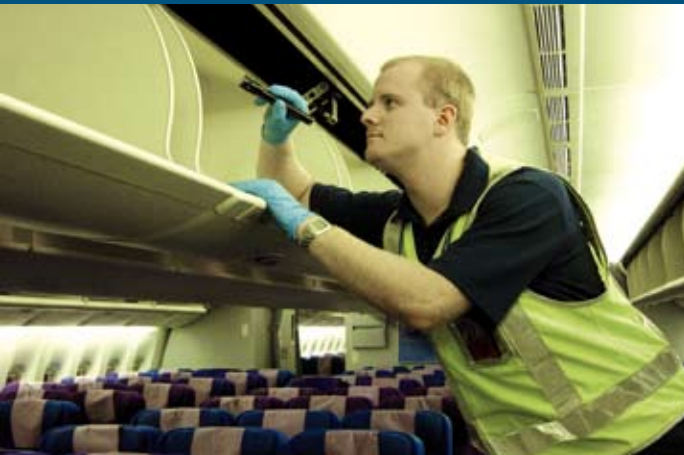
Identifying illegal movements

Pre-arrival screening of passengers

Customs increased access to flight and passenger information held in airline computer reservation and departure control systems from six airlines

Customs teams – improving air border security

Customs plays an integral role at Australia's international airports facilitating passengers and cargo into and out of the country, and monitoring and protecting the security of tarmacs around Australia. Brisbane Airport is one of Australia's international airports that has a specialised team of officers dedicated to air border security.



Adam Crosby, Customs officer from the air border security team at Brisbane Airport.

Priorities are to prevent and detect the importing of illegal goods into the country through concealment on aircraft.

The team does this by gathering intelligence from local, interstate and international law enforcement agencies to ensure Customs resources are concentrated on risk assessed targets. By exchanging information with other agencies a broader view of concealment methods and trends is also obtained.

All air border security officers are certified in aircraft search through an intensive training course covering the theory, practical and safety issues of searching different types of aircraft. A 100 per cent aircraft search may involve the complete dismantling of various internal storage areas, including the toilet and kitchen facilities. Technology and tools used in these searches include portable video equipment, telescopic mirrors for searching inaccessible areas, narcotic detection and identification kits, closed circuit television surveillance and the Customs firearms and explosives detector dogs.

at the end of 2003–04 to 16 airlines in May 2005. Customs also has access to a further six airlines through a simplified version of the analysis software. Customs plans to connect to a further three airlines by the end of 2005.

The Passenger Analysis Unit analyses the information in cooperation with Customs operational units and other Commonwealth agencies to identify and refer high risk travellers arriving and departing Australia. Access to and analysis of airline reservation systems data is an integral component of Customs pre-arrival risk assessment capability.

In 2004–05, Customs made 126 requests for identity information under ss213A(3) or ss213B(2) of the *Border Security Legislation Amendment Act 2002*.

Aviation security

An internal background paper about possible security risks that existed at Sydney Airport in 2003 attracted media attention in May 2005 due to its unintended publication. The paper was used as a guide by Customs officers working at the airport. Customs issued a statement outlining the status of the background paper, recent improvements Customs has undertaken in air border security and stated that where Customs identified criminal activity in the airport environment, it advised the responsible agencies.

Advance Passenger Processing enhancements

In January 2003, legislation was introduced making it mandatory for airlines serving Australia to provide the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and Customs with information on all persons travelling to Australia.

Advance Passenger Processing was introduced in January 2004. Since then crew, transiting passengers and Special Purpose Visa holders have been processed with Advance Passenger Processing. The processing of persons entering by sea including passengers and crew of cruise ships were also processed under Advance Passenger Processing.

In a collaborative effort between Customs and DIMIA, in February 2005, the arrival processing of air crew was streamlined to allow them to be processed by passport number. This resulted in a significant reduction in the number of referrals to DIMIA for secondary checking.

Planning for the future

Review of aviation security

Customs is one of several government agencies participating in a review being conducted by the Rt Hon Sir John Wheeler JP, DL. The review will examine the threat from serious and organised crime at airports, the integration of ground-based security and law enforcement arrangements and the adequacy of the existing security measures.

The arrival of the A380 aircraft

Qantas and other airlines intend to introduce the Airbus A380 aircraft. On the Australian route, the aircraft will have a capacity of over 500 and will increase the volume of passengers arriving at the entry control point at one time. The first A380 flights into Australia are expected in the second half of 2006. Customs is increasing staffing levels at airports in the lead up to A380 arrivals as a short-term response. Longer-term solutions such as automated border-processing technology will be needed to maintain processing standards.



Anthony Clark, Compliance Assurance 4 team, Sydney, checking cargo at an aircraft.

Customs has established new arrangements with the Government to enable funding to be varied to take into account changes in the volume of passengers being processed and the proportion of passengers being processed through the automated border-processing technology. This was a key outcome of the Financial Health Review undertaken by Ernst and Young.

Objectives for 2005–06

- develop the use of biometrics for an automated border processing system to deal with larger passenger numbers
- develop a whole-of-government strategy for the delivery of government regulatory services that support increasing passenger numbers and the introduction of new large aircraft
- increase air border security capability and capacity
- implement business change for passenger enforcement operations to support the introduction of the enhanced passenger assessment tools
- introduce legislation to improve the sanction regime in the passenger environment
- implement any government decisions arising from the reviews of aviation and maritime security.

Customs teams – Customs prepares for Melbourne 2006 Commonwealth Games

A major challenge for Customs officers in Victoria over the next 12 months will be preparing for the Melbourne 2006 Commonwealth Games. Approximately 40 000 international visitors, including 10 000 Games Family Members, are expected for the Games which will be held from 15 to 26 March 2006.

Customs primary roles will be to smoothly process passenger and cargo associated with the Games, to police Games-related intellectual property rights and to maintain border security.

Customs has planned for the event over several years and will apply the lessons learned from its experience with the Sydney Olympics in 2000. Preparations include training of staff across Australia as well as deployment of additional staff in Melbourne during the Games, significantly increasing closed circuit

television and trace detection capabilities at international airports, enhancing digital signage and streamlining imports and exports processes for competitors.

Customs will continue to work closely with the M2006 Organising Committee and its agents, airport operators, Victoria Police, Australian Federal Police and other agencies to support the success of the Games.



Melbourne airport.

Output 3

Civil maritime surveillance and response

Output 3 pricing is shown in the financial statements on page 210.

This Output covers the provision of air and marine civil surveillance and response services to a number of government agencies. The aim of the Output is to detect, report and respond to potential or actual non-compliance with relevant laws in coastal and offshore regions. A principal provider of civil coastal surveillance is Coastwatch, a Division of Customs.

Interception of prohibited or restricted goods resulting from specific civil maritime surveillance and response operations is reported under Output 1.

Key operational objectives in 2004–05 were:

- further development of a whole-of-government approach to Coastwatch operational activity and infrastructure
- supporting the long-term sustainability of an effective civil maritime surveillance and response coordination service, through the capability development and infrastructure enhancement initiatives that will be inherent in the maritime surveillance contracts that will operate from 2007
- promoting closer relationships and improved cooperation, communication and information sharing with client agencies
- providing effective maritime response to known and/or suspected breaches of the Australian border and assist in the delivery of an effective national civil maritime surveillance and response program
- providing approximately 2400 dedicated vessel sea days a year to the National Civil Maritime Surveillance and Response Program
- providing support to the Taskforce on Offshore Maritime Security by providing expertise/staff
- providing regular armed patrols to protect Australia's sovereign interests and valuable fish resources in the Southern Ocean.

As a result of December 2004 decisions the Government formed the Joint Offshore Protection Command (JOPC), an additional objective was added:

- refine and implement the organisational and operational arrangements for JOPC and associated Government initiatives.

Key achievements in 2004–05 were:

- opening of JOPC Headquarters in March 2005
- coordination of four augmented security patrols by the National Marine Unit and the Australian Defence Force
- release and evaluation of response to request for tender for the provision of surveillance services beyond July 2007
- full introduction of Coastwatch Risk Assessment Methodology (CRAM)
- commencement of a High Frequency Surface Wave Radar trial in the Torres Strait
- conduct of five armed patrols in the Southern Ocean.

Key performance indicators are set out in the 2004–05 Portfolio Budget Statements. Figure 22 provides an assessment of Customs performance against these indicators. Further performance results are detailed in the sections to follow.

Defence resources received free of charge

Government agencies undertake surveillance of the Australian Exclusive Economic Zone (EEZ) within two distinct areas of operation. In the north and north-west of Australia, Defence has the lead in the deterrence of unauthorised boat arrivals seeking to enter Australian waters. This is referred to as Operation Relex II.

Elsewhere in the EEZ, Customs is the lead agency, and Defence operates in support under the codename Operation Cranberry. The JOPC assumed command, on behalf of Defence, of Operations Relex II and Cranberry.

Within the Relex II areas of operation, Defence assets continue to identify events of interest to Coastwatch client agencies, report them to the Coastwatch National Surveillance Centre and respond where appropriate.

Figure 22: Performance against targets set in the 2004–05 Portfolio Budget Statement–Output 3

Quality/quantity performance measures	Target*	Actual
Quality		
Number of interceptions of suspect illegal entry vessels (SIEVs)+	**	0
Number of apprehensions of foreign fishing vessels (FFVs)+	**	203
Number of legislative forfeitures of FFVs+	**	178
Number of suspect unlawful non-citizens (SUNCs) intercepted by sea (including ships' crew)	**	0
Number of illegal, unregulated and unreported (IUU) vessels sighted and identified in the Australian Exclusive Economic Zone in the Southern Ocean	**	0
Number of IUU vessels boarded in the Southern Ocean	**	0
Number of IUU vessels apprehended in the Southern Ocean	**	0
Quantity		
Aerial surveillance coverage (square nautical miles)##		
Coastwatch contracted aircraft and Royal Australian Air Force (RAAF) assets	148m	139.26m
Coastwatch contracted satellite	4.8m	4.86m
High frequency surface wave radar	^	1.50m
<i>Total</i>		145.62m
Sorties flown by Coastwatch contracted aircraft	**	4 425
Aerial Surveillance (flying hours)		
Coastwatch contracted aircraft	21 145	20 520
RAAF P3 Orion~	250	21.5
<i>Total</i>	21 395	20 542
Marine surveillance and response (vessel sea days)		
RAN Fremantle Class Patrol Boat	1 800	582
Customs ocean going vessels greater than 12 metres	2 400	2 372
<i>Total</i>	4 200	2 954
Southern Ocean surveillance (vessel sea days)	170-190	196
Price	\$317.531m	\$306.953m

* Targets may be performance targets, service level targets or estimates.

** Performance targets cannot be estimated through any reliable statistical or other method.

+ Total number of interceptions by Customs and the Australian Defence Force.

The figure for square nautical miles patrolled is an indicative figure derived from a standard formula that incorporates average speed of advance, time on task and surveillance sweep for each type of aircraft; and the proportion of time on task spent in visual or radar mode; as a factor of the number of hours each aircraft type undertook surveillance during the period.

^ The high frequency surface wave radar trial commenced in the second half of 2004–05 with a coverage of some 10 000 square nautical miles of a discrete vector, in the approach to the Torres Strait, each day.

~ The target is based on a long-standing Defence commitment to Customs for the civil maritime surveillance program. Resources for Australia's civil maritime surveillance program are also provided by Defence through Operation Relex II. The hours/vessel sea days are costed in accordance with rates provided by Defence.

Note: The Australian Defence Force commitment to Operation Relex II is not reflected in the reporting of square nautical miles patrolled, Royal Australian Navy Fremantle Patrol Boat days, and RAAF P3 Orion hours.



Customs Officer, Tracy Couatts at the National Surveillance Centre.

- unscheduled maintenance on some of the aircraft
- some high priority surveillance operational activity requiring shorter flight durations in particular areas
- surveillance tasking of P3-C Orions within the Operation Relex II area of operation of the AEEZ.

Coastwatch works closely with its surveillance contractors to minimise the impact of any crewing limitations and to ensure obligations to high priority client tasking are met.

Calculation of surveillance coverage

The figure for square nautical miles patrolled is derived from a standing formula that incorporates:

- average speed of advance
- time on task and surveillance sweep for each type of aircraft
- the proportion of time on task spent in visual or radar mode.

The surveillance coverage figure is indicative only. A more accurate figure cannot be derived as previous Coastwatch systems have not been able to assess accurately the impact of such factors as transit times to and from planned surveillance areas, target investigation factors and actual time on task spent in visual or radar mode.

The development of the Coastwatch Command and Support System and subsequent enhancements to the system provided more accurate and comprehensive data, particularly the ability to give a more accurate assessment of the impact of transit time on surveillance coverage figures.

The introduction of the Surveillance Information Management System, in conjunction with the new surveillance contracts in July 2007, will provide further data on the impact on surveillance coverage. For the purposes of year-on-year trend analysis, Customs will continue to provide a total surveillance coverage figure using the same assumptions as in previous years.

For accounting purposes, the Defence resources deployed for maritime surveillance and response within the Relex II areas of operation are reported against the Department of Defence Portfolio Estimates and Annual Report. Defence assets undertaking identical activities in the non-Relex II areas of the AEEZ, under Operation Cranberry, are reported as Resources Provided Free of Charge within Output 3 of the Customs Portfolio Estimates and Annual Report.

When Defence activities under Operations Relex II and Cranberry are considered together, Defence is making a significant contribution to the Civil Maritime Surveillance Program in excess of the 1800 Fremantle-class days and 250 P3-C Orion hours notionally allocated each year.

Maritime surveillance

The target for civil maritime surveillance coverage for 2004–05 was 145.62m sq nm. The shortfall of 4.7 per cent can be attributed to a number of factors including:

- aircrew flexibility within the fixed wing contractor's pool of staff



Coastwatch Dash 8.

Coastwatch risk assessment methodology

Coastwatch has developed and implemented a Common Risk Assessment Methodology (CRAM). Each of Coastwatch's major clients contribute to CRAM:

- Australian Fisheries Management Authority
- Department of Immigration and Multicultural and Indigenous Affairs
- Department of the Environment and Heritage
- Australian Quarantine and Inspection Service
- Great Barrier Reef Marine Park Authority.

CRAM was developed to provide clients with a risk assessment process that permits all client risks to be considered against a common unit of measurement. These scores guide the strategic planning of Coastwatch surveillance flights and inform the nature and frequency of surveillance to be programmed.

The output from CRAM is a calculated rating priority for each client in the maritime areas surrounding Australia. This is achieved by identifying clients' area-specific risks, applying a severity assessment to weighted factors (economic, environmental and social) for each identified risk, to generate a consequence value. The likelihood of the risk occurring is then

assessed and applied to the consequence value to determine the risk score. All client risk scores for an area are added to derive an area risk score, or CRAM score, which can be used as the basis on which deployments of Coastwatch assets can be prioritised. CRAM is updated quarterly to reflect changes in threats.

Use of satellites for surveillance

Coastwatch further examined the use of satellites in maritime surveillance. Defence Science and Technology Organisation and Defence Imagery and Geospatial Organisation were closely consulted. The examination found that satellites have limitations in detecting and identifying smaller targets, particularly in high traffic surveillance areas. Long periods of heavy cloud cover remain a significant impediment to optical satellites. Satellites are, however, a valuable tool in areas of low vessel traffic where target vessels are larger.

Coastwatch uses radar satellites with good effect in areas where the requirement is to locate relatively large vessels, typically steel trawlers in excess of 30 metres, and to monitor vessels movements over a number of days. Satellites are also used by Coastwatch in areas such as Cocos (Keeling) Islands, Christmas Island and other offshore areas.

Following the signing of a treaty between Australia and France on cooperation in the maritime areas in the Southern Indian Ocean, Coastwatch contracted a French company to provide satellite coverage of the Heard and McDonald Island Exclusive Economic Zone. The satellites provide imagery representing total coverage of the Heard and McDonald Island Exclusive Economic Zone over a fortnightly period. This year, these satellites provided coverage equivalent to 4.86m sq nm of Australia's Maritime Zones.

High frequency surface wave radar (HFSWR)

In conjunction with Defence, Customs is undertaking a trial to evaluate the effectiveness of a HFSWR system in improving surveillance coverage of offshore high-threat approaches to Australia.

The HFSWR can detect surface vessels and low-flying aircraft beyond the visible horizon, unlike conventional radars that are limited to line-of-sight operations. The Australian version of this system is a derivative of the Jindalee (over-the-horizon radar) research and has the potential to deliver 24-hour wide-area coastal surveillance of aircraft, ships and boats travelling in the Torres Strait.

The trial will test and evaluate the future surveillance potential of the radar, using it to complement other surveillance assets and systems.

A 440m receiver array is on Dauan Island in the northern Torres Strait. The transmitter is on the uninhabited Koei Ngurtai (Pumpkin) Island, to the north of Badu Island, in the middle of Torres Strait.

The Government signed Indigenous Land Use Agreements with the Dauan and Badu Island communities in February 2004. Under the voluntary agreements, local communities were provided with employment opportunities during the preparation of the sites and during the construction phase. In addition, several residents will act as caretakers of these remote sites.

The radar array was handed to the Commonwealth for the commencement of the operational phase of the trial in February 2005

Figure 23: High Frequency Surface Wave Radar proposed coverage



Unmanned Aerial Vehicle trial

As part of its 2004 election commitments, the Government allocated funding of \$0.6m for a trial by Customs of a small sized long endurance unmanned aerial vehicle.

The trial will test the suitability of the technology for maritime surveillance and reporting arising from Coastwatch targeting. The unmanned aerial vehicle will be deployed to identify, verify and validate target data derived from the HFSWR and other sources.

Customs is also working closely with Defence in support of its implementation of the Government decision to trial the deployment of an unmanned aerial vehicle in the North West Shelf area.

Maritime surveillance contracts

Customs is undertaking a tender process to replace contracts for delivery of aerial surveillance of Australia's maritime zones which expire on 30 June 2007.

Tenders were sought for two services. Service A includes surveillance services over the inshore and offshore zones of the AEEZ and remote areas, complemented where feasible by a wide-area surveillance capability for use predominantly south of the Tropic of Capricorn. Service B caters for provision of helicopter services for the Torres Strait.

The request for tender for the services forecasts an ongoing investment in border protection approaching \$1b over 12 years.

It is anticipated that the successful tenderer for Services B will be announced in July 2005 and for Service A in late 2005.

Joint Offshore Protection Command

On 20 July 2004, the Government established the Taskforce on Offshore Maritime Security, led by the Department of the Prime Minister and Cabinet. It comprised members from Defence and Customs, and consulted widely with government agencies and various industry representatives in both Australia and overseas.

In December 2004, the Prime Minister John Howard announced a number of initiatives,

including the establishment of the Joint Offshore Protection Command (JOPC), to further strengthen Australia's offshore maritime security.

Under new JOPC arrangements, Customs retains responsibility for civil maritime surveillance and regulatory roles and the Australian Defence Force (ADF) takes on responsibility for:

- offshore counter terrorism prevention
- interception and response capabilities and activities including the protection of offshore oil and gas facilities, and
- offshore interception of ships.

JOPC uses assigned Customs and ADF assets to execute a particular operation and, at the end of the operation, returns control of the asset to the ADF or Customs. Assigned assets are operated in accordance with Rules of Engagement promulgated by the Chief of the Defence Force and by the CEO of Customs.

JOPC tasks include:

- operations and exercises such as augmented security patrols and the offshore interception of ships
- developing, implementing and managing an Australian Maritime Identification System
- developing command and control arrangements, especially for an incident that becomes a terrorist threat
- liaising with foreign, Commonwealth and State/Territory governments and agencies, and relevant industry sectors.

A JOPC Offshore Powers Legislation Study team convened in June 2005 to undertake a project seeking clarification and further development of the legal authority to undertake counter terrorism measures in offshore areas. The Study is headed by Professor Stuart Kaye, Dean of Law, University of Wollongong and comprises legal and operations representatives from both

Customs and Defence team – Joint Offshore Protection Command

On 30 March 2005, the Minister for Justice and Customs and the Minister for Defence formally opened the Headquarters of the Joint Offshore Protection Command (JOPC). The Headquarters is co-located with Customs Coastwatch in Canberra and comprises staff drawn from both Customs and the Australian Defence Force. A number of staff are in the north of Australia.

The Command has a joint accountability structure, being responsible to the Chief of the Defence Force for its military functions and to the CEO of Customs for its civil functions. To support this approach, the Director-General of Coastwatch, a Rear Admiral seconded from the Royal Australian Navy, is also the Commander of JOPC. JOPC operates under a Directive to the Commander of JOPC signed by both the CEO Customs and the Chief of the Defence Force.

The Command draws on the full range of Defence and Customs capabilities and makes the best use of available resources to achieve

the implementation, coordination and management of offshore maritime security. It is an important step in ensuring that any terrorist threat to Australia's maritime assets and coastline can be detected and defeated.



Members of the JOPC team, left to right: John McAree, Conor Annesley, LCDR Mark Sorby, Ian Polson, Group Captain Ian Pearson.

Defence and Customs. The Study will provide its conclusions and recommendations to the Commander JOPC by 30 August 2005.

Augmented security patrols—Timor Sea and North West Shelf

The objective of augmented security patrols is to:

- increase the level of security within the patrol areas of Australia's oil and gas fields in the Timor Sea and North West Shelf
- deter those who may be contemplating or planning an attack on these offshore assets.

Four augmented security patrols were conducted in the Timor Sea and North West Shelf. Assigned surface assets came from Customs and Defence, supported by designated Coastwatch aircraft flights. Affected industry members were alerted through the Australian Petroleum Production and Exploration Association.

The patrols successfully tested communications, procedures and protocols between Coastwatch and Defence assets, and with oil and gas installations.

Australian Maritime Identification System (AMIS)

A key problem identified by the Taskforce on Offshore Maritime Security was the lack of centralised coordination and integration of all information relevant to the maritime domain held by a number of Commonwealth and State agencies.

JOPC proposes to establish AMIS as a mechanism for seeking, analysing and managing information on vessel identity, crew, passengers, cargo, location, course, speed and

intended port of arrival. The establishment of AMIS will provide a centrally coordinated and integrated approach to the gathering of the maritime information that is already collected by a number of Australian Federal, State and Territory agencies. This collection of information on known and forecast vessel movements and the management of the data will assist in providing more targeted surveillance within Australia's maritime zones.

Operations and Program Advisory Committee (OPAC)

OPAC is the senior consultative body providing whole-of-government advice to the Director General Coastwatch. OPAC comprises senior representatives from the Australian Fisheries Management Authority, the Australian Federal Police, Australian Maritime Safety Authority, the Australian Quarantine and Inspection Service, the Department of the Environment and Heritage, the Department of Defence, the Department of Foreign Affairs and Trade, the Department of Immigration and Multicultural and Indigenous Affairs, the Department of Industry Tourism and Resources, the Great Barrier Reef Marine Park Authority and Customs. Chaired by Director General Coastwatch, OPAC meets quarterly.

Strategic directions and service delivery of the Civil Maritime Surveillance Program are major issues discussed. OPAC also reviews operational outcomes and provides advice on the extent to which they meet the needs of individual agencies.

OPAC also oversees the Coastwatch Planning Advisory Sub-Committee and the Regional Operations Planning and Advisory Committees.

Maritime response

People smuggling

There were no arrivals of suspect illegal entry vessels during 2004–05, compared to three arrivals involving 82 suspect unlawful non-citizens in 2003–04 (see figure 24 below).

Whole-of-government approach

Each Coastwatch flight is multi-tasked to provide surveillance services on behalf of other agencies. For example:

- people smuggling and prohibited imports smuggling
- illegal fishing interception
- support of search and rescue operations
- reports related to the protection of the maritime environment and marine resources.

Coastwatch's role in protecting the integrity of

Australia's maritime environment includes:

- identifying and responding to illegal fishing in Australian waters
- detecting and reporting environmental incidents such as marine pollution and coastal degradation
- detecting introduced marine pests, and human incursions on coral reefs and other protected marine parks and the potential quarantine, health and marine habitat threats
- reporting sightings of whales, turtles, dolphins and dugongs to protect marine species
- gathering evidence for the Great Barrier Reef Marine Park Authority to support charges for vessels operating illegally in protected areas of the Park.

Activities in 2004–05 are detailed in figure 25.

Figure 24: Summary of suspect illegal entry vessels (SIEVs) and suspect unlawful non-citizens (SUNCs)

	2002–03	2003–04	2004–05
SIEV summary[^]			
Undetected			
onshore unauthorised boat arrival	0	1	0
offshore unauthorised boat arrival	0	2	0
Detected	0	0	0
Total	0	3	0
SUNC summary[^]			
Undetected			
onshore unauthorised boat arrival	0	53*	0
offshore unauthorised boat arrival	0	29	0
Detected	0	0	0
Total	0	82	0
Crew	0	4	0

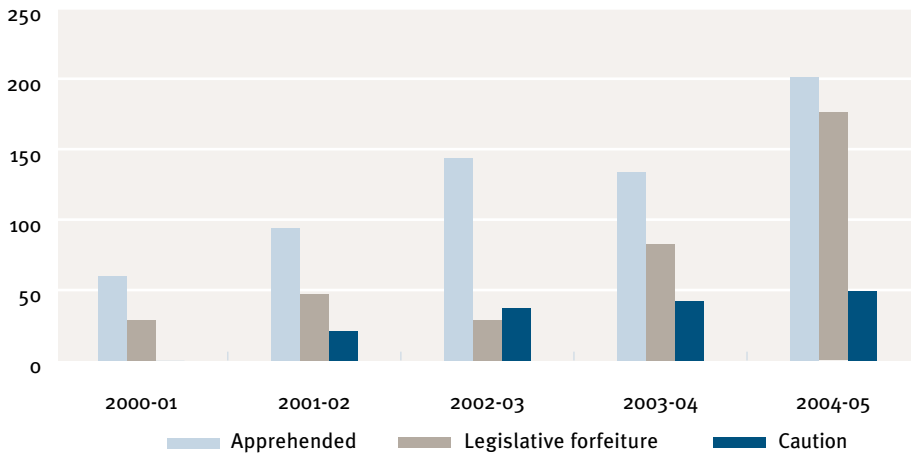
[^] Figures sourced from the Department of Immigration and Multicultural and Indigenous Affairs.

* Three of these SUNCs were charged with people smuggling offences under the *Migration Act 1958*.

Figure 25: Selected Coastwatch activities on behalf of other agencies

	2003–04	2004–05
Surveillance reports—yachts	455	560
Sightings reports—environment	79	129
Sightings reports—animals in protected areas	243 sightings of 2 286 animals	311 sightings of 3 615 animals
Sightings reports—marine species	1 318 sightings of 18 715 animals	1 361 sightings of 15 032 marine animals
Search and rescue (SAR)		
SAR operations involving Coastwatch aircraft	41	53

Figure 26: Foreign fishing vessel action 2000-01 to 2004-05



Figures and commentary on rate of Customs National Marine Unit and Defence responses to FFVs.

Foreign fishing in Australia's maritime zones

The increasing presence of foreign fishing vessels (FFVs) in Australian waters poses a multi-dimensional threat. As well as depleting fish stocks and creating significant environmental hazards, foreign vessels sometimes make landings, potentially conveying exotic pests and diseases to Australia's shores.

The number of actions taken by Customs and Navy vessels against FFVs increased by 67 per cent compared to the previous year:

- 203 FFVs were apprehended (134 in 2003-04)
- 178 were subject to legislative forfeiture of catch and equipment (83 in 2003-04)
- 50 were cautioned (42 in 2003-04).

Operation Clearwater

Operation Clearwater, a concentrated operation aimed at detecting and deterring foreign fishing vessels in the Gulf of Carpentaria and in the waters to the north of Arnhem Land, was conducted during the period 11-21 April 2005.

It involved the combined resources of Customs, the Australian Defence Force, Australian Fisheries Management Authority (AFMA), Australian Quarantine and Inspection Service, and the Department of Immigration and Multicultural

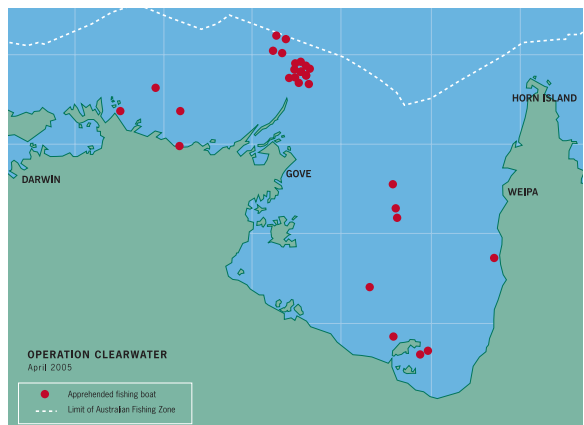
and Indigenous Affairs with support from the Northern Territory Health Department and the Northern Territory Police.

Two Indonesian officials from the Indonesian Directorate General of Customs and the Directorate of Fish Resources Surveillance also participated.

During the operation, Customs vessels and Royal Australian Navy patrol boats apprehended 29 illegal fishing boats and 258 crew. Fifteen boats were large vessels known as iceboats with a capacity to store fresh fish.

AFMA identified 65 crew who were charged with offences under the *Fisheries Management Act 1991* and/or the Criminal Code. Penalties

Figure 27: Location of Operation Clearwater



imposed on 35 crew members who were dealt with by the courts in 2004–05 ranged from an aggregate fine of \$90 000 handed to the master of a large iceboat, to a two year \$200 good behaviour bond.

Of the 29 vessels apprehended during the operation, two were destroyed by fire while at sea, one due to its unseaworthy condition and the other due to quarantine concerns.

At 30 June 2005, 19 of the remaining 27 vessels had been destroyed and eight were detained in port awaiting a decision.

During this operation officers seized approximately:

- 12 927kg fish products
- 2000kg bait
- 13 910 hooks
- 87 584 metres of long line
- 295kg of shark fin
- 152 additional shark pieces.

Operation Clearwater is an example of the benefits of a whole-of-government approach to a major threat to the nation's natural resources and is further evidence that Australia's border protection arrangements are working well.

Support to the Australian Quarantine and Inspection Services (AQIS)

The objective of quarantine controls in maritime areas is to prevent the introduction of exotic diseases or pests to Australia. Of particular relevance to the civil surveillance program is the need for early detection and identification of potential or actual landings by overseas vessels at remote places.

Coastwatch provides AQIS with information obtained during surveillance flights ranging

from international vessels travelling close to the coastline, to vessels discharging ballast and waste at sea where that waste could drift to shore. AQIS is advised of all interceptions of overseas vessels such as FFV's and SIEVs.

The Customs office on Thursday Island works particularly closely with AQIS to achieve the objectives of the Northern Australia Quarantine Strategy in the Torres Strait and Cape York area. The quarantine related activities undertaken in this region range from:

- targeted surveillance for early warning to AQIS of potential quarantine threats
- transporting AQIS officers by Coastwatch helicopter to monitor fruit fly and screw worm, and
- conducting plant and animal surveys.

National Marine Unit

Customs National Marine Unit provides maritime response to known and/or suspected breaches of the Australian border.

The National Marine Unit is committed to provide about 2400 vessel sea days a year to the National Civil Maritime Surveillance and Response Program. This target is achieved by each of the eight Australian Customs Bay Class vessels completing around 300 vessel sea days a year.

Australian Customs vessels (ACVs) conduct patrols around the entire Australian coastline and out to the 200 nautical mile limit of the AEEZ. In response to concentrated activity levels in Northern Australia, a number of vessels continually patrol coastal and offshore areas between the Kimberley Coast and Torres Strait.

Key achievements in the National Marine Unit

ACVs achieved 2372 vessel sea days:

- 60 per cent was achieved in Northern Australia
- 30 per cent was achieved on patrols of the East Coast
- nine per cent on the West Coast
- one per cent was achieved on patrols of the Southern Coastline.

The *Bay Class* fleet completed 746 strategic taskings and 91 tactical taskings on behalf of eight Federal and nine State client agencies. This reflected an overall completion rate of 78 per cent. The National Marine Unit did not complete 100 per cent of vessel sea days/tasks due to either tactical tasks taking precedence over strategic tasks or National Marine Unit not being in a position to accept some strategic tasks because of their incompatibility with other concurrent high priority taskings.

Figure 28: Australian Customs Vessel response activity

	2002-03	2003-04	2004-05
Boardings			
FFV [^]	388	377	358
SIEV [~]	0	2	0
Other [#]	385	457	105
Apprehensions [*]	61	65	80
Legislative forfeitures [›]	4	40	118

* Apprehensions by Customs Marine Vessels are a subset of the total number of apprehensions shown in Figure 22.

Includes merchant vessels, Australian fishing vessels, other small craft.

~ Suspect illegal entry vessel

^ Foreign fishing vessel

› Legislative forfeiture (catch and equipment seized) conducted under Fisheries legislation. Legislative forfeitures shown here were initiated by Customs Marine Vessels and are a subset of the total legislative forfeitures shown in Figure 22.



Australian Customs vessel *Arnhem Bay*.

Customs teams – National Marine Unit

The Government provided \$77.4m over 2002–03 to 2006–07 to double Customs national marine surveillance and response capacity.

After recruitment and training of additional staff, the National Marine Unit commenced operations at this increased rate of effort from October 2002 onward.

A recent recruitment round for sea positions was conducted and additional seagoing staff are undergoing training in advance of joining the fleet before July 2005. Recruitment is under way to fill all vacancies.

In addition to conducting effective maritime responses to known and/or suspected breaches of the Australian border, the crew of the Australian Customs Vessels (ACVs) have occasions where they showcase the ACVs at open days and also assist in search and rescue operations. Examples of these activities are as follows:

Rescue of five Indonesian fishers on Ashmore Islands

In November 2004, ACV *Holdfast Bay* was involved in the rescue of five Indonesian fishers located stranded and dehydrated on the remote Ashmore Islands situated 400 nautical miles west of Darwin. The fishers had become separated from their vessel and were washed ashore. The fishers were given medical treatment and fresh supplies of food and water before returning them to their vessel, which was located a few miles away.

Rescue of a maxi yacht, crew and passengers off Hamilton Island

In February 2005, ACV *Hervey Bay* rescued 14 passengers and three crew from a maxi yacht disabled in strong winds and dragging its anchor towards rocks on the western side of Dent Island, near Hamilton Island resort. The Hervey Bay launched its tenders and a topline which was attached to the yacht to tow it clear of immediate danger, then to a safe anchorage in the lee of Hamilton Island.

Vessel Open Days

Customs officers continued to foster public awareness of the importance of border protection by conducting a number of vessel open days.

Guided tours, usually held at boat shows, provided an ideal opportunity for the public to better understand how ACVs operate and the important work they do for Customs and other Federal agencies.

In 2005, ACV crews conducted guided tours of the ACVs at the Sanctuary Cove Boat Show in Queensland, Ulladulla Blessing of the Fleet and the Eden Whale Festival in New South Wales, and Garden Island in Western Australia. On average 800 visitors toured the vessels per day at each location. Crewmembers were on hand to answer a myriad of questions ranging from “how many smugglers do you apprehend” to “what type of food do you like to cook on board”.

Feedback from the public is always very positive and ACV crewmembers enjoy the opportunity to showcase their unique workplace.



ACV Corio Bay, Open Day at Ulladulla, New South Wales – Easter 2005.



Left to right: Crystal Van Hecke, Gary Shrimpton, Peter Page, Greg Jessop-Pond, Peter Weller and Commanding Officer, Andrew Belton, on ACV Hervey Bay.

Secure communication

A secure communications facility was developed using Transmission Control Internet Protocol for voice, video and data transmissions over satellite. Secure communications will be fitted into all Customs vessels during 2005–06.

Replacement program for the *Bay Class* fleet

Originally introduced into service with a useful life to Customs of ten years, much of the Customs vessel fleet has reached ‘half-life’ of five years. Customs is planning for a replacement to the *Bay Class* fleet that will be capable of continuing to counter existing, as well as emergent, threats to Australia’s borders and sovereignty.

Bay Class maintenance services contract

On 15 April 2005, the *Bay Class* maintenance service contract was approved. The new maintenance contract tender sought to engage the market place with a contract that was more suitable for the operations of Customs and one that provided maintenance coverage to the projected end of life in Customs of the *Bay Class* ACVs. The transition to the new contractor is complete.

Deck mounted weapons on all *Bay Class* vessels

In the 2005–06 Budget, the Government approved funding of \$25.2m over four years to enable Customs to:

- arm all *Bay Class* patrol boats with deck-mounted 7.62mm FN Herstal MAG 58 general support machine guns
- recruit additional crew to operate the weapons
- provide training for the additional crew.

The increased armament is intended to convince suspect vessels to comply with directions and will contribute to the safety of Customs officers.

The arming of the vessels is also essential to provide a full response capability by Customs when patrolling offshore oil and gas rigs.

Southern Ocean Maritime Patrol and Response

The 2004–05 Budget included \$89.2m over two years to enable Customs to set up a program of regular armed patrols to protect Australia’s sovereign interests and valuable fish resources in the Southern Ocean. This funding included \$5m to the Australian Fisheries Management Authority to cover post-apprehension costs for any investigations and prosecutions of suspected breaches of fisheries laws.

Achievements

Five armed Customs/Fisheries patrols were conducted in the Australian Fishing Zone surrounding the remote Heard Island and McDonald Islands. The aim is to apprehend any illegal fishing vessel trying to catch the increasingly scarce Patagonian toothfish or committing other offences against Australian law.

No vessels were intercepted fishing illegally inside the AEEZ in 2004–05. Evidence was gathered on behalf of Australian Fisheries authorities on several vessels that were fishing in Convention for the Conservation of Antarctic Marine Living Resources managed areas, when not licensed to do so.

