



Australian Government
Australian Customs Service



ANNUAL REPORT **2005-06**



Australian Government
Australian Customs Service



A week in the life of Customs

Each week on average

We ensure that Australia's borders are protected from unauthorised entry and the importation of prohibited items by:

clearing:

- more than 200 000 air passengers arriving in Australia on more than 1300 flights
- 220 ships arriving in Australian ports from overseas and board about 180 of them
- about 15 overseas small craft arriving at Australian ports
- 2.5 million letters and 315 000 parcels arriving from overseas

patrolling:

- airports, sea ports and mail centres using about 60 highly trained detector dog teams to detect and seize explosives and illicit drugs imports
- nearly four million square nautical miles through a combination of aerial surveillance and on sea patrols and more than 7 foreign fishing vessels apprehended by Customs or Defence surface assets

detecting or seizing:

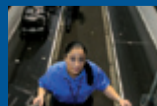
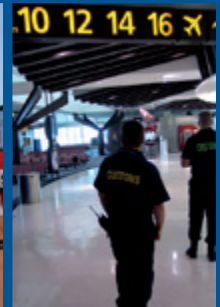
- numerous prohibited items including weapons, replica firearms, dangerous goods, protected wildlife, pornography and breaches of copyright
- about 100 illicit drug imports entering Australia including more than 20 performance and image enhancing drugs

We facilitate the legitimate import and export of goods, and collect revenue for the Australian government by:

clearing:

- approximately 24,000 export declarations valued at \$3 billion, 135 000 air cargo reports and 38 000 sea cargo manifest lines for imports valued at \$3.2 billion

For information on any Customs matters, contact the Customs Information and Support Centre on 1300 363 263 or email information@customs.gov.au or browse the website www.customs.gov.au.





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ANNUAL REPORT **2005-06**



Australian Government
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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 2006. 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*.

Sub-section 17(2) of the *Customs Administration Act 1985* requires you to present this Report to each House of Parliament within 15 sitting days of the day on which you receive this document. The guidelines referred to in sub-section 70(2) of the *Public Service Act 1999* require that this presentation occurs on or before 31 October 2006.

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

A handwritten signature in black ink, reading 'M Carmody'.

Michael Carmody
Chief Executive Officer

13 October 2006

Guide to the Annual Report

This report provides details of Customs operations and performance for the financial year ending 30 June 2006.

Its purpose is to inform the Parliament, stakeholders, education and research institutions, the media and the general public about Customs service performance. It is also a reference document for internal management and forms part of the historical record.

Structure of the Report

The Report is presented in a number of parts.

Part 1 – Overview introduces you to Customs with a review of our performance in 2005-06 by the Chief Executive Officer (CEO). The CEO outlines our role, major achievements, the challenges we faced and our plans for the future. This is followed by an overview of Customs role and functions, how we are structured, our priorities and authority.

Part 2 – Performance Reporting reviews Customs performance in relation to our Outcome and Outputs, as published in the 2005-06 Portfolio Budget Statement. This part focuses on whether we achieved what we set out to do.

Part 3 – Enabling Outputs provide an assessment of Customs management, accountability, governance, internal and external scrutiny, and how we manage our human resource.

Part 4 – Financial Statements provide information on Customs financial performance.

Contact and Internet details

Additional information, as well as an electronic copy of this report, is available on the Customs Internet site at www.customs.gov.au.

Inquiries can be directed to:

Customs Information and Support Centre

GPO Box 8, Sydney NSW 2001

Ph: 1300 363 263

TTY: 1800 804 061

Email: information@customs.gov.au

Annual Report contact officer

Director, Ministerial and Parliamentary
Ph: 02 6245 5402

Complaints and compliments

To make a complaint or offer a compliment on any Customs decision, procedure, product or service, members of the public may contact:

Ph: 1800 228 227 (freecall)

Email: comments@customs.gov.au

Supplementary information

The following documents provide further information on the activities and management of Customs:

- *Customs Plan 2005-2010*
- *Corporate Priorities 2005-06*
- *Strategic Statement 2006-07*
- *Client Service Charter*
- *Manifest* (Australian Customs Service journal)

These documents, with brochures and fact sheets detailing the activities of Customs, are available on the Internet at www.customs.gov.au or by calling the Customs Information and Support Centre on 1300 363 263.

Significant changes in functions or services of Customs

In 2005-06, Customs Output structure and performance measures were revised to improve reporting to Parliament by aligning pricing with functions and to better reflect the integrated nature of Customs activities.

Correction of errors

There were three errors in the 2004-05 Customs Annual Report:

- the ports listed in Figure 10 (page 37) include all proclaimed ports as well as facilities within Customs proclaimed port areas. Customs has 63 proclaimed mainland ports.
- the number of TEU (twenty-foot equivalent units) inspected and examined at the container examination facilities (CEFs) was incorrectly reported in Figure 9 (page 34). The number inspected was overstated by 154 TEU, which is 0.1 per cent of the total number of TEU inspected for the period. The number examined was understated by 73 TEU, which is 0.6 per cent of the total number of TEU examined. The correct figures are:

Performance indicators	2004-05
Number of TEU inspected (x-rayed) at CEFs	128 257
physically examined at CEFs	11 808

- Greenhouse gas emission figures for 2003-04 were incorrectly reported in EN8: Greenhouse gas emissions table (page 133). The correct figures are:

EN8: Greenhouse gas emissions	2003-04
Office – tenant light and power	
CO2/person/annum (tonnes)	3.18
CO2/m2/annum (tonnes)	0.12
Total CO2/annum (tonnes)	9 379.24
Office – central services	
CO2/m2/annum (tonnes)	0.10
Total CO2/annum (tonnes)	2 214.26
Other buildings	
CO2/m2/annum (tonnes)	0.06
Total CO2/annum (tonnes)	5 082.22
Passenger vehicles *	
Total CO2/annum (tonnes) – LPG	1.28
Total CO2/annum (tonnes) – Diesel	95.80
Total CO2/annum (tonnes) – Petrol	1 343.79
Total	18 116.59

* These figures cover leased vehicles only. Owned vehicles, vessels and leased aircraft are not included.

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PART 1 OVERVIEW



Review by the CEO

Our role

Customs is Australia's primary border protection agency.

For this purpose our border extends into Australia's Exclusive Economic Zone where we have a key role in addressing threats to our maritime environment.

We also collect border related duties and taxes. However, with the movement of Excise collection to the Australian Taxation Office in 1998 and the opening of our economy and advent of free trade agreements, that is a far diminished role. Our continuing collection responsibilities derive from the fact that payment of the relevant duty or tax is a condition for clearance of the goods. As a result, that collection can be efficiently integrated into the broader processes of clearing goods for entry into Australia.

In performing our role we work closely with a range of agencies, often exercising powers on their behalf, at other times working with them to complement each others capabilities and powers.

Together we are called on to provide a sense of security to the community, supporting the continuation of the Australian lifestyle.

However, as complex and as challenging as that is, it is not the end of the story. Just as the community looks to us to provide that sense of security, they have reasonable expectations about ease of travel and doing business. If our approaches to border protection unreasonably compromise those expectations we will lose the

community's support, and as a result, the ability to do our job. Facilitating movement of legitimate travellers and goods is therefore an essential part of our role.

Our responsibilities to the community are all the more important and challenging in today's environment.

2005-06 Performance

As revealed in the body of this Report, 2005-06 was a year of solid performance against targets set in the 2005-06 Portfolio Budget Statements.

However, there were significant difficulties with the implementation of the imports component of the Integrated Cargo System. These caused difficulties for some in industry and there were delays in the clearance of cargo, particularly at sea ports. There are things we could have done to make the implementation smoother and there are lessons for us in managing major systems developments. We have also made it clear we will meet appropriate compensation claims.

We commissioned Booz Allen Hamilton to review the Integrated Cargo System and consistent with their recommendations we are now working closely with industry to address their immediate concerns and to develop the future for trade facilitation. This work is based on the finding of the Review that the Integrated Cargo System and its modern architecture represents a sound base for further improvements.

This year saw growing community concerns about the threats posed by illegal foreign fishing in Australia's northern waters. In response, apprehensions were up substantially over previous years. In 2005-06 Customs and Navy apprehended 367 illegal foreign fishing vessels, an increase of 164 over 2004-05 and 233 over 2003-04.

From 1 November 2005, Customs assumed responsibility for receiving, processing and medically clearing apprehended foreign fishers prior to their transfer to Immigration detention facilities. Our success in implementing these responsibilities facilitated the improved apprehension rates.

The Government announced further measures to address illegal foreign fishing in the 2006 Budget. This included an additional \$197.4m over four years to further enhance our detection and apprehension capacity.

Comprehensive details of detections of illicit drugs and prohibited imports are contained in the body of the Report. The market dynamics for illicit drugs and precursor chemicals continue to evolve. These dynamics include the ongoing reduced level of heroin supply and the shift to synthetic drugs, often locally produced. The number of detections at the border were generally up while weights were generally down. We continue to work closely with the Australian Federal Police, the Australian Crime Commission and other law enforcement agencies to understand market changes and ensure appropriate responses at the border. We have to anticipate that those engaged in the importation of illicit drugs and precursor chemicals will be equally responsive to our interventions.

Customs was one of several government agencies that participated in a review conducted by Sir John Wheeler into airport security and policing. Following the Government's response to the Report's recommendations, we moved quickly to expand our Air Border Security Teams and enhance our closed circuit television coverage at major international airports.

We also assigned Customs officers to be members of the Joint Airport Investigation Teams. These teams are led by the Australian Federal Police and are focussed on providing a tactical response to serious and organised criminal threats to airports.

Passenger numbers at Australia's major international airports continue to grow and it is noteworthy that our trial of world-leading biometric technology for border processing, SmartGate, won the Prime Minister's Award for Excellence in Public Sector Management in 2005. An enhanced version of SmartGate will be progressively implemented, commencing in Brisbane in early 2007. Initially the service will be available to Australian e-Passport holders and will progressively be made available to holders of eligible passports from other countries.

Net duty collections of \$5b were in line with estimates.

Our budget was closely managed in achieving outcomes, with a small operating surplus of \$2.7m recorded for the year.

Trends shaping our approaches to border security

In looking at how we perform our role two key trends are evident. I expect these to continue to shape our approaches over coming years.

The first is that border protection can no longer be managed from within our borders.

Advance passenger and reservation information is currently used to pre-screen airline passengers.

Similarly, advance cargo information is provided prior to arrival at Australian ports. As a result, 80 per cent of containers are cleared by Customs either before arrival or on the day of arrival.

Increasingly the focus of Customs organisations around the world is moving to end-to-end supply chain management rather than management at the border. Our recent commitment to actively explore the development of an Authorised Economic Operator program is a step down this path.

We are also engaged in a number of capacity building exercises in our region to support the development of border activities in countries from which people and goods depart for Australia and elsewhere.

In addition, the 2006 Budget initiatives supporting increased apprehensions of illegal foreign fishers included additional officers from Customs, the Australian Federal Police and the Department of Agriculture, Fisheries and Forestry being deployed to Jakarta to work with Indonesian regulatory and enforcement agencies to address the problem.

The second trend shaping our future approaches flows from a recognition that the design and management of border protection and facilitation processes cannot be done separately.

Design choices on approaches to border security will invariably have differing impacts

on facilitation. The reverse is also true. A failure to recognise these risks unnecessarily compromising one or the other or necessitating costly retro-fits.

Recognising industry business models when developing possible border protection approaches is an essential first step. While not always possible, the optimal result is likely to be one where the border protection approaches can be embedded in industries business models and practices.

The difficulties associated with the implementation of the Integrated Cargo System can be traced in part to design choices that were beyond what industry was capable of delivering within existing industry models and practices.

Focus for the year ahead

Turning to the year ahead, it goes without saying that we are focussing on delivering across the spectrum of our border protection, facilitation and revenue commitments. In concert with that it is important that we maintain the community's confidence in the way we go about doing that.

That said, particular areas of focus are:

- working with the Australian Federal Police, the Australian Crime Commission and other law enforcement agencies to enhance our response to the threat posed by illicit drugs, particularly the shift to the use of methamphetamines
- enhancing our intelligence and targeting capabilities, including working co-operatively with other agencies
- providing leadership in delivering an enhanced whole-of-government response to illegal foreign fishing in Australia's northern waters
- working with industry to deliver material benefits to industry and Government from the implementation of the Integrated Cargo System
- improving the consistency and efficiency of our operations.

Retirement of Mr Lionel Woodward AO

Lionel Woodward retired as Customs CEO on 31 December 2005. Lionel was Customs Chief Executive Officer for more than a decade. He moved from his then role of Secretary of the Department of Veterans' Affairs in 1994 to successfully lead Customs through a period of major change in its role and responsibilities to the community.

Lionel was highly respected for his many achievements in Customs and the wider public service. He retired with the best wishes of his many colleagues and friends.

Michael Carmody
Chief Executive Officer



Front row from left to right: John Drury, Deputy CEO; Michael Carmody, CEO
Back row from left to right: Marion Grant, A/g Deputy CEO; John Jeffery, Deputy CEO

Snapshot of Customs

Role & functions

Customs role is to:

- manage the security and integrity of Australia's border
- facilitate the movement of legitimate travellers and goods across the border
- collect border related duties and taxes.

We work closely with other government and international agencies, in particular the Australian Federal Police (AFP), the Australian Quarantine and Inspection Service (AQIS), the Department of Immigration and Multicultural Affairs (DIMA) and the Department of Defence, to detect and deter unlawful movement of goods and people across the border.

The agency is a national organisation employing over 5,000 people in Australia and overseas, with its Central Office in Canberra. We have a fleet of ocean-going patrol vessels and contract two aerial surveillance providers for civil maritime surveillance and response. Protecting the Australian community through the interception of illegal drugs and firearms is a high priority of Customs. Sophisticated techniques are used to target and respond to high-risk aircraft, vessels, cargo, postal items and travellers. This includes intelligence analysis, computer-based analysis, detector dogs and various other technologies

Organisational structure

Mr Michael Carmody was appointed as the Chief Executive Officer of Customs on 1 January 2006.

Our organisational arrangements were altered in 2005-06. A new position of Deputy Chief Executive Officer (Trade Facilitation) was established to provide Senior Executive focus to deliver on the recommendations of the Booz Allen Hamilton review of the Customs Integrated Cargo System.

We are now organised into seven national divisions:

- Cargo and Trade
- Border Intelligence and Passengers
- Border Compliance and Enforcement
- Coastwatch
- Information and Office Technology
- Financial Services
- People and Place

Divisions are supported by:

- Planning and International Branch
- Customs Legal Unit
- Internal Affairs Unit

International support is provided through permanent representation at overseas posts in Bangkok, Beijing, Brussels, Jakarta, Tokyo and Washington.

The People and Place Division was established to develop and support the people of Customs. The new Division brings together the Staffing Branch, National Pay and Accounts Centre, ACT Corporate Services, Property and Corporate Communication. The organisational structure is illustrated in Figure 1.

The Border Intelligence and Passengers Development Branch was established to deliver technology programs and maintain effective governance, project management and quality assurance frameworks for the delivery of products and services for the Border Intelligence and Passengers Division.

We operate a matrix management system in which regional structures deliver services in States and Territories. A new district office was opened in Geelong in 2005-06. The locations of Customs offices in Australia is illustrated in Figure 2.

Customs also uses competitive tendering and contracting arrangements to supplement the core business skills. Major outsourced functions include Information Technology support, legal services, aerial surveillance for maritime threats, logistics arrangements for container examination facilities and internal audit. We also contract some recruitment and selection services.