On 17 November 2004, following a competitive tender process, a long-term contract for a Norwegian vessel, *Oceanic Viking*, was finalised between Customs and P&O Maritime Services Pty Ltd. This provided the Southern Ocean Maritime Patrol and Response program with dedicated capability utilising:

- a 105 metre vessel with a full complement of civilian crew and ‘Steaming party’ (additional sailors capable of crewing an apprehended vessel)
- a fully equipped medical facility
- deck-mounted 0.50 calibre machine guns
- a team of specialist trained and armed Customs boarding party officers able to conduct year-round patrols in virtually any weather conditions.

When not undertaking specific patrols in the Southern Ocean, the *Oceanic Viking* is available for other taskings.

Australia is strengthening its level of cooperation with France as the economic zone around the French territory of Kerguelen Island adjoins the Heard and McDonald Island Exclusive Economic Zone.

Since the Maritime Cooperation Treaty on Surveillance in the Southern Ocean entered into force on 1 February 2005, Customs and Fisheries officials from the two countries have been negotiating operational-level arrangements. Joint operations in the Southern Ocean, exchanging officers on patrols and coordinating sailing plans will maximise coverage for both France and Australia.

They will also support international initiatives to combat illegal fishing in this ecologically sensitive environment. Other nations who are committed to protecting Southern Ocean fisheries include South Africa, the United Kingdom and New Zealand.



Customs officer Simon Peirce, Southern Ocean Maritime Patrol and Response program.

Customs teams – *Oceanic Viking* crew respond to a medical emergency

On 16 December 2004, an Australian Customs and Fisheries vessel engaged in a race against time to save the life of a Portuguese sailor who fell critically ill on board a fishing ship in the Southern Ocean.

The *Oceanic Viking* responded to a medical emergency on board a licensed Spanish fishing vessel operating legally in international waters, approximately 200 nautical miles south of the Australian fishing zone. A critically ill Portuguese fisherman was rescued and transported to Royal Perth Hospital where he subsequently recovered. This action was carried out in accordance with Australia's international obligations under the United Nations Safety of Life at Sea convention. The fisherman returned to Portugal under the care of a doctor on 4 February 2005.



From top left clockwise: Ed Harris, Mark Whitby, Rhys Howcroft and Rod Brett during the medical emergency.



Customs and Australian Fisheries Management Authority officers undertaking boarding training.

Future Southern Ocean patrols

The 2005–06 Budget provided funding to extend surveillance and the armed patrol program in the Southern Ocean against illegal, unreported and unregulated fishing until at least June 2010. In total, the Government will provide total funding of \$201.4m for this program for the years 2005–06 to 2009–10. Negotiations are under way to extend the contract for the supply of the *Oceanic Viking*. Modifications to the vessel are also planned to improve safety and operational efficiency.

Planning for the future

The next two years will pose major challenges to Coastwatch and the National Marine Unit. During this period, Coastwatch will:

- further refine the operational and organisational arrangements for the Joint Offshore Protection Command and augmented security patrols
- build the linkages and infrastructure that will underpin the Australian Maritime Identification System
- undertake the substantial task of transitioning to the new surveillance contracts

- continue to assess the viability of use of emerging technology such as unmanned aerial vehicles
- respond to the challenges presented by increasing and more sophisticated foreign fishing incursions, particularly in Australia's northern waters.

The National Marine Unit will:

- fit deck-mounted weapons on all ACVs and recruit and train additional crew to operate this equipment by the end of 2005
- fit secure voice and email communication systems on all ACVs.

As part of the Southern Ocean Maritime Surveillance and Response program, Customs will:

- renegotiate with P&O Maritime Services Pty Ltd a long-term contract for the *Oceanic Viking* to cover the period until June 2010
- extend the capability for undertaking operations in northern waters
- coordinate a long-term sailing plan with the French government to ensure maximum patrol coverage
- explore cooperative arrangements with other interested countries.

Output 4

Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics

Output 4 pricing is shown in the financial statements on page 210.

To administer Customs duty and indirect taxes, this Output covers processing of:

- all imported and exported cargo including postal items
- items entering and leaving Australia with passengers and crew.

Related activity covered under this Output includes:

- tariff classification, origin and valuation services
- licensing
- real time and post transaction compliance activity related to revenue protection and collection
- the investigation of industry referrals
- the administration of drawback, refund and concessional arrangements for importers and exporters
- investigations and prosecutions related to import fraud and Customs duty evasion.

The Output also includes:

- Customs-related revenue collections associated with craft movements and collection of the Passenger Movement Charge
- processing and compliance activity related to imported and exported goods to collect and validate import and export statistics

- the assessment and collection of goods and services tax (GST), luxury car tax (LCT) and wine equalization tax (WET) and compliance activity associated with these taxes
- administration of the Tourist Refund Scheme (TRS).

Key operational objectives in 2004–05 were:

- implementation of the Cargo Management Reengineering project
- Free Trade Agreement negotiations, legislation and administrative arrangements
- development and implementation of the Compliance Assurance Strategy
- delivering an effective investigation capability
- redevelopment of the Tariff Concessions (TARCON) and the Tariff and Precedent Information Network (TAPIN) computer systems
- legislation and administrative arrangements to remove the three per cent Customs duty under a Tariff Concession Order
- implementing the new passenger and crew duty free concessions.

Key achievements were:

- delivery, implementation and management of the transition to the exports component of the Integrated Cargo System and preparation for the transition to the imports component
- Thailand–Australia Free Trade Agreement and the Australia–United States Free Trade Agreement entered into force
- redevelopment of TARCON and TAPIN computer systems
- removal of the three per cent Customs duty under a Tariff Concession Order
- implementation of the new regime for passenger and crew duty free concessions.

Figure 29: Performance against targets set in the 2004–05 Portfolio Budget Statement—Output 4

Quality/quantity performance measures	Target*	Actual
Collection of revenue		
Quality		
Electronic systems availability to Customs clients (availability as a proportion of prime time)	99%	COMPILE 100.0% EDIFICE 99.9% EXIT [^] 100.0% ICS EXPORTS [#] 98.7% TAPIN 100.0%
Number of external appeals against decisions:		
Granting of Tariff Concession Order	10–15	2
Eligibility for 4th Schedule By-Law	1–5	1
Quantity		
Significant revenues collected (including Customs duty, GST collected and Passenger Movement Charge)	\$7 878m (net of GST deferred)	\$7 892m
Number of customs import entries lodged	Electronic 3 400 000	3 473 385
	Manual 22 000	23 451
Number of drawback applications	10 500–11 500	9 136
Number of refund applications	23 000	31 467
Number of air cargo screened free consignments	2 250 000	2 423 320
Major duty concessions administered by Customs		
Tariff Concession System	\$440–\$480m	\$548.37m
Cheese and Curd Quota	\$9–\$11m	\$12.52m
Revenue compliance verification		
Quality		
Revenue and compliance assurance activity:		
Imports – Total Customs value subject to compliance activity as a proportion of total Customs value reported	10%	15%
Exports – Total FOB subject to compliance activity as a proportion of total FOB reported	10%	21%
Proportion of drawback and refunds delivered in accordance with standards	Drawbacks 90%	96.4%
	Refunds 100%	99.9%
Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	100%	100%
Number of fraud/evasion cases adopted for prosecution	18–25	17
Quantity		
Revenue adjustments		
Recoveries	**	\$7.15m~
Refunds	**	\$0.17m~
Number of fraud/evasion cases adopted for investigation	55–75	72
Price	\$190.964m	\$162.790m

* Targets may be performance targets, service level targets or estimates.

** Performance targets cannot be estimated through any reliable statistical or other method.

[^] Customs information system for processing export entries and manifests, EXIT, was replaced by ICS Exports in October 2004.

[#] ICS Exports is the export component of the ICS introduced in October 2004 to replace EXIT.

~ The value of Customs duty identified from compliance activity.

Figure 30: Revenue collected on behalf of other agencies (\$m)*

	2002-03	2003-04	2004-05
Indirect taxes collected from importers [^]			
GST collections [#]	1 991.87	2 051.33	2 361.62
LCT	1.08	1.25	1.21
WET	3.34	4.78	5.40
Total indirect taxes	1 996.29	2 057.37	2 368.23
Passenger movement charge (PMC)	290.58	329.79	363.84
Marine navigation levy	45.09	44.04	41.67
Protection of the sea levy	3.90	4.32	4.68
AQIS fees ⁺	44.71	55.03	56.83
AQIS fines [~]	1.68	1.10	0.99
Wood levy	0.80	0.89	0.92
Total	2 383.03	2 492.52	2 837.17

* Figures on an accrual basis.

[^] Indirect taxes collected do not include the value of GST and WET refunded on behalf of the Tourist Refund Scheme.

[#] Excludes the GST liability raised on imports which is deferred rather than immediately collected. The Australian Taxation Office acquires these liabilities in subsequent BAS statements from importers. In 2004-05 GST deferred was \$13.6 billion.

⁺ Fees collected on behalf of AQIS. These include fees for entry screening, HVLV and processing fees plus EFT JEMS collections. Previous financial year showed quarantine entry fee (EFT JEMS) only.

[~] On the spot fines collected on behalf of AQIS including the collections of Quarantine Infringement Notices issued.

Figure 30 excludes the revenue impact from compliance activity which prevented illegal products from entering the market. The detection and seizure and destruction of illegal tobacco reported under Output 1 prevented the evasion of \$40.1m in revenue.

Cargo Management Reengineering

Trade modernisation legislation

The trade modernisation legislation, which supports the policy and technical initiatives for Cargo Management Reengineering (CMR), comprises three Acts:

- *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001*
- *Import Processing Charges Act 2001*
- *Customs Depot Licensing Charges Amendment Act 2001*.

In July 2004, a report on the implementation of the trade modernisation legislation was submitted to the Senate Legal and Constitutional Legislation Committee.

Import Processing Charges

Import processing charges have been updated to reflect the introduction of the imports component of the CMR project. The revised

cost recovery regime is designed to provide greater transparency and certainty of costs. The charges have been restructured to recognise the cost differences between each mode of importation and will also incorporate the processing costs of low value goods not requiring an entry.

The amendments are contained in the *Import Processing Charges Amendment Act 2005* and the *Customs Legislation Amendment (Import Processing Charges) Act 2005*.

Accredited Client Program

Customs undertook further consultation with industry on the proposed Accredited Client Program.

In May 2005, the Government announced that the Accredited Client Program would commence during 2005-06. This program is open to highly compliant companies and will allow them to report their imports and exports monthly rather than reporting each and every consignment.

The program provides a number of benefits to participating companies in return for a demonstrated commitment to achieve high levels of compliance with Customs requirements.

Benefits include:

- monthly declaration reporting arrangements
- improved supply chain security
- reduced levels of Customs intervention
- eligibility for account-based processes (as opposed to traditional transaction-based processes)
- improvements in Customs risk assessment analysis because of more timely and higher-quality information.

The Accredited Client Program will allow participating companies to make a mid-month payment of duty based on an estimate of imports, with a reconciliation payment in the middle of the following month.

The program will be rolled out in the first half of 2006, but some system changes may be required after CMR is more established.

Cargo Management Reengineering – Integrated Cargo System (ICS)

The CMR project team has achieved major milestones this year. The project involves the development of an ICS, combining into one coherent and technologically modern system, the numerous cargo systems that have been developed over the past 30 years.

The introduction of ICS will enhance controls over imports (as it has for exports) in many areas including:

- mandatory electronic vessel/aircraft/cargo reporting within prescribed timeframes
- in transit reporting
- a new requirement for declaration of low-value imports to Customs.

These changes also support the Government's enhanced security measures for import and export cargo.

The new system will increase the ability of Customs to assess the risks of individual cargo consignments, to quickly deliver low risk consignments, and to identify and examine suspect cargo.

Extensive consultation with industry and with Customs staff for the ICS system included a

comprehensive communications campaign. Practical information was provided on key aspects of CMR, such as the ICS test plans, dates for different phases of the ICS, information on software requirements and available training. Information products such as frequently asked questions, fact sheets, websites, reference manuals and quick reference guides were developed.

An important aspect of the successful collaboration with industry has been a program of regular meetings with stakeholders that helped to gauge industry reaction to the ICS and to resolve issues. Key forums include the Software Developers Forum with industry and their systems developers, and the Minister for Justice and Customs Round Table meetings with industry representatives and senior Customs staff.

The CMR project represents one of Australia's largest public sector e-business projects. This means that Customs is at the forefront of the design, development and implementation of a system of this magnitude. Consequently, achieving operational capability in this fast changing environment has been complex, time-consuming and difficult. This translates into additional costs and timescale for the project.

By June 2005, Customs had spent close to \$190m on the development and implementation of the CMR project.

ICS Exports release

The highlight in 2004–05 was the implementation of the CMR exports component. The exports component was initially made available on 1 August 2004 for entry of client information and then on 22 September for export messages relating to cargo being exported after 2am (AEST) on 6 October. The Customs Connect Facility as the secure gateway for electronically interacting with Customs applications was implemented at the same time.

Consultation included:

- around 12 months of industry test availability to test the integration of the software components required for the cargo supply chain

- information support products including fact sheets, reference guides, booklets, websites, CDROMs, information sessions and internet updates
- facilitation of business readiness simulations.

Over three million transactions were processed through the ICS exports system in the nine months to 30 June 2005.

Figure 31 shows that e-business (EDI) is the most used method of transacting business with

Customs for organisations with a need to process large volumes of transactions. However, the online facility, Customs Interactive, is consistently used for servicing lower volume users over the Internet.

Figure 32 shows that the largest proportion of export transactions successfully submitted are Export Declarations at 43.9 per cent, and CTO (Cargo Terminal Operator—air, or Container Terminal Operator—sea) Receival Notices at 40.8 per cent.

Figure 31: Number of successful EDI and Customs Interactive export transactions processed (1 October 2004 to 30 June 2005)

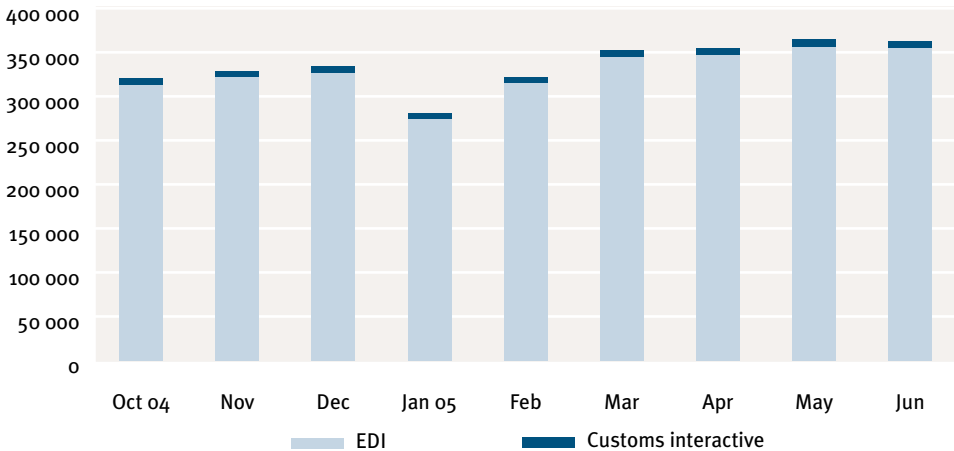
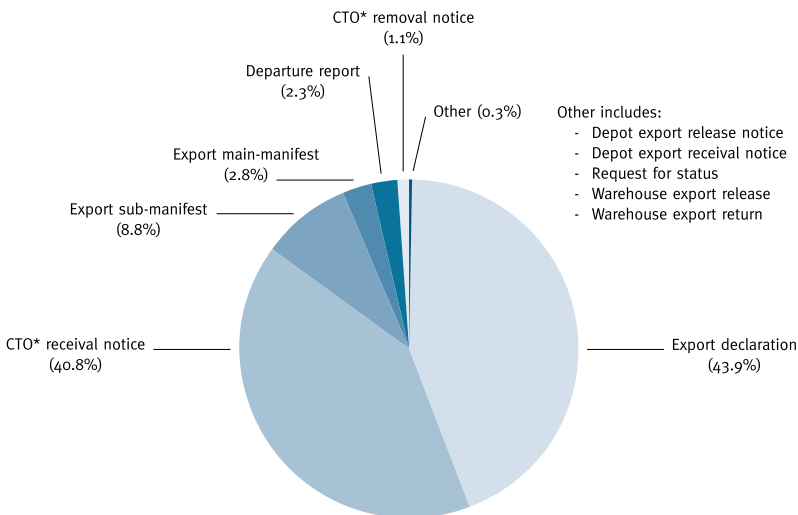


Figure 32: Export transactions successfully processed by type (1 October 2004 to 30 June 2005)



* CTO: Cargo Terminal Operator—air, or Container Terminal Operator—sea

Customs teams – Cargo Management Reengineering

Development and implementation of the Cargo Management Reengineering (CMR) project involved Customs teams across Australia throughout its development.

The cutover from the legacy exports system, EXIT, to the Integrated Cargo System (ICS) occurred in October 2004. The Western Australia region formed a team to be available where new system users, internal and industry, were implementing ICS for exports. Staff from Compliance and CMR were based at Cargo Terminal Operators, sea Container Terminal Operators and within the Perth International Air Terminal to provide advice. With only a few minor glitches, a successful transition was made from old to new.

Within Victoria, a CMR taskforce with representatives from each key branch was established to assist internal implementation. The taskforce's work was recognised by winning the prestigious Australian Public Service Commission Executive Leadership Group Victoria annual award for 2004.

Two executive management teams based in Canberra helped to steer changes at strategic, operational and tactical levels. Their work included analysis, development, testing, implementation and communication of legislative, policy and technical changes.

The CMR Senior Executive Service/Directors Transition Group managed the business changes and the CMR Executive Group managed the ICS changes.



Western Australia Compliance and CMR team members, left to right, back row: Paul Grant, Alana Carson, Lindsay Turnor. Middle row: Lara Boon, Karen Jardine. Front row: Marie Alexander, Alison Murray and Juliet Pomfret.



Victoria Cargo Management Reengineering Taskforce members: back row, left to right: George Binos, Vic Walker, Stephen Pearce, Peter O'Keefe, Greg McCarthy, Viktoria Rother, Front row: Bernadette Tan, Claudia Salustro, Christopher Castelino, Daryl Snibson, Sue Klee, Jennifer Pearce, Judith Anders.



The CMR Senior Executive Service/Directors Transition team, from back left to right: Ben Evans, Rod Vaughan, Robert Fraser, Peter Stankiewicz, Stephen Pearce, Myron Bosak. Next row: Andrew Hudson, John Roe, Mike Soding, Henk Smelter, Jim Stewart, Jane Bailey. Next row: Geoff Johannes, Poh-Ling Lee, Jan Hill, Lyn Foster, Ray Carter, Richard Hunt, Malcolm Buchanan. Next row: Mark Debeljakovic, Grant McGavin, Alison Neil, Peter Thomson, Tania Barrow, Eloise Saile. Next row: Michelle Kinnane, Philomena Carnell, Phil Burns, Matthew Corkhill, Murray Harrison, Michelle Brunacci. Next row: Craig Langford, Kim McGavin, Paris Lai, Ross Viles, Nicole Cottrell, Glenn Thornton. Absent: Jeff Buckpitt, David Calligaro, Dane Cupit, Shane Davie, Keith Goodall, Randip Jassal, Jo Kennedy, Jenny Milward-Bason, Peter Naylor, Sharon Nyakuengama, Christine Pruckner, Larry Roux, Craig Sommerville, Daryl Snibson, Scott Wood.



The CMR Executive team, from back left to right: John Mostovoy, Poh-Ling Lee, Ben Evans. Next row: David Calligaro, Robert Van Rensburg, Michelle Kinnane, Jim Stewart, Andrew Hudson. Next row: Michael Blyton, Naa Opoku, Murray Harrison, Malcolm Buchanan, Mark Debeljakovic. Next row: Matthew Corkhill, Leigh Edwards, Clare Cable. Next row: Brian Hughes, Darrell Shepherd, Craig Langford, Ray Carter, Glenn Thornton. Absent: Murray Alston, Michelle Brunacci, Phil Burns, Philomena Carnell, Dane Cupit, Craig Howden, Randip Jassal, Tony Kummer, Steve Moore, Chris Simpson.

ICS Imports release

Development of the imports component of the CMR application suite was completed in the latter part of 2004. Functionality was made available to industry and software developers from 1 November 2004. This enabled the testing of both Customs and industry systems and business processes. Customs worked closely with the industry software developers and major stakeholders in the import chain including importers, cargo carriers, depots, Customs brokers and freight forwarders.

Since the commencement of industry testing, activity has gradually increased. The consultative and support processes adopted for the release of the exports system and the lessons learned were useful to this phase. Additional information sessions were held and products were produced, incident resolution processes were implemented and regular consultative forums were held with key stakeholders.

Fine tuning of the software and upgrading the information technology hardware to support the transaction loads for imports continued throughout the year. This resulted in significant performance improvements that will accommodate the anticipated message volume and import activity. Further system tuning and hardware upgrades will be undertaken in early 2005–06.

Building on the success of the collaborative exports business simulations, the imports business readiness simulation program commenced in June 2005. This program assists software developers and industry to interact with each other and Customs. It simulates the workings of the software, business processes for cargo movement, and compliance with the provisions of the trade modernisation legislation. The simulations focus on interfaces and functions that involve:

- reporting of cargo by industry
- clearance by Customs of cargo inwards and outwards
- revenue collection
- quarantine and community protection.

Customs is using this method of business simulation to train its own staff to use the system.

By the end of June, the testing had provided software developers with sufficient confidence to proceed to the next stage of implementation.

The program will continue up to the cutover date with more complex simulations for sea and air business scenarios.

Customs made significant progress on solutions to the incidents found during software testing and simulations. This assists industry to participate in the business readiness simulations.

Customs adopted a strategy to better manage the priority of incidents in conjunction with industry and government agency stakeholders. The priority reflected the importance for the business readiness simulation program, the first production transactions near to the cutover date and incidents not required until after the cutover date.

As with exports, there are key stakeholders ranging from other government agencies to individual members of the exports and imports communities. Having laid the foundations, Customs is building on the relationships with these agencies and their contribution to the exports system for the development and implementation of the imports system.

The system provides a more integrated approach to managing the risks for both Customs and the Australian Quarantine and Inspection Service (AQIS). The system allows early determination of high-risk cargo requiring further inspection and speedy movement of low risk cargo. The system will be integrated with AQIS entry management systems which have been upgraded or developed in line with ICS functions

Many other government agencies also provide information for the system. The Department of Industry, Tourism and Resources provides tariff concession information. Information about exports, imports and revenue collection is provided to other government agencies such as the Australian Bureau of Statistics and the Australian Taxation Office.

The challenge for 2005–06 will be the successful deployment of the ICS imports cargo system in late 2005 and bedding in of related business processes.

Supply Chain Security

Supply chain security is a major international issue. The World Customs Organization (WCO) is developing a framework of standards for the security and facilitation of global trade, designed to be adopted voluntarily by Customs administrations throughout the world to improve 'end-to-end' security over the movement of shipping containers and international cargo.

The WCO framework is underpinned by four core elements:

- advance electronic reporting of cargo
- application of risk management to identify high-risk cargo
- non-intrusive examination of outbound cargo, on request
- benefits to those private sector firms that meet minimal supply chain security standards.

Australian Customs is heavily involved in the development of the underpinning elements and standards that support the framework. Customs has already implemented several of the core elements having well established advanced electronic reporting of cargo, risk management in the assessment of all cargo, and extensive x-ray technology.

Customs will develop further initiatives to enhance security over international cargo.

In May 2005, Customs engaged two supply chain specialists to facilitate a series of workshops aimed at producing a strategic direction for Customs in designing and implementing a supply chain security model. As a number of supply chain issues are beyond the responsibilities of Customs, representatives from the Office of Transport Security in the Department of Transport and Regional Services were invited to participate in the workshops.

The supply chain specialists had extensive experience in this field, having been previously engaged by the US Government as systems integrator for Operation Safe Commerce.

The initiative aimed at testing and evaluating various cargo security business and technological processes on a number of international trade lanes using real-time cargo consignments.

The pathway developed by Customs allowed for setting priorities for Australian supply chain security initiatives based on cost, relative security value and timeframe to implement. The outcome will enable Customs to design, build and implement a supply chain security model that is consistent with international best practice and meets the WCO Framework of Standards to secure and facilitate global trade. In June 2005, this framework received endorsement from the 166 members of the WCO. The framework has emerged as an accepted global standard for the development of approaches to enhance security over the movement of international cargo.

Compliance

The Customs Compliance Assurance Strategy is an intelligence-driven program developed by Customs to deliver an international trading environment that reflects high levels of self-regulated compliance.

The strategy operates on several levels through assessment and analysis of the level and nature of industry compliance with statutory requirements. Where non-compliance is identified, a range of compliance improvement and enforcement activities are undertaken. Customs compliance programs focus on assisting clients who are willing and capable of complying with relevant legislation, but there is also scope to impose sanctions for non-compliance.

Customs works closely with other government agencies such as the Australian Taxation Office and the Department of Industry, Tourism and Resources, to assure compliance with GST collection and industry support programs.

Allocation of additional compliance resources

In the 2005–06 Budget, Customs received \$28.4m over four years to increase compliance assurance resources by 60 full-time staff. The additional resources will concentrate on the audit of high duty commodities, warehouses, duty free stores, industry support schemes and GST exemptions.

Compliance activities (benchmark and focused audits)

Benchmark audits use a statistically valid sample of the importing and exporting community to provide an indication of the level of compliance with Customs law. Companies that exhibit high levels of non-compliance in a benchmark audit are subject to further compliance activity such as ‘focused audits’.

In addition to benchmark audits, Customs conducts other compliance activities both at the time of, and after, transactions are processed. Real time activities include profiling and red line import declaration checks, cargo examinations and warehouse and depot checks. Post-transaction audit activity includes desk audits (a documentary audit undertaken in the office rather than a visit to the premises), focused audits and leverage exercises. These activities are conducted in response to identified risks.

Benchmark audit results for 2004–05 once again confirmed that revenue leakage in the import sectors audited is not of a material level.

The figures below show the number of benchmark and focused audits carried out in 2004–05.

Revenue coverage

Customs conducted post transaction compliance activity across a range of companies. The customs value of the goods imported by these companies, \$15 910m, was 10 per cent of a total value of imports (\$149 520m).

Real time import compliance activities covered a further five per cent of the value of imports. These activities included leverage exercises, industry referrals and action resulting from profile matches.

For exports, the free on board (FOB)² value of goods exported subjected to compliance activity was \$27 376m representing 21 per cent of a total value of merchandise exports of \$126 720m.

² The term defines the cost of the goods including any cartage costs, incurred in placing goods on board a vessel at the place of export.

Figure 33: 2004–05 Benchmark and focused audit program

Regions	Benchmark audits completed	Focused audits completed	Regional total
New South Wales	41	22	63
Victoria	32	40	72
Queensland	25	19	44
South Australia	16	13	29
Western Australia	24	5	29
Tasmania	3	1	4
Northern Territory	1	1	2
Total	142	101	243

Figure 34: Percentage of total value of customs imports and exports in 2004-05 subject to compliance activity

Imports (CVAL)	Percentage	Exports(FOB)	Percentage
Post transaction activity	10	Post transaction activity	8
Real time activity	5	Real time activity	13
Total	15	Total	21

Declaration validation examinations

Declaration validation examinations are a new activity conducted at the Container Examination Facilities to verify that information declared to Customs is correct. These examinations are conducted when a container is selected for unpacking and a Customs Declaration for the consignment is lodged. The consignment is examined to ensure that the goods entered are described correctly and comply with the law.

Export compliance strategy

Customs administers controls on behalf of permit issuing agencies on the export of restricted goods and passes export transaction information to the Australian Bureau of Statistics for its compilation of international trade statistics.

Exports were subject to compliance attention. This was possible under new export related provisions in the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001* commencing and coincided with the commencement of the exports release of the ICS.

Developing capability within compliance assurance

Internal compliance capability is being built through the development of learning products for use by regional Compliance Assurance teams. In 2004–05, four major learning projects were delivered within budget and timeframe.

The major projects completed were:

- an upgrade to the Infringement Notice Scheme training online for Customs staff
- basic Customs training (investigation skills)
- assurance techniques training (level 1)
- a compliance training package for use at Container Examination Facilities.

A new Customs compliance manual was completed to reflect legislative changes and the reengineered compliance role. This work was undertaken across Customs so that the products are owned and designed by both policy owners and end users across Australia.

Infringement Notice Scheme

Customs administers an Infringement Notice Scheme that allows minor penalties to be imposed for a broad range of strict liability offences.

With the release of the exports component of the ICS, 14 export-related strict liability offences became enforceable under the Infringement Notice Scheme. However, an administrative moratorium of six months ending on 6 April 2005, prevailed while industry adjusted to the new reporting requirements.

The CEO's Guidelines for issuing infringement notices were updated to incorporate amendments made to a number of the offences since the commencement of the scheme. These guidelines were tabled in Parliament on 16 November 2004.

One hundred and twenty-two infringement notices were issued with 98 notices paid and three notices withdrawn. No prosecutions were initiated for non-payment of an infringement notice. The total amount paid as a result of Infringement Notices issued was \$108 359.

Australian Law Reform Commission report on Federal civil and administrative penalties

The 2003–04 Annual Report reported that Customs was developing a response to Customs specific recommendations by the Australian Law Reform Commission on Federal civil and administrative penalties.

Customs has developed criteria for classifying offences as civil or criminal. An internal consultation phase has commenced to develop proposals for the legislative revision of the relevant parts of the Customs Act.

Duty recovery

Customs received a number of complaints concerning its approach to the recovery of duty following a decision of the High Court in *Malika Holdings Pty v Stretton* (Malika). Complainants have argued that recovery action should be limited to 12 months. Customs approach, supported by independent advice and legal council, is to recover duty for periods of up to four years.

A decision of the Full Federal Court (*Parks Holdings trading as Gladstone v CEO of Customs*, 1 December 2004) supported Customs approach (see page 142).

Investigations of fraud

Customs investigates serious offences such as revenue fraud. Customs also conducts financial investigations in accordance with the *Proceeds of Crime Act 2002* to recover assets associated with criminal offences.

The *Commonwealth Fraud Control Guidelines* and the *Australian Government Investigation Standards* underpin Customs fraud control methods to minimise revenue leakage. Customs pays close attention to appropriate investigation standards.

Customs successfully prosecuted 26 fraud cases this year. The penalties ranged from a fine to four separate prison terms. These cases covered various goods with over a quarter of the cases involving tobacco/cigarettes.

There was a notable increase in the detection rate of illicit tobacco importations. This may be attributed to the enhanced detection capabilities at the border.

During the financial years 2003–04 and 2004–05, Customs gradually increased the level of attention paid to the identification and recovery of criminal assets associated with revenue fraud. Seventeen cases were investigated by Customs during this period, which resulted in the restraint of assets having an estimated value of more than \$21m by the Commonwealth Director of Public Prosecution.

Figure 35: Summary of investigation activity – frauds on the revenue

	2002–03	2003–04	2004–05
Received	110	102	129
Cases adopted	72	61	72
Cases completed [^]			
with prosecution (through courts)	22	34	26
without prosecution	58	71	41
Cases where prosecution briefs completed ⁺	28 ⁺	23	20

[^] Includes cases adopted in previous years.

⁺ Does not include six recovery briefs.



Over a quarter of fraud cases in 2004–05 involved tobacco/cigarettes

Trade

Valuation and origin

Rules of origin

Customs implemented the rules of origin for the Australia–United States Free Trade Agreement (AUSFTA) and for the Thailand–Australia Free Trade Agreement (TAFTA).

Both AUSFTA and TAFTA commenced on 1 January 2005. The rules of origin for the Free Trade Agreements (FTAs) are specified in:

- *US Free Trade Agreement Implementation Act 2004*
- *Customs (Australia–US Free Trade Agreement) Regulations 2004*
- *Customs Amendment (Thailand–Australia Free Trade Agreement Implementation) Act 2004*
- *Customs (Thailand–Australia Free Trade Agreement) Regulations 2004.*

Information sessions for Customs brokers and training courses for Customs staff were conducted in all States and in the Northern Territory. Customs also redeveloped the Internet site devoted to preferential rules of origin and produced a new Customs manual for each of the FTAs.

With the implementation of the AUSFTA and TAFTA, Customs also introduced a formal origin advice service to clients. To date, Customs has issued 37 binding origin advices in relation to the FTAs.

Under the TAFTA, special safeguards apply to certain sensitive agricultural goods. For Australia, special safeguards are claimed for certain tuna products (including canned tuna), pineapple products and pineapple juice for the period from the commencement of the FTA until 31 December 2008.

Where the volume of safeguard goods imported in a particular calendar year exceeds a specified volume, safeguards may be imposed. If special safeguards are imposed, the duty rate for safeguard goods will return to the general rate for the remainder of the calendar year.

Customs will monitor imports of the special safeguard goods and advise the Department of Agriculture, Fisheries and Forestry if the annual volume for any of those goods is reached.

In December 2004, Australia and New Zealand announced that the rules of origin under the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) would be reformed and that the Change in Tariff Classification approach would be adopted. Customs is supporting the Department of Foreign Affairs and Trade and the Department of Industry, Tourism and Resources on the redrafting of the rules of origin for the ANZCERTA.

The process of identifying changes for the existing rules of origin, based on the Change in Tariff Classification approach has commenced. This is to reflect the World Customs Organization Harmonized Commodity Description and Coding System (known as the Harmonized Tariff). The latest changes to the Harmonized Tariff are due to commence on 1 January 2007.

Customs is assisting other government agencies in the negotiation of rules of origin for possible FTAs with China, the Association of Southeast Asian Nations (ASEAN), the United Arab Emirates and Malaysia.

Valuation

Determining the correct customs value of imported goods is essential to collect Customs duty, indirect taxes and trade statistics. To assist importers, Customs provides a valuation advice service.

Customs issued 94 binding valuation advices in 2004–05. Two valuation advices were subject to internal review and both decisions were affirmed. For details of external reviews conducted by the Administrative Appeals Tribunal and the Federal Court, refer to Appendix D.

Customs met with the Australian Taxation Office to discuss the possible harmonisation to the treatment of cross-border dealings between related parties. The customs value of imported goods may be able to be determined on the

basis of information contained in an Advanced Pricing Arrangement with the Australian Taxation Office. An Advanced Pricing Arrangement establishes a transfer pricing methodology to be used to determine arm's-length prices for future transactions. Customs and the Australian Taxation Office will explore further options for harmonisation.

Tariff concessions

Customs directly administers or assists in the administration of a number of concessional items under Schedule 4 of the *Customs Tariff Act 1995* (the Tariff). The concessional items cover a range of goods and people eligible to access concessional arrangements. These are in line with international agreements on industry schemes offered by government agencies including the Department of Industry, Tourism and Resources and the Department of Agriculture, Fisheries and Forestry.

Figure 36 shows the Customs duty forgone as a result of the concessional arrangements available under Schedule 4 of the Tariff.

Figure 37 shows the number of applications and revocations under the Tariff Concession Scheme. The number of applications increased from 506 in 2003–04 to 562 in 2004–05.

Eleven internal reviews of decisions on tariff concession applications and revocation requests were finalised, compared with eight in 2003–04. All reviews were completed within legislated time limits, with an average time of 37 days from receipt. There were two external reviews of tariff concession applications.

Tariff classification

Customs provides tariff classification advice services to assist importers and exporters of goods. Tariff classification is important as it is used to determine the rate of Customs duty for imported goods and facilitates the collection of trade statistics by the Australian Bureau of Statistics.

The service includes an internal administrative review process, to deal with appeals lodged by clients where they disagree with the tariff advice. The role of internal review has been centralised in Canberra since July 2002.

Customs Central Office staff undertook a series of training sessions for regional officers.

Figure 38 shows the total number of tariff advices issued and a breakdown of the reviews undertaken since the role was centralised in 2002.

Figure 36: Duty forgone through concessional arrangements (\$m)

Industry assistance measure	Concession	2002–03	2003–04	2004–05
	Item			
Tariff Concession Scheme	50	489.1	479.0	548.4
Textile clothing and footwear policy by-law	40A	38.5	26.8	20.4
TRADEX*	21A	138.7	129.3	93.4
Project by-law scheme ²	45, 46, 56	7.1	..	..
Enhanced project by-laws	71	20.5	47.0	43.0
Cheese and curd quota scheme	62	10.7	11.8	12.5
Textile clothing and footwear overseas assembly provisions	61	5.6	5.4	4.8
Automotive Competitiveness Investment Scheme (ACIS)	41E, 41G	555.6	586.9	531.1
Other Concessions		101.8	105.0	112.8
Total		1 367.6	1 391.1	1 366.4

* The TRADEX scheme replaced the Tariff Export Concession Scheme (TEXCO) in July 2000 when the Department of Industry, Science and Resources assumed responsibility under the *TRADEX Scheme Act 1999*. Under item 21A of Schedule 4 to the *Customs Tariff Act 1995*, Customs facilitates the entry of goods imported under the scheme.

Project by-law scheme was replaced with Enhanced Project By-Laws in July 2002.

Figure 37: Item 50 in Schedule 4 of the Tariff — Tariff Concession Scheme

	2002–03	2003–04	2004–05
Applications			
Received	526	506	562
Approved	446	407	455
Not approved	107	82	62
Revocations			
Received	20	25	8
Approved	16	22	9
Not approved	2	2	2
Customs initiated	542	753	462

Figure 38: Tariff advices and reviews

	2002–03	2003–04	2004–05
Tariff advices issued	4 232	3 602	3 254
Reviews			
Customs decision overturned	59	38	21
Customs decision affirmed	42	47	36
Review decision substituted	20	5	4
Reviews withdrawn	4	1	4
Reviews yet to be finalised	-	3	3
Total reviews undertaken	125	94	68

Tariff legislation

Several Bills involving changes to the *Customs Tariff Act 1995* were introduced into or passed by Parliament. Due to the specialist nature of the legislation, drafting was primarily undertaken within Customs prior to the final Bills being produced by the Office of Parliamentary Counsel. The creation of those Bills involved liaison with a number of government departments including the Department of Foreign Affairs and Trade, the Department of the Treasury and the Department of Industry, Tourism and Resources.

Trade and tax liaison

Cooperation with the Australian Taxation Office

Indirect taxes that apply to goods produced or supplied in Australia (i.e. GST, excise duty, wine equalisation tax and luxury car tax) also apply to imported goods. Customs assesses and collects the indirect tax payable on imported goods on behalf of the Australian Taxation Office. The two organisations also cooperate on the administration of tax concessions that are based on the export of goods.

Customs receives funding for administration of GST for imported and exported goods as part of the Commonwealth-State arrangements on GST administration. Customs received \$47m in 2004–05 to carry out GST-related activities such as import and export processing, compliance activities and administration of the Tourist Refund Scheme.

An interagency liaison committee meets every two months to oversee indirect tax administration at the border and to actuate coordination. The committee dealt with issues including data transfer, export cargo examination procedures and transition to the ICS. Sub-committees continued to focus on specific issues such as compliance and administrative penalties.

GST Administration Subcommittee

Customs provides half-yearly performance and cost reports on GST administration as part of reporting requirements under the Intergovernmental Agreement. This Agreement covers the distribution of GST revenue after costs are deducted.

Customs teams – Tariff Concession Scheme: removal of duty on business imports

When governments announce budget decisions, a range of government machinery is required behind the scenes to implement the change. An example is the government decision in the 2005 Budget to remove the three per cent tariff on business inputs under a Tariff Concessions Order (TCO).

The Government announced the change to reduce business input costs, increase the international competitiveness of Australian business, and encourage investment in efficient and sustainable industries.

The change in the duty rate prompted an increase in requests for both applications and revocations of TCOs using the Tariff Concession Scheme.

The changes were implemented by the specialist Tariff Concession section in Central Office that provides advice and assistance to all areas of Customs, government agencies and industry on complex issues relating to the interpretation and administration of certain tariff concession items.

The section's work relates to administration of Item 50 of Schedule 4 of the *Customs Tariff Act 1995*, also known as the Tariff Concession Scheme. The team is made up of technical experts with broad industry knowledge and an ability to research, interpret and analyse complex information. These skills, combined with a strong client focus, allows the team to maintain a value-adding approach while meeting its legislative deadlines to assess and implement applications or revocations for a TCO.



The Tariff Concession section, left to right: Glen Beatty, Steve Adams, Bob Crawford, Keith Vanderslacht, Debbie Hayer, John Potter and Paul Mercer.

International cooperation with Malaysia

In March 2005, a delegation of Malaysian Customs officers visited Australia to study GST administration. Customs facilitated meetings between the Department of the Treasury and the Australian Taxation Office to provide a broad understanding of Australia's GST system and also provided details of Customs administration of GST on imported goods.

International cooperation with United Arab Emirates

In March 2005, Customs provided information about Australia's administration of GST on imported goods to a representative of the United Arab Emirates Customs Service. These discussions were in conjunction with a United Arab Emirates delegation in Australia to discuss a Free Trade Agreement.

Harmonized System Committee

Australia is a member of the WCO and is a contracting party to the Harmonised System Convention. Customs represents Australia at the WCO, and attends meetings of the Harmonized System Committee and the Review Sub-Committee. Changes for the new Harmonized System nomenclature (2007) have been approved and confirmed by the WCO Council. Work is underway to implement these changes into the Australian Tariff for 2007. Further work is progressing into implementing changes approved by the WCO on streamlining Harmonized System procedures.

Passengers

Passenger and crew duty free concessions

A new arrangement for passenger and crew duty free concessions was implemented on 1 February 2005. An interdepartmental committee review considered increases to passenger concessions as a balance between tourism, facilitation, industry and revenue interests. The new concessions provide higher

limits for duty and tax-free goods for travellers. Travellers who import goods in excess of the limits lose the entitlement to concessions.

Implementation occurred soon after the Commonwealth and State Governments endorsed the changes as both travellers and duty free operators showed strong interest for early implementation.

The agreement to introduce new concession limits recognises there had been little change to duty limits since 1987. Prior to implementation, Customs wrote to representatives of leading tourism industry bodies explaining the changes in detail. Some two million leaflets were published and made available at international airports to outgoing passengers from 15 December 2004. National newspapers also featured articles about the new concessions, some including detailed articles in their travel sections as well as more general reporting in December and January.

The changes brought about a sharp rise in the number of passenger complaints from travellers who had exceeded limits and were then required to pay duty and tax. This is expected to diminish as traveller awareness increases. The rate of complaints reduced gradually after implementation.

Details of the concessions limits are on the Customs Internet site.

Passenger Movement Charge

The Passenger Movement Charge is administered by Customs under the *Passenger Movement Charge Collection Act 1995*. At its inception it was intended as a notional cost recovery measure to recoup the costs of Customs, DIMIA and AQIS processing of inward and outward passengers at Australia's borders and the cost of issuing short-term visitor visas. Monies are paid directly to the Consolidated Revenue Fund.

Passenger Movement Charge collections amounted to \$363.8m for 2004–05.

Figure 39: Costs incurred in 2004–05 by agencies providing passenger processing service

Customs	DIMIA	AQIS
\$177.458m	*	\$71.999m

* Full costs for DIMIA were not available at the time of publication. The figure for 2003–04 was \$68.876m.

Figure 40: Summary of Tourist Refund Scheme claims

	2002-03	2003-04	2004-05
Number of claims made	359 694	389 266	433 214
Percentage of claims approved for payment	97.4%	96.6%	96.5%
Amount of GST/WET refunded	\$45.3m	\$46.9m	\$49.8m
Mail back claims processed within 30 days* (to 4 October 2002)	99%#	#	#
Credit card and Australian bank account refunds processed within five business days (from 18 Nov 2002)	84.4%	99.0%	99.4%
Cheque refunds posted within 15 business days (from 18 Nov 2002)	98.7%	97.6%	98.4%
Australian retailer participation	20 500	18 300	19 230
Number of complaints received and processed	294	149	202

* Due to the business changes delivered with the new Tourist Refund Scheme IT system in Nov 2002, the mailback process was replaced with full electronic processing for all refunds.

As a result of the transition to the new Tourist Refund Scheme IT system, a backlog of claims for the period 4 October 2002 to 17 November 2003 were processed retrospectively in the new system. The majority of claims within this period did not meet the 30-day service standard.

The Tourist Refund Scheme

The Tourist Refund Scheme allows Australian and overseas visitors a refund of GST and WET paid on goods bought in Australia which are subsequently exported by visitors.

Since the scheme began in July 2000, 1.73 million claims have been made, resulting in \$212m of GST and WET being refunded. This equates to over \$2.3b worth of tourist retail sales in Australia.

Planning for the future

The cutover date for the imports component of the ICS has been determined in consultation with industry. Legislation was required to implement these changed arrangements such that industry will have three months to finalise testing and documentation, install and train the users of their systems prior to the cutover date.

The imports component of the ICS was available for use by industry from 19 July 2005 in accordance with the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001*.

Next year, Customs will:

- develop a Customs-to-business partnership program to increase cargo security
- prepare for the commencement of the Accredited Client Program
- apply additional post transactional audit activity as a result of the appointment of 60 additional staff
- provide input to Free Trade Agreement negotiations with countries including the United Arab Emirates, China, Malaysia and ASEAN/ANZ
- continue the integration of the redeveloped TARCON and TAPIN computer systems within the ICS
- implement legislative and administrative changes resulting from the update of the 2007 Harmonised System by the WCO
- implement major changes to the rules of origin for the ANZCERTA
- conduct and finalise a request for tender for the provision of payment services for the Tourist Refund Scheme
- contribute to the reviews of the Passenger Movement Charge and tourist shopping.

Output 5

Anti-dumping and countervailing administration

Output 5 pricing is shown in the financial statements on page 210.

This Output covers the investigation of dumping and countervailing complaints and the determination, implementation and review of associated measures. It also covers:

- provision of advice to industry and foreign governments
- maintenance of Australia's policy and legislative framework for anti-dumping and countervailing administration
- advice to government and representation of Australia's interests in the World Trade

Organisation (WTO) for anti-dumping rules and practice

- expert participation (as resources permit) on WTO dispute panels.

Trade measures programs enable, where appropriate, Australian industry to benefit from Australia's membership of the WTO agreements on anti-dumping and subsidies and countervailing measures.

Key objectives in 2004–05 were to:

- assess and, if appropriate, investigate and report on allegations of dumping, subsidy, injury and causal link
- implement measures resulting from investigations and monitor compliance
- advise stakeholders of the services available and the associated policy and procedures

Figure 41: Performance against targets set in the 2004–05 Portfolio Budget Statement–Output 5

Quality/quantity performance measures	Target*	Actual
Quality		
Proportion of anti-dumping/countervailing cases and reviews completed within 155 days		
Cases	100%	56.0%^
Reviews	100%	0.0%^
Quantity		
Number of anti-dumping/countervailing cases		
**		
Carried forward from 2003–04		4
Lodged		16
Rejected		7
Withdrawn/Terminated		8
Concluded (approved by Minister)		2
Carried forward to 2005–06		3
Number of anti-dumping/countervailing reviews		
**		
Carried forward from 2004–05		2
Initiated		15
Rejected		2
Withdrawn/Terminated		0
Concluded (approved by Minister)		2
Carried forward to 2005–06		13
Appeals to the Federal Court	**	3
Price	\$5.283m	\$7.816m

* Targets may be performance targets, service level targets or estimates.

** Workloads against these measures cannot be anticipated as they are dependent on international trends/economic circumstances beyond Customs control.

^ The Minister can approve an extension to the time in which an investigation must be completed. Taking into account approved extensions of time, all investigations were completed within the statutory timeframes.

- contribute to the development of international practice and procedure on anti-dumping and countervailing administration.

Key achievements were:

- successful consultation on, and implementation of, the Government's decision to recognise China as a market economy, ensuring that industry continues to have access to an effective anti-dumping regime
- contributions to WTO multilateral trade negotiations and WTO technical implementation committee
- effective and constructive dialogue with anti-dumping stakeholders.

Policy

World Trade Organization participation

Customs played an active role in the formulation and presentation of Australia's responses to issues arising in the WTO Doha round negotiations and contributed to debate and policy formulation on anti-dumping issues. The involvement of Customs officers in the WTO process enables Australia's contribution to be supported by expert advice from practitioners.

International cooperation

Several delegations of Chinese Government officials visited Australia to discuss Australia's anti-dumping administration. These discussions were useful in building understanding between the two administrations.

Customs was represented at the fourth Australia-Korea Ministerial Joint Trade and Economic Commission Senior Officials' meeting in May 2005. These meetings continue to promote understanding and dialogue on anti-dumping administration.

Customs delivered a presentation on Australian anti-dumping practice and procedure in relation to continuation inquiries at the 2005 Seoul International Trade Seminar.

In addition, Customs worked closely with the Department of Foreign Affairs and Trade in further bilateral trade discussions with Korea and Indonesia.

Anti-dumping response to recognition of China's market economy status

The Government's decision to treat China as a market economy was a significant focus for Australia's anti-dumping administration in 2004–05.

Following extensive consultation with industry and other stakeholders, Customs introduced regulatory and operational amendments. China will be treated the same as other WTO members for the purpose of anti-dumping in line with Australia's anti-dumping regime. As a result, Australian industry has the same level of protection as it did prior to the changed arrangements. This outcome was generally supported by industry.

Consultation with stakeholders

Customs actively engaged with its stakeholders by participating in numerous discussions on policy and practice issues.

Customs and the Australian Competition and Consumer Commission (ACCC) met this year to discuss issues of mutual interest. In particular, they discussed arrangements for exchange of information on investigations, and submissions that may be made by the ACCC to Customs investigations.

Given the important role performed by the Trade Measures Review Officer (TMRO) in Australia's anti-dumping administration, regular meetings were held between Customs and the TMRO to discuss significant policy and administrative issues.

Customs attended industry group meetings to inform stakeholders of Customs role in Australia's anti-dumping administration.

Cooperation with stakeholders – steel import monitoring

In 2002, in response to industry concerns about potential impacts of US steel safeguards, the Government established a Committee to monitor steel import trends. Customs continued to provide the Steel Import Monitoring Committee members with weekly graded alerts about changes in steel import volumes and prices. The Committee supplements this

information with more detailed monthly information published by the Australian Bureau of Statistics.

Practice

Meeting statutory timeframes

Extensions of time to place statements of essential facts on the public file granted by the Minister in 2004–05 are detailed in Figure 42 below.

Investigations for new measures

Customs initiated nine investigations in response to industry applications:

- four investigations were for goods in the steel industry (certain hollow-steel section exported from China, Korea, Malaysia and Thailand later terminated)
- one for the foodstuffs category (preserved mushrooms exported from China)
- one from the chemicals sector (sodium hydrogen carbonate from China)
- one from the electrical appliances sector (domestic refrigerators from Korea later terminated)
- one from the paper sector (greyback cartonboard from Korea)
- one from the plastics sector (LLDPE from Canada later terminated).

The majority of investigations involved goods exported from Asia (three each from China and Korea and one each from Malaysia and Thailand). One investigation related to goods from Canada (see above in relation to LLDPE).

The number of applications for new measures decreased in 2004–05. China and Korea were again the source countries of greatest interest.

The investigation of certain electric resistance welded circular hollow sections exported from Korea, started in 2003–04, was terminated.

Three investigations were current at 30 June 2005 (greyback cartonboard from Korea, sodium hydrogen carbonate from China and preserved mushrooms from China).

The number of dumping investigations initiated worldwide has declined in recent years. The focus for source countries appears to also have shifted. In the 2003 calendar year, India was the world's largest user of anti-dumping systems. In 2004, the European Union was the world's largest user, followed by China and the US.

Australia was the eighth largest user of the anti-dumping system in 2004, although the number of investigations has also reduced over recent years.

Figure 42: Extension to statutory timeframes

Goods	Export county	Additional time	Comment
domestic refrigerators	Korea	60 days	to obtain and verify information on injury, export prices and normal values
linear low density polyethylene (LLDPE)	Indonesia Korea Thailand	42 days	large volume of data collected and the complexity in verifying that data
high density polyethylene (HDPE)	Korea Malaysia Singapore Sweden	42 days	large volume of data collected and the complexity in verifying that data
LLDPE	Canada	43 days	large volume of data collected and the complexity in verifying that data
certain silicon	China	30 days	additional time for parties to provide information and access to on-site verification of data on export prices and normal values

Measures imposed (includes price undertakings accepted)

The Minister imposed new anti-dumping measures on certain silicon exported from China.

Information about current investigations, goods subject to measures and countries investigated is publicly available in the monthly status report published on the Customs Internet site (anti-dumping).

Reviews of existing measures

Any affected party may apply for a review of the variable factors relevant to the existing measures. Investigations may be initiated on receipt of a properly documented application.

Customs initiated reviews of existing measures in the following matters:

- LLDPE from Indonesia, Korea and Thailand
- HDPE from Korea, Malaysia, Singapore and Sweden
- certain hot dip galvanised circular hollow sections from Thailand
- certain washing machines from Korea (Minister initiated)
- Polyvinyl chloride (PVC) from Hungary, Israel, Japan, Korea, Thailand and USA.

Two investigations carried forward from 2003–04 were completed:

- certain hot rolled structural steel sections from Korea
- certain copper tube from Korea.

Customs reported to the Minister on:

- LLDPE from Indonesia, Korea and Thailand
- HDPE from Korea, Malaysia, Singapore and Sweden
- washing machines from Korea.

The Minister changed the variable factors as the basis for the taking of the measures for hot rolled structural sections exported by Korea by one exporter and copper tube exported from Korea.

Reviews on PVC exported from six countries and certain hot dipped galvanised steel pipe exported from Thailand are underway.

Measures continued

Measures remain in place for five years unless revoked earlier. Customs invites applications for a continuance of the measures at least ten months before the expiry date. Australian industry may apply to have Customs conduct an inquiry for the Minister for Justice and Customs on whether measures should be continued beyond the five-year period.

Continuation inquiries are only initiated on the receipt of a properly documented application from Australian industry.

Five anti-dumping measures were due to expire in 2004–05 and Customs initiated four new continuation inquiries.

In the cases of certain galvanised steel pipe exported from Thailand and PVC homopolymer resin exported from Hungary and Korea, the Minister decided to continue measures.

The Minister decided not to continue the anti-dumping measures applying to bulk brandy exported from France.

In the case of PVC bottle compound exported from Singapore, the measures expired following rejection of an application for continuation of the measures.

In the case of LLDPE from Indonesia, although a continuation inquiry was initiated, anti-dumping measures were not due to expire until 2005–06.

Appeals

Appeals to the Trade Measures Review Officer

An affected party may appeal certain decisions made by Customs and the Minister for Justice and Customs to the Trade Measures Review Officer (TMRO). In 2004–05, the following matters were referred and/or finalised for:

- copper tube exported from Korea, the TMRO affirmed Customs decision to reject an application for duty assessment. Customs decision to reject a further application for duty for the goods is currently before the TMRO
- electric welded circular hollow sections exported from Korea, the TMRO affirmed

Customs decision to terminate an investigation

- galvanised steel pipe exported from Thailand, the TMRO affirmed Customs decision to reject an application for duty assessment
- olive oil exported from Greece, Italy and Spain, the TMRO affirmed Customs decision to terminate an investigation into the alleged subsidisation of those goods
- hollow steel sections exported from China, Korea, Malaysia and Thailand, the TMRO reversed Customs decision to reject an anti-dumping application. Accordingly, Customs initiated an investigation, which it subsequently terminated. A further application was made to the TMRO in response to this decision. A result is expected in 2005–06
- certain hot-rolled-plate steel exported from China, Indonesia, Japan and Korea, the TMRO recommended that the Minister affirm his original decision (and the Minister agreed)
- a matter of certain silicon from China was under review at 30 June 2005.

Applications to the Federal Court

One outstanding matter at 30 June 2004 was resolved during the year. In April 2003, Amcor Packaging (Australia) Pty Limited (Amcor) filed an application for review of the CEO's decision about a duty assessment on tinplate exported from Taiwan. In December 2003, Amcor filed an amended application seeking to set aside the Minister's decision on the duty assessment. The matter was heard by the Court on 6 December 2004 and settled subsequent to the hearing

Three new matters were referred to the Court in 2004–05:


- In October 2004, LG Electronics Incorporated (LGE) and LG Electronics Australia Pty Ltd (LGEAP) lodged an application seeking to set aside the decisions of the Minister, the CEO and delegates of the CEO, for the imposition of interim dumping duties on exports of washing machines exported from the Republic of Korea (Korea). The Federal Court found in favour of the Minister, the CEO and delegates of the CEO. LGE and LGEAP's appeal to the Full Court is expected to be heard in August 2005

- In September 2004, Inglewood Olive Processors Limited (Inglewood) asked the Court to set aside the decisions of the CEO and the TMRO to terminate the investigation into the alleged subsidisation of certain olive oil exported from Greece, Italy and Spain. The Court found in favour of the CEO and the TMRO. Inglewood appealed to the Full Court in January 2005. The appeal was heard on 9 May 2005. The Full Court handed down its decision on 31 May 2005 in favour of the CEO and the TMRO
- In November 2004, Australian Vinyls Corporation Limited (AVC) sought a review of the CEO's decision to reject an application for continuation of anti-dumping measures for PVC exported to Australia from Hungary and Korea. In December 2004, Customs agreed to consent orders setting aside the decision and remitting the matter for reconsideration.

Planning for the future

To achieve Customs objectives for this Output, Customs staff will continue to improve business practices and promote consistency in decision making. Customs will also participate in:

- the WTO review of anti-dumping and subsidies practices
- any government initiated reviews of the anti-dumping administration.

A photograph showing two men on a ship. The man in the foreground is wearing a white hard hat with a green chin strap, sunglasses, and a dark blue polo shirt with 'OMS' in yellow letters on the back. He is holding a clipboard and a black pen, looking at the log. The man in the background is wearing a tan hard hat, a blue work jacket with 'BOUNDS' on the pocket, and a yellow life vest. They are standing on a wooden structure, possibly part of the ship's deck or cabin. The background shows the ocean and a wooden wall.

Section 3

Enabling Outputs

Photo: Mark Bentley, with a crew member, checking the visitors log on board a vessel.

Corporate governance

Customs corporate governance arrangements seek to:

- maximise organisational performance
- comply with the law, regulations, published standards and community expectations for probity, accountability and transparency
- support staff in carrying out their responsibilities.

Governance arrangements are based on these principles:

- clear lines of decision-making and authority through management rules
- strong leadership provided through the Executive Group and other internal committees
- strong relationships and consultation processes with external stakeholders, including consultative bodies such as the Customs National Consultative Committee and the National Passenger Processing Committee
- well-defined corporate planning and performance reporting processes
- benchmarked human resource policies and strategies
- personal responsibility, with Australian Public Service values and code of conduct clearly identified and reinforced and a good staff awareness of probity issues
- disciplined budget processes and financial management
- risk management policies and application
- regular reporting to the executive
- internal reviews and learning from past experience
- a service delivery charter and monitoring of performance
- sustainability of policies and practices.

Policies on delegations and business continuity were updated as were the management rules. A new process on Business Practice Networks was finalised to provide a forum for sharing experience, promoting consistency and good practice.

The Business Practice Networks process is now included in the Management Rules.

Organisational structure

Customs organisational arrangements were altered in 2004–05. The Office of Business Systems, the division tasked with the introduction of Cargo Management Reengineering (CMR), was phased out following the implementation of the export component of the Integrated Cargo System (ICS).

Responsibilities for CMR development and implementation were split between the Cargo and Trade Division and the Information and Office Technology Division. Customs is now organised into six national divisions:

- Cargo and Trade
- Border Intelligence and Passengers
- Border Compliance and Enforcement
- Coastwatch
- Information and Office Technology
- Financial Services.

Divisions are supported by four non-aligned Branches or units:

- Planning and International
- Staffing
- Customs Legal Unit
- Internal Affairs Unit

Customs operates a matrix management system in which regional structures deliver services in States and Territories.

Customs also uses competitive tendering and contracting arrangements to supplement the core business skills. Major outsourced functions include IT support, legal services, logistics arrangements for container examination facilities, and internal audit. Customs also contracts some recruitment and selection services. More information can be found in the Corporate Resource Management section on page 122.

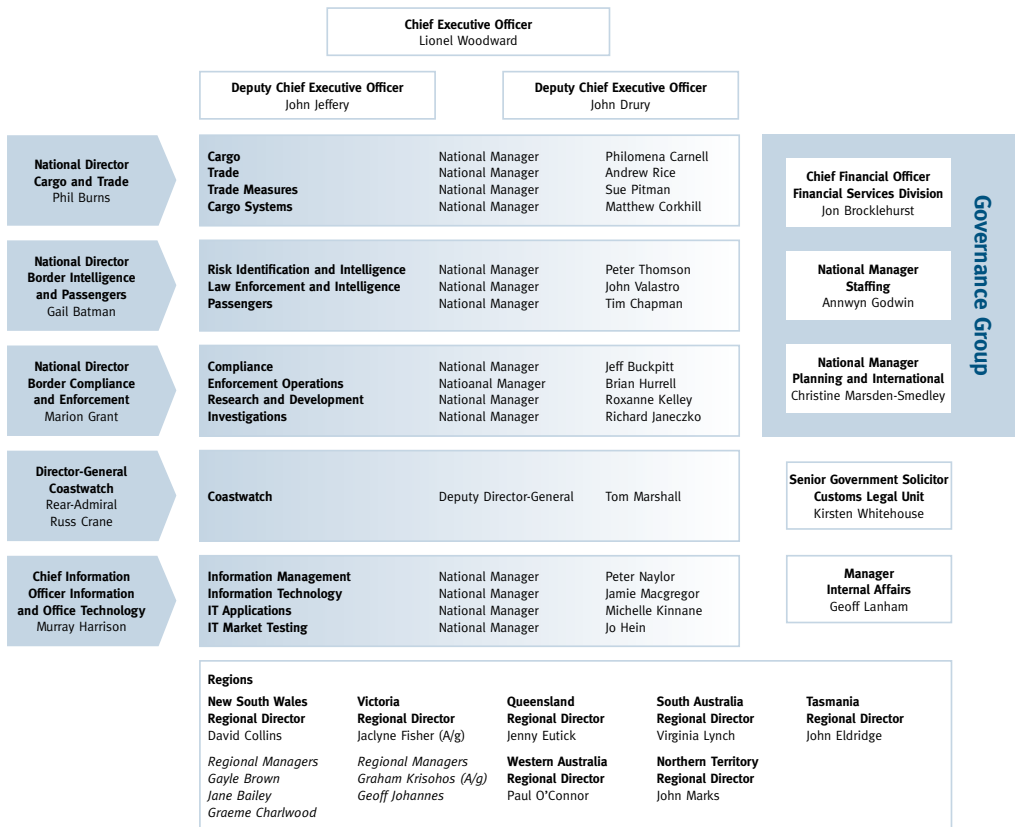
International support is provided through permanent representation at overseas posts in Bangkok, Beijing, Brussels, Jakarta, Tokyo and Washington. The locations of offices in Australia is illustrated in Figure 43.

Figure 43: Locations of Customs offices in Australia



Senior executive and their responsibilities

Figure 44: Organisational chart (June 2005)



Senior management committees and their roles

Committees play an important role in consultation and informed decision making. The key management committees in Customs are the Executive Group, the Audit Committee and the Senior Executive Service Conference. Other key committees in Customs include:

- Business Continuity Planning Steering Committee
- Customs Security Committee
- Flexible Delivery Steering Committee (training)
- Information Management Project Committee
- Information Management Strategy Committee
- Integrated Cargo Steering Committee
- National Priorities Committee.

Regional committees are established when necessary.

The key methods of internal communication with staff include management briefs, 'all staff' messages circulated by email, weekly section meetings, the Customs intranet for corporate information such as legislation, policies, procedures, guidelines and advices, a weekly bulletin and a staff newspaper, *Customs News*.

Executive Group

The Executive Group is a corporate forum that meets weekly to discuss major policy and management issues. This group comprises the CEO, Deputy CEOs, the Chief Information Officer, the Chief Financial Officer, National Directors, Regional Directors New South Wales and Victoria and National Manager Planning and International.

Once a month the meeting is attended by all Senior Executive Service and Regional Directors, the latter attending by videoconference link.

Audit Committee

The Audit Committee advises the CEO on audit, evaluation, fraud and risk-management issues. The committee comprises the Deputy CEOs who chair the Committee on rotation, two National Directors, a Regional Director with the Chief Financial Officer as an observer, National Manager Planning and International and an

external member on contract. Partners of Customs audit process also attend with the Australian National Audit Office (ANAO).

In February 2005, the ANAO published a Better Practice Guide on *Public Sector Audit Committees*. This guide was presented to the Audit Committee, with a summary of relevant points. The Audit Committee examined these documents and incorporated changes.

Senior Executive Service/Regional Directors Conference (SES/RDs)

Customs Senior Executives from all branches and regions meet face-to-face biannually to discuss strategic management issues and future directions. SES/RDs Conferences were held in November 2004 and May 2005. Items discussed included the management rules, strengthening the planning and performance framework, formation of a recruitment taskforce to examine resource issues and standing items of budget, human resources and information technology.

External consultative mechanisms

Customs National Consultative Committee (CNCC)

The CNCC meets quarterly. It provides a forum for the discussion of Customs policy and procedural issues relevant to the international trading community, business and Customs specialists. Membership of the Committee is drawn from Customs agent associations, the Customs Brokers and Forwarders Council of Australia, the Australian Federation of International Forwarders, the Law Council, Customs consultants and importer representatives. Discussion included CMR, Container Examination Facilities and Supply Chain Security. Minutes from CNCC meetings are posted on the Customs Internet site.

Customs, Immigration, Quarantine and Transport Committee (CIQT)

The CIQT Committee ensures coordinated progress of border management policy and related issues across these key agencies. Membership comprises agency heads from Customs, the Department of Immigration and Multicultural and Indigenous Affairs, the Department of Agriculture, Fisheries and Forestry

Australia, the Department of Transport and Regional Services and a Deputy from each department or agency.

Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA)

HOCOLEA is the broad consultative mechanism for Commonwealth law enforcement policy. HOCOLEA is a forum for agency heads from 11 Commonwealth law enforcement and regulatory departments and agencies. Customs provides secretariat support.

Customs participates in several HOCOLEA working groups, including the Working Group on Corruption which is chaired by Customs. This Working Group was established in late 2004 to enhance anti-corruption programs.

Working Group members share information on training regimes, and are currently exploring the production of a better practice guide.

Australian Crime Commission Board

The CEO of Customs contributes to the development of national criminal intelligence priorities and the strategic direction of the Australian Crime Commission through membership of the Australian Crime Commission Board.

The Board membership enables Customs strategic issues to be incorporated into the broader law enforcement agenda. In return, Customs is able to contribute resources and ideas to enable the objective management of the Australian Crime Commission's agenda.



Julie Drew (Australian Federal Police), Michael Monaghan (Australian Taxation Office), John Drury (Customs) and Alan Turton (Australian Securities and Investment Commission) at the signing of the Memorandum of Understanding for the HOCOLEA Capability Project

Enhancing coordination, communication and cooperation with key international stakeholders

Customs, by its nature, has a large international agenda. Bilateral intelligence cooperation with other customs administrations is managed largely through Memoranda of Understanding or the World Customs Organization (WCO) Regional processes and the Liaison Office hosted by China.

Customs also exchanges regional intelligence, operational information and other organisational information. Two new Memoranda were signed, one with Papua New Guinea and the other with Fiji. The Asia-Pacific region is an important one for Customs and most capacity building effort is directed to the region. Such cooperation assists Customs administrations to improve security and facilitation.

Notable achievements in international cooperation in 2004–05 include:

- establishment of new posts in Beijing and Jakarta
- formal bilateral talks with the customs administrations of Hong Kong, China (November 2004), Papua New Guinea (April 2005), Malaysia (May 2005) and Indonesia (May 2005)
- Customs reform and modernisation capacity building activities in Papua New Guinea, Indonesia and Solomon Islands
- hosting several senior delegations including South Africa (October 2004), China (August and December 2004), Fiji (February 2005) New Zealand (February 2005), United Arab Emirates (May 2005) and Zambia (May 2005).

Customs is active in a number of international forums, including the Asia Pacific Economic Cooperation (APEC), the WCO, the Oceania Customs Organisation (OCO) and ASEAN. With the participation of the CEO for the first time at the Customs Heads meeting, Customs commenced closer dialogue with ASEAN.



Washington post staff, left to right: Lee-Ann Ticktin, Dean Hogarth and Teresa Conolan in Washington.

As a member of the WCO Policy Commission for 2004–05, Australia contributed to debate on strategic directions for international customs practices including the supply chain security agenda, trade facilitation, improved governance and capacity building.

Customs participated actively in the APEC Sub-committee on Customs Procedures in 2004–05 including chairing the Trade Facilitation Working Group and supporting the Sub-committee's activity to promote integrity measures in member administrations.

In September 2004, Australia as chair of the WCO data model working group, encouraged the Sub-Committee on Customs Procedures to accept data harmonisation and make further progress towards a single window of e-commerce.

Customs teams – working for Australia in Beijing and Jakarta

Customs has opened liaison offices in Beijing and Jakarta, reflecting the priority that the Australian Government places on strengthening the relationships with these neighbours.

Both offices, opened this year by the Minister for Justice and Customs, Senator the Hon Chris Ellison, enable Customs to engage directly with counterparts on important areas of mutual interest.

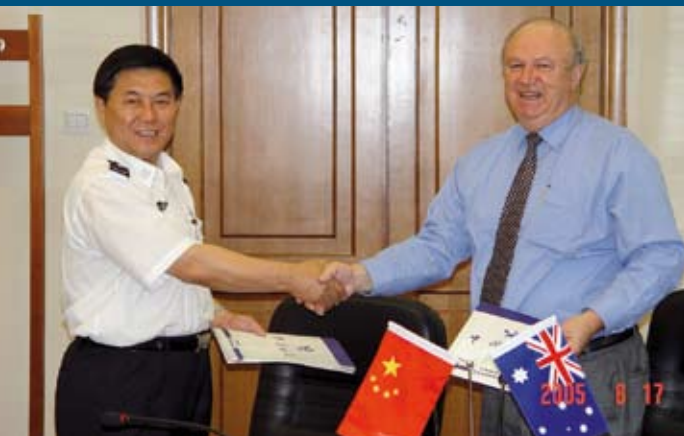
With China being the third-largest trading partner of Australia, establishment of the Beijing office is a landmark step that recognises the importance of this relationship to government, trading enterprises and people of both countries. China and Australia are finalising a joint study on the feasibility of a bilateral free trade agreement.

The Customs team in Beijing is expected to work on issues such as trade facilitation, trade remedies matters, and investigations into alleged breaches of respective Customs legislation. In addition, both administrations have reached an agreement for 2005–06 to provide technical cooperation on drug detector dogs.

Establishment of the Customs office in Jakarta is a landmark step that follows in the spirit of the Joint Declaration on Comprehensive Partnership between Australia and Indonesia announced by the Prime Minister John Howard and Indonesian President Dr Susilo Bambang Yudhoyono on 4 April 2005.

The Jakarta post will primarily address border security and transnational crime issues that affect both countries. These issues include illicit drugs, people smuggling and terrorism, where risks to Australia might have originated in or passed through Indonesia. Both administrations are working together to improve security at key Indonesian ports in compliance with International Maritime Organisation security standards.

The new offices add to existing liaison offices in Bangkok, Brussels, Tokyo and Washington.



Mr Zhang Qing Hai, Deputy Director General, Anti Smuggling Bureau, General Administration of China Customs, and Mr Tom Anderson, Australian Customs Representative China, are pictured at the signing of the Co-operation Arrangement between the General Administration of China Customs and the Australian Customs Service on drug detector dogs for 2005–06.



Senior Australian Customs Representative Jakarta with members of the ship search training team

Other key APEC initiatives Customs supported were:

- the Framework of Standards for securing the supply chain and facilitating trade as a new agenda item
- further time release surveys for trade procedures.

The OCO reviewed its charter through an Australia/New Zealand/OCO secretariat working group. The OCO work program expanded considerably and a new set of governance arrangements were agreed at the Guam Annual Conference in March 2005. The future location of the secretariat was discussed and the period for finding a new location was agreed. Australia will be the facilitator for a capacity building working group.

A significant program of capacity building activity was progressed in Papua New Guinea, Indonesia and Solomon Islands. Another capacity building program will commence in August 2005 in Tonga.

A wide ranging and comprehensive diagnostic of Papua New Guinea Customs was undertaken. A work program has been devised and four officers assigned to positions in Papua New Guinea Customs to deliver the reform and modernisation program. Funding has been provided under the AusAID Enhanced Cooperation Package.

The first placements cover passenger processing at Jacksons Airfield, intelligence development, cargo policy and practice and border enforcement.

Cooperation between officials from Customs, the Department of Immigration and Multicultural and Indigenous Affairs and the Department of Transport and Regional Services working in Papua New Guinea is improving border security, particularly at Papua New Guinea's main international airport and at seaports.

A package of support is being provided to Indonesian Customs under the Special Travel Security Fund aimed at enhancing border security. Project planning was undertaken and a highly successful ship search training program

organised. Intelligence analyst training and technological support initiatives are to be progressed in 2005–06.

The Solomon Islands Division of Customs and Excise received two Customs officers to review and deliver a program of support in cargo management. AusAID provided funding under a Pacific Governance program.

In delivering these capacity building programs, Customs works closely with the Department of Foreign Affairs and Trade, the Australian Agency for International Development (AusAID) and other participating agencies.

Customs hosted the 16th Customs International Executive Management Program during September and October 2004. The program develops management skills and promotes international customs cooperation. It also provides a great opportunity for networking within the Asia-Pacific region. Nineteen participants from different customs administrations attended for six weeks of intensive Customs management training. Many alumni have gone on to very senior roles in their organisations.

Corporate planning

The Planning and Performance Framework was strengthened with the introduction of mid-cycle and end-of-cycle reporting against National Business Plans and Work Area Plans. These reports indicate levels of work area compliance against corporate and Commonwealth policies and guidelines.

Corporate Priorities for 2005–06 were developed after an assessment of strategic risks. Work areas implement relevant priorities through their business plans and work area plans.

Customs developed a revised Outcome and Outputs structure for the 2005–06 Portfolio Budget Statement. The Outputs reflect the organisational structure, provide better transparency for the allocation of financial resources and support revised performance measures. Development of a new Corporate Plan was held over pending finalisation of the Outcome and Outputs structure.

As a result of recommendations by the Australian National Audit Office, Customs has agreed to reflect services provided to and from Commonwealth and State agencies. Recognition of key agencies has been identified in this report under Outcome performance reporting.

Risk management

Customs integrates risk management into business planning and project implementation to:

- improve decision making
- minimise impact of risk events on operational activities
- direct resources into areas of greatest risk.

For business planning, Customs developed a strategic risk assessment which underpins development of annual corporate priorities.

Risk management policy is described in the Chief Executive Instruction, a corporate policy and guidance from the revised Australian Standard for Risk Management AS 4360:2004.

Customs was assessed at four stars out of five in an annual risk-management benchmarking survey conducted by ComCover. One area of weakness was training and awareness. A project has been set up to make improvements in this area in the coming year.

Internal audit

Customs Internal Audit Unit facilitates a strong control environment through reviews of high-risk areas, as well as regular audits of Customs functions. Internal Audit reports provide assurance to senior management on the quality of internal controls and procedures. It also helps to improve business practices by providing recommendations to the areas audited.

The audit plan is developed and updated annually. It is a risk-based program, in line with each branches business plan. This is to ensure that the branches core priorities and risks are addressed, and these are then mapped against corporate priorities and strategic risks. The plan is endorsed annually by the Executive and the Audit Committee.

Internal Audit reviews included Cargo Management Reengineering financial management, and management of information and information technology.

A total of 26 internal audits and reviews were scheduled and completed during 2004–05, one more than in 2003–04. Eighty-five per cent of audits were a combination of performance, compliance, financial and IT audits with the remaining 15 per cent being system-under-development reviews.