Figure 1: Organisational structure as at 30 June 2006

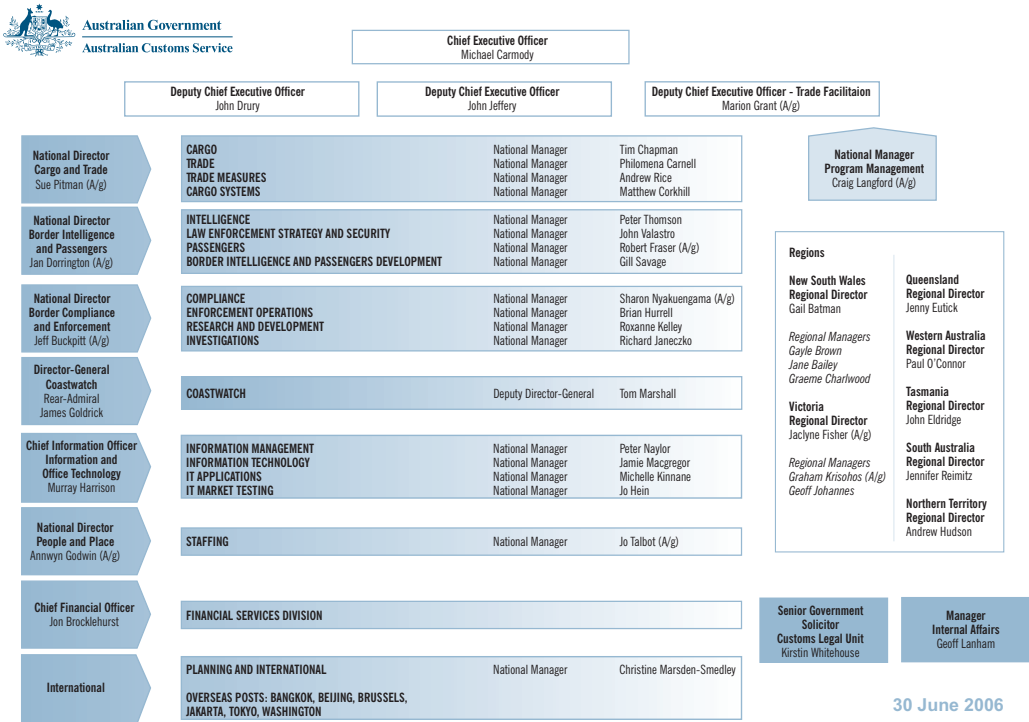


Figure 2: Locations of Customs offices in Australia



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 and has been in that position since.

Authority and power

Customs derives its authority principally 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 1901 and related legislation.

We also administer 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, reporting to 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.

Commonwealth legislation under which Customs has powers

Customs officers exercise powers under the following Acts and regulations:

- *Customs Act 1901*
- *Customs (Prohibited Exports) Regulations 1958*
- *Customs (Prohibited Imports) Regulations 1956*
- *Customs Regulations 1926*
- *Customs Tariff Act 1995*
- *Customs Tariff (Anti-Dumping) Act 1975*
- *Commerce (Trade Descriptions) Act 1905*
- *Commerce (Imports) Regulations 1940*
- *Passenger Movement Charge Act 1978.*

Other legislation under which Customs officers exercise powers includes:

- *Australian Postal Corporation Act 1989*
- *Passenger Movement Charge Collection Act 1978*
- *Copyright Act 1968*
- *Crimes Act 1914*
- *Customs Depot Licensing Charges Act 1997*
- *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*
- *Trade Marks Act 1995.*

Customs also collects charges and revenue under the following Acts:

- *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 Concessions System Validations) Act 1999*
- *Customs Undertakings (Penalties) Act 1981*
- *Import Processing Charges Act 1997*
- *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.

Outcome and Output structure

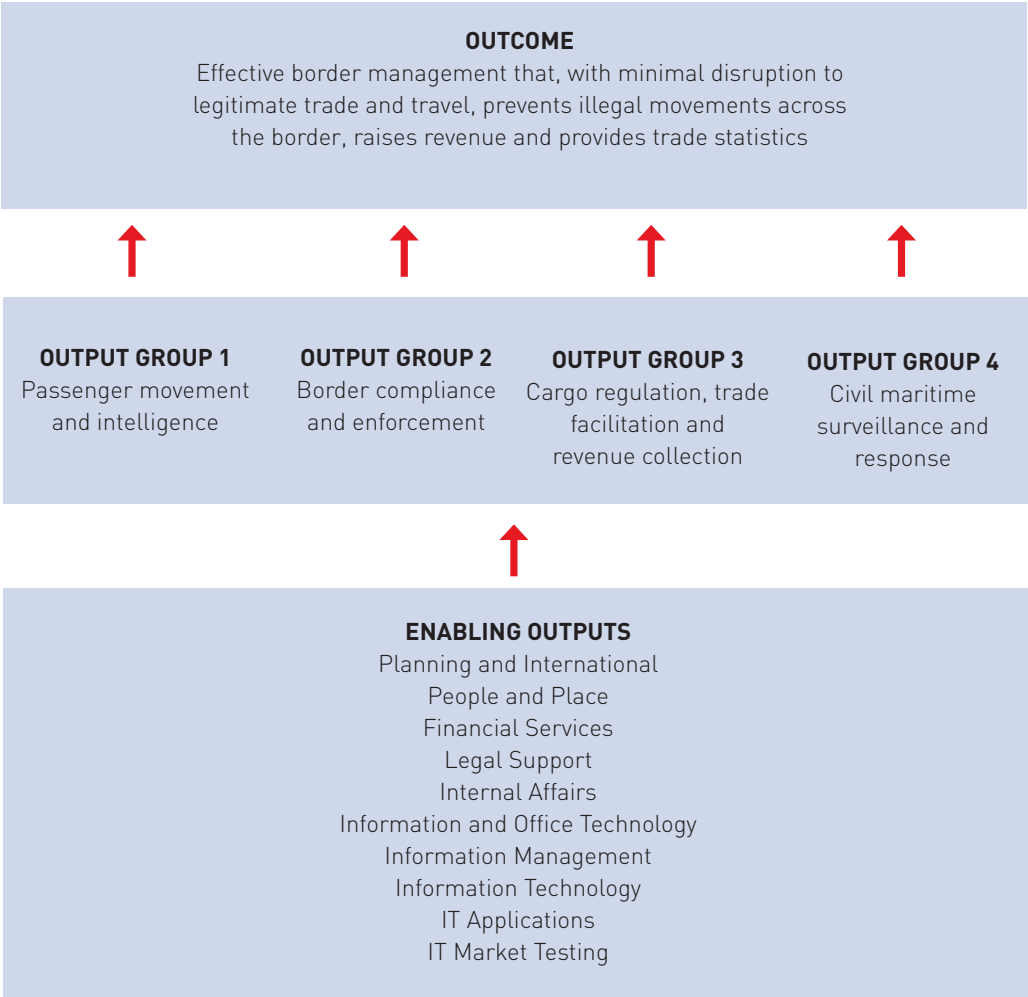
Customs Outcome and Output structure sets out what we have agreed to deliver to Government. Each year details of the structure are outlined in the Portfolio Budget Statements, along with relevant performance information. In 2005-06, Customs Output structure and performance measures were revised to improve reporting to Parliament by aligning pricing with functions and to better reflect the integrated nature of Customs activities.

Our Outcome describes the overall impact the Government expects from the operations

of Customs. Customs has four Outputs that generate the Outcome specified by Government.

While Customs Outcome and Output structure relates more to the business aspects of our work, we have enabling outputs that relate to the internal support we need to deliver these Outputs. The Enabling Outputs are Planning and International, People and Place, Financial Services, Legal Support, Internal Affairs, Information and Office Technology, Information Management, Information Technology, IT Applications and IT Market Testing.

Figure 3: 2005-06 Outcome and Output framework

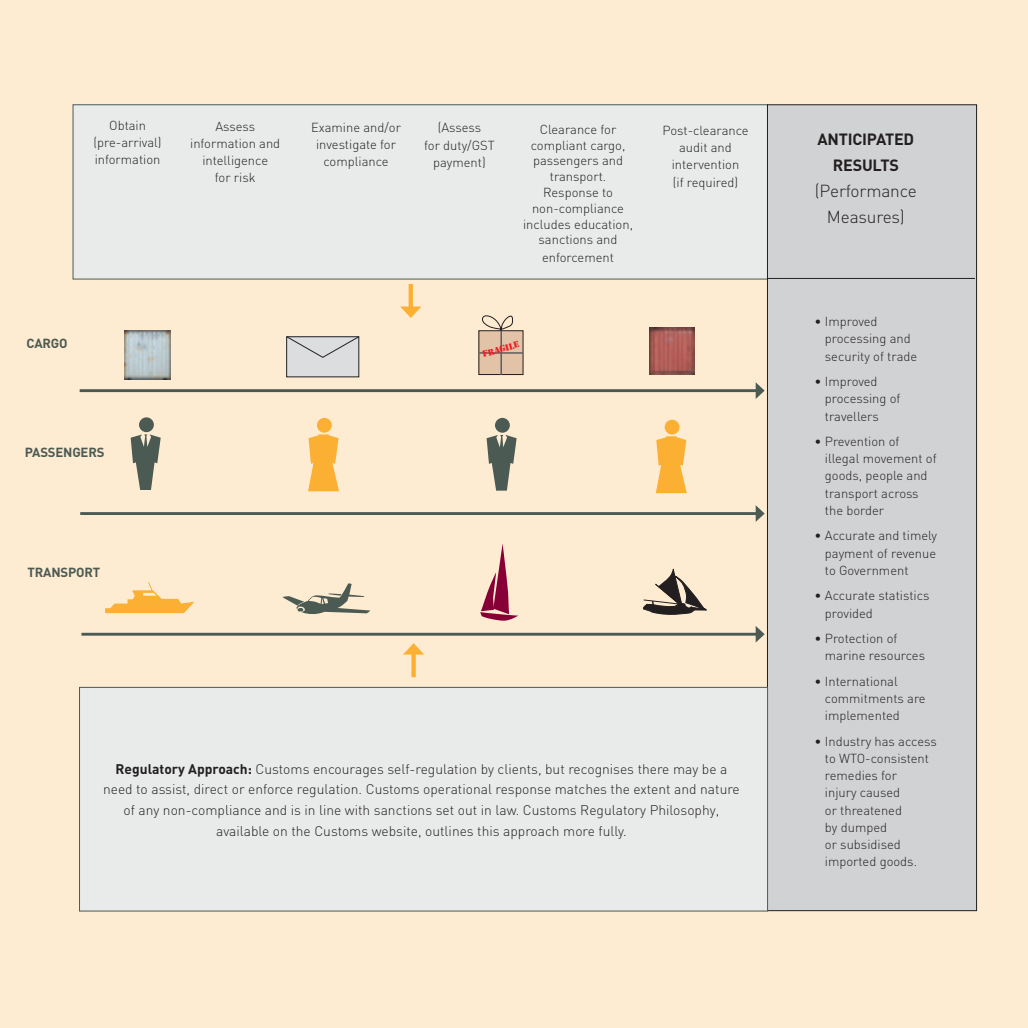


Key priorities

The Corporate Priorities Statement for 2005-06 outlined Customs key priorities for the year. The relationship between these Corporate Priorities and Customs Outputs is set out below:

Corporate Priorities	Output
Counter Terrorism <ul style="list-style-type: none"> • continue to implement security initiatives for physical and electronic screening of people and cargo, including identity verification, container and air cargo examination, mail examination, first-port boarding, biological and chemical agent screening and organisational security • maintain a strong focus on people smuggling, maritime surveillance and security, and the Joint Offshore Protection Command • minimise disruption to legitimate activity, where possible 	Output 1, 2, 3 and 4
Border protection / Improved quarantine intervention <ul style="list-style-type: none"> • detect prohibited and restricted goods, including illicit drugs and firearms • protect Australia's health and safety by working cooperatively with partner agencies involved in issues including immigration, quarantine, fisheries, police, aviation, industry, foreign affairs and trade, revenue collection, health and environment • continue to implement maritime, aviation and cargo security measures • meet passenger facilitation targets 	Output 1, 2, 3 and 4
Trade <ul style="list-style-type: none"> • deliver, implement and manage the transition to the system that supports the cargo management reengineering (CMR) project • implement Customs role in Free Trade Agreements and other trade negotiations • contribute to national and international efforts to develop supply chain security measures that will provide secure trade, and encourage Australian industry support for secure trade initiative 	Output 2 and 3 Enabling Outputs
Organisational performance <ul style="list-style-type: none"> • implement the Government's election commitments on time and meet stakeholder expectations for increased cooperation between government agencies • continuously improve organisational performance through responsible management of resources, including staff, finance, information technology, governance and corporate compliance to meet business objectives • participate in international commitments, including capacity-building initiatives that support Australia's national interest 	Output 1, 2, 3 and 4 Enabling Outputs
Revenue collection <ul style="list-style-type: none"> • meet revenue collection targets for customs duty and indirect taxes, administer industry schemes, and reduce revenue leakage 	Output 1, 2, 3 and Enabling Outputs

How Customs protects the border



OUTCOME - page 24

EFFECTIVE BORDER MANAGEMENT THAT, WITH MINIMAL DISRUPTION TO LEGITIMATE TRADE AND TRAVEL, PREVENTS ILLEGAL MOVEMENT ACROSS THE BORDER, RAISES REVENUE AND PROVIDES TRADE STATISTICS.

OUTPUT 1 - page 32

PASSENGER MOVEMENT
AND INTELLIGENCE

OUTPUT 2 - page 59

BORDER COMPLIANCE
AND ENFORCEMENT

OUTPUT 3 - page 87

CARGO REGULATION, TRADE FACILITATION
AND REVENUE COLLECTION

OUTPUT 4 - page 114

CIVIL MARITIME SURVEILLANCE
AND RESPONSE



PART 2

PERFORMANCE REPORTING

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.

Customs measures performance against the Outcome and four Output targets set in 2005-06 Portfolio Budget Statements and Additional Estimates Statements. Targets include quantity and quality performance

measures (for the Outputs) and effectiveness measures (for the Outcome).

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

Figure 4: Outcome performance against targets set in 2005-06 Portfolio Budget Statement

Effectiveness indicators	Measures	Target*	Actual
Minimum disruption to legitimate trade and travel			
Cargo facilitation	Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of finalisation of details	97%	ICS 99.9% COMPILE 99.4%
Passenger facilitation	National proportion of arriving international passengers processed through the entry control point within 30 minutes of joining the queue	95%	94.7%
Prevent illegal movement across the border			
Illicit drugs	Weight and number of drug detections by significance of offence	**	See figure 9
	Weight of drug detections by mode of importation	**	See figure 8
	Trends in the number and weight of drug detections	**	See figures 10 - 14
Other prohibited goods	Trends in the number of detections and/or seizures of other prohibited imports	**	See figure 16 and figure 23
Civil maritime surveillance	Undetected vessels subsequently found to have breached the Australian border	**	See figure 38
Raise revenue			
Revenue collection	Significant revenues collected (Including Customs Duty, GST collected and Passenger Movement Charge)	\$7 393 million (net of GST deferred)	\$7 535m [#]

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

In 2005-06 Customs:

- cleared 6.1m air cargo consignments and 2.0m sea cargo consignments (5.5m air cargo and 1.8m sea cargo in 2004-05)
- processed over 21.7m people through international airports and seaports (20.9m in 2004-05)
- achieved over 99 per cent proportion of electronically lodged declarations where an authority to deal is transmitted within 15 minutes of receipt of finalisation of details (99.4 per cent in 2004-05)
- achieved a 94.7 per cent proportion of arriving international passengers processed through the entry control point within 30 minutes of arrival (95.1 per cent in 2004-05)
- conducted over 4 300 surveillance flights over coastal and offshore areas, equating a total area of more than 142m square nautical miles (4 400 surveillance flights over an area of about 140m square nautical miles in 2004-05)
- seized 83kg cocaine (197kg of cocaine in 2004-05), 413kg of MDMA (ecstasy) (2 378kg of MDMA in 2004-05), 90kg of amphetamine-type stimulants (157kg of amphetamine type stimulants in 2004-05), 47kg of heroin (173kg of heroin in 2004-05) and 47kg of cannabis (4kg of cannabis in 2004-05)
- Collected customs duties amounting to over \$5b in 2005-06 (over \$5.6b in 2004-05). The reduction in collections reflects the impact of Free Trade Agreements with United States and Thailand and other tariff reductions. In addition, Customs administered \$1 738m of Government concessions including \$1 038m under the Tariff Concession Scheme (\$552m in 2004-05) and \$117m in duty drawbacks to industry (\$121m in 2004-05).

Funding for Outcomes and Outputs

The process 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 5). Approximately 74 per cent of Customs costs can be directly attributed to an Output. For the remaining 26 per cent, the costing model allocates overhead expenses to Outputs on a staff full-time equivalent (FTE) per Output basis as well as using IT usage and square metre drivers.