Business continuity

A new framework was developed covering principles, roles, responsibilities and testing requirements for internal business owners. It allows Customs to assign a priority order to the recovery of critical business functions in emergency events. The framework recognises that continuity of Customs activities are essential for the economic and social well-being of Australia.

Certification of fraud measures

Customs fraud risk assessment and fraud control plan was updated on 14 June 2005 and Customs complies with the *Commonwealth Fraud Control Guidelines*. The new fraud control plan encompasses a summary of risks identified in fraud risk assessment and details of strategies to address risk. Appropriate fraud prevention, detection, investigation and reporting procedures and processes are in place and data collected and reported complies with *the Commonwealth Fraud Control Guidelines*.

Management of human resources

Financial pressures created a challenging year for Customs staffing.

Increased government commitments to border protection produced significant operational pressures as Customs sought to respond more quickly to changed workload demands.

Additional staff were required for activities including Southern Ocean Maritime Patrol and Response, Container Examination Facilities, first port boarding of vessels entering Australia, National Marine Unit patrols and international capacity building.

Customs redeployed staff, recruited additional staff, and considered more flexible employment to meet operational requirements. The delays caused by a structured recruitment process, exhaustive security clearance processes and the requirement to fully train staff before operational deployment put pressure on operational areas.

Task forces on human resource development and recruitment were established to consider variations in training and recruitment strategies to deliver a flexible workforce that can respond quickly to changed workload demands and meet government expectations. Immediate outcomes are:

- the trial employment of 40 officers on an irregular and intermittent basis,
- a project to examine fitness standards required for a changing work environment
- development of national online entry and exit surveys.

An Organisational Health Project was established to look at creating and sustaining a high-performing workforce, and consider the management practices that support and promote a healthy environment. It will also focus on early intervention strategies and improved rehabilitation and return-to-work strategies.

Workforce planning

Key policies, guidelines and toolkits were developed or revised to promote workforce policies. These included assignment and career management policy, managing underperformance, managing change, leading teams, induction, attendance management, conditions of engagement and probation.

Customs reviewed the National Strategic Workforce Plan and the outcome was that human resource strategies were more closely aligned with the Customs corporate priorities. The plan provides analysis of workforce profile detailing demographics, trends and progress against strategies.

Customs continued to develop strategies to reduce unscheduled absences from the workplace, including provision in the new Certified Agreement of a bonus of \$150 to all staff if absenteeism is reduced by one or more days over a comparative year.

Staff turnover and retention

The rate of ongoing staff separating from Customs averaged 5.86 per cent in 2002–03, 6.36 per cent in 2003–04 and 6.62 per cent in 2004–05. While separation rates have increased, they are within acceptable benchmark limits.

Analysis revealed significant numbers of separations at specific levels in specific regions, especially the Australian Capital Territory, New South Wales and the Northern Territory. These included higher than normal age-based retirements (Customs Level 4), and resignations (Customs Level 1).

Staffing profile

Customs planned for an estimated average staffing level³ of 4630 staff to enable the delivery of Customs Outcome. The average staffing level in 2004–05 was 4686.

Customs total workforce⁴ at 30 June 2005 was 5055. This compares to 4806 staff at 30 June 2004.

³ ASL is the average of the end of month Full-time Equivalent (FTE) staff as paid by the organisation.

⁴ Actual headcount.

Areas where additional staff were required included Southern Ocean Maritime Patrol and Response, Container Examination Facilities (CEF) and an additional 19 staff to undertake first port boarding of vessels in Australia. Recruitment for CEF operations and first port boarding was integrated with the Customs Trainee recruitment program.

Customs recruited 636 staff, including 328 Customs trainees, to address staff shortages brought about by the redeployment of staff. There were difficulties in attracting sufficient suitable applicants for part time positions in New South Wales. This added to the pressures being experienced at the airport due to increased passenger numbers.

Customs recruited eight graduate trainees in 2004 and 12 graduate trainees in 2005.

At 30 June 2005, Customs had staff in all States and Territories of Australia as shown in Figure 45.

Customs staff also hold posts in Bangkok (1), Beijing (1), Brussels (1), Jakarta (1), Tokyo (1), and Washington (2). Some staff are temporarily assigned to capacity building projects in Papua New Guinea (4) and Solomon Islands (1).



Customs officer Mary Griess at Sydney airport.

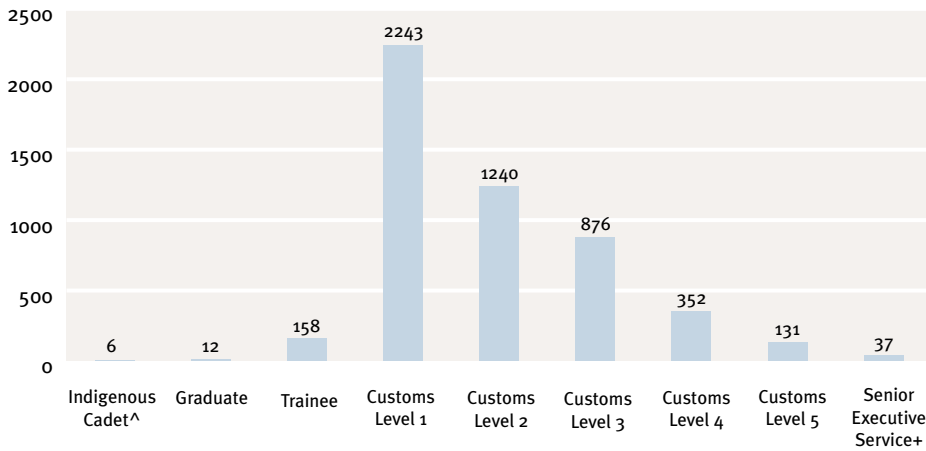
Figure 45: Staff employment category by location at 30 June 2005*

	ACT#	NSW	VIC	QLD	SA	WA	TAS	NT	Total
Full-Time									
Ongoing employee	1 025	1 138	760	630	153	434	31	109	4 280
Non-ongoing	102	8	4	8	-	2	-	-	124
Full-time total	1 127	1 146	764	638	153	436	31	109	4 404
Part-Time									
Ongoing employee	43	233	153	106	26	58	1	5	625
Non-ongoing	12	6	-	3	-	2	-	-	23
Part Time total	55	239	153	109	26	60	1	5	648
Casual									
Non-ongoing	1	1	-	-	-	-	1	-	3
Total	1 183	1 386	917	747	179	496	33	114	5 055
Males	750	832	564	446	97	304	20	57	3 070
Females	433	554	353	301	82	192	13	57	1 985
Total	1 183	1 386	917	747	179	496	33	114	5 055

* Includes staff employed under the *Public Service Act 1999*, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers are headcount and reflect actual occupancy (derived from Customs Human Resource Information System). Financial statements report on staff numbers by full-time equivalent (FTE).

ACT figures include National Marine Unit.

Figure 46: Staff numbers by classification at 30 June 2005*



* Includes staff employed under the *Public Service Act 1999*, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers are headcount and reflect actual occupancy (derived from Customs Human Resource Information System). Financial statements report on staff numbers by full-time equivalent (FTE).

[^] Indigenous Cadets are funded by Australian Capital Territory (Central Office) for the term of their cadetship and located in regions, one each in Australian Capital Territory, Western Australia and New South Wales and three in Queensland.

⁺ Senior Executive Service includes ongoing SES employed under the *Public Service Act 1999*, including three non-SES staff on higher duties. It does not include the Chief Executive Officer who is the statutory office holder.

Figure 47: Staff classification and location at 30 June 2005*

	ACT#	NSW	VIC	QLD	SA	WA	TAS	NT	Total
Indigenous Cadet [^]	1	1	-	3	-	1	-	-	6
Graduate	12	-	-	-	-	-	-	-	12
Trainee	-	46	39	21	22	14	-	16	158
Customs Level 1	237	717	446	449	68	267	13	46	2 243
Customs Level 2	230	376	248	170	51	122	13	30	1 240
Customs Level 3	358	181	137	77	31	71	6	15	876
Customs Level 4	221	48	33	20	6	18	-	6	352
Customs Level 5	96	13	11	6	1	2	1	1	131
Senior Executive Service ⁺	28	4	3	1	-	1	-	-	37
Total	1 183	1 386	917	747	179	496	33	114	5 055

* Includes staff employed under the *Public Service Act 1999*, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers are headcount and reflect actual occupancy (derived from Customs Human Resource Information Systems). Financial statements report on staff numbers by full-time equivalent (FTE).

ACT figures include National Marine Unit.

[^] Indigenous Cadets are funded by Australian Capital Territory (Central Office) for the term of their cadetship and located in regions, one each in Australian Capital Territory, Western Australia and New South Wales and three in Queensland.

⁺ Senior Executive Service includes ongoing SES employed under the *Public Service Act 1999*, including three non-SES staff on higher duties. It does not include the Chief Executive Officer who is the statutory office holder.

Customs teams – Customs in Tasmania: ‘small but significant’

Customs staff in Tasmania perform a vital role in the national Customs effort.

Based in Burnie, Launceston and Hobart, the staff undertake the same core border protection roles as mainland staff. These include overseas vessel clearance, crew musters, vessel searches, wharf patrols, intelligence, operations, audit, cargo movement and corporate responsibilities.

Customs works closely with other Commonwealth agencies including DIMIA, AQIS and DOTARS to undertake a variety of tasks. It also works closely with the Tasmania Police where a strong relationship has developed to share resources when required, such as detector dogs, ionscan, x-ray and intelligence.

But like every Customs region, Tasmania has a number of tasks in which they specialise. Staff from six work areas combine to facilitate the movement of up to 3000 passengers and 1200 crew from arriving cruise ships in the peak summer period. This facilitation is undertaken in a four-hour period in makeshift facilities and demonstrates the versatility of these officers. Increased workload is also carried out in the facilitation of expeditioners, crew and cargo for the Australian Antarctic Program.

The Tasmanian team prides itself on producing high quality outputs through expertise built on diversity and multi skilling. This expertise was indicated by the selection of two Tasmanian staff last year for placement in Papua New Guinea as part of the Australian Government’s Enhanced Cooperation Program.



Mark-Alan Lim (left) and Paul Griggs (right) in Customs in Tasmania, conducting an inspection of a consignment of unaccompanied personal effects.

Workplace diversity

Customs implemented a new Workplace Diversity Policy and Workplace Harassment Policy by promoting awareness of the policies, roles and responsibilities of all employees.

The National Workplace Diversity Coordinators and Regional Equity Contact Officers networks were revitalised. Cultural awareness sessions were conducted and calendar of events of significance were produced. Specific events such as the International Day of People with a Disability and National Aboriginal and Islander Day Observance Committee (NAIDOC) activities were included in the calendar. Customs implemented a national workplace harassment reporting process so that all employees can report incidents of harassment in a safe and confidential manner and these can be reviewed and analysed centrally.

Customs appointed three Indigenous entry-level trainees in October 2004. These trainees are supported through an accredited training qualification. Customs assisted ten cadets in the National Indigenous Cadetship Project, two of whom were engaged on completion of their studies.

Figure 48 shows the representation of equity and diversity groups in Customs. There was a slight rise in the proportion of female employees but slight proportional decreases in all other groups compared with staffing figures as at 30 June 2004. These figures rely on voluntary self-identification and compliance levels vary from year to year.

Training and development

Customs developed new initiatives for training and development to meet changing workloads.

The Australian National Training Authority endorsed a public sector training package on border protection developed by Customs. Customs received accreditation to issue two new qualifications, a Certificate III and Certificate IV in Government (Border Protection).

A range of current learning and development policies and programs was integrated and launched as Customs Framework for Learning and Development 2005–07.

Figure 48: Representation of equity and diversity groups by staff classification at 30 June 2005*

	Female		Born Overseas~		People with disabilities		Indigenous	
	Number	%	Number	%	Number	%	Number	%
Indigenous Cadet^	6	100.0	-	-	-	-	6	100.0
Customs Graduate Trainee	9	75.0	3	25.0	-	-	-	-
Customs Trainee	67	42.4	27	17.1	-	-	1	0.6
Customs Level 1	989	44.2	326	14.5	41	1.8	48	2.1
Customs Level 2	481	38.8	140	11.3	34	2.7	16	1.3
Customs Level 3	284	32.4	93	10.6	23	2.6	5	0.6
Customs Level 4	102	29.0	43	12.2	5	1.4	1	0.3
Customs Level 5	32	24.4	18	13.7	3	2.3	-	-
Senior Executive Service	15	40.5	5	13.5	3	8.1	-	-
Total	1985	39.3	655	13.0	109	2.2	77	1.5

* Includes staff employed under the *Public Service Act 1999*, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors, consulting or Acting Officers of Customs. Numbers are headcount and reflect actual occupancy (derived from Customs Human Resource Information System).

~ Number of staff born outside Australia.

^ Indigenous Cadets are funded by Australian Capital Territory (Central Office) for the term of their cadetship and located in regions, one each in Australian Capital Territory, Western Australia and New South Wales and three in Queensland.

A three-step assessment and development methodology was developed to align training courses against competencies.

A national competency database is being developed to record individual competencies, and support career and succession management within Customs.

Certified Agreement

Customs negotiated a new Certified Agreement for pay and conditions for 2004–2007. The pay increases and other condition enhancements will be funded from productivity gains.

Following lengthy negotiations with staff, the Australian Industrial Relations Commission certified the agreement on 23 December 2004. During the negotiations there was a national strike called by the Community and Public Sector Union. Around 25 per cent of staff participated in the strike, but effective contingency planning by operational areas resulted in no significant adverse impact on operations.

Customs teams – an individual's support for a team initiative in diversity and cross-cultural awareness

The Customs workforce comprises staff from diverse backgrounds who interact with clients from equally varied cultural backgrounds to regulate international trade and travel. Customs supports training in diversity, cultural awareness and cross-cultural communication for its staff.

After attending a counter terrorism training session given to staff at Sydney International Airport, Ms Adas, suggested that fellow officers would benefit from an understanding of the general tenets of Islam. Given her knowledge of Islam, Ms Adas developed and delivered an Islamic information session to supplement the counter terrorism training to officers in Sydney and Brisbane. The training received very favourable feedback.

She also helped assess and revise a passenger assessment training module in diversity and cross-cultural communication for national release. This work occurred in conjunction with trainers in Sydney, the NSW Workplace Diversity Coordinator and the National Training Coordinator.

Ms Adas is currently working in the Human Resources Staffing team, having previously worked in Passengers Enforcement at Sydney International Airport. She recently completed a master of arts in peace and conflict studies. Training in diversity and cultural awareness enables officers to communicate effectively, to challenge perceptions and to make informed and sound risk assessments, which ultimately reflects well on Customs as a professional organisation.



Customs officer Wissam Adas.

Figure 49: Staff classification, Australian Public Service equivalent level and salary range at 30 June 2005*

Customs Classification	APS Level	Salary Range (\$)
Indigenous Cadet	APS Level 1	19 091–35 872
Customs Trainee	APS Level 1	19 091–35 872
Customs Graduate Trainee	APS Level 2	35 169–39 930
Customs Level 1 Customs Officer	APS Level 2–3	29 807–46 002
Customs Level 2 Senior Customs Officer	APS Level 4–5	46 002–54 045
Customs Level 3 Customs Supervisor	APS Level 5–6	54 045–64 525
Customs Level 4 Customs Manager	EL 1	69 794–80 789
Customs Level 5 Customs Director	EL 2	80 789–97 310

* Salary range includes minimum and maximum salaries available under the Customs Certified Agreement 2004–2007; Australian Workplace Agreement (AWA) salaries are not included.

Figure 50: Senior Executive Service (SES) classification and gender at 30 June 2005*

	SES 1 \$99 000–\$120 600	SES 2 \$118 300–\$148 200	SES 3 \$138 100–\$178 500	Total
Females	11	2	0	13
Males	14	4	2	20
Total	25	6	2	33

* The amount shown for each band represents salary levels. The SES staff who received or were due to receive total remuneration of \$100 000 or more (including superannuation and other non-salary benefits) are listed under Note 15 of the financial statements, Executive Remuneration. Staff shown above represent substantive ongoing SES at 30 June 2005. It does not include staff not employed by Customs or non-ongoing staff. The figures also exclude the CEO, who is a statutory office holder.

Australian Workplace Agreements

Senior Executive Service

All ongoing Senior Executive Service employees have remuneration arrangements agreed through individual Australian Workplace Agreements (AWAs). Salaries are determined by the CEO and are broadly within three bands representing the three classification levels.

Performance pay is available to Senior Executive Service staff and may take the form of an annual bonus, bonus payments during the cycle to recognise outstanding contribution to particular work outcomes, or movement to a higher salary. The performance pay generally accords with certified agreement employee performance assessment and feedback outcomes.

During the past year, three quarters of Customs Senior Executive staff received performance pay. The aggregate amount of performance pay for Senior Executives was \$208 000.

Non-Senior Executive Service

At 30 June 2005 there were 131 non-Senior Executive staff on AWAs. The majority of these were Customs Directors (Customs Level 5). The conditions of employment for staff who are not on individual agreements were governed by the provisions of the relevant Australian Customs Service Certified Agreement.

Performance management

Customs implemented a Performance Management Framework that identifies how individual components of performance management interact across a performance spectrum ranging from positive reinforcement through rewards and recognition to the more negative aspects of managing underperformance. A key tool for assessing the appropriate intervention is through the performance assessment and feedback (PAF) approach.

PAF provides a structured approach to discussing, recording and measuring

expectations. A link between individual performance and business Outputs is part of the process as well as individual development needs. This ensures that staff have the skills they require to do their job.

The 2004–05 PAF cycle was the first complete performance cycle in which all agreements were established and managed online.

A range of communication and support materials were developed to facilitate the online process, including quick reference guides, tutorials, frequently asked questions and a help desk. The online system has greatly increased staff compliance.

Performance pay

Performance is managed through the performance assessment and feedback process. Ratings given through this process can result in no salary increase at all or increases of one, three or five per cent up to the top of the salary range. Customs Level 4 staff who received the maximum salary payable for their classification were eligible for a salary increase

of two per cent, subject to a satisfactory performance rating. This came about through an adjustment to the salary bands in the 2004–2007 Customs Certified Agreement.

All staff at the top of the salary range who are rated as performing above agreed requirements are eligible for a bonus payment equivalent to five per cent of salary.

There were 4467 employees eligible for performance pay at the end of the 2004–05 period. Two hundred and ninety employees received a rating of performed above agreed requirements. This represents 6.5 per cent of participating employees and a 1.7 per cent increase on 2003–04 results.

Code of Conduct

Customs increased attention paid to integrity and ethics through Customs trainee courses and the Customs graduate trainee Induction. In addition, news items and the release of online learning assisted in better awareness of the APS values and code of conduct.

Figure 51: 2004–05 Performance Assessment and Feedback Scheme ratings – performed above agreed requirements

		CL1	CL2	CL3	CL4	CL5	Total
Number of staff rated performed above agreed requirements	No	59	68	93	53	17	290

* Not all staff performed above requirements received a performance bonus. Some received an adjustment in salary

Figure 52: 2004–05 performance pay outcomes (Certified Agreement)

		CL1	CL2	CL3	CL4	CL5	Total
Number of staff receiving bonus	No	30	36	34	14	3	117
Total amount paid	\$	36 304	49 037	59 489	31 066	7 128	180 024
Bonus amount average	\$	1 210	1 362	1 750	2 219	2 376	1 564
Minimum bonus paid	\$	424	50	526	2 219	2 376	50
Maximum bonus paid	\$	1 289	1 573	1 807	2 219	2 376	2 376

Figure 53: 2004–05 performance pay outcomes (Customs Director AWA holders)

Number of staff receiving bonus	No	5
Total amount paid	\$	3 471
Bonus amount average	\$	694
Minimum bonus paid	\$	36
Maximum bonus paid	\$	871

Customs conducted 54 investigations on suspected breaches of the Code of Conduct under Section 15(3) of the *Public Service Act 1999*. (13 were carried over from the previous financial year). At the end of the year, 29 investigations had been finalised and 25 were continuing. Of the 29 finalised investigations, breaches were found in 25 cases.

In the majority of cases, the alleged breaches involved more than one element of the APS Code of Conduct (see Figure 54).

Sanctions took into account the circumstances and seriousness of each breach (see Figure 55).

In addition there were four cases where breaches were found but a formal sanction was not imposed. Of these matters, three involved formal counselling and one involved the employee being placed on a development course.

Investigations of employee misconduct

Customs Internal Affairs Unit is responsible for the investigation of all complaints of serious misconduct and suspected criminality against Customs employees. The Internal Affairs Unit provides lectures on integrity issues and internal fraud control to all Customs new members and to all employees attending training/development courses. The Unit addresses work groups throughout the organisation to remind staff of their reporting obligations.

The Unit investigated 72 complaints of serious misconduct and/or criminality against Customs employees and also 154 miscellaneous matters (see Figure 56). This represents a decrease on previous figures, which may be attributed to:

- improved understanding of regulations on the use of computers

Figure 54: Breaches of the APS Code of Conduct found in 2004–05

Breach	Number of cases*
Failure to behave honestly and with integrity	3
Failure to act with care and diligence in the course of Australian Public Service employment	3
Failure to treat everyone with respect and courtesy and without harassment	3
Failure to comply with all applicable Australian laws	1
Failure to comply with any lawful and reasonable direction	14
Failure to use Commonwealth resources in a proper manner	14
Provision of false or misleading information in response to a request for information that is made for official purposes in connection with the employee's APS employment	2
Failure to behave in a way that upholds the APS Values and the integrity and good reputation of the APS	17

* In some instances more than one breach was recorded for the same case.

Figure 55: Sanctions imposed for breaches of the APS Code of Conduct in 2004–05

Sanction	Number of cases*
Termination of employment	3
Reduction in classification	0
Reassignment of duties	2
Reduction in salary	3
Salary deductions by way of a fine	12
Reprimand	8

* In some instances more than one sanction was imposed for the same case.

Figure 56: Trends in internal investigations, security checks and lectures

	2002-03	2003-04	2004-05
Investigations undertaken	90	122	72
Investigations finalised	78	97	51
Miscellaneous inquiries undertaken	128	159	154
Miscellaneous inquiries finalised	128	159	154
Security checks undertaken	537	466	480
Lectures given (participants)	436	448	585

Figure 57: Action taken on substantiated complaints of serious misconduct and/or criminality 2004-05

Action	Number of cases
Awaiting outcome of administrative action	5
Salary reduction and reprimand	1
Offender not identified	2
Information maintained for intelligence	1
Fined	1
Fined and reprimanded	6
Counselled	1
Total	17

- Internal Affairs Unit's increased visibility throughout the organisation
- continuation of the integrity education program.

Of the 72 complaints received, 17 were substantiated, 33 were not substantiated, 19 are open investigation and three were referred to another department. Disciplinary action taken on the 17 substantiated matters ranged from counselling to a reduction in salary (see Figure 57).

Of the 72 complaints received, 40 were deemed to involve fraud as defined by the *Commonwealth Fraud Control Guidelines*. Of these, 13 were substantiated, 14 were not substantiated and 13 are being investigated. Substantiated fraud related to misuse of corporate fuel card (one case), misuse of corporate computers (nine cases), theft of detained DVDs (one case), attempt to avoid the payment of duty (one case) and abuse of position (one case).

Security

Customs granted 1000 security clearances to Customs ongoing and non-ongoing employees. These were comprised of 557 for contractors

and consultants (760 the previous year) and 443 for ongoing and non-ongoing employees (508 the previous year).

Vetting service providers were used to assist processing security clearances during peak periods, such as Southern Ocean Maritime Patrol and Response recruitment processes.

CIT Solutions was engaged to provide a protective security course specifically tailored to Customs operational environment. An online security awareness training package was also developed. Customs staff will complete security awareness training annually and this will be linked to the online performance assessment and feedback process.

Customs commenced a Security Enhancement Project to comply with the physical security standards set out in the *Protective Security Manual* and *Australian Communication and Information Security Instructions* (ACSI33). Customs enhanced security by redeveloping server/communications rooms and access control arrangements nationally. The project improved signal strength, integrated closed circuit television and improved server room hardening.

The project also delivered major security improvements to facilities in Queensland, the Australian Capital Territory, Victoria and South Australia. Further works are scheduled in New South Wales, Western Australia and Tasmania in 2005–06.

Occupational health and safety performance

Details of compliance with section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991* are at Appendix A.

Comcare conducted a whole-of-agency investigation into Customs occupational health and safety policies and practices between August 2004 and March 2005. The conclusion was that:

- occupational health and safety at the workplace level is generally well managed
- Customs occupational health and safety management systems are largely effective.

The report highlighted that Customs performed well in documenting strategy, purchasing and control of product, managing work process, managing movement and material, and collecting and using data. Several recommendations were made such as increasing the awareness of managers and supervisors of their roles and responsibilities

for OH&S performance and enhancing their accountability in performing these roles. These will be addressed in the development of future strategies.

Customs pays a premium to Comcare for workers compensation insurance. Revision of the 2004–05 premium rate from 2.18 per cent to 2.34 per cent created a \$437 899 penalty amount in the 2005–06 premium. This was due to the adverse performance of claim development generally and the late acceptance of one high-cost claim incurred in 2001.

The forecast premium figure for 2005–06 is 2.49 per cent per cent, which is a rise of 6.4 per cent, slightly above the six per cent increase of the overall premium rate for all Federal agencies. This rise reflects an increase in claims for psychological injury, increased numbers of claims and increases in time off work for injured workers across the Public Service. For Customs the rise reflects an increase in the costs of claims due to increased time off work and higher medical bills rather than an increase in the number of claims.

Customs also experienced fewer accepted psychological injury claims in 2004–05 than in 2003–04.

Figure 58: Occupational Health and Safety Performance

Performance measure	2002–03*	2003–04*	2004–05
Accepted compensation incident claims	243	215	173
Claims per 100 staff (headcount)	4.83	4.47	3.42
Accepted compensation incident claims with time off work	134	115	98
Accepted compensation incident claims resulting in 5 or more days incapacity	71	55	64
Claims of 5 or more days incapacity per 100 staff (headcount)	1.41	1.14	1.27
Quality of return to work outcomes [^]	87%	91%	88%
Annual absenteeism [#]	12.17%

* As at 31 July of that year.

[^] Number of staff who successfully returned to employment following the implementation of a return to work plan.

[#] Annual absenteeism rates are calculated at the end of the March quarter.

Corporate resource management

Managing our finances

Customs has a number of internal and external processes designed to ensure compliance with financial management responsibilities. These processes include the annual National Resource Assessment process, which is the foundation for internal budget allocations. The National Resource Assessment process seeks to allocate appropriation funding and other funding to the operational units of Customs. The agency has a mid-year review of allocations to adjust funding allocated after the National Resource Assessment process and re-align internal budgets based on year-to-date performance.

Customs produces several financial reports on a monthly basis to report actual results against budget. The *Executive Monthly Management Report* comprises a report of financial performance against internal and external budgets and a section on other performance reporting. Through the Corporate Business Intelligence system, a monthly report covers comprehensive financial and staffing data electronically distributed to Customs managers. In addition, Customs reports on a monthly basis to Government through the reporting systems administered by the Department of Finance and Administration.

A monthly report is also provided to the Department of the Prime Minister and Cabinet on CMR and a quarterly financial report resulting from the review of Customs financial health is also provided to the Minister for Justice and Customs and the Minister for Finance.

In response to the revised Commonwealth Procurement Guidelines of 1 January 2005, Customs National Procurement and Contracting section has revised internal documentation and business processes. An annual procurement plan was published on the Austender website in accordance with the requirements of the Commonwealth Procurement Guidelines.

The Financial Services Division implemented a number of process improvement projects throughout 2004–05. These include:

- an updated national uniform ordering system to improve internal processes for ordering new uniforms and to enable better stock management
- changes to the travel management system to improve functionality for users and also to enable a better interface with the general ledger.

When the imports version of the Integrated Cargo System (ICS) is implemented financial transactions from ICS will interface directly into Customs financial management system, QSP. This will enable better reporting and analysis of major revenue collections and facilitate improved debt management processes.

Purchasing

Customs successfully implemented the new Commonwealth Procurement Guidelines flowing from the Australia-United States Free Trade Agreement. Customs competitive tendering and contracting operations continue to reflect best value for money to encourage competition and produce optimal results for the agency. Core purchasing policies including the 30 Day Payment Policy, the Occupational Health and Safety Policy, and construction code policy (*National Code of Practice for the Construction Industry*) are monitored.

Procurement operations are devolved throughout Customs. The National Procurement and Contracting section in Central Office provides advice and assistance to the business areas of the agency. The section is responsible for assuring implementation of government purchasing policy and principles.

Information and communication technology management

Apart from the day-to-day supervision and contract management of several large outsourced arrangements, the Information and Office Technology Division has a number of critical projects underway.

IT contracts

The Information Services Agreement between Customs and EDS Australia was extended twice

Customs teams – better information for managers

The Customs Corporate Support teams are constantly looking for innovative ways to distribute timely, accurate information to users and managers.

One of these projects was recognised in January 2005 with the CEO's Australia Day Award. The project revolved around supply of a standard set of monthly management information, incorporating human resource and financial expenditure, to managers and business support areas. The combination of multidimensional reporting cubes and standards reports allows Customs management and support staff to analyse and view financial and human resource information. The reporting solution was developed in house in less than three months with a team of five staff.

More than 300 managers and staff now use the reporting solution. Since the initial rollout a number of enhancements have been identified and will be delivered in the 2005–06 financial year. These include:

- more drill through capability into transactions
- additional standard reports to managers
- additional exception reports
- the completion of the data warehouse.

The reporting product set the foundation for incorporating financial and non-financial information and has been used as the main reporting tool for all Finance and HR systems. The Information Technology Branch is using the product to analyse the detailed information received from IT suppliers.



The Corporate Support team, from back left to right: Jo Corcoran, Samuel Roberts, Jon Brocklehurst, Mark McDonald and Matthew Wilson. Front left to right: Peter Glanville and Danielle Yannopoulos.

and is in its eighth year. The original five-year contract came into effect in March 1998 and allowed for two two-year extensions. Customs exercised the first two-year extension in June 2002 and extended the contract to March 2005. The second two-year extension was signed on 13 August 2004 and the Agreement is due to expire on 30 June 2007. Evaluations and benchmarking supported the decisions to extend the contracts as EDS provided value for money and service standards had improved over time.

The Telecommunications Services Agreement with Telstra of September 2003 provides greater bandwidth and cheaper costs even though the overall needs have increased. As a consequence the contract value has increased.

Improved services to users and reduced call costs has resulted from wide area network and fundamental telecommunications services, and voice services using new Mitel equipment.

IT strategic planning

Customs IT Strategic Plan 2005–2010 was developed this year with a draft submitted to the Information Management Strategy Committee for review. The plan spans the full five-year spectrum to provide a flexible basis for Customs IT alignment with Customs current and future business needs. The plan addresses IT governance, information systems (applications), information management, information technology, IT security, people, and IT budget. Final endorsement is expected in 2005–06.

Small Systems Development Unit

Customs has created a Small Systems Development Unit in order to develop and maintain applications that are considered too small to outsource. Customs has had a number of successes over the past year in developing a broad range of applications such as: Customs Vetting Register, Dog Tasking System, Penalties Tracking and Recording System and the Passenger Analysis Unit Flight Scheduling Application. The Small Systems Development Unit also provides a complete hosting service for these applications. This has proven effective for many users in Customs who received a better and more responsive service.

The refresh of desktops and the replacement of printing and photocopying devices were programmed for this year. The desktop refresh was put back until the 2005–06 financial year, but with the roll out of CMR, new screens are being introduced. A printing and photocopying solution is being explored to replace these devices with multi-function devices. A pilot was run and costings explored. Further examination is being considered prior to a final decision being made.

IT security

IT security is essential to the management of the Customs IT infrastructure. In addition to ensuring that the Customs IT environment complies with Government legislation and guidelines, a consultant has been employed to assist in developing, implementing and fully testing an IT disaster recovery plan. A revised version of the Customs IT Security Policy was completed.

Authentication technologies

Customs formed part of a multi agency review assessing the effectiveness of the Government's Gatekeeper Strategy. This review, chaired by the Department of Finance and Administration, reported its findings to the Management Advisory Board's Information Management Strategy Committee in February 2005. Customs also played an active role in the launch of the Australian Government Authentication Framework through a presentation on 28 April 2005 of Customs experience. Through a Memorandum of Understanding with the Australian Taxation Office, Customs deployed enhanced security software into the Customs Connect Facility, the secure client gateway to the Integrated Cargo System.

Information standards and harmonisation

Australian Customs chaired the World Customs Organization data modelling sub-committee for the past three years. The committee contributes to the development of international data standards and associated proof-of-concept projects. These projects play an important role in the better management of international supply chains.

Principal outputs have been the final drafting of the Australia/Taiwan paperless trading project definition and input to information issues at the World Customs Organization, United Nations Centre for Trade Facilitation and Electronic Business, Asia Pacific Economic Cooperation and in association with Free Trade Agreements.

Corporate Statistics

Customs Corporate Statistics section participated as part of a working group to review performance measures for the revised Portfolio Budget Statements. Several new measures have been introduced. An internal quarterly publication, called *Customs Figures*, provides important information for strategic and operational planning and process monitoring.

Corporate Research Environment

Customs Corporate Research Environment involves enterprise wide data warehousing, and research and reporting capability for Customs applications. Significant support was provided for CMR and other new applications.

Data Management

The Customs Data Management team supported CMR development, data governance and implementation of the recommendations of the Internal Audit 'Managing Data' Review. This ensures the effective delivery of all outputs through the provision of data standards and services.

Information policy

Project planning and the business case were refined for the Records and Information Management System project. Funding for 2005–06 was approved in June 2005 and work commenced in preparation for release of a request for tender in late 2005. In addition, three record keeping advices have been issued to Customs staff to assist in compliance with legislative requirements.

Corporate Communication

Corporate Communication played a key role in enabling Customs to achieve key outputs during 2004–05. Examples included:

- Increased community awareness of Customs and its varied border protection roles through participation in the highly successful Seven Network *Border Security* television series
- Heightened awareness of border compliance through the publicising of major detections of narcotics, duty evasion, trademark and copyright infringements, illegal fishing apprehensions, and wildlife smuggling attempts
- Promotion of the 24 hour Customs Hotline across northern Australia encouraging remote and regional communities to act as Customs 'eyes and ears' for suspicious activity
- Support for the successful introduction of ICS Exports through the provision of communication services and strategies to promote industry readiness for the new system.

Integrated Solutions (Client Data Management Strategy)

Through the Client Data Management Strategy, Customs takes a strategic approach to managing client information as well as allowing for more efficient and effective business administration processes and risk assessment. From 2001, projects have consolidated client information across multiple Customs business systems. So far, the strategy has delivered:

- two releases of the examinations module (Exams 1A and 1B) to support the recording of all examinations and searches in the sea cargo and air cargo environment
- an additional release (Exams 2) to extend recording to postal and mass screening facilities and interface with the ICS
- the Licensing module to record details of all Licensed and Appointed Customs Places and licensed Customs brokers.

Consultants

Thirty five new consultancy contracts were entered into involving total actual expenditure of approximately \$4.1m. In addition, 13 ongoing consultancy contracts were active during the 2004–05 year involving total actual expenditure of approximately \$0.43m.

Customs teams – TV audience given insight into work on Australia’s frontline

Customs officers across Australia have been playing key roles in the Network 7 TV series, *Border Security*, which was broadcast nationally over the past 12 months.

From Australia’s northern coast to its international air and seaports, the series covered the exposure by Customs and other border agencies of criminal activity as they go



Customs officers Michael Jackson and Clarinda Oliveira, among the many officers who have featured in the TV series, *Border Security*.

about their daily work. It proved to be compelling television with audience figures achieving very high ratings. Much of the filming took place at major airports with the production crews covering the moment when Customs officers make a drug detection to the resolution of the case in court.

Customs officers who volunteered to participate in the series found the task challenging but rewarding. As Michael Jackson, an officer based at Sydney Airport, explained, one of the main challenges in front of the camera was to act naturally and perform the normal functions.

However, he has no doubts about the benefit of the series to Customs. “It gives the public an insight into what the actual functions of a Customs officer really are. Most members of the travelling public would pass through the airport and see Customs officers performing the facilitation side of things and rarely encounter the enforcement side of our work. This show gives the audience a chance to understand how difficult our job is and the obstacles we face on a daily basis in trying to sort the good from the bad, so to speak.”

According to the program makers, *Border Security* proved to be a success because it shows real people, carrying out a difficult job, in sometimes arduous circumstances, to protect Australia’s frontline.

The Department of Finance and Administration’s *Guidance on Identifying Consultancies for Annual Reporting Purposes (FM Guidance No. 12 July 2004)* was used in preparing information on consultancies.

Selection and engagement of consultants

Consultants are selected by open tender, select tender, direct sourcing or through a pre-existing panel arrangement. The type of selection procedure will depend on the level of competition in the market and on the value of the proposed contract. Customs generally commissions consultants to:

- investigate or diagnose a defined issue or

problem

- carry out defined research, reviews and evaluations
- provide independent advice, information or creative solutions
- provide specialised services, including assistance with the development and/or implementation of purpose-built IT systems and legal advice.

All selection procedures were compliant with Commonwealth policy and principles.

The main purposes for which consultants were engaged include:

- human resource and occupational health and safety advice and analysis
- security risk review and analysis services
- procurement and competitive tendering advice and assistance
- architectural and construction advice.

For a list of consultancy contracts let in 2004–05 refer to the Customs Internet site.

Competitive tendering and contracting, contract management and corporate outsourced arrangements

Customs has outsourced arrangements for IT support, legal services, internal audit services and some recruitment services.

The majority of Customs IT support is outsourced to EDS. Customs IT Services Agreement with EDS (Australia) was extended this year to June 2007.

A consortium headed by Computer Associates provided the development and support for the Integrated Cargo System and associated systems. In addition, specialised IT services are sourced from a number of other IT providers including IBM and CPT Global.

The Customs Telecommunications Services Agreement (CTSA) between Customs and Telstra Corporation is in its second year of operation. The three-year contract came into effect in September 2003 and allows for two two-year extensions.

Telstra is contracted to provide the Wide Area Network (WAN), which includes data transmission, network redundancy and operational infrastructure for managed telecommunications services such as routed and non-routed data and ISDN switched data services. As well as the provision of WAN, Telstra also provides voice services such as mobile telephony, satellite, paging, domestic inbound voice, audio conferencing and telephone calling cards.

Customs Legal Services are outsourced to the Australian Government Solicitor. These were renegotiated in December 2004. A Customs

Legal Panel supplements the core outsourced legal unit.

Customs internal audit function is co-sourced to PricewaterhouseCoopers, supported by one or two Customs officers.

Recruitment into the Customs Trainee or Customs Graduate Trainee classifications is handled under a sole provider contract arrangement with DFP Recruitment. The contract includes lodging advertisements, receiving applications and conducting assessment centres. Customs interviews candidates that are short listed from the process and makes the final selection decision.

Customs had no contracts exempt from the Gazettal requirements.

Advertising and market research

Expenditure on advertising and market research is detailed in Appendix C on 218.

Assets management

A stocktake of Customs assets was conducted and asset management policies and procedures are continually updated.

Discretionary grants

Customs did not provide or receive any discretionary grants in 2004–05.

Events that will significantly affect operations or financial results

Adoption of international standards

In December 2002, the Financial Reporting Council announced that Australia will adopt international financial reporting standards issued by the International Accounting Standards Board by 1 January 2005, including Government. The main reason for this is to provide some uniformity in accounting standards for Australian companies operating overseas.

Further, the Australian Accounting Standards Board is also considering the harmonisation of generally accepted accounting principles with Government financial statistics.

The Australian Accounting Standards Boards issued replacement Australian Accounting

Standards to apply from 2005–06. The new standards are the Australian Accounting Standards Board equivalents to international financial reporting standards issued by the International Accounting Standards Board.

The adoption of Australian Accounting Standards Board equivalents had a major impact on all government agencies. For Customs, this included ensuring current systems met the new requirements.

Customs developed a project plan that addressed the changes in systems, major accounting policies, impact on Customs, risks and key timelines. Information on the impacts on Customs financial statements from the implementation of International Financial Reporting Standards is included in the financial statements section of this report.

Customs teams – establishing a new Customs House

The new Sydney Customs House breaks with tradition with its location beside an airport rather than the waterfront or Central Business District.

The decision to establish an administrative headquarters at Sydney Airport reflects the increasing role of passenger movement in Customs operations. Last year, a total of 9 868 363 passengers and crew entered and/or departed Australia via Sydney.

The new Sydney Customs House is next to the international terminal car park at Sydney and is leased by Customs from Sydney Airport Corporation. Customs occupies most of the ten floors.

The task of consolidating customs operations previously located in Sydney Central,

Link Road near the airport, and Marrickville was undertaken by a project team working with the building owner, contractors and staff over two years to ensure the building met customs requirements.

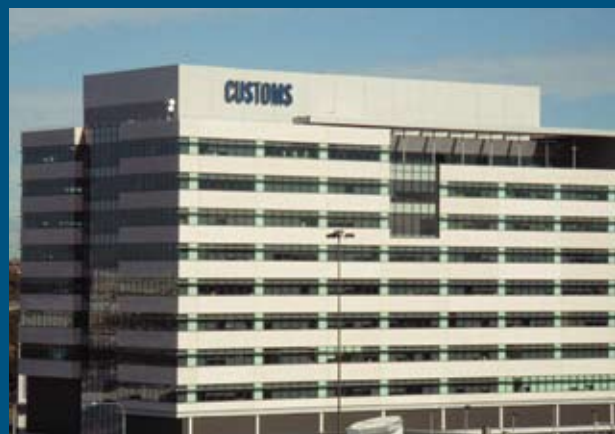
Internal fitout, developed after staff consultation, began in August 2004 with employees progressively moving into the building between December 2004 and February 2005. Relocations occurred with no disruption to operational work.

Customs House has a public counter for general public and industry enquiries. It features high levels of security.

Customs House is located at Sydney Airport, but its links with the waterfront remain as the building is close to Port Botany where most air and sea logistics companies are based.



The Sydney accommodation project team, Karen Williams and Neil Kooos, who were awarded a Customs National Australia Day award for their management of the move to the new Customs House.



The new Customs House in Sydney.

Accountability to clients

Client service

The Client Service Charter outlines Customs service principles, and key service standards. The charter recognises that quality of service to clients is important to the community's confidence in Customs.

The charter is available in Customs offices, on the Customs Internet site, and is distributed at airports, exhibitions, forums and client meetings. It advises clients that, at any time, they may take their complaint to the Commonwealth Ombudsman, their Federal Member of Parliament or the Federal Minister responsible for Customs.

Social justice and equity

The range of Customs activities affects people from a wide variety of cultural and social-economic backgrounds. To be an effective agency, Customs must be aware of how its operations and services impact people in the community and overseas. Customs ensures that access to information and services is equitable.

Social justice and equity impacts and strategies are incorporated in the Social impact section of Sustainability on page 129.

Information on workplace diversity is on page 110 and reporting on the Commonwealth Disability Strategy is on page 221.

Improving service to our clients through the Customs Information and Support Centre

In June 2005, the Customs Information and Support Centre (CI&SC) completed its second full year of centralised operation in Sydney. The CI&SC handles inquiries on cargo systems and provides general information on Customs services and procedures.

The CI&SC handled more than 550 000 cargo systems and general information inquiries from across Australia, an increase of nearly 19 per cent from 2003–04.

Contacts included:

- 439 000 telephone calls
- 89 000 emails
- 23 000 inquiries by facsimile
- 1900 inquiries by letter/counter/meetings.

The CI&SC played a key supporting role when

the exports component of Integrated Cargo System (ICS) became available to industry in September 2004. It will play a similar role for the release of the imports component of ICS in the second half of 2005.

The number of calls increased dramatically after the release of the exports component of the ICS. In one peak period in October 2004, Customs received over 2500 calls a day resulting in some callers waiting longer than expected. Nearly 54 per cent (1336) of these calls were for ICS support.

Customs has improved the cargo system support function, particularly through the provision of a 24-hour seven-day a week support service. A new user support framework came into operation on 4 April 2005, implementing a multi-tiered structure, with first level support in Sydney and second and third level support in Canberra.

The CI&SC relocated in December 2004 from its Sydney city location to the new Customs House at Sydney International Airport. This relocation enabled the CI&SC to upgrade its telephony and improve client service delivery.

Strategies to further improve service to clients included installing a call centre management system in late February 2005 for real time monitoring and management of calls. The centre also recruited and trained an additional 16 staff. These improvements are expected to reduce call waiting times.

Complaints and compliments

The Complaints and Compliments Management System invites the public to comment on Customs services:

- email (comments@customs.gov.au)
- the Customs Internet site (www.customs.gov.au)
- freecall (1800 228 227).

Quarterly reports are published on the Customs Internet site.

Customs investigates all formal complaints and aims to respond to clients within 15 working days. This standard was achieved in 97 per cent of cases. Complaint trends are regularly monitored to identify possible service improvements.

Customs received 2319 complaints and 789 compliments in 2004–05. Of these, 267 complaints and 10 compliments related to other agencies and organisations and were forwarded for action.

Customs processed approximately 10 million incoming international passengers and received 1121 complaints and 262 compliments related to passenger processing, about one complaint for each 40 000 passengers entering Australia. A total of 245 (22 per cent) of these complaints related to revised passenger duty free concessions from February.

A total of 263 complaints were received about the CI&SC, principally about waiting times. With the improvements to the CI&SC, the number of complaints reduced. A total of 100 compliments were received about the CI&SC.

Complaints about Container Examination Facilities operation and targeting fell from 295 in 2003–04 to 219 this financial year, about

one complaint for every 600 twenty-foot equivalent units (TEU) x-rayed. The majority of these complaints related to delays caused by the inspection process. Additional Container Examination Facilities shifts and credit card facilities for payment of duty were introduced to address these complaints.

Compliments related primarily to officers offering assistance and being helpful, professional or informative. Customs staff members are advised of personal compliments.

Environmental accountability

Customs reports annually on its performance on ecologically sustainable development and environmental matters under section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999*.

Reporting requirements are included in the Sustainability section to follow.

Customs teams – protecting a unique border

The 1978 Torres Strait Treaty allows free movement of traditional people and goods of both countries for traditional activities. The treaty recognises that the Islanders of the Torres Strait and people of the adjacent coastal area of Papua New Guinea have traditionally mixed and traded with each other. These movements, without need for passports or visa, number some 50 000 annually.

The Torres Strait comprises over 100 islands, sand cays, reefs and rocky outcrops of which 14 are inhabited. The administrative centre is at Thursday Island, while Horn Island is the international airport clearing approximately 500 international flights per year.

Customs maintains regular discussions with Papua New Guinea including talks with Papua New Guinea Customs (Internal Revenue Commission) and the Royal Papua New Guinea Constabulary to share intelligence and information. This combined enforcement effort addresses transnational crime that affects both countries and brings together officers who work in the Torres Strait and Daru (the administrative centre for the western provinces of

Papua New Guinea). Customs also participates in the annual Treaty Liaison Meeting to discuss relevant treaty issues.

Customs has ten staff, including two Coastwatch officers, based on Thursday Island. It also has five Torres Strait Customs officers, one each based on Thursday Island, Saibai Island, Mabuiag Island, Coconut Island and Darnley Island. Coastwatch operates two helicopters from Horn Island. These assets are vital in supporting operational response activity throughout the Torres Strait.



Steve Jeffs, Customs Manager Torres Strait with the Daru manager of the Papua New Guinea Internal Revenue Commission Les Ture and Pajaro Agia.

Sustainability

In recognition of increased government focus on sustainability, this report provides additional information on the environmental, social and economic impact of its activities. Customs has chosen indicators from the Global Reporting Initiative that are relevant to Customs and for which data is available. In the year ahead, Customs will seek to improve its focus on sustainability to better reflect the social, economic and environmental impact of our activities.

This section incorporates mandatory reporting requirements under the *Environment Protection and Biodiversity Conservation Act 1999* and voluntary reporting on social justice and equity.

Customs has always endeavoured to meet principles of ecologically sustainable development and social justice and equity in policy development and operational activity. Risk management is applied at planning and project levels and includes assessment of environmental, geographic, social, commercial and trading relationships that may impact on corporate performance. Established reporting and review processes ensure that the risks are assessed regularly, and that systems and processes support continuous improvement.

Customs Corporate Plan commits the organisation to being responsive and accountable to Parliament, community and industry. This year, Customs Corporate Priorities (see page 9) include a focus on protecting Australia's health and safety by working cooperatively with partner agencies involved in issues associated with:

- immigration
- quarantine
- fisheries
- police
- aviation
- industry
- foreign affairs and trade
- revenue collection
- health
- the environment.

These priorities also include international capacity building initiatives that support Australia's interests, and the need to contribute to national and international efforts to achieve secure trade.

Environmental impact

Customs Environmental Policy Statement commits to continuously improving environmental performance in its activities. Customs monitors activities, including the management of energy, water and waste products, the vehicle fleet and purchasing.

Customs Environmental Management System provides a framework for considering and minimising environmental impacts in the workplace.

Customs reduced energy consumption in its offices by almost three per cent in 2002–03 to 2003–04⁵. Electricity and gas consumption for services common to all tenants in office buildings such as air conditioning, lifts, security lights, lobby lights and domestic hot water were also reduced (See indicator EN3 on page 132).

Direct energy use in non-office locations increased by 36 per cent. This reflects the establishment of additional Container Examination Facilities in the year, with significant increases in the volume of containers scanned.

Between 1997–98 to 2003–04⁵, Customs reduced its energy usage in office accommodation by 16 per cent.

Posters and cards are displayed to remind staff of the importance of recycling, energy efficiency, computer monitor switch off programs, and reduced paper use in the office.

Other initiatives are:

- recycled paper is used for most purposes in Central Office
- used fluorescent tubes, used printer and photocopier cartridges are collected for recycling
- providing bins for the recycling of paper, glass, cans and plastic
- negotiation or variation of service contracts.

⁵ 2004–05 figures were not available at the time of publication

Customs teams – making a difference in remote areas

While Customs work in protecting borders at international air and seaports is well known, a significant amount of lesser known work is undertaken by Customs district offices in remote areas of Australia.

An example is the patrols undertaken from district offices in Western Australia where Customs officers gather information and inform the public on how to detect and report illegal activity. The range of threats in these isolated areas includes smuggling of native flora and fauna, narcotics smuggling and illegal entrants. To ensure exchange of information with a wide range of groups, Customs regularly visits local

businesses, remote communities, park rangers, schools and state and federal government agencies. It asks them to provide information on unusual activity in their area —such as suspicious aircraft or sea craft activity, hidden camp sites or fuel dumps, unusual objects at sea or ashore or evidence of interference with flora and fauna — that may indicate illegal activity.

Although the primary purpose of the patrols is to detect and deter illegal activity, Customs recognises that in visiting remote areas they can assist communities by bringing fresh provisions, reporting damaged fences and injured stock to property owners. Sometimes they assist at the scene of motor accidents and breakdowns or help with rescues where people have become lost, ill or injured in remote locations. Customs officers provide information to remote communities on employment with Customs and other Customs related matters.

Many patrols are undertaken in ecologically sensitive areas, and Customs takes precautions to ensure that any negative environmental impacts are minimised. Where possible, teams stay on existing tracks, avoid fragile dune areas, avoid damage to plants and wildlife habitats, observe fire restrictions and remove their waste and rubbish. Contact is maintained with conservation agencies to ensure that quarantine and restricted areas are avoided.



Customs officers on remote area patrol in the Pilbara.

Initiatives to decrease water consumption or increase water reuse include:

- effective maintenance including changing washers
- installing water efficient showerheads and chilled water dispensers during refurbishments
- water efficient window washing using buckets in place of high pressure water
- education – reminding staff and visitors to be careful with water usage.

Customs did not conduct any energy audits in the past year but continued to implement cost effective energy audit recommendations from the previous year.

Customs worked cooperatively with other agencies to protect the Australian environment. Some activities and achievements this year include:

- detection of 51 live tropical fish concealed on an incoming female airline passenger. These fish could have posed a potentially serious quarantine, environmental and health risk
- charges laid over an alleged attempt to smuggle 24 turtles and a shingleback lizard out of Australia in the post. Customs, Australia Post and Conservation and Land Management (Western Australia) worked together to halt the export of the turtles, which are protected fauna
- detection of four live turtles (suspected North American Loggerhead Musk turtles) concealed in an arriving passenger's baggage. These turtles could have carried diseases that, if introduced to Australia, could have serious environmental consequences. The turtles were handed over to Australian Quarantine and Inspection Service
- detection of 26 live spiders in an international mail parcel
- patrols in Australia's territorial waters surrounding Heard and McDonald Islands to prevent illegal fishing in this sensitive environment

- National Marine Unit vessels provided marine transport to Conservation and Land Management (Western Australia) officers, researchers and volunteers to:
 - Montebello Islands for monitoring of a rat eradication program to help prevent re-infestation and confirm absence of possible remnant rodents
 - Kimberley Islands to conduct a census of breeding, shelter use and population of red-tail tropical birds; examine the effects of the 2004 tsunami on intertidal coral communities; and examine turtle nesting activity and collect DNA samples
 - Bernier and Dorre Island Nature Reserves to study and DNA test populations of the Boodie (*Bettongia Lesueur*), which is one of the most endangered Australian mammal species.
- National Marine Unit provided transport to Department of Environment and Heritage researchers and volunteers to Ashmore Islands Nature Reserve to monitor seabird and shorebird populations, research ginger ants and assess their impact on bird and turtle populations and to monitor terrestrial plant species
- participation in Operation Clearwater aimed at detecting and deterring foreign fishing vessels in the Gulf of Carpentaria and in the waters to the north of Arnhem Land. During the operation, 29 illegal fishing boats and 258 crew were apprehended. Officers seized 12 927kg of fish products including Reef Fish and Red Fish and 295kg of shark fin (see page 66).

In February 2005, approximately 300 to 400 litres of diesel fuel was accidentally discharged into the harbour at Thursday Island while refuelling a National Marine Unit vessel. The incident was reported to State and Federal authorities, and investigations are continuing. Measures have been implemented to prevent a repeat of the incident.

Customs work in assisting environmental protection in previous years resulted in the following successful prosecution this year:

- Coastwatch and the National Marine Unit worked with State and Federal agencies in gathering evidence for prosecution of a case related to the discharge of 9300 litres of oil mixture in the Great Barrier Reef Marine Park by a cargo ship. The ship owner was fined \$180 000 and had already paid \$34 277 in clean up costs. The fine was the largest imposed on a company under the *Protection of the Sea (Prevention of Pollution from Ships) Act 1983*.
- an entry-level recruitment program specifically for people in the Torres Strait to join the National Marine Unit for 12 months as sea-going crew. Trainees attend courses to obtain qualifications and a fellow crewmember acts as a mentor and adviser
- recruitment of cadets under the National Indigenous Cadetship Program, a joint exercise between the Department of Employment and Workplace Relations and participating agencies, including Customs. Successful applicants are sponsored while they study at university and undertake work placements during holiday periods.

Social impact

Customs meets a range of Commonwealth requirements led by APS Values and the APS Code of Conduct to ensure its actions are lawful and meet community expectations.

Customs, with 63 other Commonwealth agencies, was assessed in 2004 as meeting the performance indicators for implementation of the *Charter of Public Service in a Culturally Diverse Society*. Customs is committed to the principles of social justice and equity and endeavours to ensure that information and services are available to people from a range of cultural and linguistic backgrounds. In the past year Customs:

- delivered cross-cultural awareness training to enforcement staff as required and provided access to cross-cultural training for all staff through an online learning package
- provided clients from non-English speaking backgrounds with access to interpreter services through staff or the Translating and Interpreting Service
- produced selected publications in different languages and in various formats
- maintained a register of staff with language skills and utilised these in communications with clients as required
- ensured that arrested persons were provided with the caution in a language or form understood by them.

Customs promotes equity and diversity in the workforce through the Workplace Diversity Policy and APS Values and Code of Conduct. Examples of workplace diversity initiatives in the past year include:

Customs complies with the Commonwealth Disability Strategy to ensure that services, information and policies are accessible by, and do not discriminate against, people with a disability (see Appendix E).

Customs is committed to providing a safe and healthy work place for the welfare of staff, contractors, clients and visitors through implementation of an occupational health and safety management system (see Appendix A).

Customs carried out a significant role in community protection through its responsibility in deterring and detecting unlawful movement of goods and people across the Australian border. Prohibited and restricted goods can cause environmental, social or economic harm. These include:

- illicit drugs
- objectionable material
- wildlife
- cultural and heritage items
- hazardous waste
- chemicals
- Pharmaceutical Benefit Scheme medicines
- un-manufactured tobacco
- intellectual property
- weapons and unsafe products.

Customs continues to support Government priorities relating to counter-terrorism, security arrangements and protecting our borders. Customs developed a business continuity policy to plan for critical business functions to

be open for business during or after an incident, even if at a reduced level of service, until normal operations can resume.

Customs participated in research, reporting and projects in relation to criminal activity, including illicit drug markets and their dynamics, in collaboration with research bodies and law enforcement agencies.

Where requested, Customs undertakes search and rescue operations. Rescues carried out this financial year included:

- nine search and rescue operations in the Torres Strait successfully returning vessels and people to land. Customs utilises Ready Response Vessels based on Thursday Island and four outer islands (Darnley, Saibai, Mabuiag and Coconut) and relies on Torres Strait Customs officers' local knowledge to safely attend to vessels in distress and provide the necessary assistance to bring them to safe haven
- five Indonesian fishers found stranded and dehydrated on Ashmore Islands in November 2004. The fishers had been separated from their vessel and washed ashore. They were given medical attention and fresh supplies of food and water before being returned to their vessel
- a Portuguese sailor who became critically ill on board a fishing ship in the Southern Ocean in December 2004. The Customs and Fisheries patrol vessel *Oceanic Viking* was diverted from its patrol to respond to the medical emergency. The sailor was taken to Fremantle where his condition was stabilised prior to his return home
- a maxi yacht which had been disabled in strong winds and was dragging its anchor towards rocks on the western side of Dent Island in Queensland. A Customs vessel towed the yacht with its 14 passengers and three crew, to a safe anchorage in the lee of Hamilton Island.

Customs worked with Australian government agencies to undertake capacity building activities in Indonesia, Papua New Guinea and Solomon Islands. These activities aim to

improve the ability of Australia's nearest neighbours to effectively manage their borders and reform and modernise Customs.

Economic impact

Customs undertakes a variety of activities on behalf of government that contribute to the economic performance of Australia.

These include:

- revenue collection through the administration of duty, indirect taxes and other border-related revenue
- revenue protection through compliance activity, which prevents illegal products from entering the market
- protection of Australia's offshore oil and gas facilities
- anti-dumping and countervailing administration which supports the Government's objective of creating competitive Australian industries and strong sustainable economic growth. It provides, where appropriate, Australian manufacturers and producers with a remedy against injurious dumping by overseas industries, or injurious subsidisation by foreign governments, of goods exported to Australia
- administration of the Tariff Concession System which:
 - assists Australian industry to become more internationally competitive
 - encourages investment in efficient and sustainable industries
 - reduces costs to the general community through the removal of import duties where there is no local manufacturer of substitutable goods
- contribution to Australia's trade facilitation agenda through participation in free trade agreement and World Trade Organization negotiations, the Asia Pacific Economic Cooperation work program and bilateral customs cooperation initiatives. These efforts result in reduced transaction costs for goods flowing between Australia and its trading partners
- contribution by Customs overseas posts

to the development of trade by working with other customs administrations and organisations to establish and implement measures to support border management and trade facilitation

- contribution to international supply chain security initiatives.

Global Reporting Initiative environmental indicators

The Global Reporting Initiative has more than 100 optional performance indicators for sustainability. Customs has chosen to report against 24 which are relevant and for which data is available. Those not reported against are listed at the end of this section.

EM1: Environmental Management System (EMS) Conformance

Customs conforms with its Environmental Management Policy by:

- recycling toner cartridges and light tubes
- using recycling bins for paper, aluminium and plastic
- educating staff through signs in toilets, kitchens and at photocopiers to reinforce environmental friendly practices
- adding clauses to cleaning and recycling contracts to require recycling
- using recycled paper throughout Central Office. Customs is now trialling higher percentage recycled content paper.

EM2: Environmental performance improvement process

Customs measures performance against energy targets and energy audit requirements as required by the government.

The CEO committed Customs to both the Greenhouse Challenge and the Environmental Management Policy.

EM3: Integration of environment with other business management systems

Customs incorporates environmental factors into its highest-level planning documents, the Corporate Priorities and Corporate Strategic Risk Profile. These documents are integral in the planning and performance framework, and form the basis of planning at all other levels.

Building specifications and leases integrate some environmental aspects. Customs is requesting five per cent new green (renewable) energy in all new major contracts where the head lease is held by Customs. Life cycle costing is incorporated into procurement processes.

EM5: Environmental liabilities

Customs identified sites that have asbestos and other hazardous material. Occupational health and safety guidelines are in place for hazardous substances and managing the identified risks.

EN3: Direct energy use (tenant light and power)

	2002-03	2003-04	2004-05 [^]
Office – Tenant Light and Power			
Electricity (kWh)	10 304 748	10 020 562	..
Total GJ	37 097	36 074	..
Occupancy (People)	3164	2948	..
Area (m ²)	78 534	76 801	..
MJ/Occupancy (People)/annum	11 725	12 237	..
MJ/Area (m ²)/annum	472	470	..
m ² /person	24.82	26.05	..
Office – Central Services			
Electricity (kWh)	1 856 427	1 849 212	..
Natural Gas (MJ)	9 138 475	8 886 073	..
Total GJ	15 822	15 543	..
Area (m ²)	20 009	22 117	..
MJ/Area (m ²)/annum	791	703	..
Other Buildings*			
Electricity (kWh)	3 995 800	5 429 769	..
Total GJ	14 385	19 547	..
Area (m ²)	66 797	81 198	..
MJ/Area (m ²)/annum	215	241	..

* This increase is due to the Customs Container Examination Facilities in Sydney, Melbourne, Brisbane and Fremantle becoming fully operational.

[^] Figures were not available at the time of publication.

EN3: Direct energy use (transport)*

	2002-03	2003-04	2004-05 [^]
Passenger Vehicles			
LPG (L)	2256	838	..
Automotive Diesel (L)	37 135	35 607	..
Petrol (L)	612 233	595 335	..
Total GJ	22 430	21 756	..
Distance Travelled (km)	6 217 853	5 547 908	..
MJ/Distance Travelled (km)/annum	3.61	3.92	..
Other Transport			
Automotive Diesel (L)	2 795 958	3 660 243	..
Total GJ	107 924	141 285	..
Entity Totals			
Total GJ	197 657	234 206	..

* These figures cover leased vehicles only. Owned vehicles, vessels and leased aircraft are not included.

[^] Figures were not available at the time of publication.

EN8: Greenhouse gas emissions

	2002-03	2003-04	2004-05 [^]
Office – Tenant Light And Power			
CO ₂ /person/annum (tonnes)	4.70	4.90	..
CO ₂ /m ² /annum (tonnes)	0.19	0.18	..
Total CO ₂ /annum (tonnes)	14	14 469.70	..
Office – Central Services			
CO ₂ /person/annum (tonnes)	880.05	0.91	..
CO ₂ /m ² /annum (tonnes)	0.85	0.12	..
Total CO ₂ /annum (tonnes)	0.13	2670.26	..
Other Buildings			
CO ₂ /m ² /annum (tonnes)	0.08	0.09	..
Total CO ₂ /annum (tonnes)	5769.93	7840.58	..
Passenger Vehicles*			
Total CO ₂ /annum (tonnes)—LPG	3.60	1.47	..
Total CO ₂ /annum (tonnes)—Diesel	112.09	107.48	..
Total CO ₂ /annum (tonnes)—Petrol	1700.17	1653.27	..

* These figures cover leased vehicles only. Owned vehicles, vessels and leased aircraft are not included.

[^] Figures were not available at the time of publication.

EN17: Initiatives to use renewable energy sources and increase energy efficiency

- renewable energy sourced within electricity contracts
- replace/modify lighting arrangements/fittings
- introduction of flat screens will save a third of the current monitor energy costs
- introduction of multi-function devices that combine printer, photocopier and facsimile functions into one unit resulting in energy savings.

Global Reporting Initiative social indicators

HR12: Description of policies, guidelines and procedures to address the needs of indigenous people. This includes indigenous people in the workforce and communities where the organisation operates or intends to operate

Customs works in partnership with the Australian Public Service Commission and several other Federal agencies to pilot the Indigenous Entry Level Recruitment Initiative. This initiative seeks to increase the number of indigenous Australians and Torres Strait Islanders in the Commonwealth public sector.

Customs participates in the National Indigenous Cadetship Project. The National Indigenous Cadetship Project is aimed at improving the professional employment prospects of Australian indigenous and Torres Strait Island peoples.

Customs participates in a whole-of-government Indigenous Graduate Recruitment strategy aiming to recruit indigenous graduates for the 2006 Customs Graduate Trainee program.

LA1: Breakdown of workforce, where possible, by region/country, status (employee/non employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employees (temporary agency workers or workers in co-employment relationships) segmented by region/country

	ACT#	NSW	VIC	QLD	SA	WA	TAS	NT	Total
Full-Time									
Ongoing employee	1 025	1 138	760	630	153	434	31	109	4 280
Non-ongoing	102	8	4	8	-	2	-	-	124
Full-time total	1 127	1 146	764	638	153	436	31	109	4 404
Part-Time									
Ongoing employee	43	233	153	106	26	58	1	5	625
Non-ongoing	12	6	-	3	-	2	-	-	23
Part Time total	55	239	153	109	26	60	1	5	648
Casual									
Non-ongoing	1	1	-	-	-	-	1	-	3
Total	1 183	1 386	917	747	179	496	33	114	5 055
Males	750	832	564	446	97	304	20	57	3 070
Females	433	554	353	301	82	192	13	57	1 985
Total	1 183	1 386	917	747	179	496	33	114	5055

* Includes staff employed under the *Public Service Act 1999*, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers are headcount and reflect actual occupancy (derived from Customs Human Resource Information Systems). Financial statements report on staff numbers by full-time equivalent (FTE).

ACT figures include National Marine Unit.

LA2: Employment net creation and average turnover

In 2004–05 Customs staff turnover rate was 6.62 per cent.⁶ The total number of people recruited from external sources into Customs for 2004–05 was 636.

LA4: Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organisation's operations (eg restructuring)

Customs employee participation strategy meets the Government's objective for employers to more directly engage their employees on matters affecting the relationship between employees and employers. Customs has established a Staff Council comprising of management, staff and union representatives. Staff Council considers and discusses longer-term strategic directions and emerging issues impacting or potentially impacting Customs employees.

LA6: Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees

Customs Occupational Health and Safety (OH&S) Policy outlines the formal workplace arrangements to promote effective communication and consultation on OH&S matters. An OH&S Agreement is in place with the key union covering Customs staff on formal consultation arrangements. Customs OH&S Committees provide a forum for consultation and communication for all staff. The National OH&S Committee oversees the effectiveness of the national policy framework while regional OH&S committees ensure Customs OH&S management systems

⁶ Only ongoing staff are included in the separation rate.

are working effectively in each region. Designated work groups promote consultation on OH&S issues. Health and safety representatives are elected in each designated work group to represent the health and safety interests of all employees within the designated work group.

LA7: Standard injury, lost day and absentee rates and the number of work related fatalities (including contracted workers)

OH&S Performance Indicators*

Performance measure	2002-03*	2003-04*	2004-05*
Accepted compensation incident claims	243	215	173
Claims per 100 Staff (headcount)	4.83	4.47	3.42
Accepted compensation incident claims with time off work	134	115	98
Accepted compensation incident claims resulting in 5 or more days incapacity	71	55	64
Claims of 5 or 5 or more days incapacity per 100 Staff (headcount)	1.41	1.14	1.27
Quality of Return to Work Outcomes	87%	91%	88%
Annual absenteeism**	..	..	12.17%

* as at 31 July of that year

** Annual absenteeism rates are calculated at the end of the March quarter

LA10: Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance

The Customs Workplace Diversity Policy defines workplace diversity within the Customs and Australian Public Service context. It outlines Customs legislative obligations in relation to workplace diversity and supports adherence to these obligations. It promotes workplace diversity and guiding principles, defines workplace diversity roles and responsibilities for all employees. The policy is embedded into national business plans.

The Workplace Harassment Policy includes information on formal and informal approaches to resolving cases of harassment and reinforces the role of the APS Values and Code of Conduct. It clarifies roles and responsibilities for staff.

This year's focus has been on promoting awareness of these policies through the delivery of training and induction and supporting this with promotional and support materials and activities. Online training modules covering APS Values and APS Code of Conduct, workplace diversity, and cross-cultural awareness are developed and implemented. Customs workplace harassment reporting process is developed, providing a safe and confidential means of reporting harassment.

LA11: Composition of senior management and corporate governance bodies, including male/female ratio and other indicators of diversity as culturally appropriate

	Female		Born Overseas*		Indigenous	
	Number	%	Number	%	Number	%
Senior Executive Service	15	40.5	5	13.5	-	-

* Number of staff born outside Australia

LA12 Employee benefits beyond those legally mandated

Customs is committed to providing a range of flexible work practices to assist employees to balance personal responsibilities and lifestyle preferences with organisational requirements. Benefits that could apply depending on individuals' employment conditions include:

Flexible working hours including flextime; part time work; shiftwork; rostered days off; employee funded extra leave; maternity leave; supporting partner leave for new parents; event leave (including special leave, bereavement leave and leave without pay); personal/ carer's leave; adoption leave; external development; study leave; job sharing; compassionate transfers; access to an employee assistance program; access to family rooms and gymnasiums; domestic care support scheme; and home based work.

LA16: Description of programs to support the continued employability of employees and to manage career endings

The Customs Framework for Learning and Development 2005-2007 integrates a range of current learning and development policies and programs to provide staff with opportunities to develop, from their entry into Customs and throughout their career.

The most significant aspect of the Framework for Learning within Customs is the Customs Development Program. The Customs Development Program identifies the core skills required of all staff and specialist skills that vary depending on assignment. The Program enables staff and supervisors to satisfy individual as well as organisational needs. Various development options are available, including formal modules through tertiary institutions. Staff who attain the required number of competencies are eligible to receive a nationally recognised qualification. This assists in entry to other tertiary courses.

Customs has a well-established approach to workforce planning, succession management and career reassignment. In 2005, a succession management and career reassignment policy and toolkit was developed to improve these processes within Customs.

SO1: Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring. Include explanation of procedures for identifying and engaging in dialogue with community stakeholders

Customs Regulatory Philosophy ensures that Customs intervention activity is targeted and that impact on legitimate traders or travellers is minimised. Customs fosters an environment of co-operation with clients to achieve client compliance with the laws and regulations administered by Customs.

The Customs National Consultative Committee (CNCC) is a national forum for communicating policies, practices and procedures relevant to the trading community. The CNCC works in partnership with the trading community to resolve perceived difficulties and is the major forum for regular consultation on a wide range of matters.

Customs Complaints and Compliments Management System provides clients with an opportunity to provide feedback on any aspect of their dealings with us. Feedback is used in assessing ways that the service can be improved.

Frontline is a cooperative program between Customs and industry groups involved in international trade and transport. Frontline members draw on their commercial expertise to identify suspicious behaviour and assist Customs.

The Customs Hotline is a community participation program that draws on the knowledge and expertise of people living and travelling throughout Australia to report potential or actual illegal activities.

Customs increased use of technology minimises the intrusive nature of inspection and expedites the process where intervention is necessary. For example, x-ray of cargo and baggage can, at times, eliminate the need for physical examination.

In February 2004, Defence Minister Senator Hill and Justice and Customs Minister Senator Ellison signed Indigenous Land Use Agreements with the people of Dauan and Badu Islands in the Torres Strait to install High Frequency Surface Wave Radar facilities. Local communities were provided employment opportunities during preparation of the site and construction and there will be ongoing employment during the trial for residents undertaking the role of caretakers.

Global Reporting Initiative economic indicators

EC3: Cost of all goods, materials, and services purchased

\$537.345m* (this includes resources received free of charge \$145.832m)

* these figures relate to operating expenditure only and exclude any capital acquisitions

EC5: Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region for 2004–05 (\$m)

New South Wales	92.129
Victoria	57.607
Queensland	49.882
Western Australia	33.238
South Australia	10.288
Tasmania	1.918
Northern Territory	7.716
Corporate, including the Australian Capital Territory	102.756
Total	355.534m

PA11: Describe procurement policy of the public agency as relates to sustainable development

Customs complies with relevant government policy contributing to sustainable development. These policies include environmental policies as outlined in the Department of Finance and Administration, Financial Management Guidance No. 10 *Guidance on Complying with Legislation and Government Policy in Procurement—January 2005*. Customs complies with these policies through including model environmental clauses in request for tender documentation and considering (and possibly excluding) tender responses that identify non-compliance with government policies.

PA12: Describe economic, environmental, and social criteria that apply to expenditures and financial commitments

Customs applies economic, environmental and social criteria in its procurement operations that are outlined in the Department of Finance and Administration, Financial Management Guidance No.10 *Guidance on Complying with Legislation and Government Policy in Procurement—*

January 2005. Customs complies with these policies through evaluation criteria in procurement documents that consider economic, environmental and social criteria such as occupational health and safety, whole-of-life costing and ozone-polluting substances.

Purchasing requirements consider a wide range of policies that meet government requirements for effective purchasing. Examples include:

APS Values, Ethics and Standards of Conduct, Chief Executive Instructions, Occupational Health and Safety Policy, Freedom of Information Act and Privacy Act.

PA14: Percentage of the total value of goods purchased that were registered with voluntary environmental or social labels and/or certification programs, broken down by type

Customs requests tenderers to provide details of any certifications they might have as part of the tender process. A quality accreditation may provide tenderers with higher tender scores.

Customs does not report against the following global reporting initiative indicators either because data is not available, or the indicator is not relevant to the sustainable performance of Customs:

Environmental

EM4, EN1, EN2, EN4, EN5, EN6, EN7, EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN16, EN18, EN19, EN20, EN21, EN22, EN23, EN24, EN25, EN26, EN27, EN28, EN29, EN30, EN31, EN32, EN33, EN34, EN35

Social

HR1, HR2, HR3, HR4, HR5, HR6, HR7, HR8, HR9, HR10, HR11, HR13, HR14, LA3, LA5, LA8, LA9, LA13, LA14, LA15, LA17, PR1, PR2, PR3, PR4, PR5, PR6, PR7, PR8, PR9, PR10, PR11, SO2, SO3, SO4, SO5, SO6, SO7

Economic

EC1, EC2, EC4, EC6, EC7, EC8, EC9, EC10, EC11, EC12, EC13, PA8, PA9, PA10, PA13

External scrutiny

Freedom of information

In 2004–05, 40 requests were made to Customs under section 15 of the *Freedom of Information Act 1982* (FOI Act).

The cost to Customs of administering requests is high and applicable fees and charges, unchanged since 1982, do not recover actual costs. The size of requests increased significantly. Large requests place significant pressure on the organisation and can result in processing of applications being delayed.

Section 8 of the FOI Act requires Customs to publish details about certain agency functions and documents. This includes details about the way the agency is organised, functions, decision-making powers, arrangements for public involvement in the work of the agency, documents held by the agency and the way in which members of the public may obtain access to these documents. This information is at Appendix B.