Resources allocated for the Outcome

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

	(1)	(2)	Variation	
	Budget*	Actual expenses	(column 2 minus column 1)	Budget**
	2005-06	2005-06		2006-07
	\$'000	\$'000	\$'000	\$'000
Administered Expenses	280	259	(21)	280
(including third party outputs)				
Total Administered Expenses	280	259	(21)	280
Price of Agency Outputs				
Output Group 1 – Passenger movement and intelligence	280 515	279 414	(1 100)	297 732
Output Group 2 – Border compliance and enforcement	397 055	391 106	(5 949)^	448 827
Output Group 3 – Cargo regulation, trade facilitation and revenue collection	111 430	118 801	7 372+	126 292
Output Group 4 – Civil maritime surveillance and response#	236 617	237 030	413	258 145
Total Price of Outputs***	1 025 616	1 026 351	735	1 130 996
Revenue from Government (appropriation) for Agency Outputs	833 902	827 267	(6 635)	934 589
Revenue from other sources	195 214	201 745	6 531	196 407
Total price from departmental outputs	1 029 116	1 029 012	(104)	1 130 996
Total Price of Outputs	1 025 896	1 026 610	714	1 131 276
TOTAL FOR OUTCOME 1	1 029 396	1 029 271	(125)	1 131 276
(Total Price of Outputs and Administered Expenses)				
			2005-06	2006-07
Average Staffing Level (Number)				
(full-time equivalents, including inoperatives)			5 160	5 297

* Full-year budget, including additional estimates.

** Budget as announced in the Portfolio Budget Statement.

*** 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.

^ The variation primarily relates to lower costs associated with the transportation of foreign fishers than had been budgeted for.

+ The variation primarily relates to an adjustment to Customs funding associated with the transportation and storage of firearms.

Portfolio Budget Statement

The total price of Outputs in the initial 2005-06 Portfolio Budget Statement was \$978.446m, including appropriation of \$783.265m and revenue from other sources of \$195.181m.

Customs was also appropriated an equity injection of \$16.452m in 2005-06. This included the provision of capital funds associated with initiatives such as Biological and Chemical Agent Screening and expansion of the closed circuit television networks on the waterfront and at airports.

Customs contribution to other agencies ¹

We provide a range of services to assist almost 100 Federal and State agencies to achieve their outcomes. The relationship between Customs services provided to key agencies and Customs Outputs are detailed below.

These services are normally governed by agency-to-agency Memorandums of

Portfolio Additional Estimate Statement

After Portfolio Additional Estimate hearings the total price of Outputs was revised to \$1025.616m, an increase of \$47.170m. This reflected an increase in funding for new Government initiatives relating to aviation security and illegal foreign fishing. Additional funding of \$3.500m was provided in the supplementary additional estimates for the testing, transportation and storage of firearms.

Understanding and Service Level Agreements which are periodically reviewed.

We also administer 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 and precursor material 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• provision of intelligence information• border enforcement training• provision of dogs and dog training in firearms and explosives detection• provision of forensic services.	Output 1,2 and 4
Australian Fisheries Management Authority	<ul style="list-style-type: none">• regulation of the import/export of certain fish products• civil maritime surveillance and response• provision of maritime enforcement training• apprehension and transportation of illegal foreign fishers.	Output 2,3 and 4
Australian Quarantine and Inspection Service (AQIS)	<ul style="list-style-type: none">• civil maritime surveillance and response• referral of animal or plant products prohibited under the <i>Quarantine Act 1908</i> detected during Customs inspection of ships, aircraft, passengers and international incoming mail• provide a single window for importers/exporters through an electronic system• access to Integrated Cargo System to identify goods of interest to AQIS.	Output 1,2,3 and 4

¹ Customs has included details of contribution from three State Government agencies, as examples of its support for State agencies. Customs receives support from all States.

Australian Taxation Office (ATO)	<ul style="list-style-type: none"> • administration of the Tourist Refund Scheme • administration of the collection activity of Customs duty and indirect taxes, for example the goods and services tax, the luxury car tax and the wine equalisation tax in relation to imported or exported goods • coordination of collection of indirect tax performance statistics • information as necessary and authorised by law and released under the Memorandum of Understanding between Customs and the ATO with particular reference to excise matters. 	Output 1,2 and 3
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 • provision of dogs and training in detection of firearms and explosives. 	Output 2,3 and 4
Department of Health and Ageing	<ul style="list-style-type: none"> • providing expertise and advice on National Drug Strategy policy in 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 • regulating the import and export of certain restricted biological material • regulating the movement of drugs and other substances • provision of information under the National Industrial Chemicals Notification and Assessment Scheme • participating in a trial of thermal scanning equipment at Cairns Airport in support of whole-of-government pandemic planning. 	Output 1,2 and 3
Department of Immigration and Multicultural Affairs	<ul style="list-style-type: none"> • clearance functions for passengers and crew at international airports and seaports • civil maritime surveillance and response. 	Output 1,2 and 4
Department of Foreign Affairs and Trade (DFAT)	<ul style="list-style-type: none"> • contribution to free trade agreement negotiations • support for the World Trade Organization (WTO) Doha Round negotiations, notably on trade facilitation, anti-dumping and countervailing issues • assist in the day to day management of overseas posts facilities • capacity building support to relevant border agencies in Asia-Pacific region to improve border control and related management in the region • assists with the distribution of 'safe travel' public information materials to Australians departing overseas • participation in DFAT-led regional counter-proliferation outreach activities. 	Output 1,2,3 and Enabling Outputs
Australian Agency for International Development (AusAID)	<ul style="list-style-type: none"> • provision of technical assistance and capacity building focused on Customs modernisation in countries such as Papua New Guinea (under the Enhanced Cooperation Program) and Tonga • provision of assistance to the Oceania Customs Organisation • engagement with Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC) nations such as Indonesia and Philippines • cooperation with AusAID in preparing country strategies as laid out in the White Paper on Australia's overseas aid program. 	Enabling Outputs

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 depleting substances, 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 foreign fishing and environmental information in the Southern Ocean • assistance in environmental protection in the Ashmore Reef National Nature Reserve • civil maritime surveillance and response • collection of the Product Stewardship for Oil levy on imported petroleum products. 	Output 1,2,3 and 4
Department of Transport and Regional Services	<ul style="list-style-type: none"> • prohibiting import of motor vehicles unless a valid Import Approval exists • provision of advice on the application of the <i>Customs Tariff Act 1995</i> • policing airport and port security • issuing Australian Security Identification Card and the Maritime Security Identification Card • development and implementation of a range of measures to enhance air cargo security • assistance to the Office of Transport Security. 	Output 1,2 and 3
Department of Industry, Tourism and Resources	<ul style="list-style-type: none"> • ensuring compliance with the TRADEX* scheme • providing input regarding the World Customs Organization (WCO) Harmonised System for Tariff Classification • implementation and administration of tariff-based industry assistance measures • administration of preferential duty rules • regulation of the import and export of uranium • regulating the export of rough diamonds under the Kimberley Process Certifications Scheme • administering the import provisions of the <i>Trade Marks Act 1995</i> and the <i>Olympic Insignia Protection Act 1987</i>. 	Output 2 and 3
Department of Conservation and Land Management (Western Australia)	<ul style="list-style-type: none"> • detection and prevention from export of illegally taken native flora and fauna. 	Output 1,2 and 3
Western Australia Department of Fisheries	<ul style="list-style-type: none"> • assist in the detection and apprehension of illegal foreign fishing vessels through Coastwatch surveillance and border controls in State waters • assist in the transport and processing of illegal foreign fishermen apprehended either aground or in State waters • participate in Sea Ranger pilot program with indigenous communities at One Arm Point in the Kimberley region • provide surveillance information to Western Australian Fisheries vessels on Federal taskings in the Kimberley area of operations. 	Output 2 and 4
Tasmania Police	<ul style="list-style-type: none"> • provision of detector dog for state based offences and activities • provision of intelligence information • provision of detection technology for State based offences and activities • contributing to the Police Expo. 	Output 1 and 2

* This scheme is administered by AusIndustry and allows importation without payment of duty or sales tax when the goods are intended for export

Other agencies contribution to Customs Outcome ²

Australian Federal Police	<ul style="list-style-type: none"> • investigation of Commonwealth offences • provision of intelligence information • training support for officers involved in surveillance operations • provision of operational support for joint or multi-agency operations • provision of forensic services • support in prosecutions for breaches of Prohibited Imports Regulations. 	Output 1,2 and 4
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 Southern Ocean Maritime Patrol and Response (SOMPR) with embarked fisheries officers. 	Output 2 and 4
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, and joint vessel patrols within Australian waters • referral of animal or plant products (prohibited under the <i>Environment Protection and Biodiversity Conservation Act 1999</i>), narcotics, dutiable items, undeclared currency and community protection items (including weapons) that are detected during quarantine inspection of ships, aircraft, passengers and international incoming mail • providing support to Customs in achieving their targets for examination of incoming air cargo consignments. 	Output 1,2,3 and 4
Australian Taxation Office (ATO)	<ul style="list-style-type: none"> • information as necessary and authorised by law and released under the Memorandum of Understanding between Customs and ATO with particular reference to 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. 	Output 2 and 3
Department of Defence	<ul style="list-style-type: none"> • resources in support of civil maritime surveillance and response • secondment of personnel to Coastwatch, the Joint Offshore Protection Command and SOMPR • 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 • logistic and training support for SOMPR. 	Output 2,3 and 4
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 • provision of advice to Customs to inform its position under the National Industrial Chemicals Notification and Assessment Scheme. 	Output 1,2 and 3
Department of Immigration and Multicultural Affairs	<ul style="list-style-type: none"> • immigration clearance training • decisions on passenger and crew entry clearance • expert document examination. 	Output 1,2 and 4
Department of Foreign Affairs and Trade	<ul style="list-style-type: none"> • advice on WTO aspects of Australia's anti-dumping and countervailing legislation • provision and management of overseas facilities for Customs representatives • security of overseas representatives at Australian missions • assists with coordination of overseas capacity building projects. 	Output 1, 2, 3 and Enabling Outputs

² Customs has included details of contribution from three State Government agencies, as examples of its support for State agencies. Customs receives support from all States.

Australian Agency for International Development	<ul style="list-style-type: none"> • provision of funding to Customs to enable Customs modernisation programs in Papua New Guinea (under the Enhanced Cooperation Program), Tonga and Indonesia. 	Enabling Outputs
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, dental support and infrastructure for SOMPR • policy advice on matters relating to the Commission for the Conservation of Antarctic Marine Living Resources for fisheries patrols. 	Output 1, 2, 3 and 4
Department of Transport and Regional Services	<ul style="list-style-type: none"> • provision of Vehicle Import Approvals • provision of advice on the application of the <i>Motor Vehicle Standards Act 1989</i> • contributing to the administration of the airport and port security framework • development and implementation of a range of measures to enhance air cargo security. 	Output 1,2 and 3
Department of Industry, Tourism and Resources (DITR)	<ul style="list-style-type: none"> • provision of advice on the application of the TRADEX scheme • provision of advice on Australia's trade interests to assist in developing Australian Customs position on international trade issues under the WCO Harmonised Trade System (HS) • provision of advice on amendments to rules of origin under Australia's free trade agreements arising out of changes to the HS and out of agreed changes to the agreements • facilitation of various legislative reforms and amendments, including changes to item 31 and 71 duty concession by-laws, and changes to the <i>Customs Act 1901</i> to allow for importation by pipeline • provision of advice on anti-dumping matters, particularly in 2006-07 concerning issues relating to the administration of the anti-dumping system as part of the joint Customs-DITR study • provision of policy advice on country of origin labelling requirements and other trade descriptions under the <i>Commerce (Trade Descriptions) Act 1905</i> • provision of policy advice on the <i>Trade Marks Act 1995</i> and the <i>Olympic Insignia Protection Act. 1987</i>. 	Output 2 and 3
Department of Environment and Conservation (Western Australia)	<ul style="list-style-type: none"> • provide information and support to Customs operations relating to the import of exotic animals and export of illegal native flora and fauna. 	Output 1,2 and 3
Western Australia (WA) Department of Fisheries	<ul style="list-style-type: none"> • assist in detection and apprehension of illegal foreign fishing vessels through the reporting of information gathered by WA Fisheries Officers whilst undertaking compliance patrols, and resulting from any subsequent investigations into, or court proceedings initiated against illegal foreign fishers for potential breaches of WA Fisheries legislation • provide ongoing assistance to enhance border security throughout the Kimberley region. This is demonstrated through: <ul style="list-style-type: none"> - assistance in detection and apprehension of illegal foreign fishing vessels through the reporting of information gathered by WA Fisheries Officers whilst undertaking compliance patrols in the Kimberley region - the initiation and delivery of 'Operation Pandanus' - a compliance operation involving WA Fisheries Officers and members of the Bardi Aboriginal community working closely with Customs to undertake a range of compliance activities both at-sea and on-land in areas frequented by illegal foreign fishers - provide information to Coastwatch to assist with illegal foreign fishing vessel taskings in the Kimberley area of operations. 	Output 2 and 4

Output 1

Passenger movement and intelligence

This Output covers:

- the processing of passengers, crew and aircraft arriving and departing Australia
- the risk assessment of passengers, crew, baggage, craft, cargo and mail
- intelligence and targeting activities for the identification of people and goods
- law enforcement strategy and security.
- of interest consistent with Customs, immigration, health, family law and other law enforcement and national security requirements

Summary of key operational objectives and achievements for 2005-06

Objective	Achievement
Implement Government decisions arising from the reviews of aviation and maritime security	Implemented Customs specific outcomes of the Wheeler Report as they relate to the aviation environment, including significantly enhanced Air Border Security and closed circuit television (CCTV) capability and Customs contribution to new aviation intelligence arrangements
Support the introduction of the Integrated Cargo System (ICS), with particular reference to new cargo risk assessment processes	Supported the introduction of ICS by delivering training, technical advice and supporting IT systems to ensure the identification of high risk cargo
Design new business processes and develop the use of biometrics for an automated border processing system to deal with increasing passenger numbers	Completed the SmartGate trial and established an interim solution for enrolled users and Australian e-passport holders at Sydney and Melbourne airports. Commenced development of SmartGate Series 1
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	Established and chaired the Inter-Departmental Passenger Facilitation Taskforce
Implement business change for passenger enforcement operations to support the introduction of enhanced passenger assessment tools	Increased access to flight and passenger information held in airline computer reservation and departure control systems from 85 per cent in 2004-05 to 95 per cent of passengers arriving into Australia in 2005-06 Delivered improved passenger analysis capability Delivered improved electronic examination capability to assist in the identification of material depicting child abuse
Develop measures to facilitate trans-Tasman travel	Introduced new combined queuing arrangements for arriving Australian and New Zealand passport holders
Introduce legislation to improve the sanction regime in the passenger environment	<i>Customs Legislation Amendment (Modernising Import Controls and Other Measures) Bill 2006</i> introduced to Parliament in June 2006

Objective	Achievement
Coordinate Customs national counter terrorism strategy	<p>Engaged in a number of national and international exercises testing Customs counter terrorism capabilities, processes and equipment, including Mercury 05</p> <p>Enhanced and maintained a Customs counter-terrorism coordinators network</p> <p>Delivered a range of counter terrorism related products to regions and external stakeholders</p>
Contribute to and influence the whole-of-government emergency management response, particularly with respect to pandemic preparedness	Participated in forums aimed at testing Australia's preparedness to combat a human health pandemic
Build closer relationships with domestic and international law enforcement and emergency response partners	<p>Built formal networks with a number of Commonwealth agencies and departments to deal with matters involving national security, law enforcement and emergency response issues</p> <p>Progressed Customs responsibilities as the Competent National Authority for the Oceania region under Project PRISM (Precursors Required In Synthetic Manufacture) and hosting a PRISM Taskforce meeting in Sydney</p> <p>Completed several annexes on different subjects to foster inter-agency cooperation for the Australian Federal Police – Customs Memorandum of Understanding</p>
Secure a mechanism for future provision of Tourist Refund Scheme payment services	Secured payment services provider for the Tourist Refund Scheme for a further two years, commencing February 2006
Actively contribute to the national law enforcement agenda	Contributed to the whole-of-government response against illicit drugs, identity fraud, money laundering and corruption

Performance against targets

Figure 6: Performance against targets set in the 2005-06 Portfolio Budget Statement–Output 1

Quality/quantity performance measures	Target*	Actual
Passenger movement and intelligence		
<i>Quality</i>		
Proportion of arriving international air passengers processed through the Entry Control Point within 30 minutes	95%	94.7%
Number of air passenger referrals to Immigration and Health	Immigration **	252 135
	Health **	4 813
Customs staff and contractors are security cleared	100%	100%
<i>Quantity</i>		
Number of international passengers (air and sea)	Arrivals 11 050 000	10 923 453
	Departures 11 030 000	10 742 052
Number of international crew (air and sea)	Arrivals 918 500	941 837
	Departures 918 500	932 210
Price	\$280.5m	\$279.4m

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

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

Facilitation of the legitimate movement of people across the border

The 2005-06 year saw a continuation of the significant growth in passenger numbers experienced in 2004-05. Record numbers of passengers, in excess of a million per month, were processed outwards in December 2005 and inwards in July 2005 and January 2006. The number of passengers processed on the busiest days during the year exceeded previous records set during the 2000 Sydney Olympics.