Figure 59: Requests made under the FOI Act

	2002–03	2003–04	2004–05
Requests received*			
Section 15	41**	42**	40**
Section 54 (internal review)	4	4	7
Section 55 (AAT review)	1	2	3
Total	46	48	50
Decisions on section 15 requests			
Access granted in full	15	12	9
Access granted in part	22	15	14
Access refused	4	3	6
Requests transferred	1	0	0
Requests withdrawn	5	8	6
Time taken to process section 15 requests			
0–30 days	26	19	13
31–60 days	11	10	6
61–90 days	3	1	6
90 plus days	1	0	3
Fees and charges (\$) collected for section 15 and section 54 requests			
Total application fees collected	1 290	1 071	1 390
Total charges notified	7 531	2 046	4 341
Total charges collected	3 405	1 066	3 177
Outstanding charges at 30 June	4 126	980	424

* A section 15 request is a request for access to information. A section 54 request is a request for a decision about a section 15 request to be reviewed by Customs (internal review). A section 55 request is a request for a decision about a section 15 request to be reviewed by the AAT (external review). Further information on these requests is available in the *Freedom of Information Act 1982*.

** Includes requests carried over from the previous financial year and requests still being processed at the end of the financial year.

Ministerial representations

The Minister for Justice and Customs received 1915 items of Customs related correspondence. Customs provided the Minister with advice and recommendations on the 1557 items that required a response. Major issues were:

- applications for permits to import goods
- information on import requirements
- the payment of Customs duty and goods and services tax on imported goods
- anti-dumping investigations
- processing of passengers at airports
- changes to passenger concessions
- coastal surveillance matters
- changes to legislation and regulations administered by Customs.

Customs also provided the Minister with 455 briefings on issues including:

- initiating anti-dumping investigations
- significant seizures of prohibited imports such as illicit drugs
- proposed changes to legislation and regulations administered by Customs
- other significant policy and procedural matters.

Figure 60: Ministerial correspondence and briefings

	2002-03	2003-04	2004-05
Ministerial correspondence received on Customs issues	1 413	1 669	1 915
Ministerial briefings provided by Customs	397	510	455

Figure 61: Complaints and issues raised with the Commonwealth Ombudsman

	2002-03	2003-04	2004-05
Complaints raised	70	73	84
Complaints finalised	76	73	85
Issues investigated			
Agency defect	2	3	1
No agency defect	10	6	9
Issues withdrawn or lapsed	2	4	1
Ombudsman exercised discretion not to investigate	62	70	65
Issues finalised	82	83	92

Note: More than one issue might be raised in a complaint. Some issues are not completed within the year during which they are raised.

Privacy matters

There was one complaint to the Privacy Commissioner against Customs in 2004-05. The issue was Customs failure to provide access to personal information held about an individual. The complaint was closed under section 41(1)(f) of the *Privacy Act 1988* on the grounds that the Freedom of Information Act was a more appropriate manner for the individual to access the information Customs held.

The Privacy Commissioner also conducted two audits of Customs. The first audit related to the collection and management of Passenger Name Records by the Passenger Analysis Unit at Customs. The second audit was a joint audit of Customs and the Department of Foreign Affairs and Trade. The audit tested the information flows between the Department of Foreign Affairs and Trade's biometric passport trial and Customs use of the prototype biometric passports in the SmartGate facial-recognition trial.

While both reports made recommendations to limit privacy risk, no breaches of the Privacy Act were found.

Commonwealth Ombudsman matters

Figure 61 outlines complaints and issues dealt with by the Commonwealth Ombudsman in 2004-05. Customs was found to be at fault in one case.

Customs teams – preparing for a new government

When a federal election is called, small teams of public servants are formed in Commonwealth agencies to work behind the scenes on little known but critical work for continuity of Australia's government.

When last year's federal election was called, the Ministerial and Parliamentary section within Customs formed a project team to undertake a range of duties, including some required by the Department of the Prime Minister and Cabinet.

The Election Project team provided advice to Customs staff on the long-established caretaker convention, the special continuity of government arrangements that apply when an

election is called until a new government is formed. The team reviewed and maintained a register of all election commitments and policies relating to the agency. It also co-ordinated a briefing document for the incoming government and prepared detailed briefings for the incoming Minister and Opposition Shadow Minister.

The team helped to ensure that Customs staff were aware that the apolitical nature of the Public Service needed to be maintained during the election campaign. The team ensured that a detailed briefing on Customs operations was available to the incoming government—no matter which political party formed that government.



The Ministerial and Parliamentary team, from back row, left to right: Brad Dorman, Liz White, Susan Hyde, John Stephenson, Jason Fedderson, Amanda Peters, Kerry Uttley, Nina Brinckley and Bill Eversham.

Judicial decisions and decisions of administrative tribunals

Parks Holdings trading as Gladstone Chemicals (Full Federal Court)

This case was an appeal by Parks Holdings that imported petroleum product described as ‘gas oil’ was classifiable as diesel fuel in the *Customs Tariff Act 1995* as contended by Customs.

A key issue was whether the demand for duty payable was valid in view of the Customs officer issuing those demands not having a delegation to make them under s165 of the Customs Act. Rather, he had a delegation under s165 of the *Excise Act 1901*.

The Court at first held that it could not remedy the written delegation which contained a clerical error. However, as Parks Holdings had acted fraudulently (by whitening-out the description of ‘gas oil’ from its supplier’s invoice) the demands for duty did not have to comply with s165 of the Customs Act. Instead the Court held that the demands were valid because the Customs officer was a Collector within the meaning of that Act and was therefore entitled to make such demands under s153. Parks Holdings appealed only that aspect of the Court’s decision to the Full Bench of the Federal Court.

The Full Court upheld the validity of the demand as provided for under s167 of the Customs Act and, therefore, the Tribunal’s jurisdiction under s273GA(2). The word ‘demanded’ in s167(1) does not refer to a demand expressly authorised by a particular section of the Customs Act. Further, if an administrative decision maker purports to act under one head of power which does not exist, but there is another head of power available which can be satisfied, the decision is valid despite purported reliance on the unavailable head of power.

The Full Court affirmed the High Court’s observation in *Malika Holdings Pty Ltd v Stretton* (2001) 204 CLR 290 that s165 of the Customs Act authorises Customs to make a demand for duty

short levied as a result of its mistake as opposed to being misinformed by the owner as to the proper duty payable.

Inglewood (Full Federal Court)

This case concerned the decisions made by the CEO of Customs and the Trade Measures Review Officer (TMRO) to terminate an investigation into the alleged subsidisation of olive oil exported to Australia from Greece, Italy and Spain. Customs had conducted the investigation in response to an application lodged by Inglewood. The CEO terminated the investigations, after approximately five months, into the alleged subsidisation and dumping of the olive oil. The TMRO affirmed that decision. Inglewood then appealed the decision to the Federal Court and subsequently the Full Bench of the Federal Court.

The Federal Court held that s269TDA(2)(b)(i) of the Customs Act permitted the CEO to terminate the investigation if satisfied that there was no countervailable subsidisation of the goods. The CEO was not required to refer any preliminary issue to the Minister to reach that state of satisfaction.

The Federal Court also held that the CEO erred in expressing the test of s269TDA(2)(b)(i) in the negative—that he was not satisfied that a countervailable subsidy had been received in respect of the goods—rather than in the affirmative—that he was satisfied that a countervailable subsidy had not been received in respect of those goods. However, the TMRO did not replicate the error. The Full Court affirmed this.

The Federal Court also affirmed the CEO and TMRO’s finding that a subsidy was not received. However, the Full Court held, more firmly than the Federal Court, that the CEO erred in addressing the test of subsidies paid to the olive growers as one which conferred a benefit on the exporter—rather than in relation to the exported goods. Both Courts found that the TMRO, whose decision supersedes the CEO’s decision, did not make the same error. The Full Court dismissed Inglewood’s appeal.

Holden (Full Federal Court)

This case was an appeal to the Federal Court by Holden from a decision of the Administrative Appeals Tribunal that Holden was not eligible to claim drawback of credits issued to it under the now defunct Export Facilitation Scheme (EFS). The credits had been used to offset Customs duty liability on imported motor vehicles and components that were subsequently exported.

The EFS was an administrative arrangement which had some statutory recognition in Item 41A of Schedule 4 to the *Customs Tariff Act 1995*. The issue for the Court was whether EFS credits could be treated as duty for the purposes of claiming drawback.

The Court held that the use of EFS credits did not amount to a payment of duty. The Court agreed with the Tribunal's reading of Item 41A. The duty payable when EFS credits are employed is the amount remaining after the EFS credits are used to reduce the amount of duty rather than the amount before the reduction. Regulation 136B of the *Customs Regulations 1926* prevents an importer from claiming drawback of import duty to the extent that any 'rebate' was allowed on that duty.

The EFS has now been replaced by the Automotive Competitiveness and Investment Scheme. Credits issued under the latter scheme can be counted as duty for drawback purposes (see s168(2) of the Customs Act).

Eberle (Federal Court)

This case was an appeal to the Federal Court by Mr Eberle from a decision of the Administrative Appeals Tribunal that the transaction valuation method (or purchase price at time of contract of sale) instead of the fall-back valuation method (or vehicle's value in Australia at time of importation) applied in determining the customs value of an imported used motor vehicle. That vehicle had been remotely purchased from the United States, stored and not used prior to its importation into Australia some three years later.

The application of the transaction value method depended on whether the circumstances of the purchase of the vehicle came within the definition of 'import sales transaction' under s154(1) of the Customs Act.

The Court found that the purchase of the vehicle was not an import sales transaction. For such a transaction to exist, the contract of sale from its terms or surrounding circumstances must be a contract for both the importation into Australia and exportation from the United States of the vehicle. Mr Eberle's purchase of the vehicle was and remained a domestic sale, irrespective of his intention to ultimately import the vehicle.

Auditor General's reports

The Australian National Audit Office (ANAO) audited the financial statements of Customs in accordance with its annual financial statements review of Commonwealth entities.

The ANAO conducted two performance audits specific to Customs:

- *ANAO Report No.16 2004-05—Container Examination Facilities*
- *ANAO Report No.41 2004-05—Administration of Security Incidents, including the Conduct of Security Investigations*

The ANAO is preparing final reports for the following reviews that involved Customs:

- Advance Passenger Processing
- Internet Security—Follow-up
- Senate Order for Departmental and Agency Contracts (2004 Calendar Year)
- Counter terrorism Coordination Arrangements
- Customs Compliance Assurance Strategy for International Cargo
- Management of Net Appropriation Agreements.

Other reports relevant to Customs released in 2004-05 included:

- *ANAO Report No.3 2004-05—Management of Internal Audit in Commonwealth Organisations*
- *ANAO Report No.4 2004-05—Management of Customer Debt*
- *ANAO Report No.6 2004-05—Performance Management in the Australian Public Service*
- *ANAO Report No. 10 2004-05—The Senate Order for Departmental and Agency Contracts (Calendar Year 2003 Compliance)*

- ANAO Report No. 12 2004–05—*Research Project Management Follow-Up Audit*
- ANAO Report No. 13 2004–05—*Superannuation Payments for Independent Contractors working for the Australian Government*
- ANAO Report No. 15 2004–05—*Financial Management of Special Appropriations*
- ANAO Report No. 21 2004–05—*Audits of the Financial Statements of Australian Government Entities for the Period Ending 30 June 2004*
- ANAO Report No. 22 2004–05—*Investment in Public Funds*
- ANAO Report No. 26 2004–05—*Measuring the Efficiency and Effectiveness of E-Government*
- ANAO Report No. 37 2004–05—*Management of Business Support Service Contracts*
- ANAO Report No. 40 2004–05—*The Edge Project*
- ANAO Report No. 44 2004–05—*Defence's Management of Long-term Property Leases*
- ANAO Report No. 46 2004–05—*Management of Trust Monies in CAC Act entities*
- ANAO Report No. 49 2004–05—*Administration of Fringe Benefits Tax*
- ANAO Report No. 52 2004–05—*Legal Service Arrangements in the Australian Public Service*
- ANAO Report No. 55 2004–05—*Workforce Planning*
- ANAO Report No. 56 2004–05—*Interim Phase of the Audit of Financial Statements of General Government Sector Entities for the Year ending 30 June 2005*
- ANAO Report No. 57 2004–05—*Purchasing Procedures and Practices*

The Customs Audit Committee monitored the implementation of the recommendations arising from the Customs audits. The committee also sought comments from line areas on recommendations that might have relevance to Customs. These responses were circulated to the Customs Executive.

The ANAO also issued Better Practice Guides for *Fraud Control in Australian Government Agencies*, and *Public Sector Audit Committees*. Customs addressed some of the suggestions and information in these guides and incorporated them into the Fraud Control Plan, and the operations of the Audit Committee.

Further information on ANAO reports is available on the ANAO Internet site at www.anao.gov.au.

Parliamentary Committee reports

Joint Committee of Public Accounts and Audit

Customs provided submissions to the:

- Review of Auditor General's Report (*Audit Report No 16 (2004–05) – Container Examination Facilities*)
- Inquiry into developments in aviation security since the Committee's June 2004 *Report 400: Review of Aviation Security in Australia*.

Joint Standing Committee on Foreign Affairs, Defence and Trade

Customs provided a submission to the Committee's inquiry into Australia's relationship with the Republic of Korea, and the developments on the Korean Peninsula.

Senate Economics Legislation Committee

The Committee inquired into *Customs Tariff Amendment (Textile, Clothing and Footwear Post 2005 Arrangements) Bill 2004*.

The Committee reported to the Senate on 30 August 2004.

Senate Foreign Affairs, Defence and Trade Committee

Customs provided a submission to the Committee's inquiry into Australia's relationship with China. The Committee is due to report to the Senate by 15 September 2005.

Senate Standing Committee for the Scrutiny of Bills

Customs provided a submission and appeared at the Committee's inquiry into entry, search and seizure provisions in Commonwealth legislation. The Committee is inquiring into the Government's

response to its previous report on entry and search provisions, tabled in 2000, and provisions made since the report was tabled.

Senate Legal and Constitutional Committee

Customs appeared before two Senate Legal and Constitutional Legislation Committee Estimates hearings:

- Additional Estimates Hearings, 14 February 2005
- Budget Estimates Hearings, 24 May 2005.

Customs answered a total of 111 Questions on Notice from these hearings, (68 from February 2005 and 43 from May 2005). Customs also answered 154 Question on Notice received in place of the November 2004 Supplementary Budget Estimates hearings, which includes 20 responses to portfolio Questions on Notice.


House of Representatives Standing Committee on Legal and Constitutional Affairs—Averment provisions

On 2 April 2003, the Committee announced an inquiry into averment provisions in Australian Customs legislation. The 2002–03 Customs Annual Report (see pages 32 and 119) and the 2003–04 Customs Annual Report (see pages 116 and 117) contain information concerning this inquiry.

The House of Representatives Standing Committee on Legal and Constitutional Affairs Committee tabled its report in Parliament on 31 May 2004, *Modern-day usage of averments in Customs prosecutions*. The report contained six recommendations.

The Committee's recommendations concerning amendments to Customs legislation are similar to comments by the Australian Law Reform Commission in its report No. 95 *Principled Regulation: Federal Civil and Administrative Penalties in Australia* tabled 19 March 2003. Recommendations 13-1, 13-2 and 13-3 in this report address issues specific to Customs legislation, including recommendations on averments and characterisation of Customs prosecutions and are referred to under Australian Law Reform Commission report on Federal civil and administrative penalties on page 83. The Government response is pending.

Further information is on the Parliament House website at <http://www.aph.gov.au/house/committee/laca/averment/report.htm>.



Section 4
Financial statements

Overview of financial statements

Audited financial statements

The financial statements incorporate the agency financial statements for Customs and the schedules of administered items relating to items administered by Customs.

A comprehensive set of notes to the financial statements is provided as required by the Finance Minister's Orders including note 1, the summary of the significant accounting policies on which the financial statements have been prepared. Note 2 to the financial statements provides information on the adoption of Australian equivalents to international financial reporting standards which apply from the 2005–06 financial year.

The financial statements include a statement by the CEO and Chief Financial Officer that financial records have been properly maintained and that they give a true and fair view of the matters required by the Finance Minister's Orders. The independent audit report of the Auditor General on the financial statements has been included within the financial statements.

Agency statements

In 2004–05, Customs reported a net operating surplus of \$37.1m as compared with a net operating surplus of \$6.1m in 2003–04.

Total revenue for 2004–05 was \$962.2m (up from \$806.7m in 2003–04). This increase is primarily due to additional funding provided for new measures and the outcomes of the Review of Customs Financial Health as announced in the 2004–05 Budget and the Portfolio Additional Estimates Statements.

Total costs for 2004–05 were \$925.1m (\$800.6m in 2003–04). This increase is primarily due to increases in employee costs related to increases under the Certified Agreement and additional expenditure associated with new measures.

The agency statement of financial position represents the financial position of Customs as at 30 June 2005 and takes into account movements in assets, liabilities and equity.

Total equity has increased to \$276.6m compared with \$198.1m in 2004. This increase relates principally to the reported surplus for the year, the carry forward of expenditure associated with the Cargo Management Reengineering project and capital injections associated with new initiatives funded by the Government.

Administered schedule

A schedule of administered items is presented within the financial statements disclosing all revenues, expenses, assets, liabilities, cash flow, commitments, contingent assets and liabilities.

Customs duty collections in 2004–05 totalled \$5.6b (\$5.6b in 2003–04). The impact of the implementation of general tariff reductions and the commencement of the United States and Thai Free Trade Agreements from 1 January 2005 was offset by the continuation of a strong economy and low interest rate environment.

Other taxes, fees and fines are predominantly made up of Passenger Movement Charge collections of \$363.8m (\$329.8m in 2003–04) and import processing charges of \$128.6m (\$119.7m in 2003–04). The significant increase in the Passenger Movement Charge reflects a 12 per cent increase in passenger movement into and out of Australia during the year. Similarly the increase in the import processing charge revenue reflects a continuation of strong economic conditions.

Total administered expenses \$535.7m (\$609.9m in 2003–04) reduced due to the reduction of duty offsets associated with the Automated Competitiveness and Investment Scheme during the year and also as additional provisioning for collectables such as penalties, fines and fees had been made in the 2003–04 financial year.

Total net administered financial assets of \$65.1m (\$54.6m in 2003–04) principally consists of revenues receivable and liabilities associated with funds held in special accounts.



INDEPENDENT AUDIT REPORT

To the Minister for Justice and Customs

Scope

The financial statements and Chief Executive's responsibility

The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements

of the Australian Customs Service for the year ended 30 June 2005.

The Australian Customs Service's Chief Executive is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Australian Customs Service, and that comply with accounting standards, other mandatory financial reporting requirements in Australia, and the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*. The Australian Customs Service's Chief Executive is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

GPO Box 707 CANBERRA ACT 2601
Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Australian Customs Service's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial statements of the Australian Customs Service:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Australian Customs Service's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Carla Jago
Executive Director

Delegate of the Auditor-General

Canberra
23 August 2005

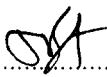
AUSTRALIAN CUSTOMS SERVICE – STATEMENT BY THE CHIEF EXECUTIVE AND
CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2005 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed 

(L B Woodward)
Chief Executive Officer

23 August 2005

Signed 

(J Brocklehurst)
Chief Finance Officer

23 August 2005

AUSTRALIAN CUSTOMS SERVICE – STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenues from ordinary activities			
Revenues from Government	4A	758,296	591,554
Goods and services	4B	57,188	77,351
Interest	4C	1	-
Revenue from sale of assets	4D	746	264
Other revenues	4E	145,984	<i>137,572</i>
Revenues from ordinary activities		962,215	806,741
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	5A	355,534	320,524
Suppliers	5B	537,345	447,106
Depreciation and amortisation	5C	29,880	28,198
Write-down and impairment of assets	5D	675	2,919
Value of assets sold	4D	592	314
Other expenses	5E	861	988
Expenses from ordinary activities (excluding borrowing cost expense)		924,887	800,049
Borrowing costs expense		246	557
Net surplus/(deficit) from ordinary activities		37,082	6,135
Net credit / (debit) to asset revaluation reserve	12	31	(2,148)
Decrease in accumulated results on initial application of fair value under AASB 1041 <i>Revaluation of Non-current Assets</i>	12	-	(139)
Total Revenues, Expenses and Valuation Adjustments Attributable to Member of the Parent Entity and Recognised Directly in Equity		31	(2,287)
Total Changes in Equity other than those resulting from transactions with the Australian Government as Owner		37,113	3,848

Note: Due to specific disclosure requirements regarding Resources Received Free of Charge (RRFOC) from related entities, RRFOC received from Defence has been classified as 'Other revenues'. Previously, this was classified under 'Revenues from Government'. Figures in 2003-04 (designated in *Italics*) have been re-classified for a more meaningful comparison with figures in 2004-05.

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – STATEMENT OF FINANCIAL POSITION
as at 30 June 2005

		2005	2004
	Notes	\$'000	\$'000
ASSETS			
Financial Assets			
Cash	7A	18,024	24,097
Receivables	7B	93,021	23,176
Total Financial Assets		111,045	47,273
Non-Financial Assets			
Land and buildings	8A,C	49,860	40,881
Infrastructure, plant and equipment	8B,C	70,658	81,692
Intangibles	8D	197,521	163,156
Inventories	8E	1,040	1,205
Other non-financial assets	8F	4,185	10,624
Total Non-Financial Assets		323,264	297,558
Total Assets		434,309	344,831
LIABILITIES			
Interest Bearing Liabilities			
Leases	9A	2,775	7,928
Total Interest Bearing Liabilities		2,775	7,928
Provisions			
Employees	10	104,960	109,262
Total Provisions		104,960	109,262
Payables			
Suppliers	11A	45,894	25,347
Other Payables	11B	4,075	4,182
Total Payables		49,969	29,529
Total Liabilities		157,704	146,719
NET ASSETS		276,605	198,112
EQUITY			
Contributed equity	12	200,905	159,525
Reserves	12	15,430	15,399
Retained surpluses or accumulated deficits	12	60,270	23,188
TOTAL EQUITY		276,605	198,112
Current Assets		116,270	57,897
Non-current Assets		318,039	286,934
Current Liabilities		82,142	75,606
Non-current Liabilities		75,562	71,113

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – STATEMENT OF CASH FLOWS
for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash Received			
Goods and services		51,381	79,961
Appropriations		715,858	596,554
Interest		1	-
Net GST received from ATO		44,882	33,887
Other		152	25
Total Cash Received		812,274	710,427
Cash Used			
Employees		359,836	312,010
Suppliers		408,186	342,211
Borrowing costs		246	557
Other		861	40
Total Cash Used		769,129	654,818
Net Cash From or (Used by) Operating Activities	13	43,145	55,609
INVESTING ACTIVITIES			
Cash Received			
Proceeds from sales of property, plant and equipment		746	264
Total Cash Received		746	264
Cash Used			
Purchase of property, plant and equipment		20,722	23,519
Purchase of intangibles		42,703	67,635
Total Cash Used		63,425	91,154
Net Cash From or (Used by) Investing Activities		(62,679)	(90,890)
FINANCING ACTIVITIES			
Cash Received			
Appropriations – Contributed equity		18,614	52,436
Total Cash Received		18,614	52,436
Cash Used			
Repayment of debt		5,153	4,842
Total Cash Used		5,153	4,842
Net Cash From or (Used by) Financing Activities		13,461	47,594
Net Increase or (Decrease) in Cash Held		(6,073)	12,313
Cash at the beginning of the reporting period		24,097	11,784
Cash at the End of the Reporting Period	7A	18,024	24,097

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF COMMITMENTS
as at 30 June 2005

	2005	2004
	\$'000	\$'000
BY TYPE		
Capital Commitments		
Infrastructure, plant and equipment ¹	10,667	21,388
Total Capital Commitments	10,667	21,388
Other Commitments		
Operating leases ²	685,175	503,957
Other Services	42,775	37,598
Total Other Commitments	727,950	541,555
Commitments Receivable	(116,310)	(91,106)
Net Commitments by Type	622,307	471,837
BY MATURITY		
Capital Commitments		
One year or less	8,621	16,629
From one to five years	2,046	4,759
Over five years	-	-
Total Capital Commitments	10,667	21,388
Operating Lease Commitments		
One year or less	238,570	198,329
From one to five years	376,199	263,440
Over five years	70,406	42,188
Total Operating Lease Commitments	685,175	503,957
Other Services Commitments		
One year or less	36,863	29,608
From one to five years	5,912	7,990
Over five years	-	-
Total Other Services Commitments	42,775	37,598
Commitments Receivable	(116,310)	(91,106)
Net Commitments by Maturity	622,307	471,837

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF COMMITMENTS
as at 30 June 2005

NB: Commitments are GST inclusive where relevant.

- 1 Plant & equipment commitments are primarily contracts for infrastructure, plant and equipment, intangibles and assets under construction.
- 2 Operating lease and other contracts included are effectively non-cancellable and comprise:

<i>Nature of Lease</i>	<i>General description of leasing or contract arrangement</i>
Lease for office accommodation	Most, but not all, lease payments are subject to biannual adjustments to current market values. Some lease payments are subject to upward movements in line with the Consumer Price Index. The initial periods of office accommodation leases are still current and each may be renewed for up to 5 years at the agency's option.
Other	Most Contractors or Contracts are subject to annual CPI adjustments. This class of Commitments includes, among others, CEF logistical costs, IT related leases such as servers and desktop computers, coastal surveillance related leases such as aircraft and vessels, vehicle and other transport related leases.

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF CONTINGENCIES
as at 30 June 2005

	Guarantees		Claims for damages/costs		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Contingent liabilities						
Balance from previous period	-	-	514	-	514	-
New	-	-	10	-	10	-
Re-measurement	-	-	-	514	-	514
Liabilities crystallised	-	-	-	-	-	-
Obligations expired	-	-	(500)	-	(500)	-
Total Contingent Liabilities	-	-	24	514	24	514

Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or are considered remote, are disclosed in **Note 14: Contingent Liabilities and Assets**

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF ADMINISTERED ITEMS

	Notes	2005 \$'000	2004 \$'000
Revenues Administered on Behalf of Government			
<i>for the year ended 30 June 2005</i>			
Taxation revenue			
Customs duty	19	5,560,803	5,654,751
Other taxes	19	492,401	449,486
Total taxation revenue		6,053,204	6,104,237
Non-taxation revenue			
Interest	19	212	39
Other sources of non-taxation revenue	19	11,049	7,511
Total non-taxation revenue		11,261	7,550
Total Revenues Administered on Behalf of Government		6,064,465	6,111,787
Expenses Administered on Behalf of Government			
<i>for the year ended 30 June 2005</i>			
Doubtful and bad debts	20	4,357	22,875
ACIS credits applied on duty	20	531,083	586,861
Other expenses	20	255	248
Total Expenses Administered on Behalf of Government		535,695	609,984

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF ADMINISTERED ITEMS (continued)

	Notes	2005 \$'000	2004 \$'000
Assets Administered on Behalf of Government			
<i>as at 30 June 2005</i>			
Financial assets			
Cash	21	3,441	3,074
Receivables	21	76,938	71,321
Total financial assets		80,379	74,395
Non-financial assets			
Inventories	21	69	163
Total non-financial assets		69	163
Total Assets Administered on Behalf of Government			
		80,448	74,558
Liabilities Administered on Behalf of Government			
<i>as at 30 June 2005</i>			
Liabilities			
Other interest bearing liabilities	22	2,926	2,785
Payables	22	2,889	4,454
Special Accounts	22	9,513	12,683
Total Liabilities Administered on Behalf of Government		15,328	19,922
Net Assets Administered on Behalf of Government			
		65,120	54,636
Current Assets		80,448	74,558
Non-current Assets		-	-
Current Liabilities		15,328	19,922
Non-current Liabilities		-	-

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF ADMINISTERED ITEMS (continued)

	Notes	2005 \$'000	2004 \$'000
Administered Cash Flows			
<i>for the year ended 30 June 2005</i>			
OPERATING ACTIVITIES			
Cash Received			
Customs duty		5,337,412	5,306,258
Other taxes		489,256	433,972
Interest		212	39
Return of Tourist Refund Scheme Drawings*		642	753
Other non-tax revenue		1,473	2,282
Total Cash Received		5,828,995	5,743,304
Cash Used			
Suppliers		255	248
Refunds of duty and other taxes		306,536	235,902
Refunds of GST (on imports), WET, LCT & Sales Tax*		9,846	9,677
Tourist Refund Scheme*		50,342	47,236
Special Accounts**		2,909	561
Total Cash Used		369,888	293,624
Net Cash from or (Used in) Operating Activities		5,459,107	5,449,680
Net Increase or (Decrease) in Cash Held		5,459,107	5,449,680
Cash at the beginning of the reporting period		3,074	2,697
Cash from Official Public Account for:			
Appropriations		341,556	280,111
Refunds of GST (on imports), WET, LCT & Sales Tax*		9,846	9,677
Tourist Refund Scheme*		50,342	47,236
Special Accounts		29,256	27,066
Reclassification of Special Accounts**		(56)	12,095
		430,944	376,185
Cash to Official Public Account for:			
Administered Receipts		(5,862,695)	(5,786,170)
Return of Tourist Refund Scheme Drawings*		(642)	(753)
Special Accounts		(26,347)	(38,565)
		(5,889,684)	(5,825,488)
Cash at End of Reporting Period	21	3,441	3,074

* The Australian Taxation Office is the responsible entity for these appropriations and the subsequent returns. As a new classification on this schedule, figures in 2003–04 (designated in italics) have been classified for a more meaningful comparison.

** Customs has reclassified Special Accounts as Administered Special Accounts with a subsequent first time effect on administered cash used in the 2004–05 financial year. The 2003–04 figures have been updated (designated in *italics*) to provide a meaningful comparative.

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – SCHEDULE OF ADMINISTERED ITEMS (continued)

Administered Contingencies

as at 30 June 2005

Administered Contingent Assets	Guarantees		Claims for damages/costs		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Balance from previous period	-	-	44,476	-	44,476	-
New	-	-	2	-	2	-
Re-measurement	-	-	4,556	44,476	4,556	44,476
Liabilities crystallised	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-
Total Administered Contingent Assets	-	-	49,034	44,476	49,034	44,476

Unquantifiable and remote but material contingencies are disclosed in **Note 24: Administered Contingent Liabilities and Assets**

Statement of Activities Administered on Behalf of Government

The major administered activities of the Australian Customs Service are directed towards achieving effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movements across the border, raises revenue and provides trade statistics. The major administered financial activities administered are the collection of duty, the passenger movement charge and import processing charges. Details of planned activities for the year can be found in the Agency Portfolio Budget and Portfolio Additional Estimates Statement for the 2004–05 financial year which have been tabled in the Parliament.

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE – Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

- Note 1: Summary of Significant Accounting Policies
- Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005–2006
- Note 3: Events Occurring after Reporting Date
- Note 4: Operating Revenues
- Note 5: Operating Expenses
- Note 6: Borrowing Cost Expense
- Note 7: Financial Assets
- Note 8: Non-Financial Assets
- Note 9: Interest Bearing Liabilities
- Note 10: Provisions
- Note 11: Payables
- Note 12: Equity
- Note 13: Cash Flow Reconciliation
- Note 14: Contingent Liabilities and Assets
- Note 15: Executive Remuneration
- Note 16: Remuneration of Auditors
- Note 17: Average Staffing Levels
- Note 18: Financial Instruments
- Note 19: Revenues Administered on Behalf of Government
- Note 20: Expenses Administered on Behalf of Government
- Note 21: Assets Administered on Behalf of Government
- Note 22: Liabilities Administered on Behalf of Government
- Note 23: Administered Reconciliation Table
- Note 24: Administered Contingent Liabilities and Assets
- Note 25: Administered Financial Instruments
- Note 26: Appropriations
- Note 27: Specific Payment Disclosures
- Note 28: Reporting of Outcomes

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Australian Customs Service

The objective of Australian Customs Service (Customs) is to be a world leader in customs administration, delivering high quality service to the community, industry and commerce.

Customs is an agency within the Attorney General's portfolio.

Customs is structured to meet one outcome: Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.

Customs activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by Customs in its own right. Administered activities involve the management or oversight by Customs, on behalf of the Government, of items controlled or incurred by the Government.

Departmental activities are identified under five outputs being: Output 1. Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports, Output 2. Facilitation of the legitimate movement of people across the border, while identifying illegal movements, Output 3. Civil maritime surveillance and response, Output 4. Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics and Output 5. Anti-dumping and countervailing administration.

The continued existence of Customs in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for its administration and programs.

1.2 Basis of Accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- * Finance Minister's Orders (or FMOs, being the Financial Management and Accountability Act (Financial Statements for reporting periods ending on or after 30 June 2005));
- * Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- * Consensus Views of the Urgent Issues Group.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 14).

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for Agency items, except where otherwise stated at Note 1.16.

1.3 Revenue

Revenues from Government

Amounts appropriated for Departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Resources Received Free of Charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Defence's commitment to the civil maritime surveillance program (250 RAAF P3C Orion hours and 1,800 FREMANTLE Class Patrol Boat days) has been delivered through response to Customs specific tasking and multi-tasked activity associated with Operation RELEX II.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as revenue at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements (Refer to Note 1.4).

Other Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Revenue from disposal of non-current assets is recognised when the control of the asset has passed to the buyer.

1.4 Transaction with the Government as Owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Commonwealth agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against Contributed Equity.

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.5 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Customs is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including Customs employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2003. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy payments in circumstances where Customs has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined. As at reporting date, no such circumstances exist.

Superannuation

Staff of Customs are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

Customs makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of Custom's employees.

The liability for superannuation recognised as at 30 June 2005 represents outstanding contributions for the final fortnight of the year.

1.6 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Notes to and forming part of the Financial Statements

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease and a liability recognised at the same time for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis, which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.7 Borrowing Costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amount of costs incurred in that period.

The borrowing cost recognised by Customs relates to leased vessels and was borrowed in 1998.

1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.9 Other Financial Instruments

Government loans are carried at the balance yet to be repaid. Interest is expensed as it accrues unless it is directly attributable to a qualifying asset.

Trade Creditors

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).

Contingent Liabilities and Contingent Assets

Contingent liabilities (assets) are not recognised in the Statement of Financial Position but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability (asset), or represent an existing liability (asset) in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability (asset) is recognised. A liability (asset) is recognised when its existence is confirmed by a future event, settlement becomes probable and reliable measurement becomes possible.

1.10 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.11 Property (Land, Buildings and Infrastructure), Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than the threshold specified below, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

	2005	2004
Buildings and leasehold improvements	50,000	50,000
Infrastructure, plant and equipment	3,000	3,000

Revaluations

Basis

Land, buildings, plant and equipment are carried at valuation, being revalued progressively with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, from its fair value.

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at:
Land	Market selling price
Buildings	Market selling price
Leasehold improvements	Depreciated replacement cost
Plant & equipment	Market selling price

Frequency

Land, buildings, and leasehold improvements assets are subject to a formal valuation every three years. Plant and equipment assets are reviewed annually.

Conduct

All formal valuations are conducted by an independent qualified valuer.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to Customs using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in price only when assets are revalued.

Notes to and forming part of the Financial Statements

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives (*):

	2005	2004
Buildings on freehold land	40 years	40 years
Leasehold improvements	Varies (**)	Varies (**)
Plant and equipment	3 to 7 years	3 to 7 years
Intangibles	3 to 10 years	3 to 5 years
Customs vessels (leased and other)	12 to 15 years	12 to 15 years
Operation equipment	5 years	5 years
X-Ray equipment	7 years	7 years
Historical and antique items	50 years	50 years

(*) These lives are a guide only.

In some circumstances the years may be more or less due to factors such as obsolescence, technological, legal, or other matters.

(**) Lesser of estimated useful life or leased term.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

1.12 Impairment of Non-Current Assets

Non-current assets carried at up to date fair value at the reporting date are not subject to impairment testing.

The non-current assets carried at cost, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if the entity would replace the asset's service potential, its depreciated replacement cost. None were found to be impaired.

1.13 Intangibles

Customs intangibles comprise internally developed software for internal use and purchased software. These assets are carried at cost. Purchases of intangibles are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than the threshold specified below, which are expensed in the year of acquisition (other than when they form part of a group of similar items which are significant in total).

Software is amortised on a straight-line basis over its anticipated useful life using the threshold specified below.

	2005	2004
Internally developed software	100,000	100,000
Purchased software	3,000	3,000

1.14 Inventories

Inventories of seized and surrendered goods held for sale are brought to account at net realisable value. Inventories not held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

1.15 Taxation

Customs is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- * except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- * except for receivables and payables.

1.16 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related Notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for Agency items, including the application of Accounting Standards, Accounting Interpretations and UIG Abstracts.

Administered Cash Transfers to and from Official Public Account

Revenue collected by Customs for use by the government rather than the Agency is Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the Agency on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table in Note 23. Thus the Schedule of Administered Items largely reflects the Government's transactions, through the Agency, with parties outside the Government.

Revenue

All administered revenues are revenues relating to the core-operating activities performed by Customs on behalf of the Commonwealth.

Fees are charged to individuals leaving Australia, and are intended to cover the costs of government services provided at international airports and seaports. Administered fee revenue is recognised in the period the charge is incurred. It is recognised at its nominal amount due less any provision for bad or doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.

Duties are debts of the Crown according to section 153 of the *Customs Act 1901* and are payable by the owner of the goods and recoverable at any time in any court of competent jurisdiction. Revenue related to imports is recognized in accordance with s132AA of the *Customs Act 1901*.

Customs undertakes checks to verify compliance in an environment that is largely self-regulated, by intervening in transactions proportionately to the perceived levels of risk in a given situation. Recent surveys indicate that risks to the border and varying degrees of non-compliance by clients remain an issue for Customs to deal with in managing that environment.

Customs Compliance Assurance Strategy (CCAS) is an intelligence driven program developed by Customs to deliver an international trading environment that is typified by high levels of self-regulated compliance with government requirements.