Throughout 2005-06, we continued to review our policies and processes to ensure client service levels were maintained despite increasing numbers of passengers.

Air passenger facilitation rates

A total of 21.3m international air passengers were processed in 2005-06, compared with 20.7 million in 2004-05. The increase of 3.1 per cent reflects an increase in the international aviation industry and tourism market.

Customs has an agreed Government standard processing target that requires 95 per cent of incoming air passengers to be processed within 30 minutes of arrival. We achieved this target.

Challenges in maintaining processing rates in 2005-06 included:

- record passenger numbers, in particular in July, August and September where passenger numbers increased between eight and 9.8 per cent compared with the same months in the previous year. Increases in the vicinity of 6.8 and 7.3 per cent were also experienced in outwards processing in these months. While the volume of arriving passengers during December, January and February periods increased by only 1.5 to 2.6 per cent and by 0.1 to 1.6 per cent for departing passengers, the sheer volume of passengers, in excess of 5.6 million inwards and outwards during these months, impacted on facilitation rates
- record passenger numbers during the year placed significant strain on the infrastructure of many airports
- airport infrastructure works in preparation for the new A380 aircraft
- off schedule arrival of aircraft, particularly during peak hours.

We will be undertaking a Review of passengers functions at international airports to assess our current service delivery in the passengers environment. A request for Tender (RFT) was issued in June 2006. The successful tenderer is anticipated to commence on 25 August 2006 with completion expected on 25 November 2006.

CASE STUDY – COMMONWEALTH GAMES, MELBOURNE 2006

The 18th Commonwealth Games (M2006) were held in Melbourne, Victoria from 15-26 March 2006.

Approximately 8,000 Games family members and VIP's were facilitated through Australian airports, with the majority of this workload experienced

at Melbourne Airport. Arriving Games passengers were estimated to be carrying over double the accompanied baggage of normal international passengers, adding to the baggage screening and examination workload.

Effective planning and flexible operational deployment resulted in extremely efficient and widely praised services. Service standards were exceeded at all times during the M2006 period. Customs

officers were deployed to work on-site at the Athletes Village and other competition venues.

Additional staffing resources were deployed at Melbourne Airport including interstate staff. Expansion of the Customs Control Room and closed circuit television (CCTV) facilities supported airport enforcement capability. A new dynamic signage system was utilised for Customs directional and regulatory signage and the display of M2006 video highlights package welcoming Games family members increased traveller awareness of the Games.

Pre-Games training for Customs staff included additional firearms handling accreditation to ensure sufficient staff were available to deal with firearms imports and exports. Other training included trace detection technology, additional immigration training, refresher training for other regional staff and enforcement training to improve flexibility for the greater numbers of international

traveller movements expected. Additional cargo examinations resources were delivered to focus on Games related imports, as was the rostering of additional client service positions to facilitate the high volume of competition firearms

Maritime enforcement operations were a particular focus during the Games and included the deployment of marine assets, the debut of the new tactical response vessel, deployment of armed officers to support higher risk waterfront response and cooperative working arrangements with Victoria Water Police Division and Department of Defence personnel in the waterfront environment.

Customs achieved excellent service delivery relating to all functions performed during the Games period and in doing so contributed towards the Australian Government's participation in the successful staging of the M2006 Commonwealth Games.



Team 7 at Melbourne Airport, showing off the new running track surface.

Implementation of major Government initiatives

SmartGate

SmartGate is an automated border processing system that provides the capability for travellers holding an eligible e-passport (passports containing microchips) to self-process through passport control. It utilises face recognition technology to undertake the face-to-passport check. The focus for the program is on implementing a full version of SmartGate, known as SmartGate Series 1, for incoming travellers.

SmartGate Series 1 will be progressively implemented, commencing in Brisbane in

early 2007. Initially the service will be available to Australian e-passport holders and will progressively be made available to holders of eligible passports from other countries.

Significant work has been undertaken to clearly define the current and potential future business requirements through to 2009. Our strategic partner, Sagem Australasia, has commenced design of the new system and at the close of the 2005-06 financial year SmartGate Series 1 is on track to go-live at Brisbane Airport in February 2007.

CASE STUDY – SMARTGATE WINS PM'S AWARD FOR EXCELLENCE

Customs trial of world-leading biometric technology for border processing, SmartGate, won the Prime Minister's Award for Excellence in Public Sector Management in 2005.

The SmartGate trial was judged to be an excellent example of innovation and achievement in product development and the delivery of services. It demonstrated commitment to and achievement of improved client satisfaction through high standards of planning, governance, leadership and change management arrangements.



Back row left to right: Audi Miniotas, Peter Siomos, Ellen Brophy, Joanne Churchill, Lionel Woodward (previous CEO), Gail Batman, Kim Marshall, Jacqueline Lee. **Front row left to right:** Timothy Pullyblank, Karel Jenicek, Mark Collidge, Randal Kennard, Tim Chapman, James Ord-Hume, Ole Andersen.

The SmartGate trial successfully delivered upon its objectives, within a strict project governance framework that ensured all project milestones were delivered on time and within budget.

The Traveller Strategies team launched the trial with Qantas international crew in November 2002 at Sydney International Airport. In 2004 it was installed at Melbourne International Airport and Qantas Premium Frequent Flyers were invited to enrol. Over 10 000 trial users conducted in excess of 295 000 transactions during the trial period. The trial ended on 30 June 2005.

On the strength of this successful trial, in the 2004-05 Budget the Government pledged \$61.7 million over four years towards the phased introduction of biometric technology to improve identity management for border processing at Australia's major international airports.

A full version of SmartGate, known as SmartGate Series 1, will be implemented for incoming travellers.

SmartGate Series 1 will be progressively implemented, commencing in Brisbane in early 2007. Initially the service will be available to Australian e-passport

holders and will progressively be made available to holders of eligible passports from other countries.

In the meantime an Interim Solution has been put in place in Sydney and Melbourne International Airports. Two SmartGates (one in each location) have been upgraded to enable Australian Passport holders to commence self-processing. Customs is also allowing trial participants to continue to self-process using the prototype SmartGate. The Interim Solution will remain in place until SmartGate Series 1 goes live at Sydney and Melbourne.

Customs continues to undertake work to clearly define the current and potential future business requirements through to 2009.



SmartGate Kiosk in Sydney Airport

Aviation security

Customs was one of several government agencies that participated in a review conducted by Sir John Wheeler. The review's final report tabled in September 2005, *An Independent Review of Airport Security and Policing for the Government of Australia* (the Wheeler Report), made recommendations about improving law enforcement's capacity to respond to the threat from serious and organised crime at airports, focusing on the integration of ground-based security and law enforcement arrangements.

In response to the Wheeler Report the Government announced a range of measures to address the 17 recommendations made in the report. A number of the measures related to Customs functions including:

- enhanced Air Border Security teams
- the formation of Joint Airport Investigation Teams (JAITS)
- enhance monitoring and inspection of export air cargo
- the formation of Joint Aviation Intelligence Groups (JAIGs)
- upgraded CCTV coverage and capability
- increased airside inspection regime
- improved information sharing with the private sector on security issues
- Customs officers to be given law enforcement type powers under the *Aviation Transport Security Act 2004*.

We established Air Border Security teams at each of the eight major international airports by November 2005 to increase border security, particularly in the air-side environment.

JAITS are led by the Australian Federal Police (AFP) and have been established at Sydney, Melbourne, Brisbane, Adelaide and Perth airports. Each JAIT include two Customs officers who provide investigative and intelligence support to their colleagues from the AFP and State or Territory police. JAITS focus provide a tactical response to serious and organised criminal threats to airports.

We will also provide intelligence analysts to JAIGs which will be established at the 11 Counter Terrorism First Response airports (Sydney, Brisbane, Melbourne, Adelaide, Perth, Cairns, Canberra, Darwin, Hobart, Coolangatta and Alice Springs). JAIGs have been funded from July 2006.

JAIGs focus will be on analysing and identifying threats to the airport environment posed by serious and organised crime. In addition to Customs, JAIGs will include officers from the AFP, State or Territory police and will add, as needed, officers from the Department of Transport and Regional Services (DOTARS), the Department of Immigration and Multicultural Affairs (DIMA), the Australian Crime Commission (ACC), the Australian Quarantine and Inspection Service (AQIS) and the Australian Security Intelligence Organisation (ASIO).

Customs CCTV coverage and capability was upgraded at all major airports resulting in increased airside and terminal CCTV coverage and upgraded digital recording capability.

We continue to work closely with the DOTARS, AFP and Attorney-General's Department in the development of legislation and policy related to the Wheeler report.

CASE STUDY – IMPROVING AIRPORT SECURITY FOR PASSENGERS

The Australian Government has implemented a range of initiatives to increase airport policing and security, following recommendations made in the Wheeler Report conducted in 2005. Customs is one of a number of Commonwealth agencies allocated increased responsibilities. These responsibilities include increased air-side Customs border patrols, upgrade of Customs closed circuit television (CCTV) capabilities, strengthened air cargo security and participation in Joint Airport Investigation Teams (JAITS).

Customs uses Air Border Security officers at international airports, with Sydney Airport being a prime example of the role of these officers. At Sydney airport, Customs now maintains a physical presence at the airport 24 hours a day, seven days a week.

Air Border Security operational activities include:

- boarding and searching aircraft

- targeted search of selected aircraft with drug detector dogs
- foot and vehicle patrols of tarmac and airside basement areas
- patrol of outwards transit areas and inwards aerobridges
- conducting surveillance through use of CCTV
- baggage control exercise to ensure baggage reaches designated points without interference.

Since expanding to a 24 hours a day 7 days per week roster, Air Border Security officers at Sydney have located a large amount of cash in crew baggage destined for overseas, cleared passengers arriving on medi-vac flights, assisted in seizure of liquid methamphetamine in the transit lounge and detected a concealment of cocaine on a crew member arriving into Australia. The officers also have lighter moments, such as their location of a fur seal soaking up the sun on the tarmac. Zoo rangers were advised and sought to capture the seal but it preferred its freedom and returned to the coastal waters of Botany Bay beside the airport.



Air Border Security officers inspecting an aircraft in Sydney Airport

Fraudulent Travel Document Detection System (FTDDS)

We continued to work closely with DIMA to improve clearance processes throughout the year. The FTDDS, which was announced by the Government in response to the terrorist attacks in Bali in 2002 and became fully operational in December 2003, was one such area. As a result of a significant increase internationally in e-Passports, DIMA and Customs in concert with the FTDDS software provider, made a number of production updates to minimise the number of passengers being referred from the Entry Control Point for further assessment.

Maritime crew visa and movements

In December 2005, the Government announced the introduction of a new Maritime Crew Visa for foreign sea crew on non-military ships entering Australia. The new visa is scheduled to take effect from July 2007.

DIMA and Customs are working together with operational areas to define the necessary business solution for this change. The introduction of this visa will also require system development work to enable these operational requirements to be met.

Overseas border cooperation

We provided intelligence training to Customs staff from Indonesia and Japan. The Indonesia course was part of the Special Travel Security Fund initiative and aimed at developing their capacity to deliver intelligence training.

Improving border control in the Sulu and Celebes Seas region program

This Overseas Border Cooperation project is part of a cross-portfolio, Department of Foreign Affairs and Trade (DFAT)-led Regional Counter Terrorism Initiative. Customs is funded to work with selected regional countries to improve border controls. The Customs component is focused on borders in the Sulu and Celebes Seas tri-border area.

Our regional work is performed in close consultation with agencies such as AFP, DIMA, DOTARS and the Department of Defence. We also work with other overseas agencies to enable a coordinated outcome.

Initial work undertaken in the program has resulted in Customs successful engagement with counterpart border agencies and other participants in Indonesia, the Philippines and Malaysia. This will be extended to Thailand following additional funding in the May 2006 Budget.

CASE STUDY – WORKING WITH NEIGHBOURS TO COUNTER TERRORISM

Customs established an Overseas Border Cooperation section in July 2005 to implement components of the Regional Counter Terrorism Initiative, a cross portfolio initiative led by the Department of Foreign Affairs and Trade. Under this initiative, Customs received \$4.1m over four years in the 2005-06 budget to improve border control in countries within the Sulu and Celebes Seas area, namely the Philippines, Malaysia and Indonesia.

Customs has already hosted delegations from border agencies of the Philippines, Indonesia and Malaysia to observe Australian border activities and processes in order to identify potential capacity building projects.

Initial activity focussed on Indonesia, where Customs made progress

developing relationships in the province of Sulawesi. Opportunities for assistance were identified in the ports of Manado and Bitung for border control training, community based remote area reporting and piloting of basic border technologies. In addition, Customs delivered training in the identification and handling of precursor chemicals and explosives to Indonesian Customs officers in Jakarta.

Customs has established relationships with the Philippines and Malaysia for similar training to representatives from the Philippines Coastguard, Philippines Bureau of Customs, Royal Malaysian Coastguard and Royal Malaysian Police (Marine). Other projects identified for assistance include ship search training programs, provision of technology to improve border security and facilitating the conducting of border agency desktop exercises.



Participants at the Precursor Chemical Training course held in Indonesia, August 2005

Operational performance and improvement initiatives

Improving airport flow

To assist in the processing of departing passengers, Customs trialled an intermittent employee scheme in Sydney and Adelaide during 2005-06. The intermittent employees were rostered to process departing passengers during the morning and afternoon peak clearance times. This trial is still in the process of being evaluated.

Central to our enforcement methodology in the passenger environment is the role of enforcement officers at airports. These officers use the information derived from pre-arrival analysis together with skills in passenger assessment, which incorporates visual, behavioural and linguistic analysis techniques, to assess the *bona fides* of passengers. During 2005-06 passenger enforcement officers assessed 6.3 per cent of arriving passengers (down from 7.4 per cent in 2004-05), with 1.4 per cent (up from 1.3 per cent in 2004-05) being subsequently referred for further examination.

Customs also enhanced its examination capabilities through the deployment of new detection technology, including an improved electronic examination capability aimed primarily at the detection of material depicting child abuse.

The Australian Tourism Commission predicts further increases in passenger numbers with an annual average increase of approximately five per cent. In order to meet this on-going increase in passengers

within the existing infrastructure provided by airport corporations, a whole-of-airport approach to the clearance of passengers is required. To this end, Customs is chairing an Inter-Departmental Passenger Facilitation Taskforce, in consultation with industry, to assess short, medium and long-term strategies for ensuring the efficient clearance of passengers.

Cruise vessel passengers

Customs has investigated methods to improve national consistency of practice for the clearance of international cruise vessel passengers. Communication practices between regional offices have been strengthened. We have sought opportunities to develop a better understanding of the international cruise vessel environment and focused on improving industry's understanding of our requirements. A number of options have been developed to implement new legislation for the advance reporting of departing passengers. These measures will be jointly developed between the cruise vessel industry and Customs. The new provisions will improve the efficiency of cruise vessel processing at the departure point.

Tourist Refund Scheme (TRS)

We signed a two year contract for payment provision services for the TRS. The back office payment function for TRS is outsourced and the new contract ensures a seamless delivery of TRS services to the public. An Inter-Departmental Committee on Tourist Shopping is currently examining alternative models for delivery.

Figure 7: Summary of Tourist Refund Scheme claims

	2003-04	2004-05	2005-06
Number of claims made	389 266	433 214	441 284
Percentage of claims approved for payment	96.6%	96.5%	96.0%
Amount of GST/WET refunded	\$46.9m	\$49.8m	\$52.5m
Credit card & Australian bank account refunds processed within five business days	99.0%	99.4%	99.0%
Cheque refunds posted within 15 business days	97.6%	98.4%	100%
Australian retailer participation	18 300	19 230	19 716
Number of complaints received and processed	149	202	171

Risk assessment and intelligence

Pre-arrival screening of passengers

We continue to develop our pre-arrival passenger analysis capabilities using information accessed directly from airline reservation and departure control systems and advanced passenger information received through DIMA.

We increased pre-arrival screening activities using sophisticated profiling and analysis systems. Access to airline departure control and reservation systems was expanded to cover 32 airlines, providing Customs with coverage of 95 per cent of arriving passengers. We also significantly enhanced our advanced passenger movement analysis capability.

Airlines operating scheduled passenger flights to and from Australia are required, under section 64AF of the *Customs Act 1901*, to provide Customs with access to their reservation systems upon the request of the Chief Executive Officer (CEO).

Access to airline passenger information assist us to risk assess passengers before arrival so that the majority of passengers can be processed at the border with minimum delay. Pre-arrival assessment contributes to a range of Customs border protection responsibilities, including to the Government’s broader fight

against terrorism, terrorism related crimes and other serious criminal activity.

In relation to airline reservation data stored in the European Union (EU), there are ongoing issues in securing formal agreement to disclosure of passenger information. The EU has established that the transfer of data between Member States and a third party country must meet adequate data protection levels and a bilateral treaty must be concluded to establish the data transfer arrangements. Australia’s data access systems have been confirmed as meeting the required level of protection. Negotiations with the European Commission on behalf of the EU to conclude a bilateral treaty to establish the data transfer arrangements are continuing.

Identity Information

No requests were made by Customs to identity information under s213A(3) or s213B(2) of the *Customs Act 1901*. This section of the Act relates to requests for information about persons issued with an Aviation Security Identification Card (ASIC) prior to the commencement of s213A and s213B of the *Customs Act 1901*.

Assumed identities

The NSW regional office issues officers within its surveillance unit with assumed identities

through the NSW *Law Enforcement and National Security (Assumed Identities) Act 1998*. For the 2005-06 period there were:

- no new approvals granted and six approvals revoked
- officers with approvals performed surveillance duties on a full time basis within the NSW regional office
- an audit was completed as per section 11 of the Act and no instances of fraudulent or criminal behaviour was found.

Intelligence links with Australian Federal Police

Customs relationship with the AFP has strengthened through improved intelligence links such as:

- improving reporting on intelligence matters relating to border issues and criminal activity
- meeting regularly on joint operations and activities
- extending and strengthening the Memoranda of Understanding between the two organisations.

Inter-agency operations reporting

This year we centralised reporting for inter-agency operations involving Customs. This reporting feeds into our assessment of crime at the border and enables Customs and partner agencies to assess law enforcement effort against threats to the border. The reporting also enables Customs analysts to make links across regions and criminal groups in a way that was not previously possible.

Technological developments

Customs has improved the integration, cross matching and gathering of data from available information technology systems. Analysis and identification of criminal and other activity that threatens Australia's border security has improved our ability to detect illicit imports.

The technological developments have included:

- work associated with the implementation of ICS and identification of high risk cargo
- systems that provide access to intelligence information in disparate locations
- improved data cleansing and link analysis
- the use of publicly available internet information.

These technological developments have provided significant results such as the recent seizure of approximately 1.2m MDMA (ecstasy) tablets concealed in ink drums.

Identifying and intercepting prohibited and restricted imports and exports

Illicit drugs and precursor chemicals

We continued to protect the community through the identification and detection of illicit drugs and precursors at the border. Customs activities to detect illicit drugs and precursors support the objectives of the Australian Government's National Drug Strategy.

The market dynamics for illicit drugs and precursor chemicals continue to evolve. These dynamics include the ongoing reduced level of heroin supply and the shift to synthetic drugs, often locally produced. The number of detections at the border were generally up while the total weight of cocaine, heroin, MDMA and amphetamine-type stimulants (ATS) detected at the border was down on last year. We continue to work closely with the Australian Federal Police, the Australian Crime Commission and other law enforcement agencies to understand market changes and ensure appropriate responses at the border.

We made a number of significant drug detections during the period, including 350 kg (1.2m tablets) of MDMA in June 2006 and 40 litres of Gamma-Butyrolactone (also known as GBL or 'fantasy') in March 2006. Previous detections of GBL have been much smaller – typically bottles of 100ml at a time.

Figure 8: Drug* detections by mode of importation

	Detections			Weight (kg)^		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Air passengers and crew						
Cannabis	79	38	49	4.34	0.41	0.47
Cocaine	64	26	21	77.51	40.94	20.86
Heroin	26	27	26	19.81	25.79	20.43
MDMA (Ecstasy)	29	14	9	37.89	42.60	25.62
ATS-	15	8	13	2.40	8.06	16.32
Precursors ^{##}	56	24	30	..	..	..
PIEDs ^a	99	70	75	..	..	..
Other ^{**}	56	47	53	..	..	..
Cargo and postal[#]						
Cannabis	573	438	451	703.86	4.07	46.30
Cocaine	588	416	354	60.65	55.38	62.54
Heroin	38	165	274	41.48	146.75	26.68
MDMA (Ecstasy)	265	157	125	835.52	2 335.11	387.69
ATS-	125	197	410	3.53	139.03	73.34
Precursors ^{##}	726	258	532	..	..	..
PIEDs ^a	1 116	984	1 014	..	..	..
Other ^{**}	2 843	1 521	1 956	..	..	..
Shipping and aircraft[*]						
Cannabis	6	-	4	0.72	-	0.51
Cocaine	-	1	1	-	100.67	0.00
Heroin	-	-	-	-	-	-
MDMA (Ecstasy)	-	-	1	-	-	0.00
ATS-	1	1	-	0.01	9.81	-
Precursors ^{##}	-	-	1	..	..	..
PIEDs ^a	1	-	-	..	..	..
Other ^{**}	-	-	3	..	..	..

	Detections			Weight (kg) [^]		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Total						
Cannabis	658	476	504	708.92	4.48	47.27
Cocaine	652	443	376	138.16	196.98	83.40
Heroin	64	192	300	61.29	172.54	47.11
MDMA (Ecstasy)	294	171	135	873.42	2,377.71	413.31
ATS⁻	141	206	423	5.94	156.90	89.67
Precursors^{##}	782	282	563	..	..	..
PIEDs[@]	1 216	1 054	1 089	..	..	..
Other^{**}	2 899	1 568	2 012	..	..	..

* Drug detections subject to ongoing 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 amphetamine-type stimulants (ATS) and MDMA (ecstasy) was not available, an estimate of 0.29g per tablet was used. Estimated weight values for precursors, performance and image enhancing drugs 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) include 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 refer to performance and image enhancing drugs. They 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 Australian Federal Police. Also, detections subject to ongoing investigation (including controlled deliveries) might not initially appear.

Figure 9: Drug detections and significance of offence

Significance^	Detections			Weight (kg)*		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Commercial						
Cannabis	1	-	-	644.38	-	-
Cocaine	16	15	7	60.28	151.82	25.85
Heroin	7	9	6	47.78	148.84	12.42
MDMA (Ecstasy)	33	21	17	862.33	2,371.89	407.19
ATS**	1	9	12	2.32	152.00	79.81
Marketable						
Cannabis	30	13	20	62.53	2.65	30.18
Cocaine	612	412	347	77.86	45.14	57.53
Heroin	54	180	290	13.51	23.70	34.69
MDMA (Ecstasy)	246	148	117	11.08	5.81	6.12
ATS**	118	175	311	3.61	4.88	9.76
Minor						
Cannabis	627	463	484	2.01	1.82	17.09
Cocaine	24	16	22	0.02	0.02	0.01
Heroin	3	3	4	0.00	0.00	0.00
MDMA (Ecstasy)	15	2	1	0.00	0.00	0.00
ATS**	22	22	100	0.01	0.01	0.09
Total						
Cannabis	658	476	504	708.92	4.48	47.27
Cocaine	652	443	376	138.16	196.98	83.40
Heroin	64	192	300	61.29	172.54	47.11
MDMA (Ecstasy)	294	171	135	873.42	2,377.71	413.31
ATS**	141	206	423	5.94	156.90	89.67

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

^ Significance of offence is based on the classification used in relation to border controlled drugs as defined in Part 9.1 of the *Criminal Code Act 1995* and is summarised below. Prior to 6 December 2005 and the commencement of the *Law and Justice Legislation Amendment (Serious Drug Offences and Other Measures) Act 2005*, the significance of offence was based on the classification in the *Customs Act 1901*. For all drugs except cannabis, the only change was the terminology: trafficable quantity became *marketable* quantity. The lower threshold for a marketable quantity of cannabis increased from 100g to 25 kg and consequently the threshold for a minor quantity of cannabis is now any amount less than 25kg.

	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
Marketable	Between 2g and 1.5kg	Between 2g and 2kg	Between 25kg 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 25kg	Less than 20g	Less than 0.5g	Less than 2g

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

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 ongoing investigation (including controlled deliveries) might not initially appear.

CASE STUDY – 350KG SEIZURE OF ECSTASY

A joint Australian Federal Police (AFP) and Customs operation in Victoria and NSW resulted in the arrest of five people following the discovery of approximately 350 kg of MDMA (ecstasy) tablets hidden in a shipping container of ink.

The discovery of about 1.2m ecstasy tablets, with an approximate street value of \$40m, is believed to be the second largest seizure of the prohibited drug in Victoria and one of the largest in Australian history.

Customs officers selected the container which arrived from Canada via Hong Kong in June 2006, for examination at the Container Examination Facility. On closer inspection, Customs officers noticed

a vacuum-sealed bag inside the container immersed in blue liquid dye. When removed, the bag was seen to contain tablets, which tested positive for MDMA (ecstasy).

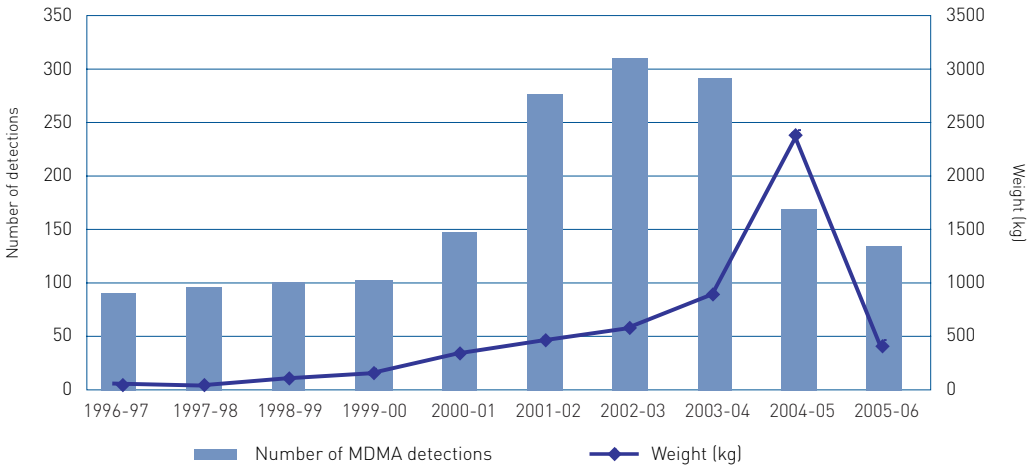
Of the 180 consignments of ink, 67 were found to contain ecstasy tablets. The drugs were substituted for an inert substance and an extensive operation monitored the delivery to an address in Clayton, where the boxes were unloaded and then transferred to Sydney.

This operation resulted in the successful dismantling of a sophisticated criminal syndicate spanning two Australian states with strong international links. Investigations are still underway and the maximum penalty for these offences is life imprisonment.



Customs Officers Joeline Arentz, Chris Kosiari and AFP officer with the 350kg shipment of ecstasy.

Figure 10: Number and weight (kg) of MDMA (ecstasy) detections



Precursor chemicals

We continue to play an important role on the National Working Group to Prevent the Diversion of Precursor Chemicals into Illicit Drug Manufacture. The Group brings together representatives and members of health, law enforcement, regulatory and industry bodies. Customs is contributing to a project examining the potential for border controls on tablet presses, and has obtained agreement to give greater priority to ketamine control, an issue that has been raised at the United Nations Commission on Narcotic Drugs. We have delivered four domestic and one international precursor training courses. Officers are now better prepared to detect and handle precursor chemicals and equipment imported for use in illicit drug manufacturing.

Customs provides the secretariat for the Inter-Governmental Committee on Drugs Scheduling Working Party on Controlled Substances. The Working Party has been developing the final schedule of illicit substances and plants for the *Criminal Code Act 1995* and is also reviewing the voluntary Plastics and Chemicals Industries Association National Code of Practice for Supply Diversion into Illicit Drug Manufacture (the PACIA Code).

Customs has continued to make large detections of precursors to methamphetamine in 2005-06, including:

- 400kg of ephedrine in August 2005
- 60kg of ephedrine in April 2006
- 120 kg of pseudoephedrine in June 2006.

Figure 11: Interceptions of precursor* type drugs

	2003-04	2004-05	2005-06
Air passengers and crew			
Precursor for amphetamine type substance [^]	56	24	30
Precursor for LSD [~]	-	-	-
Precursor for GHB (Fantasy) ⁺	-	-	-
Precursor for MDMA (Ecstasy) ^{<}	-	-	-
Cargo and Postal**			
Precursor for amphetamine type substance [^]	705	238	494
Precursor for LSD [~]	9	6	7
Precursor for GHB (Fantasy) ⁺	11	10	29
Precursor for MDMA (Ecstasy) ^{<}	1	4	2
Other^^			
Precursor for amphetamine type substance [^]	-	-	1
Precursor for LSD [~]	-	-	-
Precursor for GHB (Fantasy) ⁺	-	-	-
Precursor for MDMA (Ecstasy) ^{<}	-	-	-
Total			
Precursor for amphetamine type substance[^]	761	262	525
Precursor for LSD[~]	9	6	7
Precursor for GHB (Fantasy)⁺	11	10	29
Precursor for MDMA (Ecstasy)^{<}	1	4	2

* 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, phenylpropanolamine/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 from 2004-05.

[~] Precursors for LSD includes ergometrine and ergotamine.

⁺ Precursors 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, 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 ongoing investigation (including controlled deliveries) might not initially appear.

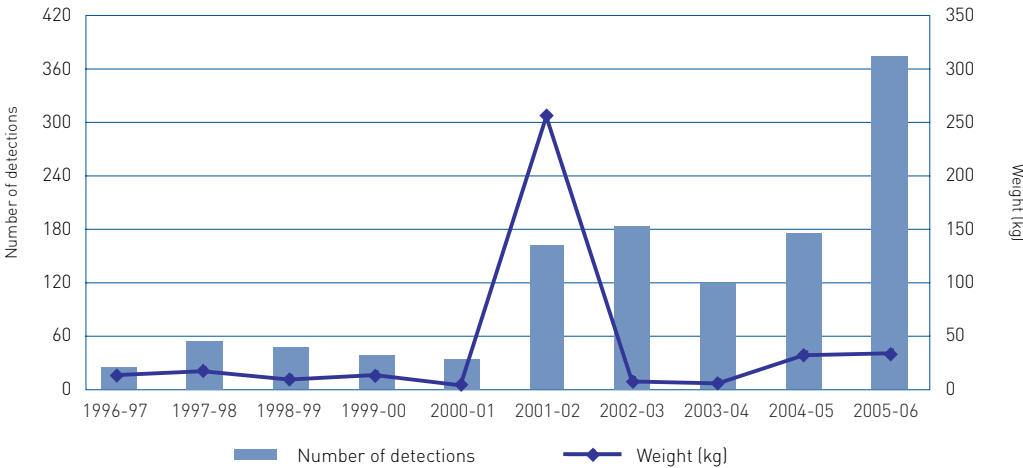
Targeting amphetamines

Project PRISM is an international project aimed at preventing the diversion of chemical precursors used in the manufacture of ATS. The International Narcotics Control Board of the United Nations coordinates the project and Customs is the central national authority for Australia's participation. As part of this role, we have been responsible for preparing and disseminating several alerts to participating

countries in response to significant detections of ATS precursors during 2005-06.