Notes to and forming part of the Financial Statements

Specifically, CCAS aims to give Government and the community confidence that:

- * Reporting of all cargo and vessels entering or leaving Australia is accurate and timely allowing Customs to fulfil its regulatory role.
- * Licence and permit requirements, prohibitions and restrictions in relation to imported and exported goods are complied with.
- * The correct amount of revenue is paid or identified for collection or consideration.
- * Community protection programs related to imported and exported goods are effectively implemented.
- * Accurate and reliable data on trade statistics is provided to Customs

CCAS comprises three levels of activity delivered via integrated and nationally managed and planned programs utilising business processes that allow Customs to test both the generality and specifics of the environment. These can broadly be regarded as monitoring, response and enforcement activities.

Other Revenue

Administered fines are recognised in the period in which the breach occurs.

Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005–2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian reporting entities reporting under the Corporations Act 2001 to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying with AEIFRS will be able to make an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as well as a statement that the financial report has been prepared in accordance with Australian Accounting Standards.

AEIFRS contain certain additional provisions that will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with IFRS, and therefore Customs will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

AAS 29 Financial Reporting by Government Departments will continue to apply under AEIFRS.

Accounting Standard AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards requires that the financial statements for 2004–05 disclose:

- * an explanation of how the transition to AEIFRS is being managed;
- * narrative explanations of the key policy differences arising from the adoption of AEIFRS;
- * any known or reliably estimable information about the impacts on the financial report had it been prepared using AEIFRS; and
- * if the impacts of the above are not known or reliably estimable, a statement to that effect.

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

Customs has taken the following steps for the preparation towards the implementation of AASB Equivalents:

- * The Agency's Audit Committee is tasked with oversight of the transition to and implementation of the AASB Equivalents to IFRSs. The Chief Finance Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against Customs IFRS implementation plan. The plan requires the following key steps to be undertaken and sets deadlines for their achievement:
- * All major accounting policy differences between current AASB standards and AEIFRS were identified by 30 June 2004.
- * System changes necessary to be able to report under the AEIFRS, including those necessary to capture data under both sets of rules for 2004-05 were completed on 18 August 2004. This included the testing and implementation of those changes.
- * A transitional balance sheet as at 1 July 2004, under AEIFRS was completed and presented to the Audit Committee on 15 March 2005.

Notes to and forming part of the Financial Statements

- * An AEIFRS compliant balance sheet as at 30 June 2005 was also prepared during the preparation of the 2004–05 statutory financial reports.
- * The 2004–05 Balance Sheet under AEIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines.
- * The plan also addresses the risks to successful achievement of the above objectives and includes strategies to keep implementation on track to meet deadlines.

Major Changes in accounting policy

Customs believes that the first financial report prepared under AEIFRS i.e. at 30 June 2006, will be prepared on the basis that Customs will be a first time adopter under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Changes in accounting policies under AEIFRS are applied retrospectively i.e. as if the new policy had always applied except in relation to the exemptions available and prohibitions under AASB 1. This means that an AEIFRS compliant balance sheet has to be prepared as at 1 July 2004. This will enable the 2005–06 financial statements to report comparatives under AEIFRS.

A first time adopter of AEIFRS may elect to use exemptions under paragraphs 13 to 25E. When developing the accounting policies applicable to the preparation of the 1 July opening balance sheet, no exemptions were applied by Customs.

Changes to major accounting policies are discussed in the following paragraphs.

Management's review of the quantitative impacts of AEIFRS represents the best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- * continuing review of the impacts of AEIFRS on agency operations;
- * potential amendments to the AEIFRS and AEIFRS Interpretations; and
- * emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

Property Plant and Equipment

It is expected that the 2005–06 Finance Minister's Orders (FMOs) will continue to require property plant and equipment assets to be valued at fair value in 2005–06.

Borrowing Costs

It is expected that the FMOs for 2005–06 will elect to expense all borrowing costs under AEIFRS. Customs borrowing costs are currently expensed. Accordingly, there are no adjustments required due to the transition to AEIFRS. The impact of bringing to account the decommissioning, restoration and make-good provision below may have an impact on borrowing costs, however this impact is still being assessed.

Intangible Assets

Customs intangibles comprise internally developed software for internal use and purchased software. These assets are carried at cost. Purchases of intangibles are recognised initially at cost in the Balance Sheet, except for purchases costing less than the threshold specified below, which are expensed in the year of acquisition (other than when they form part of a group of similar items which are significant in total).

Customs existing capitalisation policy recognises research expenditure and training as an expense as it is incurred. Costs associated with the development of the projects such as design and testing are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Software is amortised on a straight-line basis over its anticipated useful life.

Impairment of Intangibles and Property, Plant and Equipment

Under AEIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, an assessment of the degree of impairment. (Impairment measurement must also be completed, irrespective of any indications of impairment, for intangible assets not yet available for use).

The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for cash generating units of the Agency and depreciated replacement cost for other assets which would be replaced if Customs were deprived of them.

An impairment assessment of Customs's assets indicated that no adjustments will be required.

Decommissioning, Restoration and Make-good

When assessing the accommodation leases for the preparation of the opening balance sheet, Customs had determined that an adjustment would be required to account for the make-good at year end. As at reporting date, Customs has made an initial assessment of an obligation for decommissioning, restoration or make-good for the period ended 30 June 2005. Although the estimated impact has initially been assessed as a \$1.7m decrease against retained earnings, this amount is still subject to further review and may differ to the final amount expected to be reported to the Department of Finance and Administration in line with their reporting deadlines.

Inventories

Inventories of seized and surrendered goods are brought to account at net realisable value. The new Australian Equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost.

An assessment was made and it was found that in all instances the current replacement cost of inventory was equal or greater than the original cost. Therefore no adjustment is required.

Employee Benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

The 2003-04 Financial Report noted that the AEIFRS standards may require the market yield on corporate bonds to be used. The AASB has decided that a deep market in high quality corporate bonds does not exist and therefore national government bonds will be referenced.

AEIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. Consequently, there will be an adjustment for the non-current annual leave. As at reporting date, Customs has made an initial assessment of an obligation for employee benefits for the period ended 30 June 2005. Although the estimated impact has initially been assessed as a \$0.1m increase against retained earnings, this amount is still subject to further review and may differ to the final amount expected to be reported to the Department of Finance and Administration in line with their reporting deadlines.

Administered Items

Assessment of the administered assets and liabilities of Customs indicate that there are no adjustments due to the transition to AEIFRS.

Financial Instruments

AEIFRS includes an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that the Finance Ministers Orders will require entities to use this option. Therefore, the amount for financial instruments presented in the Customs 2004–05 primary financial statement are not expected to change as a result of the adoption of AEIFRS

Customs will be required by AEIFRS to review the carrying amounts of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of financial instruments held by Customs will not materially change as a result of this process.

Reconciliation of Impacts – AGAAP to AEIFRS

	30 June 2005*	30 June 2004
	\$'000	\$'000
Reconciliation of Departmental Equity		
Total Departmental Equity under AGAAP	276,605	198,112
Adjustments to accumulated results	(1,575)	(12)
	275,030	198,100
Reconciliation of Departmental Accumulated Results		
Total Departmental Accumulated Results under AGAAP	60,270	23,189
Adjustments:		
Leasehold improvements asset	-	6,132
Leasehold improvements deferred expense	(1,686)	(2,625)
Deferred expense (makegood provision)	-	(3,507)
Annual leave current and non current split	111	(12)
Total Accumulated Results under AEIFRS	58,695	23,177
Reconciliation of Departmental Reserves		
Total Departmental Reserves under AGAAP	15,430	15,398
Total Departmental Reserves under AEIFRS	15,430	15,398
Reconciliation of Departmental Contributed Equity		
Total Departmental Contributed Equity under AGAAP	200,905	159,525
Total Contributed Equity under AEIFRS	200,905	159,525

* 30 June 2005 total represents the accumulated impacts of AEIFRS from the date of transition.

Notes to and forming part of the Financial Statements

Note 3: Events Occurring After Reporting Date

No events occurred after the balance date.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 4: Operating Revenues		
<i>Note 4A: Revenues from Government</i>		
Appropriations for outputs	758,296	591,554
<i>Note 4B: Goods and Services</i>		
Goods	393	238
Services	56,795	77,113
Total sales of goods and services	57,188	77,351
Provision of goods to:		
Related entities	1	-
External entities	392	238
Total sales of goods	393	238
Rendering of services to:		
Related entities	53,740	72,317
External entities	3,055	4,796
Total rendering of services	56,795	77,113
Cost of sales of goods	393	238
<i>Note 4C: Interest Revenue</i>		
Interest	1	-
<i>Note 4D: Net Gains from Sale of Assets</i>		
Land and buildings		
Proceeds from disposal	722	250
Net book value of assets disposed	(571)	(261)
Net gain/(loss) from disposal of land and buildings	151	(11)
Infrastructure, plant and equipment		
Proceeds from disposal	24	14
Net book value of assets disposed	(21)	(53)
Net gain/(loss) from disposal of infrastructure, plant and equipment	3	(39)
Total proceeds from disposals	746	264
Total value of assets disposed	(592)	(314)
Total net gain/(loss) from disposal of assets	154	(50)
<i>Note 4E: Other Revenues</i>		
Resources received free of charge (Government)	137,617	130,010
Resources received free of charge (other than Government)	8,215	7,537
Other non tax revenue	152	25
Total other revenues	145,984	137,572

Note: Due to specific disclosure requirements regarding Resources Received Free of Charge (RRFOC) from related entities, RRFOC received from Defence has been classified as 'Other revenues'. Previously, this was classified under 'Revenues from Government'. Figures in 2003-04 (designated in Italics) have been re-classified for a more meaningful comparison with figures in 2004-05.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 5: Operating Expenses		
<i>Note 5A: Employee Expenses</i>		
Salaries & Wages	208,991	195,776
Superannuation	52,071	44,717
Leave and other entitlements	79,844	70,191
Separation and redundancies	237	409
Other employee expenses	8,416	6,148
Total employee benefits expense	349,559	317,241
Workers compensation premiums	5,975	3,283
Total employee expenses	355,534	320,524
<i>Note 5B: Suppliers Expenses</i>		
Goods from related entities	117	469
Goods from external entities	29,025	17,548
Services from related entities	14,037	140,102
Services from external entities	300,577	154,483
Operating lease rentals ¹	193,589	134,504
Total supplier expenses	537,345	447,106
¹ These comprise minimum lease payments only.		
<i>Note 5C: Depreciation and Amortisation</i>		
<i>(i) Depreciation</i>		
Other infrastructure, plant and equipment	11,996	12,314
Buildings & leasehold improvements	5,258	7,153
Total Depreciation	17,254	19,467
<i>(ii) Amortisation</i>		
Leased assets	4,260	4,224
Intangibles – computer software	8,366	4,507
Total Amortisation	12,626	8,731
Total depreciation and amortisation	29,880	28,198
The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable assets are as follows:		
Buildings	543	565
Leasehold improvements	4,716	6,588
Plant and equipment	16,255	16,538
Software	8,366	4,507
Total depreciation and amortisation	29,880	28,198

No depreciation or amortisation was allocated to the carrying amounts of other assets.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
<u>Note 5D: Write Down of Assets</u>		
Non-financial assets		
Other intangibles – write-off	0	2,683
Land, buildings and leasehold improvements – write-offs	593	152
Plant and equipment – write-offs	82	84
Total write-down of assets	675	2,919
<u>Note 5E: Other Expenses</u>		
Other expenses	295	231
Provision for doubtful debts	567	757
Total other expenses	861	988
 Note 6: Borrowing Costs Expense		
Leases	246	557

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 7: Financial Assets		
<u>Note 7A: Cash</u>		
Departmental (other than special accounts)	18,024	24,097
<u>Note 7B: Receivables</u>		
Goods and services	7,859	4,876
Less: Provision for doubtful debts	(1,458)	(932)
	6,401	3,944
GST receivable from the Australian Taxation Office	7,465	7,513
Appropriations receivable		
– for additional outputs & equity	75,734	10,530
– undrawn s31	3,421	1,189
Total receivables (net)	93,021	23,176
All receivables (net) are current assets.	93,021	23,176
Appropriations receivable undrawn are appropriations controlled by Customs but held in the Official Public Account under the Government's just-in-time drawdown arrangements.		
Receivables (gross) are aged as follows:		
Current	92,776	23,103
Overdue by:		
Less than 30 days	104	47
30 to 60 days	62	16
61 to 90 days	79	10
More than 90 days	1,458	932
	1,703	1,005
Total receivables (gross)	94,479	24,108
The provision for doubtful debts is aged as follows:		
Current	-	-
Overdue by:		
More than 90 days	1,458	932
Total provision for doubtful debts	1,458	932

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 8: Non-Financial Assets		
<u>Note 8A: Land and Buildings</u>		
Freehold Land		
– at fair value	52	52
– at 2003–04 valuation (fair value)	4,333	4,613
Total freehold land	4,385	4,665
Buildings on freehold land		
– at fair value	949	623
– accumulated depreciation	(33)	(8)
	916	615
– at 2003–04 valuation (fair value)	9,683	10,348
– accumulated depreciation	(945)	(556)
	8,738	9,792
Total buildings on freehold land	9,654	10,407
Leasehold improvements		
– at fair value	15,470	1,056
– accumulated depreciation	(1,979)	(12)
	13,491	1,044
– at 2003–04 valuation (fair value)	12,089	13,058
– accumulated depreciation	(8,466)	(6,615)
	3,623	6,443
– under construction at Cost	18,707	18,322
Total leasehold improvements	35,821	25,809
Total Land and Buildings (non-current)	49,860	40,881
<u>Note 8B: Infrastructure, Plant and Equipment</u>		
Plant and equipment		
– at fair value	21,556	14,068
– accumulated depreciation	(3,748)	(1,029)
	17,808	13,039
– at 2003–04 valuation (fair value)	80,015	79,870
– accumulated depreciation	(29,724)	(16,770)
	50,291	63,100
– under construction at cost	2,559	5,553
Total Infrastructure, Plant and Equipment (non-current)	70,658	81,692

Notes to and forming part of the Financial Statements

Note 8C: Analysis of Property, Plant and Equipment

TABLE A – Reconciliation of the opening and closing balances of property, plant and equipment.

Item	Land \$'000	Buildings on Freehold Land \$'000	Buildings – Leasehold Improvem't \$'000	Buildings – Total	Land and Buildings Total \$'000	Other IP&E \$'000
As at 1 July 2004						
Gross book value	4,665	10,972	32,436	43,408	48,073	99,491
Accumulated depreciation/ amortisation	-	(564)	(6,627)	(7,191)	(7,191)	(17,799)
Opening Net Book Value	4,665	10,408	25,809	36,217	40,882	81,692
Additions:						
by purchase	-	326	15,034	15,360	15,360	5,362
by finance lease	-	-	-	-	-	-
from acquisition of entities or operations	-	-	-	-	-	-
Net revaluation increment/ (decrement)	20	104	(93)	11	31	-
Reclassifications	-	-	-	-	-	-
Depreciation/amortisation expense	-	(543)	(4,716)	(5,259)	(5,259)	(16,255)
Recoverable amount write-downs	(100)	(288)	(205)	(493)	(593)	(82)
Other movements	-	18	(8)	10	10	(38)
Disposals:						
From disposal of entities or operations	-	-	-	-	-	-
Other disposals	(200)	(371)	-	(371)	(571)	(21)
As at 30 June 2005						
Gross book value	4,385	10,632	46,266	56,898	61,283	104,130
Accumulated depreciation/ amortisation	-	(978)	(10,445)	(11,423)	(11,423)	(33,472)
Closing Net Book Value	4,385	9,654	35,821	45,475	49,860	70,658

TABLE B – Assets at valuation.

Item	Land \$'000	Buildings on Freehold land \$'000	Buildings – Leasehold Improvem't \$'000	Buildings – Total \$'000	Land & Buildings –Total \$'000	Other IP&E \$'000
As at 30 June 2005						
Gross value	4,333	9,683	12,089	21,772	26,105	80,015
Accumulated depreciation/ amortisation		(945)	(8,466)	(9,411)	(9,411)	(29,724)
Closing Net book value	4,333	8,738	3,623	12,361	16,694	50,291
As at 30 June 2004						
Gross value	4,613	10,348	13,058	23,406	28,019	79,870
Accumulated depreciation/ amortisation	-	(556)	(6,615)	(7,171)	(7,171)	(16,770)
Closing Net book value	4,613	9,792	6,443	16,235	20,848	63,100

TABLE C – Property, Plant and Equipment, and Intangibles held under Finance Lease.

Item	Land \$'000	Buildings on Freehold land \$'000	Buildings - Leasehold Improvem't \$'000	Buildings - Total \$'000	Land & Buildings - Total \$'000	Other IP&E \$'000
As at 30 June 2005						
Gross value	-	-	-	-	-	27,750
Accumulated depreciation/ amortisation	-	-	-	-	-	(8,484)
Closing Net book value	-	-	-	-	-	19,266
As at 30 June 2004						
Gross value	-	-	-	-	-	27,750
Accumulated depreciation/ amortisation	-	-	-	-	-	(4,224)
Closing Net book value	-	-	-	-	-	23,526

TABLE D – Property, Plant and Equipment, and Intangibles under Construction.

Item	Buildings on Freehold land \$'000	Buildings - Leasehold Improvem't \$'000	Buildings - Total \$'000	Other IP&E \$'000
As at 30 June 2005				
	-	18,707	18,707	2,559
Gross value at 30 June 2004	-	18,322	18,322	5,553

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 8D: Intangibles		
Computer software:		
Internally developed – in progress (non-current)	112,717	158,008
	112,717	158,008
Internally developed – in use (non-current)	110,370	22,675
Accumulated amortisation	(26,198)	(18,014)
	84,172	4,661
Externally acquired – at cost (non-current)	1,214	1,005
Accumulated amortisation	(582)	(518)
	632	487
Total intangibles	197,521	163,156

TABLE A – Reconciliation of the opening and closing balances of intangibles

Item	Computer Software \$'000
As at 1 July 2004	
Gross book value	181,688
Accumulated depreciation/amortisation	(18,532)
Net book value	163,156
Additions:	
By purchase	42,731
Depreciation/amortisation expense	(8,366)
Write offs:	
Gross value	(117)
Accumulated depreciation/amortisation	117
As at 30 June 2005	
Gross book value	224,302
Accumulated depreciation/amortisation	(26,781)
Net book value	197,521

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
<u>Note 8E: Inventories</u>		
Inventories not held for sale (cost)	1,040	1,205
<i>Total inventories</i>	1,040	1,205

All departmental inventories are current assets.

<u>Note 8F: Other Non-Financial Assets</u>		
Prepayments	4,185	10,624
<i>Total other non-financial assets</i>	4,185	10,624

All other non-financial assets are current assets.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 9: Interest Bearing Liabilities		
<u>Note 9A: Leases</u>		
Finance lease commitments		
Payable:		
Within one year	2,816	5,399
In one to five years	-	2,816
Minimum lease payments	2,816	8,215
Deduct: future finance charges	(41)	(287)
Net lease liability	2,775	7,928
Lease liability is represented by:		
Current	2,775	5,153
Non-current	-	2,775
Net lease liability	2,775	7,928

A finance lease exists in relation to vessels. The lease is non-cancellable and for a fixed term of 6 years and 4 months. Customs guarantees the residual of all assets leased. There are no contingent rentals.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 10: Provisions		
Salaries and Wages	1,328	12,189
Leave	102,449	93,677
Superannuation	146	1,104
Aggregate employee entitlement liability	103,923	106,970
Other	1,035	2,276
Workers compensation	2	16
Aggregate employee entitlement liability and related on-costs	104,960	109,262
Current	29,398	40,924
Non-current	75,562	68,338
	104,960	109,262

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 11: Payables		
<u>Note 11A: Suppliers Payable</u>		
Trade creditors	45,894	25,347
Total supplier payables	45,894	25,347

All supplier payables are current liabilities.

Settlement is usually made net 30 days.

Note 11B: Other Payables

Revenue received in advance	459	3,417
Fringe benefits tax	435	435
Other payables	3,181	330
Total other payables	4,075	4,182

All other payables are current liabilities.

Note 12: Equity

Note 12A: Analysis of Equity

Item	Accumulated Results		Asset Revaluation Reserves		Contributed Equity		TOTAL EQUITY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Opening balance as at 1 July	23,188	16,853	15,399	17,886	159,525	103,659	198,112	138,398
Adjustment to opening balance (*)	-	-	-	-	7,697	-	7,697	-
Net surplus/deficit	37,082	6,135	-	-	-	-	37,082	6,135
Net revaluation increment/(decrement)	-	-	31	(2,148)	-	-	31	(2,148)
Changes in accounting policies – Decrease in retained surplus on application of transitional provisions in accounting standard AASB 1041	-	-	-	(139)	-	-	-	(139)
Revaluation of Non-current assets								
Transactions with owner:								
Distributions to owner:								
Returns on Capital								
Returns of contributed equity	-	-	-	-	(8,460)	-	(8,460)	-
Contributions by owner:								
Appropriations (equity injections)	-	-	-	-	42,143	55,866	42,143	55,866
Transfers to/(from)/between reserves	-	200	-	(200)	-	-	-	-
Closing balance as at 30 June 2005	60,270	23,188	15,430	15,399	200,905	159,525	276,605	198,112

(*) This reflects the value of a lapsing 2003-04 equity injection. This lapsing status was subsequently reversed in 2004-05 as a result of the Financial Health Review.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 13: Cash Flow Reconciliation		
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	18,024	24,097
Statement of Financial Position items comprising above cash: 'Financial Asset – Cash'	18,024	24,097
Reconciliation of net surplus to net cash from operating activities:		
Net surplus / (deficit)	37,082	6,135
Depreciation/ amortisation	29,880	28,198
Net write down of non-financial assets	675	2,919
(Gain) / loss on disposal of assets	(154)	50
(Increase) / decrease in net receivables	(47,126)	4,855
(Increase) / decrease in other assets – financial	48	(145)
(Increase) / decrease in inventories	165	191
(Increase) / decrease in other assets – non financial	6,439	8,425
Increase / (decrease) in supplier payables	23,398	(3,753)
Increase / (decrease) in employee provisions	(4,302)	8,514
Increase / (decrease) in unearned revenue	(2,958)	292
Increase / (decrease) in other liabilities	(2)	(72)
Net cash from / (used by) operating activities	43,145	55,609

Note 14: Contingent Liabilities and Assets

Quantifiable Contingencies

The Schedule of Contingencies reports contingent liabilities in respect of claims and damages/costs of \$24,000. (2004: \$514,000). The amount represents an estimate of the Agency's liability based on precedent cases. The Agency is defending the claims.

Unquantifiable Contingencies

As at 30 June 2005, Customs had a number of legal claims lodged against it for damages and costs. Customs has denied liability and is defending the claims. In addition, Customs has lodged a number of claims to recover damages costs which are also being defended. It is not possible to estimate the amount of any eventual payments or receipts in relation to these claims.

Further, Customs has an obligation to acquire equipment from EDS on termination or expiry of the IT outsourcing lease. It is not possible to estimate the amount of any eventual payment or receipt in relation to this obligation due to the uncertainty of the future market value of the leased equipment on hand.

The Australian Government has entered into new contractual arrangements with P&O Maritime Services for the provision of maritime charter services until June 2006 to facilitate the Australian Customs Service and the Department of Agriculture, Fisheries and Forestry armed patrols of Australia's exclusive economic zone in the Southern Ocean.

In relation to these patrols, the Australian Government will indemnify P&O Maritime Services against certain claims arising from the discharge of firearms or munitions, or where a steaming party is deployed to crew a seized vessel back to an Australian port.

Note 15: Executive Remuneration

	<u>2005</u>	<u>2004</u>
The number of executives who received or were due to receive total remuneration of \$100,000 or more:		
\$100 000 to \$109 999	1	3
\$110 000 to \$119 999	1	2
\$120 000 to \$129 999	2	3
\$140 000 to \$149 999	4	7
\$150 000 to \$159 999	1	7
\$160 000 to \$169 999	5	6
\$170 000 to \$179 999	4	-
\$180 000 to \$189 999	7	1
\$190 000 to \$199 999	1	3
\$200 000 to \$209 999	1	3
\$210 000 to \$219 999	4	1
\$220 000 to \$229 999	1	-
\$240 000 to \$249 999	-	1
\$250 000 to \$259 999	1	-
\$260 000 to \$269 999	1	1
\$400 000 to \$409 999	-	1
\$440 000 to \$449 999	1	-
	<u>\$</u>	<u>\$</u>
The aggregate amount of total remuneration of executives shown above.	6,468,797	6,536,379
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	216,058	273,155

Note 16: Remuneration of Auditors

	<u>2005</u>	<u>2004</u>
	<u>\$</u>	<u>\$</u>
Financial statement audit services are provided free of charge to the agency. The fair value of the services provided was:	<u>580,000</u>	<u>520,000</u>

During the year ended 30 June 2005, the ANAO performed a review of the 2004–05 opening balances as a result of the implementation of the Australian Equivalents to International Financial Reporting Standards (AEIFRS). As at reporting date, the conversion of the 30 June 2005 results to AEIFRS compliant statements was still in progress. The value of \$580,000 above includes services to be provided by the ANAO on the review of the AEIFRS 30 June 2005 compliant statements.

No other services were provided by the Auditor-General.

Note 17: Average Staffing Levels

	<u>2005</u>	<u>2004</u>
The average staffing levels for the business operation and the Agency during the year were:	<u>4,686</u>	<u>4,690</u>

Note 18: Financial Instruments

Note 18A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In				Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
				1 Year or Less		1 to 5 Years		> 5 Years				2004	
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial Assets													
Cash at bank	7A	-	-	-	-	-	-	-	18,024	24,097	18,024	24,097	N/A
Receivables for goods and services (gross)	7B	-	-	-	-	-	-	-	7,859	4,876	7,859	4,876	N/A
Goods and Services													
Tax receivable	7B	-	-	-	-	-	-	-	7,465	7,513	7,465	7,513	N/A
Appropriations receivable	7B	-	-	-	-	-	-	-	79,155	11,719	79,155	11,719	N/A
Total		-	-	-	-	-	-	-	112,503	48,205	112,503	48,205	-
Total Assets											434,309	344,831	
Financial Liabilities													
Finance lease liabilities	9A	-	-	2,775	5,153	-	2,775	-	-	-	2,775	7,928	6.40%
Trade creditors	11A	-	-	-	-	-	-	-	45,894	25,347	45,894	25,347	N/A
Total		-	-	2,775	5,153	-	2,775	-	45,894	25,347	48,669	33,275	-
Total Liabilities											157,704	146,719	

Notes to and forming part of the Financial Statements

Note 18B: Net Fair Values of Financial Assets and Liabilities

	Notes	2005		2004	
		Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Departmental					
Financial Assets					
Cash at bank	7A	18,024	18,024	24,097	24,097
Receivables for goods and services (net)	7B	6,401	6,401	3,944	3,944
Goods and Services Tax receivable	7B	7,465	7,465	7,513	7,513
Appropriations receivable	7B	79,155	79,155	11,719	11,719
Total Financial Assets		111,045	111,045	47,273	47,273
Financial Liabilities (Recognised)					
Finance lease liabilities	9A	2,775	2,775	7,928	7,928
Trade creditors and accrued expenses	11A	45,894	45,894	25,347	25,347
Total Financial Liabilities (Recognised)		48,669	48,669	33,275	33,275

Financial assets

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

Financial liabilities

The net fair values for trade creditors and accrued expenses are approximated by their carrying amounts. The net fair values of finance leases are based upon discounted cash flows using the interest rate implicit in the lease.

Note 18C: Credit Risk Exposures

Customs maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

Customs has no significant exposures to any concentrations of credit risk.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 19: Revenues Administered on Behalf of Government		
Taxation Revenue		
Customs duty	5,560,803	5,654,751
Other taxes		
Passenger Movement Charge	363,841	329,786
Import processing and depot charges	128,560	119,700
Total Taxation Revenue	6,053,204	6,104,237
Non-Taxation Revenue		
Interest		
Deposits	212	39
Other Revenues		
Other non-taxation revenue	11,049	7,511
Total non-taxation revenue	11,261	7,550
Total Revenues Administered on Behalf of Government	6,064,465	6,111,787

Some figures in 2003–04 (designated in *Italics*) have been re-classified for a more meaningful comparison with figures in 2004–05.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 20: Expenses Administered on Behalf of Government		
Receivables – Provision for Doubtful Debts		
Doubtful debts	<u>1,746</u>	<u>17,406</u>
Bad Debts Written-off		
Debts written-off	<u>2,611</u>	<u>5,469</u>
Import Credits		
ACIS credits applied on duty	<u>531,083</u>	<u>586,861</u>
Other Expenses		
Other expenses	<u>255</u>	<u>248</u>
<i>Total Expenses Administered on Behalf of Government</i>	<u>535,695</u>	<u>609,984</u>

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 21: Assets Administered on Behalf of Government		
Financial Assets		
Cash		
Cash on hand	346	289
Cash at bank	169	-
Special accounts	2,926	2,785
Total cash	3,441	3,074
Receivables		
Goods and services	34,276	37,244
Other taxes	53,991	50,840
Other non taxation revenue	19,247	12,069
Less: Provision for doubtful debts	(30,576)	(28,832)
Total receivables (net)	76,938	71,321
Receivables (gross) are aged as follows:		
Not overdue	74,284	65,228
Overdue by:		
Less than 30 days	1,156	4,046
30 to 60 days	1,373	529
60 to 90 days	125	214
More than 90 days	30,576	30,136
Total receivables (gross)	107,514	100,153
The provision for doubtful debts is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	30,576	28,832
Total provision for doubtful debts	30,576	28,832
Inventories		
Inventories held for sale	69	163
Total Inventories	69	163
Total Assets Administered on Behalf of Government	80,448	74,558

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 22: Liabilities Administered on Behalf of Government		
Other Interest Bearing Liabilities		
Other debt	<u>2,926</u>	<u>2,785</u>
Payables		
Other taxes	<u>2,889</u>	<u>4,454</u>
Special Accounts		
Securities and other special account balances	<u>9,513</u>	<u>12,683</u>
Total Liabilities Administered on Behalf of Government	<u><u>15,328</u></u>	<u><u>19,922</u></u>
All liabilities are expected to be settled within 12 months of balance date.		

	2005 \$'000	2004 \$'000
Note 23: Administered Reconciliation Table		
Opening administered assets less administered liabilities as at 1 July	54,636	58,423
Adjustments to retained earnings due to recognition of special accounts	(56)	12,075
Revised Total	54,580	70,498
Plus: Administered Revenues	6,064,465	6,111,787
Less: Administered Expenses	(535,695)	(609,984)
Administered transfers to/from Australian Government		
Appropriation transfers from OPA	370,812	307,049
Transfers to OPA	(5,889,042)	(5,824,714)
Net Drawings from OPA on behalf of the ATO*	60,188	56,913
Net Payments on behalf of the ATO out of Special Appropriations*	(60,188)	(56,913)
Closing administered assets less administered liabilities as at 30 June 2005	65,120	54,636

* The Australian Taxation Office is the responsible entity for these appropriations and the subsequent returns. As a new classification on this schedule, figures in 2003–04 (designated in *italics*) have been classified for a more meaningful comparison.

Note 24: Administered Contingent Liabilities and Assets

Quantifiable Administered Contingencies

Quantifiable Administered Contingencies that are not remote are disclosed in the Schedule of Administered Items as Quantifiable Administered Contingencies.

Unquantifiable Administered Contingencies

As at 30 June 2005, Customs had a number of legal claims lodged against it for damages and costs. Customs has denied liability and is defending the claims. In addition, Customs has lodged a number of claims to recover damages and costs which are also being defended. It is not possible to estimate the amounts of any eventual payments or receipts in relation to these claims.

Remote Administered Contingencies

As at 30 June 2005, Customs had a number of legal claims for damages that may result in a gain of \$895,413 (2004: \$1,354,218).

Notes to and forming part of the Financial Statements

Note 25: Financial Instruments

Note 25A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In						Non-Interest Bearing		Total		Weighted Average Effective Interest Rate		
				1 Year or Less		1 to 5 Years		> 5 Years								
		2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial Assets																
Cash on hand	21	-	-	-	-	-	-	-	-	515	289	515	289	N/A	N/A	N/A
Special Accounts	21	2,926	2,785	-	-	-	-	-	-	-	-	2,926	2,785	5.07%	4.89%	4.89%
Receivables (gross)	21	-	-	-	-	-	-	-	-	107,514	100,153	107,514	100,153	N/A	N/A	N/A
Total		2,926	2,785	-	-	-	-	-	-	108,029	100,442	110,955	103,227			
Total Assets												80,448	74,558			
Financial Liabilities																
Customs duty refund available	22	-	-	-	-	-	-	-	-	2,889	4,454	2,889	4,454	N/A	N/A	N/A
Securities and other special account balances	22	-	-	-	-	-	-	-	-	9,513	12,683	9,513	12,683	N/A	N/A	N/A
Other interest bearing liabilities	22	2,926	2,785	-	-	-	-	-	-	-	-	2,926	2,785	N/A	N/A	N/A
Total		2,926	2,785	-	-	-	-	-	-	12,402	17,137	15,328	19,922			
Total liabilities												15,328	19,922			

Note 25B: Net Fair Values of Financial Assets and Liabilities

	Notes	2005		2004	
		Total carrying amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Administered					
Financial Assets					
Cash at bank	21	3,441	3,441	3,074	3,074
Receivables for customs duty & other (net)	21	76,938	76,938	71,321	71,321
Total Financial Assets		80,379	80,379	74,395	74,395
Financial Liabilities (Recognised)					
Customs duty refund available	22	2,889	2,889	4,454	4,454
Securities & other special account balances	22	9,513	9,513	12,683	12,683
Other interest bearing liabilities	22	2,926	2,926	2,785	2,785
Total Financial Liabilities (Recognised)		15,328	15,328	19,922	19,922

Financial assets

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

Financial liabilities

The net fair values of liabilities are approximated by their carrying amounts.

Note 25C: Credit Risk Exposures

The Government's maximum exposures to credit risk at reporting date in relation to each class of recognised administered financial assets is the carrying amount of those assets as indicated in the Schedule of Administered Items.

The Government has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of collateral or other security.

Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

Note 26: Appropriations

Note 26A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF)
for Ordinary Annual Services Appropriations

Particulars	Administered Expenses Outcome 1	Departmental Outputs	Total
Year ended 30 June 2005	\$	\$	\$
Balance carried from previous year	32,000	28,895,313	28,927,313
Adjustments to opening balance	-	(10,761,000)	(10,761,000)
Reductions of appropriations (prior year) 2003-04	(32,000)	-	(32,000)
Adjusted Balance carried for previous period	-	18,134,313	18,134,313
Appropriation Act (No.1) 2004-2005	280,000	702,619,000	702,899,000
Appropriation Act (No.3) 2004-2005	-	55,677,000	55,677,000
Refunds credited (FMAA s30)	-	358,984	358,984
Sub-total 2004-05 Annual Appropriations	280,000	776,789,297	777,069,297
Appropriations to take account of recoverable GST (FMAA s 30A)	-	44,881,998	44,881,998
Annotations to 'net appropriations' (FMAA s31)	-	52,280,069	52,280,069
Appropriation lapsed or reduced	(25,110)	-	(25,110)
Total Appropriations available for payments	254,890	873,951,364	874,206,254
Cash payments made during year (GST inclusive)	(254,890)	(807,924,072)	(808,178,962)
Balance of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations	-	66,027,292	66,027,292
<i>Represented by:</i>			
Cash at bank and on hand	-	9,023,954	9,023,954
Receivable – departmental appropriations	-	49,538,000	49,538,000
Receivables – GST receivable from customers	-	-	-
Receivables – GST receivable from ATO	-	7,465,338	7,465,338
Total	-	66,027,292	66,027,292
<i>Reconciliation for Appropriation Acts (No.1 and 3)</i>			
Paid to the entity from the OPA	254,890	715,858,000	716,112,890
Not drawn from the OPA	25,110	42,438,000	42,463,110
Total Appropriation Acts	280,000	758,296,000	758,576,000

Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

Particulars	Administered Expenses Outcome 1	Departmental Outputs	Total
	\$	\$	\$
Year ended 30 June 2004 (comparative period)			
Balance carried from previous year	34,686	20,108,972	20,143,658
Less: estimated administered appropriation lapsed 02-03	(34,686)	-	(34,686)
Adjusted Balance carried for previous period	-	20,108,972	20,108,972
Appropriation Act (No.1) 2003-2004	280,000	586,836,000	587,116,000
Appropriation Act (No.3) 2003-2004	-	4,718,000	4,718,000
Appropriations to take account of recoverable GST (FMAA s 30A)	-	33,887,000	33,887,000
Annotations to 'net appropriations' (FMAA s31)	-	80,250,135	80,250,135
Total appropriations available for payments	280,000	725,800,107	726,080,107
Payments made during the year (GST inclusive)	(248,000)	(696,904,794)	(697,152,794)
Appropriations credited to Special Accounts	-	-	-
Balance carried to the next year	32,000	28,895,313	28,927,313

Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

Note 26B: Cash Basis Acquittal of Appropriations from Acts 2 and 4

Particulars	Administered Outcome 1		Non-operating				Total
	SPP's	NAE	Equity	Loans	Previous years' outputs	Admin assets and liabilities	
Year ended 30 June 2005	\$	\$	\$	\$	\$	\$	\$
Balance carried from previous year	-	-	20,128,000	-	-	-	20,128,000
Reduction of appropriations (prior years)							-
Adjusted balance carried from previous period	-	-	20,128,000	-	-	-	20,128,000
Appropriation Act (No.2) 2004–2005	-	-	19,471,000	-	-	-	19,471,000
Appropriation Act (No.4) 2004–2005	-	-	22,672,000	-	-	-	22,672,000
Appropriations reduced by a section 11 determination (current year)	-	-	-	-	-	-	-
Sub-total 2004-05 Annual Appropriation	-	-	62,271,000	-	-	-	62,271,000
Appropriation to take account of receivable GST (FMAA s30A)	-	-	2,707,269	-	-	-	2,707,269
Cash payments made during the year (GST inclusive)	-	-	29,782,654	-	-	-	29,782,654
Balance of Authority to Draw cash from the CRF for Other Than Ordinary Annual Services Appropriations	-	-	35,195,615	-	-	-	35,195,615

Particulars	Administered Outcome 1		Non-operating				Total
	SPP's	NAE	Equity	Loans	Previous years' outputs	Admin assets and liabilities	
Represented by:							
Cash at bank and on hand	-	-	9,000,000	-	-	-	9,000,000
Departmental appropriation receivable	-	-	26,195,615	-	-	-	26,195,615
Total	-	-	35,195,615	-	-	-	35,195,615

Notes to and forming part of the Financial Statements
for the year ended 30 June 2005

Particulars	Administered Outcome 1		Non-operating				Total
	SPP's	New	Equity	Loans	Previous years' outputs	Admin assets and liabilities	
Year ended 30 June 2004 (Comparative Period)	\$	\$	\$	\$	\$	\$	\$
Balance carried from previous year	8,400,000	-	9,000,000	-	-	-	17,400,000
Appropriation Act (No. 2) 2003-2004	-	-	20,489,000	-	-	-	20,489,000
Appropriation Act (No. 4) 2003-2004	-	-	43,075,000	-	-	-	43,075,000
Adjustments to balance carried forward	(8,400,000)	-	-	-	-	-	(8,400,000)
Appropriations to take account of recoverable GST (FMAA s 30A)	-	-	5,243,600	-	-	-	5,243,600
Appropriation lapsed	-	-	-	-	-	-	0
Total appropriation available for payments	-	-	77,807,600	-	-	-	77,807,600
Cash payments made during the year (GST inclusive)	-	-	57,679,600	-	-	-	57,679,600
Appropriations credited to Special Accounts	-	-	-	-	-	-	0
Balance carried to the next year	-	-	20,128,000	-	-	-	20,128,000

Notes to and forming part of the Financial Statements

Note 26C: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund –
Special Appropriations (Unlimited Amount)

Investment of Public Money: Special Appropriations under section 39 of the FMA Act (Administered)	2005 \$	2004 \$
Amount invested carried from previous period	2,784,784	2,677,137
Prior year investments redeemed in current year	-	-
Investments made during the year	141,104	128,166
Redemptions of current year investments	(218)	(20,519)
Amount invested carried to the next period (sum of the above)	2,925,670	2,784,784
<i>Budget estimate</i>	110,000	354,000

Financial Management and Accountability Act 1997 – Section 28 (Repayments Required or Permitted by Law) (Administered)	2005 \$	2004 \$
Cash payments made during the year*	316,381,283	245,561,624
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to special appropriation	316,381,283	245,561,624
<i>Budget estimate (FMA s28)</i>	306,100,000	301,245,000

* The Australian Taxation Office is responsible for \$9,845,716 of this appropriation relating to GST (on imports), WET, LCT and Sales Tax.