In 2005, we also became a member of the Project PRISM Task Force, the governing body of the Project, and in this capacity Customs acts as the regional focal point for Oceania. The Task Force comprises of representatives from the geographic regions of Asia, Europe, Africa and the Americas, in addition to several international bodies and agencies.

Figure 12: Number and weight (kg) of amphetamine-type substances* detections



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

Figure 13: Amphetamine-type stimulants and crystalline methamphetamine (ice) detections by weight (kg)

	2003-04		2004-05		2005-06	
	No.	Weight (kg)*	No.	Weight (kg)*	No.	Weight (kg)*
Amphetamine-type stimulants#	129	3.57	188	32.88	403	34.26
Crystalline methamphetamine (ice)^	12	2.37	18	124.02	20	55.41

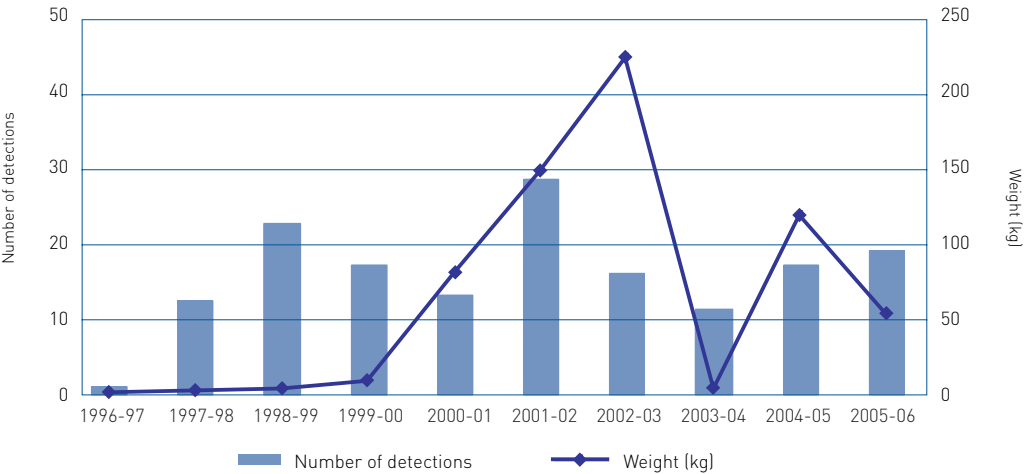
* Weight shown in the above table is an estimation. Weight is calculated using 0.29 gm per tablet where a weight was not available. Some small quantity shipments of amphetamine-type substances do not have weight recorded, so these weight figures are a slight under estimate.

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

^ Crystalline methamphetamine is shown separately, but would usually be included in figures for ATS.

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 ongoing investigation (including controlled deliveries) might not initially appear.

Figure 14: Number and weight (kg) of crystalline methamphetamine* detections



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

Tough on drugs in sport

Customs has key supply reduction responsibilities under the Australian Government's Tough on Drugs in Sport Strategy (TODIS). TODIS involves a range of regulatory, legislative, policy, research and educational anti-doping initiatives aimed at limiting the supply and use of performance and image enhancing drugs both within sport and within the community.

We continue to produce supply reduction results under TODIS through the seizure and investigation of illegal performance and image enhancing drug imports. Customs made 1089

Performance and Image Enhancing Drugs (PIEDS) seizures in 2005-06 and investigated and prepared briefs for 29 successful prosecutions for illegal PIEDS imports with penalties ranging up to \$30 000 and suspended gaol terms.

A Memorandum of Understanding which was agreed in April 2006 supports close and effective working relationship with the recently established Australian Sports Anti-Doping Authority (ASADA). A key element of this cooperation is Customs sharing information with ASADA on relevant seizures of illegal PIEDS imports.

Figure 15: Interceptions of performance and image enhancing drugs

	2003-04	2004-05	2005-06
Air passengers and crew			
Steroids	75	54	57
DHEA~	19	10	14
Hormones#	5	6	4
Cargo and Postal*			
Steroids	724	706	652
DHEA~	237	177	192
Hormones#	155	101	170
Other^			
Steroids	1	-	-
DHEA~	-	-	-
Hormones#	-	-	-
Total			
Steroids	800	760	709
DHEA~	256	187	206
Hormones#	160	107	174

* 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, Darbepoetin 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 Australian Federal Police. Also, detections subject to ongoing investigation (including controlled deliveries) might not initially appear.

Our role in drug research

Customs contributes to drug law enforcement research through a number of forums. This includes, representation on the Board of Management for the National Drug Law Enforcement Research Fund (NDLERF) and close partnerships with peak research bodies such as the National Drug and Alcohol Research Centre (NDARC) and the Australian Institute of Criminology. We also provided assistance in the preparation of yearly reports on Australia's drug environment such as the Illicit Drug Reporting System prepared by NDARC and the Australian Crime Commission's *Illicit Drug Data Report 2004-05* (published in 2006). Additionally, Customs was actively involved in a number of NDLERF projects completed in 2005-06, including research on the characteristics and dynamics of the cocaine market in Sydney and Melbourne and the patterns of supply, use, personal harms and social consequences of the Sydney methamphetamine market.

United Nations Commission on Narcotic Drugs (CND) resolutions

The CND is the central policy-making body within the United Nations system dealing with international drug related matters. The 49th session of the CND took place in Vienna (Austria) in March 2006 and Australia succeeded in gaining adoption of two key resolutions. The resolution initiated by

Australian Customs called upon Member States to promote a consistent approach to the treatment of safrole-rich oils which is a key precursor chemical in the production of MDMA. The resolution, co-sponsored by 12 countries, sought to gain recognition of the dangers of the unregulated trade of safrole-rich oils and called upon Member States to control all safrole-rich oils in the same manner as safrole itself.

Prohibited imports from air passengers (other than illicit drugs)

Customs continued to detect and seize large numbers of prohibited imports from air passengers during 2005-06. In total Customs detected 12 166 instances of non-compliance, a 33 per cent increase over 2004-05. The majority of this increase is attributable to seizures of revenue goods, in particular duty free goods in excess of the passenger concession. Wildlife detections increased by 35 per cent and included goods such as ivory, birds and birds eggs, reptiles, shark fin and Chinese medicines containing wildlife extracts. Other prohibited goods, firearms and weapons detections increased by approximately five per cent and included goods such as electric fly swatters, throwing stars, soft air pistols, flick knives, and anti-personnel sprays (mace). Customs also made 152 detections of undeclared currency in breach of the *Financial Transactions Reports Act 1988* \$10 000 and over reporting requirements.

Figure 16: Number of detections/seizures of prohibited imports* for international air passengers other than illicit drugs

	2003-04	2004-05	2005-06
Quarantine Prosecutions^	41	42	30
Revenue	2 705	3 211	5 865
Major	75	123	189
Minor	2 630	3 088	5 676
Undeclared excess currency (referred to AFP)	156	158	152
Wildlife	637	403	545
Major	2	7	4
Minor	635	396	541
Prohibited imports	4 859	..	..
Major	179	..	..
Minor	4,680	..	..
Firearms	..	1 010	808
Major	..	34	58
Minor	..	976	750
Other weapons	..	1 038	1 076
Major	..	51	91
Minor	..	987	985
Other prohibited goods	..	3 282	3 690
Major	..	61	110
Minor+	..	3,221	3,580

* 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 prosecution action not 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 not classified above.

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 Customs baggage examination or personal search 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.

Identity fraud/crime

Commonwealth Reference Group on Identity Security

Customs is a member of the Commonwealth Reference Group on Identity Security, the key forum for Australian Government agencies to be kept informed of any developments in the National Identity Security Strategy. We actively participate in several Working Groups to take forward the following principal elements of the strategy:

- develop a standard framework and security standards for proof of identity documents
- develop integrity and authentication standards for identity data
- develop and implement a national document verification service (DVS) for use by Commonwealth agencies.

The Australian Government allocated \$5.9m in the 2005-06 Budget to advance the strategy and for two key pilot programs, one for a pilot DVS and the other for a data integrity pilot.

The national DVS will be a secure electronic on-line system accessible to all key Australian Government, State and Territory agencies. This service will allow authorised government agencies to check key identity documents presented by individuals applying for high value benefits and services such as registration for the health and social services smart card. The DVS will also support enhanced mechanisms for the issuing of Aviation and Maritime Security Identification Cards. The pilot of the DVS prototype, built by Centrelink, went live in February 2006.

The data integrity pilot is designed to identify key data matching elements that could be used to improve the accuracy of identity information held on Government databases by identifying inaccurate records and false identities.

Money laundering

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

Customs is represented on the Australian Government's Anti-Money Laundering (AML) Committee, which comprises Australian Government agencies with policy or operational responsibilities under the *Financial Transactions Reports Act 1988*.

FATF is the body that sets the global standards for anti-money laundering efforts. Customs gave a presentation at the APG's Annual Typologies Workshop in October 2005, and also was a member of an international Trade-based money laundering project commissioned by FATF. The FATF's report on the mutual evaluation of Australia's anti-money laundering regime was endorsed by FATF in October 2005. As a member of the AML Committee, we have been participating in the development of the Australian Government's response to the report.

Corruption

Customs is a member of the Australian Government's interdepartmental committee which is overseeing the response to the 2005 Organisation for Economic Cooperation and Development (OECD) evaluation of Australia's compliance with the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions*. As part of that response, the Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA) Working Group on Corruption, chaired by Customs, is developing a paper on mechanisms for raising awareness of the convention among officers of HOCOLEA agencies.

Counter terrorism

Exercise Orchid Alert

In July 2005, we 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 focused on a simulated terrorist attack in Brisbane and involved a deployment phase, a number of discussion exercises and training activities. The exercise tested our ability to coordinate, communicate and work effectively with other Federal and State agencies.

Mercury 05

Mercury 05 was a multi-jurisdictional exercise conducted throughout a number of Australian States and Territories. It was conducted in September 2005 and involved law enforcement agencies such as Customs, AFP, ASIO, DIMA and the Department of Defence. The exercise enabled us to test a number of procedures and equipment, including an opportunity to validate our interoperability, coordination and communication with Australian Government and State or Territory agencies. Customs was also able to play a vital role in the areas of communications, intelligence gathering and dissemination, and to provide advice on relevant aspects of aviation and maritime industry practice.

Incident response coordination unit

The Incident Response Coordination Unit is responsible for coordinating our involvement in whole-of-government emergency situations, both domestically and internationally, including such national security threats as Avian Influenza. The Unit is currently represented in planning committees for Exercise Cumpston 06, a Department of Health and Ageing (DoHA)-led multi-jurisdictional exercise designed to test Australia's preparedness in the event of a human health pandemic. We will continue to play an active role in the management and facilitation stages of Exercise Cumpston 06.

ACC crime in transport sector determination

We made a strong commitment to the Australian Crime Commission (ACC) in

support of the ACC's Crime in the Transport Sector Determination, providing seconded staff, analytical and research support in the intelligence phases, and operational support as targets emerged.

Legislative changes

Anti-money Laundering Review

We have contributed to the development of Australia's legislative response to recent changes in FATF Recommendations, especially with regards to cash courier issues. This involvement will continue through to passage of legislation to ensure that we continue to play an effective role in preventing money laundering.

While the development of the AML Bill continued throughout 2005-06, several sections of the proposed legislation were included in the *Anti-Terrorism Bill (No 2) 2005*, which was passed by Parliament in December 2005. Of primary relevance to Customs were provisions requiring the reporting of cross-border transfers of bearer negotiable instruments (BNIs), which cover a wide range of monetary instruments, such as travellers' cheques. In contrast to the reporting system for currency, international passengers will be required to disclose their possession of BNIs only when asked by Customs officers. Development of the new procedures and training materials commenced in 2005-06, and implementation of the new legislative requirements are expected in December 2006.

Serious drug offences

The *Law and Justice Legislation Amendment (Serious Drug Offences and Other Measures) Act 2005* became law in December 2005, consolidating all Commonwealth drug offences in the *Criminal Code Act 1995* (Criminal Code). Customs had substantial involvement in the development of the legislation and provided extensive training on the new laws to Customs officers.

In addition to relocating existing narcotic importation offences, including emergency provisions to address the potential for new synthetic drugs to arrive in Australia, the amendment to the Criminal Code introduced a range of new offences for the importation of precursor chemicals. The maximum penalty for importing drug precursors under the Criminal Code increased to 25 years imprisonment and/or \$550 000 where there is evidence the precursor was intended for use in illicit drug manufacture.

Access to stored communications

Following passage of the *Telecommunications (Interception) Amendment Act 2006* Customs may access a new scheme related to stored communications warrants. This allows the use of emails and other electronic communications as part of an investigation, for which ordinary search warrants may not always be sufficient.

Customs functions at the border require involvement with the broader legislative reform. During 2005-06, we prepared a submission to the review by Anthony Blunn, AO *Report of the Review of Access to Communications* (August 2005) concerning the *Telecommunications (Interception) Act 1979*. Additionally, submissions were made to the Security Legislation Review Committee chaired by the Hon Simon Sheller, AO, QC. This latter review concerned a range of legislation and particularly the *Border Security Legislation Amendment Act 2002*.

Planning for the future

Future plans for Output 1 are to:

- improve the application of intelligence to enhance Customs ability to detect drugs and other prohibited imports
- build comprehensive and robust information sharing networks with regions and partner agencies

- maintain a strategic understanding of our operating environment to take advantage of opportunities and identify new threats and risks
- implement SmartGate at Brisbane Airport by 28 February 2007
- maintain the passenger analysis capability through working with the international airline industry to keep current with technology modernisation and consolidation
- ensure technological and other arrangements continue to function in order to maintain and collect quality data for passenger risk assessment
- ensure that border security arrangements and elements of the service delivery chain over which the Government has influence are able to accommodate the growth in tourist numbers, including the introduction of new wide-bodied aircraft over the next decade through the work of the Passenger Facilitation Taskforce
- continue the development of sea passenger processing to improve national consistency and address future developments
- implement the Maritime Crew Visa as required by legislation and Government policy
- establish a strategic security framework for security reporting, investigation, assurance and forward planning
- coordinate our security involvement in APEC 2007
- coordinate our involvement in pandemic planning and preparedness
- expand our role under Project PRISM by developing a comprehensive precursor strategy for Customs.

Output 2

Border compliance and enforcement

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

- search and compliance activities of ships entering Australia
- surveillance of waterfronts and international mail centres
- controlling the movement of restricted or prohibited goods on behalf of other agencies
- investigations and prosecutions related to the *Customs Act 1901* for non-narcotic prohibited goods, import fraud and duty evasion
- the evaluation and implementation of a range of new technologies
- policy development and management of container examination facilities
- land-based surveillance of the coastline and marine surveillance and response carried out for specific operations by the National Marine Unit and the surveillance patrols of the Southern Oceans
- real-time and post-transaction compliance activity related to revenue protection and collection.

Summary of key operational objectives and achievements for 2005-06

Objective	Achievement
Increase the number of illegal foreign fishers (IFFs) detained	Between 1 November 2005 and 30 June 2006, Customs processed 2212 IFFs exceeding the pro-rata target by 545 Introduced Customs arrangements for the on-land processing and transfer of IFFs detained in Australia's northern waters
Commence progressive arming of Customs officers undertaking waterfront patrol and response work, ship boarding and search and certain investigations operations	Sufficient officers were equipped and trained in Use of Force for the March 2006 Commonwealth Games held in Melbourne
Expand the number of detector dog teams to enhance the Detector Dog program and strengthen border protection	Final firearms and explosives detector dog (FEDD) team graduated in April 2006, making a total of 10 additional teams (five narcotics, five FEDD) trained under the Government's 2004 election initiative
Improve the timeliness and accuracy of industry reporting in relation to ships, aircraft and cargo	2005-06 on-time reporting: - air cargo 87.18 per cent (79.45 per cent in 2004-05) - sea cargo 69.41 per cent (72.34 per cent in 2004-05) Performance in relation to on-time reporting is not directly comparable across years. The legislated timeframe and requirements for reporting changed during 2005-06. The transition from Air Cargo Automation and Sea Cargo Automation systems to Integrated Cargo System (ICS) affected reporters' ability to make timely cargo reports

Objective	Achievement
Improve real-time and post-transaction compliance activity related to revenue and trade statistics	Budget measures were implemented in 2005-06, providing additional Compliance Resources. With recruitment and training largely completed, increased compliance activity is expected in the 2006-07 program
Meet Government objectives in relation to cargo security matters	Carried out extensive consultation with industry on the introduction of new measures to enhance the security of air cargo and commenced implementation of new measures
Commence the field trial of the neutron scanner at Brisbane Airport	The neutron scanner field trial commenced at Brisbane Airport
Evaluate portal technology capable of detecting explosives and narcotics on people	Tried but at this stage the technology was deemed to require further development
Deploy new equipment capable of chemical detection	Tried and purchased new chemical detection equipment
Continue the implementation of the Australian National Audit Office's (ANAO) recommendations on the container examination facilities (CEFs)	Successfully implemented the non-ongoing ANAO's recommendations for the CEFs
Enhance the investigative capability through improvements in policy, procedures and legislation	<p>Disrupted and successfully prosecuted several large scale attempts to smuggle tobacco into Australia, including one matter that resulted in six people receiving gaol sentences</p> <p>Forfeiture of \$556 158 under the <i>Proceeds of Crime Act 2002</i></p> <p>Successfully prosecuted 126 revenue fraud and other fraud cases</p> <p>Enhanced investigator training including the provision of Diploma accreditation</p>
Participate in international Proliferation Security Initiative (PSI) exercises	Participated in international PSI meetings and two major exercises: Deep Sabre and Pacific Protector 06
Continue the cooperative program with the People's Republic of China to develop a Customs detector dog breeding and training capability	<p>Provided training and operational narcotics detector dogs to four China Customs officers in September 2005.</p> <p>Transferred six puppies in March 2006 from the Customs National Breeding and Development Centre, Melbourne to form the nucleus of the China Customs Detector Dog Program in Beijing</p> <p>Provided ongoing advice and support in the deployment and maintenance of detector dog teams operating in China.</p>
Facilitated the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	Inspected 140 041 twenty-foot equivalent units (TEUs) and detected/seized 395kg of MDMA (ecstasy), 48kg of amphetamine-type stimulants and 520kg of precursor chemicals, which can be used in the production of amphetamine type stimulants

Performance against targets

Figure 17: Performance against targets set in the 2005-06 Portfolio Budget Statement–Output 2

Quality/quantity performance measures	Target*	Actual
Border compliance and enforcement		
Quality		
Number of revenue fraud cases adopted for prosecution	18-25	21
Number of other fraud cases adopted for prosecution	100-120	132
Number of Proceeds of Crime Act (POCA) cases adopted by DPP for recovery of criminal assets	2-4	0
Weight and number of drug detections by significance of offence	**	See figure 9
Weight of drug detections by mode of importation	**	See figure 8
Number of detections and/or seizures of other prohibited imports and exports	**	See figure 16 and figure 23
Number of illegal, unregulated and unreported (IUU) vessels sighted and identified in the Southern Ocean+	**	1
Number of IUU vessels boarded in the Southern Ocean	**	1
Number of IUU vessels apprehended in the Southern Ocean	**	1
Percentage of vessels boarded at first port	75%-80%	78.86%
Amount of cargo physically and electronically screened:		
Imported HVLV documents and postal items	100%	100%#
Imported air cargo consignments	2,500,000 - 3,000,000	2 664 922~
Number of complaints formally received about Container Examination Facility operations	**	251>
Revenue and compliance assurance activity:		
Imports – Total Customs value of goods imported by companies subject to compliance activity as a proportion of total Customs value reported	10%	25.0%
Exports – Total FOB of goods exported by companies subject to compliance activity as a proportion of total FOB reported	10%	14.5%
Quantity		
Number of revenue fraud cases adopted for investigation	55-75	56
Number of other fraud cases adopted for investigation	400-500	461
Number of Proceeds of Crime Act (POCA) cases adopted for investigation	5-10	27
Southern Ocean surveillance (patrol days)	200	203

Quality/quantity performance measures	Target*	Actual
National Marine Unit (patrol days)	2 400	2 467
Number of twenty-foot equivalent units (TEU [^]) inspected (x-rayed) by Container Examination Facilities	133 000 teus	140 014
Number of TEUs physically examined at Container Examination Facilities	**	13 773
Price	\$397.1m	\$391.1m

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

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

+ Within the Australian Exclusive Economic Zone (AEEZ) of the Southern Ocean. Additionally, there were 30 sightings in the Southern Ocean outside of the AEEZ.

HVLV documents ceased to exist as a category of air cargo with the implementation of ICS Imports (12 October 2005). The HVLV performance results related to the period 1 July to 11 October 2005 only. Postal item performance results relate to the period 1 July 2005 to 30 June 2006.

~ The target for air cargo consignments inspected excludes HVLV consignments. The number of consignments inspected (net of HVLV consignments) was assessed using gross air cargo consignment inspection numbers and historical patterns of HVLV importations.

^ Twenty-foot equivalent unit (TEU) refers to a generic measure for sea cargo containers. A 20-foot container equals 1 TEU and a 40-foot container equals 2 TEUs.

> Includes complaints recorded against CTO/ Wharf/Stevedores, brokers, the CEFs and other Customs work areas.

Implementation of major Government initiatives

Australia's northern waters – illegal foreign fishing

In October 2005, the Government announced it would increase funding to Customs by \$57.5m over four years to support new arrangements for the detention of IFFs apprehended in Australia's northern waters. It was expected that 300 illegal foreign fishing vessels (IFFVs) would be apprehended each year. The number of IFFV apprehensions are reported in Output 4.

Under these arrangements Customs assumed responsibility, from 1 November 2005, for receiving, processing and medically clearing

as fit-to-fly IFFs at the ports of Broome, Darwin, Gove, and Thursday Island. The IFFs were quickly and securely transferred to established Immigration detention facilities in Western Australia and South Australia.

During the period 1 November 2005 and 30 June 2006, Customs processed 2224 IFFs which exceeded the pro-rata target by 554.

In recognition of the increased presence of illegal foreign fishing in northern waters and Customs success in dealing with this threat, the Government announced in the 2006 Budget, that we will be funded an additional \$197.4m over the next four years. This will boost our capacity to detect and apprehend more IFFVs as well as transport and process the additional IFFs who are detained.

CASE STUDY – WORKING WITH THE COMMUNITY ON YORKE ISLAND

Customs meets the challenges of providing land-based border protection to rural and remote areas of Australia through two key avenues. It has a network of 30 district offices and staff in all States and Territories, and it supplements these resources by inviting community participation wherever possible.

A typical example is in the Torres Strait where Customs has 15 officers based at Thursday Island, and a further four Torres Strait Customs officers based on four outer islands. District Manager Steve Jeffs says Customs had 18 formal meetings with the community last year, together with numerous informal visits.

“The community are our eyes and ears within the Torres Strait. They play an important role in protecting the border and it is important that Customs recognises the information they supply to us, and keep them up to date with issues of concern to us,” Steve says. “For example in a recent meeting on Yorke Island, the objective was to discuss with the community council how Customs was managing the problem of illegal foreign fishing vessels.”

Steve Jeffs later recorded the day’s meeting in his personal diary, and provided this account for the annual report.

“We were seated in the Yorke Island community meeting area, behind a desk, facing the 50

community members who had taken the time to meet with us. We brought rain with us that day, which endeared us to the community as rain is always welcomed.

“The meeting opened in the traditional manner with a prayer. I introduced the Customs team of myself as District Manager, Alan Hunt (Coastwatch), Andrew Flockhart and Ralf Andres (Customs National Marine Unit) and Ursula Bruce, a Customs officer based at Thursday Island. Our theme was illegal foreign fishing vessels. Alan spoke of how Coastwatch surveillance flights are used to detect foreign fishing vessels.

“Flocky (Andrew Flockhart) gave a vivid description of how a typical vessel might be boarded, how its crew would be removed to the Customs vessel and how, if necessary, the illegal foreign fishing vessel would be destroyed at sea. This was greeted with approving nods. I explained further how the illegal foreign fishers were processed on Thursday Island, then removed to a detention centre, and how the Australian Fisheries Management Authority managed prosecutions.

“The meeting was followed by the traditional sausage sizzle which gave the community the chance to talk ‘out of session’ with officers. We left with the goodwill of the island community and a definite feeling that the hard work that we do in the managing the problem of illegal foreign fishers was appreciated by a community that knows that we care and are doing something substantial to fix the problem.”



Yorke Island's children



Yorke Island's audience

Operational safety and arming of Customs officers

In November 2005, the Government approved the progressive arming of Customs officers undertaking waterfront patrol and response work, ship boarding and search and certain investigations operations. This was in addition to almost 300 Customs officers already armed for maritime patrol and response functions. This decision to issue officers with weapons and equipment is an operational safety measure in response to heightened security risks associated with the environment in which Customs operates and is covered by s189A of the *Customs Act 1901*.

We trained sufficient officers from within existing funds in time for the March 2006 Commonwealth Games held in Melbourne. In the May 2006 Budget, the Government provided \$12.9m over four years to cover equipment and training for an additional 600 land based officers.

Rolling out operational safety across the organisation has led to a review of current health and fitness standards for staff as well as the introduction of psychometric testing for officers handling firearms.

Response to the Wheeler Report - air cargo security

In September 2005, the Government ordered a review of security and criminality in the aviation sector. The review was undertaken by Sir John Wheeler, former British Cabinet Minister and now Security Adviser. While the Wheeler Report made a positive assessment of Australia's airport security, it identified some areas where security could be improved. One area was air cargo security. In response to the review, the Prime Minister announced the funding for a \$38m package of measures aimed at addressing the risk of air cargo being used to conceal explosives and explosive devices. Customs initiatives affecting Output 2 are:

- funding to provide specialist training to industry personnel in the use of explosive trace detection technology
- Customs and Department of Transport and Regional Services (DOTARS) undertaking a joint review of the current operating procedures and Transport Security Program requirements applying to the Regulated Air Cargo Agents scheme and of the Customs depot and warehouse licensing regime, to determine if further security standards are required
- a review of emerging technologies relevant to air cargo examination, commissioned by Customs to ensure the border agencies are at the cutting edge of technology.

The Government, in partnership with industry, will implement new measures to further strengthen the security of domestic and international air cargo through a \$48m package of initiatives announced in the 2006-07 Federal Budget to cover the period 2006-07 to 2009-10. Customs initiatives include:

- provision of additional mobile x-ray vans to enable the examination of air cargo consignments at premises not located at international terminals
- deployment of 20 additional explosives detector-dog teams
- an increase in our Intelligence and Investigation resources in support of proposals to require earlier reporting of data in relation to export air cargo
- development and roll-out of Security Awareness Training for industry and Customs staff.

In the 2006-07 financial year, we will continue to focus on co-ordinating the implementation of the new security measures. This involves liaising with industry as well as with external agencies such as DOTARS and Australian Quarantine and Inspection Service (AQIS). Implementation of the air cargo security measures will occur progressively from 1 July 2006.

CASE STUDY – OPERATIONAL SAFETY TRAINING ACCOMPANIES ARMING OF OFFICERS

The Australian Government announced in November 2005 its decision to arm additional frontline Customs officers, specifically the first officers to be armed other than those involved in marine patrols.

The Justice and Customs Minister, Senator Chris Ellison, said the decision was recognition that some Customs border security operations were being carried out in an increasingly hostile environment. Typical of these are activities at wharves and remote locations, the execution of search warrants, and boarding and searching of illegal fishing vessels.

The Government set safety conditions for use including comprehensive and exhaustive training to the same standard as undertaken by Australian Federal Police. Just how comprehensive and exhaustive was demonstrated when operational safety training began for the first deployment of armed officers who were approved in time for the 2006 Commonwealth Games in Melbourne.

Those trained underwent a training package, including psychometric testing and functional fitness assessments. The training and equipment, which includes handguns, personal body armour, batons, capsicum spray and

handcuffs, is provided to ensure officers are prepared to deal with a variety of operational safety issues.

Other development programs, including operational command training and field training exercises, support the training so that any risks identified are mitigated and that planning for operational activity is conducted to avoid the use of force wherever possible. For example, operational command is defined as an authority granted to a commander to plan operations, assign missions and allocate tasks, deploy operational elements, allocate resources and control an operation. Officers undergo formal re-certification on an annual basis.

Through the successful training of its staff, Customs was able to maintain a highly visible armed presence on the waterfront during the Commonwealth Games.



Customs officers who underwent operational safety training. Left to right: Tri Lam, Tony Stephens, Mimi Lau and Thomas Braun

Closed circuit television

Airports

Customs has one of the world's most sophisticated closed circuit television (CCTV) systems in terms of its national coverage, degree of integration and ability to provide remote monitoring. The CCTV technology is advanced and in many respects Customs is recognised by other jurisdictions, including the United States, as a world leader in this area.

The Wheeler Report recognised the contribution of our CCTV and recommended that our role and presence at Australian airports be further expanded.

During 2005-06, CCTV coverage at Australian International Airports was enhanced as follows:

- 124 additional cameras were installed to cover identified black spots making a total of 1120 CCTV cameras
- digital video recording capability was extended
- CCTV control rooms were enhanced and enlarged.

In addition to this, we coordinated an audit to assess the current CCTV capability at the 11 Counter Terrorism First Response (CTFR) airports given there is already a significant investment in CCTV technology and the non-CTFR airports that had or were planning to install CCTV systems. We commenced the establishment of a CCTV consultancy service for airlines, airports and other affected organisations that require advice on equipment, standards and effective use of CCTV systems.

Work has also commenced on assessing and evaluating emerging technologies, which will assist Australia to maintain best practice in the use of CCTV technology as well as improve airport security.

Seaports

Australia's size and long coastline creates a significantly different operational environment from most other countries. The investment in CCTV infrastructure at seaports enables us to fulfil our border protection function in an efficient and effective manner. For instance, use of cameras for surveillance purposes in remote ports is far more efficient than the placement of staff. Customs use of CCTV is an innovative and smart solution to ensuring operational efficiency in challenging circumstances and environments.

The waterfront CCTV system provides for local and national monitoring of maritime activity that allows us to take appropriate action where there is cause for concern. All national network cameras can be accessed and controlled from the National Monitoring Centre (NMC) in Melbourne, which is staffed 24 hours a day, 7 days a week.

In 2004-05 as part of the increased maritime security initiatives, Customs was allocated \$22.7m to expand the existing maritime CCTV network to a further 31 ports, ensuring that all 63 proclaimed mainland ports are monitored.

During 2005-06, we:

- completed the planning and design phase for the expansion
- commenced installation of an additional 10 CCTV cameras, making a total of 242 cameras and connection of these to the NMC in Melbourne
- commenced upgrade of the NMC in Melbourne to accommodate the new facilities
- recruited additional staff to handle and respond to the additional CCTV coverage.

This project will be completed by 30 June 2007. The new CCTV coverage will utilise a mixture of proven and state-of-the-art

technology including satellite and microwave transmission, carrier networks and modern cameras that will be enhanced with smart video processing technologies.

X-ray technologies

New x-ray equipment was introduced as part of the Government’s mail screening election commitment. Two new explosives detection x-ray systems were deployed at Australia Post’s international mail centre in Sydney in

March 2006. These machines are state-of-the-art dual-energy, multi-view cabinet (baggage-sized) x-ray machines, with explosives detection capability.

Customs has a fleet of approximately 50 cabinet x-ray systems. During the year, 23 of these systems were upgraded to enhance and modernise their detection capability, with new detectors, generators, computers and software installed.

CASE STUDY – ENSURING THE INTERNATIONAL MAIL GETS SAFELY THROUGH

Customs officers working in postal operations seek to detect and take appropriate action to prevent, or control, the entry into Australia of goods, which could be detrimental to the quality of life, or to the safety of the Australian community.

Emphasis is placed on detecting mail that may contain illicit drugs, guns and weapons, items subject to quarantine controls and other prohibited imports. Customs screens mail at international mail gateways in Brisbane, Sydney, Melbourne, Adelaide, Perth and Darwin.

At Adelaide Mail Centre, there are five Customs officers whose responsibilities also include collecting duties and taxes on imported goods valued at more than \$1000, or that contain tobacco or alcohol products.

Typically, the Adelaide Mail centre staff screen on average 40 000 to 50 000 parcels and 250 000 letters each month. In addition, they examine between 2000 to 2600 parcels each month.

Nationally, Customs officers screen more than 120 million postal articles each year, with the highest volumes of mail occurring over the Christmas period, which is defined in postal terms as between October and February.