Australian Customs Act 1901 – Section 4AB – Reasonable amount of compensation for acquisition of property (Administered)	2005 \$	2004 \$
Cash payments made during the year	-	-
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to special appropriation	-	-
<i>Budget estimate</i>	-	-

Taxation Administration Act 1953 – Section 16 – Refunds of receipts to individuals under the Tourist Refund Scheme (Administered).	2005 \$	2004 \$
The Australian Taxation Office is the responsible entity for this appropriation.		
Cash payments made during the year	50,342,159	45,729,398
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to special appropriation	50,342,159	45,729,398
<i>Budget estimate (as this is a new disclosure requirement, there is currently no budget estimate available for this).</i>	N/A	N/A

Some figures in 2003–04 (designated in *Italics*) have been re-classified for a more meaningful comparison with figures in 2004–05.

Notes to and forming part of the Financial Statements

Note 26D: Special Accounts

	2005 \$	2004 \$
Other Trust Reserve (Administered)		
<i>Legal Authority: Financial Management & Accountability Act 1997: s20</i>		
<i>Purpose: For the receipt of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth</i>		
Balance carried from previous year	5,933,449	5,940,780
Other receipts	467,019	1,216,440
Adjustment to opening balance	-	-
Available for payments	6,400,468	7,157,220
Payments made to suppliers	(3,367,624)	(1,223,771)
Balance carried to next year	3,032,844	5,933,449
<i>Represented by:</i>		
Cash on call held in the OPA	3,032,844	5,933,449
Total	3,032,844	5,933,449

Tradegate Fees (Administered)		
<i>Legal Authority: Financial Management & Accountability Act 1997: s20</i>		
<i>Purpose: For expenditure on payments to Tradegate Australia Ltd of fees collected by Customs for users of the Tradegate Network</i>		
Balance carried from previous year	387,328	282,562
Receipts from other sources (Tradegate)	16,808,421	12,461,725
Receipts from Tradegate GST	1,677,345	1,232,172
Available for payments	18,873,094	13,976,459
Payments made to suppliers	(18,697,292)	(13,589,131)
Balance carried to next year	175,802	387,328
<i>Represented by:</i>		
Cash on call held in the OPA	175,802	387,328
Total	175,802	387,328

Security Deposits Reserve (Administered)		
<i>Legal Authority: Financial Management & Accountability Act 1997: s20</i>		
<i>Purpose: For expenditure dealing with moneys required to be lodged under Section 42 and 162 of the Customs Act 1901</i>		
Balance carried from previous year	6,361,930	7,640,227
Other receipts – security deposits	7,430,570	7,283,359
Adjustments to opening balance	-	-
Available for payments	13,792,500	14,923,586
Payments made to suppliers	(7,487,915)	(8,561,656)
Balance carried to next year	6,304,585	6,361,930
<i>Represented by:</i>		
Cash on call held in the OPA	6,304,585	6,361,930
Total	6,304,585	6,361,930

Notes to and forming part of the Financial Statements

	2005	2004
	\$	\$
Industry Related Systems Development Fund (Administered)		
<i>Legal Authority: Financial Management & Accountability Act 1997: s20</i>		
<i>Purpose: For expenditure on industry related development of Customs Service</i>		
Balance carried from previous year	2,784,784	2,677,137
Receipts from other services	141,104	128,166
Available for payments	2,925,888	2,805,303
Payments made to suppliers	(218)	(20,519)
Balance carried to next year	2,925,670	2,784,784
<i>Represented by:</i>		
Cash on call held in the OPA	2,925,670	2,784,784
Total	2,925,670	2,784,784

Services for Other Government and Non-Government Bodies Reserve (Administered)		
<i>Legal Authority: Financial Management & Accountability Act 1997: s20</i>		
<i>Purpose: For expenditure in connection with services performed on behalf of other Governments and bodies that are not FMA agencies</i>		
Balance carried from previous year	-	-
Receipts from other services	-	-
Available for payments	-	-
Payments made to suppliers	-	-
Balance carried to next year	-	-
<i>Represented by:</i>		
Cash on call held in the OPA	-	-
Total	-	-

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000
Note 27: Specific Payment Disclosures		
No 'Act of Grace' expenses were incurred during the reporting period. (2004: No expenses)	Nil	Nil
No waiver of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2004: No waivers)	Nil	Nil
No ex-gratia payments were provided for during the reporting period (2004: No payments made)	Nil	Nil
No payments were made under the 'Defective Administration Scheme' during the reporting period. (2004: No payments made)	Nil	Nil
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2004: No payments made)	Nil	Nil

Note 28: Reporting of Outcomes

Note 28A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered expenses	535,695	609,984	535,695	609,984
Departmental expenses	925,133	800,606	925,133	800,606
Total expenses	1,460,828	1,410,590	1,460,828	1,410,590
<i>Costs recovered from provision of goods and services to the non government sector</i>				
Administered	492,401	449,486	492,401	449,486
Departmental	11,814	12,596	11,814	12,596
Total costs recovered	504,215	462,082	504,215	462,082
<i>Other external revenues</i>				
Administered				
Duty	5,558,370	5,652,564	5,558,370	5,652,564
Duty (inter-government)	2,432	2,187	2,432	2,187
Interest on loans	212	39	212	39
Other	11,049	7,511	11,049	7,511
Total Administered	5,572,063	5,662,301	5,572,063	5,662,301
Departmental				
Goods and services revenue from related entities	53,741	72,317	53,741	72,317
Interest on cash deposits	1	-	1	-
Revenue from disposal of assets	746	264	746	264
Total Departmental	54,488	72,581	54,488	72,581
Total other external revenues	5,626,551	5,734,882	5,626,551	5,734,882
Net cost/(contribution) of outcome	(4,669,938)	(4,786,374)	(4,669,937)	(4,786,374)

Notes to and forming part of the Financial Statements

Note 28B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output 1		Output 2		Output 3	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Departmental expenses						
Employees	166,145	148,490	72,390	64,735	28,760	22,768
Suppliers	146,511	114,444	41,012	34,406	272,594	229,472
Depreciation and amortisation	15,914	15,304	4,370	4,215	4,858	4,553
Other expenses	1,105	2,548	127	1,079	741	360
Total departmental expenses	329,675	280,786	117,899	104,435	306,953	257,153
Funded by:						
Revenues from government	342,297	273,139	122,415	101,592	175,385	98,895
RRFOC for Coastwatch	-	-	-	-	137,617	129,490
Sale of goods and services	-	6,626	-	2,465	420	28,399
Other non-taxation revenues	4,113	3,732	1,471	1,388	2,108	1,615
Total departmental revenues	346,410	283,497	123,886	105,445	315,530	258,399

Outcome 1	Output 4		Output 5		Outcome Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Departmental expenses						
Employees	84,312	80,763	3,927	3,768	355,534	320,524
Suppliers	72,916	66,825	4,312	1,959	537,345	447,106
Depreciation and amortisation	4,635	4,016	103	110	29,880	28,198
Other expenses	927	736	(526)	54	2,374	4,777
Total departmental expenses	162,790	152,340	7,816	5,891	925,133	800,605
Funded by:						
Revenues from government	110,083	112,198	8,116	5,730	758,296	591,554
RRFOC for Coastwatch	-	-	-	-	137,617	129,490
Sale of goods and services	56,768	39,722	-	139	57,188	77,351
Other non-taxation revenues	1,323	1,533	98	78	9,113	8,346
Total departmental revenues	168,174	153,453	8,214	5,947	962,214	806,741

Output departmental expenses have been calculated using an activity based costing methodology.

Notes to and forming part of the Financial Statements

Note 28C: Major Classes of Administered Revenues and Expenses by Outcome

	Outcome 1		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered Revenues				
Customs Duty	5,560,803	5,654,751	5,560,803	5,654,751
Other taxes	492,401	449,486	492,401	449,486
Other non-taxation revenues	11,261	7,550	11,261	7,550
Total Administered Revenues	6,064,465	6,111,787	6,064,465	6,111,787
Administered Expenses				
Import credits	531,083	586,861	531,083	586,861
Other expenses	4,612	23,123	4,612	23,123
Total Administered Expenses	535,695	609,984	535,695	609,984



Section 5
Appendixes

Appendix A – Occupational Health and Safety (OH&S)

The following information provides details of Customs responses to its legal obligations under section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991* (OH&S Act).

Section 74(1)(C) Customs occupational health and safety policy

Customs introduced an OH&S Policy and OH&S Manual in June 2004 to reinforce OH&S risk management and the roles and responsibilities for all staff. Activities to implement the OH&S Policy and Manual included:

- awareness sessions offered to staff and managers in the Regions on the new policy framework and their new roles and responsibilities
- development of a brochure, *Hazard Identification and Risk Management*, distributed to all employees
- development and promotion of an OH&S online learning module
- all staff messages alerting staff to the new Policy with links to an Intranet site.

The National OH&S Committee endorsed a new OH&S National Plan and OH&S Agreement during the year. Regional OH&S Committees reviewed health and safety representative numbers in line with the introduction of a new volunteer allowance in the Certified Agreement. There were no changes to the committee structure or functions, or the selection of health and safety representatives.

Section 74(1)(D) Measures taken during the year to ensure the health, safety and welfare at work of employees and contractors of the department or authority

Customs undertook the following measures to ensure the health, safety and welfare of employees and contractors this year:

- introduced a new Organisational Health Project to improve organisational performance

- participated in a pilot early intervention program with Comcare to enhance Customs ability to provide timely assistance to employees who are injured or ill, or have the potential to become injured or ill. The outcomes from the pilot will be used to develop a new absence management policy
- developed several toolkits to assist managers and staff to better deal with people management issues and to minimise workplace stress. Topics developed included: *Leading Teams; Managing Change and Managing Work-related Stress and Psychological Injury*
- provided a six-monthly report on OH&S performance to the Executive and enhanced the report's performance indicators and format. Key outcomes from the reports were also provided to all managers to help raise their awareness of OH&S performance and emerging issues
- developed and implemented an online OH&S incident reporting system. The system was launched in April 2005 and is designed to efficiently capture details of all OH&S incidents and to support effective monitoring, reporting and investigation of those incidents
- undertook an organisational risk assessment of first aid arrangements and reviewed Health and Safety Representative arrangements. A Volunteer Allowance was introduced in the 2004–2007 Certified Agreement to reward those employees appointed as Health and Safety Representatives
- implemented a range of strategies to promote health and wellbeing such as health seminars, health and fitness testing and flu vaccinations.

Section 74(1)(E) Notifications under section 68 of the OH&S Act

There were 13 notifications to Comcare of accidents or dangerous occurrences in 2004–05 under section 68 of the OH&S Act. Detailed investigations were undertaken into what occurred and why and appropriate changes were implemented to prevent recurrence.

Section 74(1)(F) Directions under section 45 of the OH&S Act

There were no directions or notifications that the workplace not be disturbed under section 45 of the OH&S Act.

Section 74(1)(F) Notifications under sections 29, 46 and 47 of the OH&S Act

There were no notifications made under these sections of the OH&S Act in 2004–05. No Provisional Improvement Notices were posted.

Appendix B – Freedom of Information

This appendix provides information required under section 8 of the *Freedom of Information Act 1982* (FOI Act), which stipulates that agencies must report annually on:

- the organisation, functions and decision making powers of the agency
- arrangements for public involvement in the work of the agency
- types of documents held by the agency
- where and how the public can gain access to these documents.

Functions and powers

Customs is part of the Attorney-General's portfolio.

Customs provides effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.

Responsibility for administering a range of tax and enforcement legislation is vested by Parliament in the CEO. The CEO's authority to administer Customs is written into the relevant law, as are the CEO's general responsibilities, discretionary powers and rights.

Further information on the organisation and functions of Customs, and a list of Commonwealth legislation under which Customs has powers, can be found in the Overview of Customs from page 6.

Arrangements for participation

Customs has formal and informal consultative mechanisms in place to allow organisations and people outside the Federal Government to participate in the formulation and administration of policy by Customs. Members of the public can voice their opinions in letters to the Minister for Justice and Customs, Senator the Hon Chris Ellison, Parliament House, Canberra, ACT 2600.

The Customs National Consultative Committee is the major forum for regular consultation with industry bodies. Further information is on page 100.

Informal feedback from clients and other interested parties about the decisions and actions of Customs is encouraged in the form of the Complaints and Compliments System. Further information is on page 124.

Customs also follows a practice of inviting comment on significant policy issues before decisions are made. This includes consulting with relevant industry groups and welcoming feedback from other interested parties.

Types of documents

Customs holds documents on a wide range of topics, which are broadly categorised as:

- agendas, minutes, general correspondence and papers
- internal administration papers (including research and project reports, accounting and financial records, legal records, and staff and staffing records)
- manuals and training materials (including video tapes, guidelines, directions and administrative instructions relating to Customs operations and legislative procedures. This also includes some publications prepared for the guidance of staff and the business community to assist in decision-making)
- briefing papers (including briefs, submissions and reports to the Customs Executive and the Minister for Justice and Customs. These generally relate to policy development and background to particular administrative decisions)
- database records (including computer files, printouts, pre-printed forms and statistical tabulations).

Availability of documents to members of the public

Some documents are generally available while others are available under the FOI Act.

Many of the documents held by Customs are available for free on request, including:

- annual reports
- corporate plans and other associated planning documents

- a range of fact sheets, brochures and booklets including information on importing and exporting goods, information for people travelling overseas and details on industry assistance schemes
- Australian Customs Notices
- Australian Customs Dumping Notices.

To ensure a transparent process in which all interested parties have the maximum opportunity to defend their interests, Customs also maintains a public file for all anti-dumping and countervailing investigations and reviews.

Some documents held by Customs are available for purchase, including:

- Dumping Commodities Register
- Australian Customs Tariff Guide
- Schedule of Commercial Tariff Concession Orders
- Combined Australian Customs Tariff Nomenclature Statistical Classification.

A list of documents available to the public for inspection or purchase under section 9 of the FOI Act can be found on the Customs Internet site.

Documents available to the public are generally available on the Customs Internet site or by calling the Customs Information and Support Centre on 1300 363 263 during business hours.

Applications for access to documents, including those not generally available to the public, can be made under the FOI Act.

Freedom of information inquiries

Inquiries regarding Freedom of Information can be made by contacting the Freedom of Information Coordinator by telephoning (02) 6275 6666 or by writing to:

Central Office

Freedom of Information Coordinator
 Customs House
 5 Constitution Avenue
 Canberra ACT 2600
 foicoordinator@customs.gov.au

New South Wales

Freedom of Information Coordinator
 Customs House
 10 Cooks River Drive
 Sydney International Airport
 Sydney NSW 2020

Victoria

Freedom of Information Coordinator
 Customs House
 414 La Trobe Street
 Melbourne VIC 3000

Queensland

Freedom of Information Coordinator
 Terrica Place
 140 Creek Street
 Brisbane QLD 4000

South Australia

Freedom of Information Coordinator
 Customs House
 220 Commercial Road
 Port Adelaide SA 5015

Western Australia

Freedom of Information Coordinator
 Customs House
 2 Henry Street
 Fremantle WA 6959

Northern Territory

Freedom of Information Coordinator
 Customs House
 21 Lindsay Street
 Darwin NT 0800

Tasmania

Freedom of Information Coordinator
 First Floor MBF Building
 25 Argyle Street
 Hobart TAS 7000

Inquiries can be made by letter, telephone or in person. Email inquiries may be sent to foicoordinator@customs.gov.au. Freedom of Information requests must be made in writing and should include telephone contact numbers and a return Australian address. A \$30 application fee or a remission request must accompany each request.

Appendix C – Advertising and market research

Expenditure on advertising and market research, as outlined in section 311A of the *Commonwealth Electoral Act 1918*, is shown below.

- HMA Blaze is the Commonwealth's contracted Advertising Agency and used by Customs for advertising of the Customs Hotline, staffing, public notices and CMR.
 - (a) \$902 229.48 (HMA Blaze 2003–04)
 - (b) \$872 342.04 (HMA Blaze 2004–05)
- Customs commissioned ACNielsen to conduct a survey of SmartGate users in Melbourne and Sydney. The users were Qantas aircrew and Platinum and Chairman's Club frequent flyers who volunteered to enrol in the trial. The survey cost \$63 140 (inc GST) and was paid in March 2005.

Appendix D – Administrative Appeals Tribunal and Administrative Decisions (Judicial Review) Act 1977

Figure 62: Administrative Appeals Tribunal applications for review (s37)

	2002-03	2003-04	2004-05
Tariff Classification	17	131 [^]	14 [#]
Valuation (now includes Origin)	13 [*]	-	6
Tariff Concessions	6	1	2
Refunds	-	1	-
Administrative Penalties	3	2	-
Freedom of Information	1	2	4
Other	4	7	4
Total	44	144	30

* 11 of these applications relate to one issue

[^] 122 of these applications relate to one issue

[#] 8 of these applications relate to one issue

Figure 63: Administrative Appeals Tribunal requests for reasons (s28)

	2002-03	2003-04	2004-05
Tariff Classification	-	-	-
Valuation/Origin	-	-	-
Tariff Concessions	1	-	-
Refunds	-	-	-
Administrative Penalties	-	-	-
Freedom of Information	-	-	-
Other	-	-	-
Total	1	-	-

Figure 64: Administrative Appeals Tribunal decisions handed down

	2002-03	2003-04	2004-05
Customs decisions affirmed	3	6	4
Customs decisions set aside	2	5	1
Tariff Classification	1	5	1
Valuation/Origin	-	-	-
Tariff Concessions	-	-	-
Refunds	-	-	-
Administrative Penalties	-	-	-
Freedom of Information	-	-	-
Other	1	-	-
Total	5	11	5

Figure 65: Matters resolved before being heard by the Administrative Appeals Tribunal

	2002-03	2003-04	2004-05
Matters dismissed (s42A)	17	8	12
Matters settled by consent (s42C)	54	21	15
Tariff Classification	3	1	12 [#]
Valuation/Origin	48 [*]	10 [^]	-
Tariff Concessions	1	3	1
Refunds	-	-	-
Administrative Penalties	1	2	-
Freedom of Information	-	-	1
Other	1	5	1
Total	71	29	27

* 43 of these applications relate to one issue

^ 9 of these applications relate to one issue

8 of these applications relate to one issue

Figure 66: Federal Court appeals from decisions of the Administrative Appeals Tribunal

	2002-03	2003-04	2004-05
Appeals resolved in favour of Customs	1	2	3
Appeals resolved against Customs	-	1	2
Tariff Classification	-	-	-
Valuation/Origin	-	-	1
Other	-	1	1
Total	1	3	5

Figure 67: Administrative Decisions (Judicial Review) Act 1977 applications/requests for reasons

	2002-03	2003-04	2004-05
Federal Court applications for Review	4	4	3
Requests for Statement of Reasons	9	2	3
Total	13	6	6
Matters settled during the year	1	2	4
Matters pending	5	3	2

Figure 68: Federal Court Decisions in Administrative Decisions (Judicial Review) Act 1977 matters

	2002-03	2003-04	2004-05
Matters resolved in favour of Customs	4	1	1
Matters resolved against Customs	1	2	-
Total	5	3	1

Appendix E – Commonwealth Disability Strategy

This section provides information on Customs performance implementing the Commonwealth Disability Strategy.

Customs core roles in implementing the Commonwealth Disability Strategy, are as regulator, service provider and employer.

Figure 69: Commonwealth Disability Strategy – Regulator role

Indicator	Measure	Performance
Publicly available information on regulations and quasi-regulations is available in accessible formats for people with disabilities.	<p>Percentage of publicly available information on regulations and quasi-regulations requested and provided in:</p> <ul style="list-style-type: none"> • accessible electronic formats • accessible formats other than electronic. <p>Average time taken to provide accessible material in:</p> <ul style="list-style-type: none"> • electronic format • formats other than electronic. 	<ul style="list-style-type: none"> • All client-related information is available in hard copy and on the Customs Internet site. Documents in html format or pdf files produced in Adobe version 5 or later are readable by JAWS software for the visually impaired. • The Customs Information and Support Centre provided printed information (posted within one day of request) and verbal telephone advice (given immediately). • Written information is presented in inclusive and positive language and plain English is always used. • Electronic information is available 24 hours a day 7 days a week via the Customs Internet site. • Internationally accepted directional signs are used at airports. • TTY facilities are available as required. • Assistance is available for people with disabilities who have difficulty completing forms. • Investigating officers dealing with people with disabilities use alternative methods of communication to ensure information is fully understood. • As part of the training of all new entry-level Customs staff, training is provided in assisting people with disabilities. Training focuses on understanding impairments, disabilities, language choices, stereotyping and interview processes.
Publicly available regulatory compliance reporting is available in accessible formats for people with disabilities.	As above.	<ul style="list-style-type: none"> • Annual Reports are available in hardcopy and on the Customs Internet site.

Figure 70: Commonwealth Disability Strategy – Provider role

Indicator	Measure	Performance
Providers have established mechanisms for quality improvement and assurance.	Evidence of quality improvement and assurance systems in place.	<ul style="list-style-type: none"> • Customs container examination facilities in Melbourne, Sydney, Brisbane and Fremantle have all received and maintained accreditation to the ISO9001:2000 standard. A recently opened facility in Adelaide is working towards accreditation late in 2005. • The Customs Business Planning and Performance Framework requires all work areas to ensure staff comply with the Customs Workplace Diversity Policy and APS Values and Code of Conduct.
Providers have an established service charter that specifies the roles of the provider and consumer and service standards that address accessibility for people with disabilities.	Established service charter that adequately reflects the needs of people with disabilities in operation.	<ul style="list-style-type: none"> • The client service charter commits Customs to aiming to make information services and documentation accessible for all clients regardless of disability, language or cultural difference. • Customs facilitates the movement of people with mobility limitations by allowing them to use crew processing lanes and providing head of queue status.
Complaints/grievance mechanisms, including access to external mechanisms, in place to address issues and concerns about performance.	Established complaints/grievance, including access to external mechanisms in operation.	<ul style="list-style-type: none"> • A general complaints and compliments system is available to all members of the public. Members of the public can also contact the Customs Information and Support Centre on 1300 363 263 during business hours. TTY facilities are available for this service. • An analysis of complaints received during 2004–05 indicates that there were no disability-related complaints.

Figure 71: Commonwealth Disability Strategy – Employer role

Indicator	Measure	Performance
Employment policies, procedures and practices comply with the <i>Disability Discrimination Act 1992</i> .	Number of employment policies, procedures and practices that meet the requirements of the <i>Disability Discrimination Act 1992</i> .	<ul style="list-style-type: none"> All employment policies and procedures meet the requirements of the <i>Disability Discrimination Act 1992</i>. Customs maintains an IT policy for people with disabilities.
Recruitment information for potential job applicants is available in accessible formats on request.	<p>Percentage of recruitment information requested and provided in:</p> <ul style="list-style-type: none"> accessible electronic formats accessible formats other than electronic. <p>Average time taken to provide accessible material in:</p> <ul style="list-style-type: none"> electronic format formats other than electronic. 	<ul style="list-style-type: none"> All recruitment information is available in hardcopy and electronically on the Customs Internet site. Hard copy application packs are dispatched by standard post within one day of receipt of the request. A phone number is provided for above base recruitment inquiries and selection documentation and a 1300 number is available for base level recruitment. Additionally, a Customs contact officer assists with job-specific queries. TTY facilities are also available. Customs application forms provide for applicants to indicate if they have a disability and require any special assistance to attend selection activities. Provision is made for these special needs where requested.
Agency recruiters and managers apply the principle of 'reasonable adjustment'.	Percentage of recruiters and managers provided with information on 'reasonable adjustment'.	<ul style="list-style-type: none"> Information on reasonable adjustment is available for managers and other staff on the Customs Intranet.
Training and development programs consider the needs of staff with disabilities.	Percentage of training and development programs that consider the needs of staff.	<ul style="list-style-type: none"> All training and development programs consider the needs of staff with disabilities. Training facilities exist to cater for staff with disabilities. A variety of training formats are provided with examinations flexibly tailored to meet participant requirements. Assessment processes take account of specific needs.

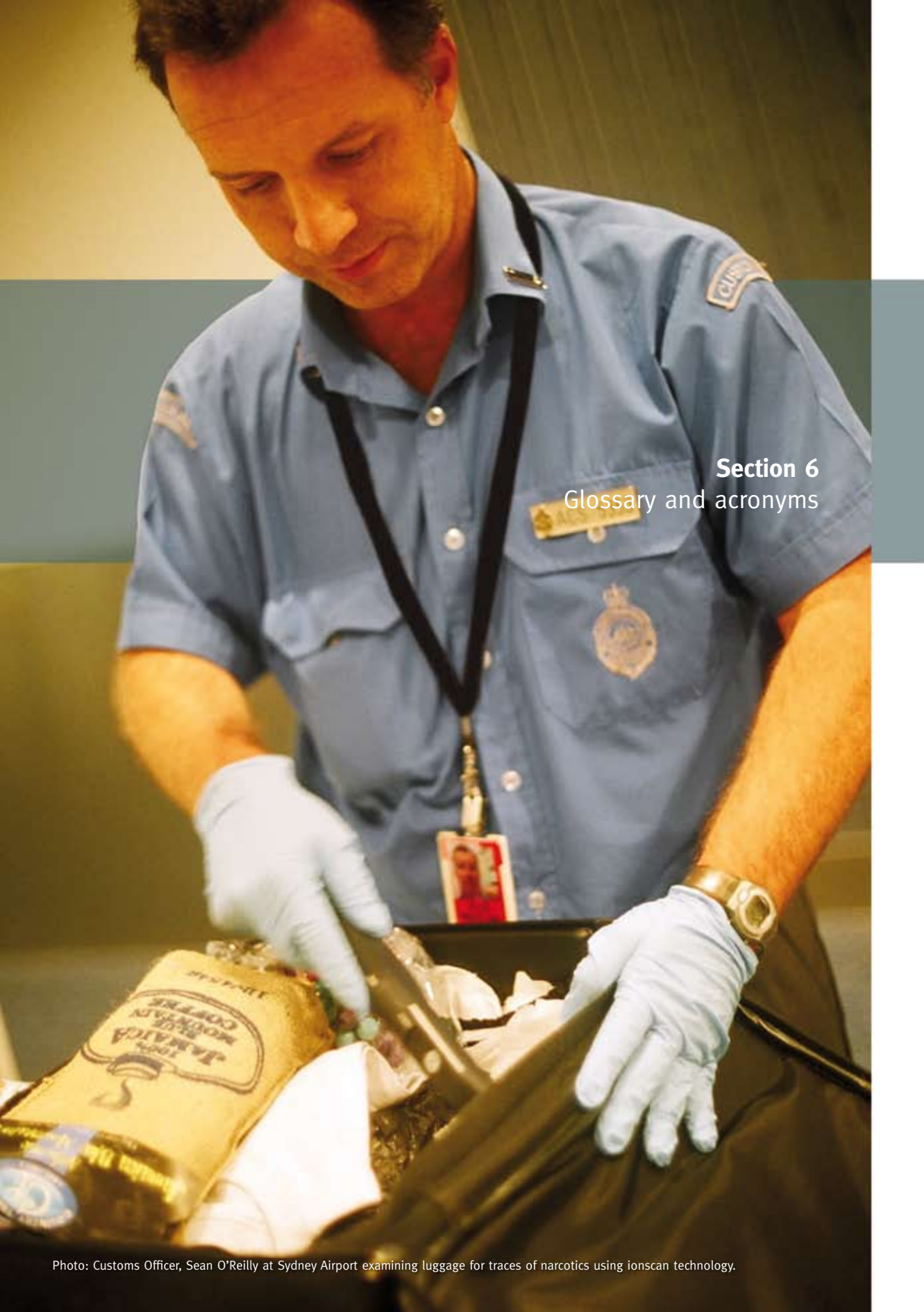
Figure 71: Commonwealth Disability Strategy – Employer role (continued)

Indicator	Measure	Performance
<p>Training and development programs include information on disability issues as they relate to the content of the program.</p>	<p>Percentage of training and development programs that include information on disability issues as they relate to the program.</p>	<ul style="list-style-type: none"> • All relevant training programs include material relating to people with disabilities. • The Customs Development Program provides a number of competency standards dealing with diversity, some of which focus explicitly on disability issues. • Customs is currently trialling a number of online training programs, several of which contain sections dealing with disability issues.
<p>Complaints/grievance mechanisms, including access to external mechanisms, in place to address issues and concerns raised by staff.</p>	<p>Established complaints/grievance mechanisms, including access to external mechanisms in operation.</p>	<ul style="list-style-type: none"> • All staff may access internal dispute resolution/review processes. Staff involved in these processes have access to assistance and information that considers disability issues. • Staff may also access external mechanisms including review by the Merit Protection Commissioner and lodging claims under anti-discrimination legislation to the Human Rights and Equal Opportunity Commissioner. • General information on workplace issues for people with disabilities is collected through biannual staff surveys. The performance assessment and feedback system is mandatory for all staff and encourages feedback on performance and development issues.

Appendix F – Correction of errors

Corrections for the 2003–04 Annual Report are as follows:

- Pages 3 and 15 of the 2003–04 Report refer to the *Financial Transactions Reports Act 1998*. This should have been the *Financial Transactions Reports Act 1988*.
- Figure 24 detailed the costs incurred in 2003–04 for the provision of passenger processing services. The amount for the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) of \$80.865m was actually the total for 2002–03, not 2003–04. The 2003–04 costs for DIMIA were not available at the time of publication. In April 2005, DIMIA reported that a double counting had been detected in the Activity Based Costing data for some process and activity costs and that the relevant DIMIA costs for 2003–04 was \$68.876m.



Section 6 Glossary and acronyms

Glossary and acronyms

AAT	Administrative Appeals Tribunal
ACCC	Australian Competition and Consumer Commission
ACIS	Automotive Competitiveness and Investments Scheme
ACV	Australian Customs Vessel
ADF	Australian Defence Force
EEZ	Australian Exclusive Economic Zone
AFIF	Australian Federation of International Forwarders
AFMA	Australian Fisheries Management Authority
AFP	Australian Federal Police
AGD	Attorney-General's Department
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
ANAO	Australian National Audit Office
APEC	Asia-Pacific Economic Cooperation
APS	Australian Public Service
AQIS	Australian Quarantine and Inspection Service
ASEAN	Association of Southeast Asian Nations
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
AUSFTA	Australia – United States Free Trade Agreement
AUSTRAC	Australian Transaction Reports and Analysis Centre
AWA	Australian Workplace Agreement
BAGS	Baggage Action General Statistics (system)
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CBFCA	Customs Brokers and Forwarders Council of Australia
CCTV	closed circuit television
CEF	container examination facility
CEO	Chief Executive Officer
CI&SC	Customs Information and Support Centre
CL	Customs Level (with reference to staff classifications)
CMR	Cargo Management Reengineering
CNCC	Customs National Consultative Committee
COMPILE	Customs Online Method of Preparing Invoices from Lodgeable Entries – the Customs business application for Customs and Excise entry preparation and processing
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Defence	Department of Defence
DFAT	Department of Foreign Affairs and Trade
DHEA	dehydroepiandrosterone—also known as prasterone, a performance-enhancing drug
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DITR	Department of Industry, Tourism and Resources
DoFA	Department of Finance and Administration
DOTARS	Department of Transport and Regional Services

duty forgone	Import duty that would have been collected if a concessional scheme had not been used and duty had been paid at the general tariff rate
ECP	entry control point—a designated point at an air or sea port, where international passengers are subject to Customs and immigration formalities or procedures, before legal entry into Australia
ecstasy	MDMA – 3,4-methylenedioxymethamphetamine
EDI	Electronic Data Interchange—an automated paperless system that permits transmission of invoices, purchase orders, and other business records, in a standard electronic format, between corporations, over a computer network.
EDIFICE	Electronic Data Interchange for Input of Customs Entries—the Customs business application for electronic funds transfer of import and excise duties payable
EDS	EDS Australia (information technology service provider)
EFS	Export Facilitation Scheme
EL	Executive Level
EXIT	Export Integration system—the Customs information system for processing export entries and manifests
FATF	Financial Action Task Force
FFV	foreign fishing vessel
FOB	free on board. The term defines the cost of the goods including any cartage costs, etc., incurred in placing goods on board a vessel at the place of export. The goods are placed on board a ship by the seller at a port of shipment named in the sales contract. The risk of loss or damage to the goods is transferred from the seller to the buyer when the goods pass the ship's rail. The customs value of imported goods includes all transport related costs incurred before the goods leave the place of export, which the purchaser must pay to the vendor as a condition of the transaction for the goods. In practice, this means that any costs for inland freight and inland insurance included in the vendor's invoice price for the goods, form part of the Customs value—provided these transport related costs are incurred before the goods leave the place of export in the country of exportation. (Refer: s154(1) <i>Customs Act 1901</i>)
FOI Act	<i>Freedom of Information Act 1982</i>
FTA	Free Trade Agreement
FTE	full-time equivalent
GST	goods and services tax
HDPE	high density polyethylene
HOCOLEA	Heads of Commonwealth Operational Law Enforcement Agencies
'ice'	methamphetamine
ICS	Integrated Cargo System
IGCD	Intergovernmental Committee on Drugs
IMO	International Maritime Organization
INTERCEPT	Information Network to Enhance Response, Control, Enforcement and Prevention Techniques system
lonscan	trace particle detector
IT	information technology

IUU	illegal, unregulated and unreported (fishing)
LCT	luxury car tax
LLDPE	linear low density polyethylene
MDMA	3,4-methylenedioxymethamphetamine—also known as ecstasy
NAIDOC	National Aboriginal and Islander Day Observance Committee
NCBLAC	National Customs Brokers Licensing Advisory Committee
NDARC	National Drug and Alcohol Research Centre
NDLERF	National Drug Law enforcement Research Fund
NICNAS	National Industrial Chemical Notification and Assessment Scheme
NPPC	National Passenger Processing Committee
OH&S	occupational health and safety
OCO	Oceania Customs Organisation
OECD	Organisation for Economic Cooperation and Development
PAF	performance assessment and feedback – performance review scheme
PIED	Performance and Image Enhancing Drug
PMC	Passenger Movement Charge – a charge placed on individuals leaving Australia
PM&C	Department of the Prime Minister and Cabinet
PVC	polyvinyl chloride
RAAF	Royal Australian Air Force
SES	Senior Executive Service
SIEV	suspect illegal entry vessel
SUNC	suspect unlawful non-citizen
TAFTA	Thailand-Australia Free Trade Agreement
TARCON	Tariff Concessions (system)
TAPIN	Tariff and Precedent Information Network—this system holds all details about the Customs import tariff, and also records details of all requests for Tariff Advice Notices
TEU	twenty-foot equivalent unit
TMRO	Trade Measures Review Officer
TRADEX	This scheme is administered by AusIndustry and allows importation without payment of duty or sales tax when the goods are intended for export
TRS	Tourist Refund Scheme
US	United States of America
WCO	World Customs Organization
WET	wine equalisation tax
WTO	World Trade Organization



Section 7
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Photo: Troy Parker at Mount Herbert, Millstream National Park, WA, observing the area for any signs of vehicles.

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