Customs officer Toni-Ann Simons showing an array of prohibited items seized by Adelaide Customs officers from international mail articles

Radiation detection technologies

We have a total of 127 radiation detectors and 35 radiation identifiers. These radiation detectors are deployed across Customs operational environments. A revised radiological training package for staff was introduced during 2005-06, with an increased emphasis on counter-terrorism related security applications.

Chemical detection

As part of the Government's election commitments, we have deployed new trace detection equipment in key operational areas. New dual mode (narcotics/explosives) ion mobility spectrometers have been introduced, replacing earlier single mode (narcotics) spectrometers. There are now 41 dual mode instruments deployed around Australia.

We also have 32 Raman spectrometers (17 of these purchased in 2005-06), capable of rapid, non-destructive identification of solid and liquid chemical substances. These units have been deployed at key operational areas, including airports, sea and air cargo, and postal examination centres in capital cities.

Following successful trials, Customs purchased 10 immuno-assay trace detectors during 2005-06. These antibody-based instruments are capable of detecting narcotics and explosives and have been deployed at CEFs and international airports.

We are trialling the use of portable tri-mode IMS (ion mobility spectrometer) detectors, capable of detecting explosives, narcotics, chemical warfare agents and toxic industrial chemicals. During 2005-06, Customs purchased 26 of these detectors primarily for use in district offices.

Neutron scanner field trial

As part of the Government's aviation security initiative funded in 2004-05, we were provided

with \$8.4m to trial world-first scanning technology developed by the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The scanner invented by CSIRO is proposed as an innovative solution for the mass inspection of consolidated air cargo for improved aviation security and enhanced border protection.

The commencement of the trial was delayed from the first quarter of this financial year because CSIRO experienced a number of technical issues with the technology. We signed the certificate of acceptance for the scanner on 15 June 2006 and the field trial commenced with cargo from selected flights on 26 June 2006. During the field trial, the volumes of cargo to be scanned will be gradually increased.

This graduated approach will assist both Customs and industry to address any procedural issues as they arise and provide time to adjust to the new processes associated with scanning consolidated air cargo. We established an Industry Consultative Group in May 2005 and continue to work in close consultation with the group to resolve emerging issues in a way that minimises their impact on air cargo flow.

Detector dog program

Customs committed to train and deploy an additional 10 detector dog teams under the Government's 2004 election initiative to strengthen border protection. This has been achieved with the graduation of the final FEDD team in April 2006. As at 30 June 2006, there were 54 funded detector dog teams.

One of the key challenges we face is balancing our need for detector dogs with the numerous requests for assistance by outside agencies, both international and domestic.

In June 2006, Customs and the AFP commenced a joint review into possible opportunities for the integration of detector

dog infrastructure and joint operational deployment. Most of the facilities have undergone a review and it is expected that many of the current Customs Detector Dog Unit sites will be capable of sharing their facilities with the AFP Detector Dog Program. It is anticipated that the review will be completed by early 2006-07.



Customs dog handler Chris Wood with a Firearms and Explosives Detector dog (Rambo)

Operational performance and improvement initiatives

National Marine Unit

The National Marine Unit (NMU) marine fleet consists of eight Bay Class vessels that provide ongoing maritime border security as part of Australia's commitment to regional security. The NMU is committed to providing 2400 dedicated patrol 'sea days' to the National Civil Maritime Surveillance and Response program. To achieve this

target, each of the eight Bay Class Australian Customs Vessels (ACVs) completes around 300 patrol days per year.

In 2005-06, the ACVs reported a total of 2467 operational vessel days of which 1879 days (76.2 per cent) were achieved in Northern Australia, 348 days (14.1 per cent) were achieved on the East Coast South of Cairns, 135 (5.5 per cent) on the West Coast and 105 (4.2 per cent) along the Southern Coastline.

The Bay Class fleet received 1804 strategic taskings and 92 per cent were successfully completed. 1254 tactical taskings were also received of which 427 (34 per cent) were completed on behalf of client agencies. Requests for tactical taskings were predominantly responses to illegal foreign fishing vessel activity on behalf of Australian Fisheries Management Authority (AFMA). Overall, the number of apprehensions more than doubled the previous years results and legislative forfeitures of catch and equipment also increased by 55 per cent.

This reflects a significant increase in operational vessel days in Northern Australia (up 16.2 per cent) and a marginal increase on the Southern Coastline (up 3.2 per cent) compared to the previous year. Maritime response activity in support of the Commonwealth Games accounted for most of the operational vessel days achieved along Australia's Southern coastline.

In response to higher levels of illegal activity in Northern Australia, the ACVs conducted additional patrols in coastal and offshore areas between Broome and Cairns. Despite this increased response effort by ACVs, multi-tasking of the Bay Class fleet allowed the completion of priority taskings on behalf of a number of State and Federal Agencies. Continuous patrolling of the northern approaches has supported immigration controls with attempted people smuggling significantly reduced compared to past years.

Figure 18: Australian Customs vessel (ACV) surveillance and response activity

	2003-04	2004-05	2005-06
Boardings			
FFV [^]	377	358	516
Other [#]	457	105	41
Apprehensions	65	80	183
Legislative forfeitures ^{>}	40	118	183

[^] Foreign fishing vessel.

[#] Includes merchant vessels, Australian fishing vessels, other small craft.

[>] Legislative forfeiture (catch and equipment seized) conducted under Fisheries legislation.

Deck mounted weapons

In the 2005 Budget, the Government enabled Customs to fit deck-mounted weapons (DMWs) into its *BayClass* fleet of vessels. The acquisition and installation of 7.62mm FN Herstal MAG 58 General Support Machine Guns into the fleet commenced in July 2005 and the 'entire DMW capability' was declared operational in December 2005 after sufficient numbers of existing seagoing crew were trained in the operation of this weapon system.

Recruitment of additional NMU personnel to operate these DMWs commenced in late 2005. The last of the new trainees completed their induction training, use of force training and vessel workups in late May 2006.

Southern Ocean Maritime Patrol and Response

Since 1 July 2004, Customs has been responsible for managing the Southern Ocean Maritime Patrol and Response (SOMPR) program which conducts armed patrols to protect Australia's sovereign interests and valuable fish resources in the Southern Ocean and Australia's northern waters. Support is provided by the Department of Agriculture, Fisheries and Forestry (DAFF), AFMA, Department of Defence and the Australian Antarctic Division of the Department of the Environment and Heritage (DEH).

The program provides a dedicated vessel, the *Oceanic Viking*, able to conduct year-round patrols in sub-Antarctic weather conditions, fitted with two deck-mounted 0.50 calibre machine guns. The vessel carries a full civilian crew and steaming party for sailing apprehended vessels, an armed boarding party of specialist trained Customs officers and Fisheries officers. Any post-apprehension investigations and prosecutions of suspected breaches of fisheries laws are conducted by Fisheries officers. The May 2005 Budget provided \$201.3m in funding for continuation of a Customs managed SOMPR program until 30 June 2010.

Variations to the existing contract with P&O Maritime Services Pty Ltd for supply of the *Oceanic Viking* capability were successfully negotiated resulting in favourable rates for a long-term contract and a number of modifications necessary to improve safety and operational efficiency. The Government approval of a long-term program allowed us to recruit a complement of 71 permanent armed boarding party staff.

The SOMPR program delivered 203 Southern Ocean patrol days as well as 45 days on northern operations against a total performance target of 200 sea days with the following results:

- five Southern Ocean patrols resulted in one apprehension and numerous foreign vessels reported for unregulated fishing in the Convention for the Conservation of Antarctic Marine Living Resources zone
- in September 2005, Customs apprehended the Cambodian registered foreign fishing vessel, *Taruman*, a 76m, 2145t fishing vessel, suspected of fishing illegally inside Australia's Macquarie Island Exclusive Economic Zone
- eight IFFVs were apprehended in Australia's northern waters.

The SOMPR program also provides funding for Australian Customs and Fisheries officers to participate in joint Southern Ocean patrols with France, ensuring optimum coverage of each other's Exclusive Economic Zones and providing a further deterrent to illegal fishers. During 2005-06, Customs SOMPR officers participated in three joint patrols on board French vessels and French Controllers were on board four Australian patrols.

This coordination of sailing plans maximises surveillance coverage and frees up Australian resources to supplement enforcement activity in northern waters.

INTERCEPT

INTERCEPT is a computer system recording details of all vessel and crew movements including recording of ship security information for the DOTARS.

Last year Customs announced that it would develop a vessel profile capability within INTERCEPT. Due to the new Maritime Crew Visa initiative, this has been delayed. INTERCEPT requires significant changes to capture the required information on crew visa details. We will include a vessel profile capability as we adapt the system to capture the new requirements for the Maritime Crew Visa during 2006-07.

The feasibility of a wireless INTERCEPT connection to Customs systems for use by Customs officers working outside an office environment is being investigated.

A preliminary wireless trial of INTERCEPT was conducted in Melbourne during 2005-06, which demonstrated that wireless connectivity in this environment was technically feasible. The wireless trial also enhanced operational capabilities by introducing flexibility and providing real time information to both Customs and external agencies. The trial will be extended to all regions during July/August 2006.

Assistance to domestic and international law enforcement organisations

During 2005-06, our Detector Dog Program supported both national and international partners.

Internationally we:

- continued with a cooperative program that commenced in May 2005 to develop a Customs detector dog breeding and training capability in the People's Republic of China (China) by:
 - providing training and operational narcotics detector dogs to four China Customs officers in September 2005
 - transferring six puppies in March 2006 from the Customs National Breeding and Development Centre in Melbourne to form the nucleus of the China Customs Detector Dog Program in Beijing
 - providing ongoing advice and support in the deployment and maintenance of detector dog teams
- transferred four detector dogs to the Saipan Customs Service in August 2005
- provided the opportunity for two Indonesian and two Royal Malaysian Customs Service

CASE STUDY – AUSTRALIA JOINS FORCES WITH FRANCE IN SOUTHERN OCEAN

Australia and France have many similar interests in the maritime areas adjacent to the French Southern and Antarctic Territories and Australia's Heard and McDonald Islands. The two countries formalised this interest in February 2005 with the Maritime Cooperation Treaty on Surveillance in the Southern Ocean. This treaty aims to enhance cooperative surveillance and scientific research on marine living resources through activities such as:

- exchanging information about the location, movements and other details of fishing vessels including those suspected of fishing illegally
- cooperative surveillance activities
- a shared register of fishing vessels licensed to operate in their respective waters.

Under enforcement operational arrangements there are regular exchanges of officers on patrols. For example, Australian officers attached to Customs Southern Ocean Maritime Patrol and Response Unit (SOMPRU) participated in three French patrols during 2005-06. An officer from the Australian Fisheries Management Authority (AFMA) was usually embarked as well.

Similarly, French Controllers were on board the Australian Customs patrol vessel, *Oceanic Viking* for four Southern Ocean patrols last financial year. The officers are empowered to enforce their respective country's legislation when in their sovereign territory and the joint patrols provide the opportunity to observe different operational experience and techniques in maritime enforcement.

The French vessels are armed Navy frigates with a crew of 100 and also carry a Dauphin helicopter used for radar surveillance of large areas.



Australian Customs officer, Ian Jones, in the Southern Ocean French territory of Kerguelen Island in front of a crossroads signpost which illustrates the remoteness of the location.

The Australian vessel, *Oceanic Viking* is a civil charter vessel, manned by a civilian crew of 22 with a Customs armed boarding party of 25-30 personnel embarked as well as two AFMA officials. It is armed with two 12.7mm machine guns.

A typical French patrol is 5-6 weeks, covering approximately 6000 nautical miles (nm) in all weather conditions and operating predominately in the Exclusive Economic Zones (EEZ) surrounding the Kerguelen, Crozet and Amsterdam island groups in the Southern Ocean. Australian patrols concentrate on the Heard Island and McDonald Islands (HIMI) and Macquarie Island EEZs and adjacent CCAMLR zone (Convention for the Conservation of Antarctic Marine Living Resources) approximately 100nm

south of the HIMIEEZ, and may cover as much as 12 000nm on a round trip of some 40 days. Australia's cooperative efforts with France are part of a wider effort involving diplomatic and international initiatives to combat illegal, unregulated and unreported fishing in the ecologically sensitive Southern Ocean. Australia continues to work closely with other nations who are committed to protecting Southern Ocean fisheries, including the United Kingdom, South Africa and New Zealand.

The Government announced in its 2005-06 Budget a commitment to continue armed patrols to the Southern Ocean through to 2010 at a total cost of \$201.3m for the period 2005-06 to 2009-10.

officers to participate as trainee instructors on a narcotics detector dog training course with the immediate transfer of five detector dogs to Indonesia in October 2005 and four to be provided to Malaysia in August 2006.

Nationally we:

- conducted training for an Australian Federal Police (AFP) explosives detector dog course in November 2005, the first to use Customs training and reward methodology
- delivered the first firearms and explosives detector dog course for the Royal Australian Air Force in April 2006 at Amberley, Queensland
- provided training to officers from the AFP, Royal Australian Air Force, Tasmanian Corrective Services, Queensland Police Service and Northern Territory Police
- provided detector dogs to agencies illustrated in figure 19.

Figure 19: Number of Customs detector dogs provided to other agencies

Agency	Number of Customs detector dogs
AFP	17*
AQIS	3
Royal Australian Air Force	2
South Australian Police	3
Western Australian Police	5
Western Australian Corrective Service	6
Victoria Prisons	3
Victoria Police Service	7 [#]
New South Wales Police	6
Tasmanian Corrective Service	1

* Includes 12 for the Asia Pacific Economic Cooperation (APEC) Program in 2007.

Includes 6 for the 2006 Commonwealth Games.

CASE STUDY – CUSTOMS DETECTOR DOGS TO CHINA

In March 2006, the acting team leader of the Customs National Detector Dog Breeding Centre in Melbourne, Michelle Fischer, visited the fledgling China Customs Dog Breeding Centre in Beijing. The visit fulfilled a cooperative program between the two centres to develop a Customs detector dog breeding and training capability in the People's Republic of China (China).

Michelle accompanied the first six puppies donated by Australia to settle them in and view first hand the newly adapted breeding

centre modelled along Australian lines, as well as other detector dog training facilities.

The transfer of these puppies to China is just one phase of an agreed two-year program between the two Customs services for assistance in both detector dog training and deployment, and the establishment of a dog breeding program. A Memorandum of Cooperation was signed between Australian Customs and the Anti-Smuggling Bureau of China Customs in May 2005. The Australian Customs liaison office in Beijing continues to provide the coordinating link between the two administrations in relation to the running of the dual programs.



*At the ceremony held in National Breeding Centre in Melbourne to hand over puppies to China. **Front row:** Customs Officers Michelle Fischer and Daniel Strack with the puppies handed to China. **Back row from left to right:** Consul-General of the People's Republic of China, Mr Liang Shugen; Minister for Justice and Customs, Senator Chris Ellison and Customs officer from China*

The Beijing centre will provide a great source of detector dogs for China and an expansion to the gene pool for the world's detector dogs. Customs will donate another 12 puppies during the first half of 2006-07.

Michelle reported back that the China Customs breeding manager, Ms Chu has done a wonderful job outfitting the new breeding centre. It now has whelping areas, puppy playgrounds, a training hall, office area, expanded kennels and a number of large exercise yards. Because of the cold temperatures in winter most of the facilities are indoors.



Ms Chu (centre) and two of her staff

Along with the four fully trained narcotics detector dogs that were sent from Australia in September 2005, the new puppies will be the start of a successful breeding program for China Customs and also serve to strengthen the bonds of friendship and cooperation between the two administrations.

Supply chain security

We continued with implementation of the World Customs Organization (WCO) Framework of Standards to secure and facilitate global trade. Of the 169 member countries, 132 including Australia, have formally signalled their intention to implement the Framework. This global initiative is designed to secure and facilitate international trade providing protection from threats posed by international terrorism while facilitating the movement of low risk goods.

In 2006-07 we will start a pilot program for supply chain security, consistent with the WCO Framework of Standards to Secure and Facilitate Global Trade. This program will bring benefits to industry partners who can demonstrate required levels of security along the supply chain.

The pilot will involve Australian Customs working closely with Australian industry and Customs administrations in the Asia Pacific Economic Cooperation region to develop and fine-tune an Australian supply chain security accreditation process.

These Customs administrations will be asked to work closely with us in ensuring that accreditation resulting from our processes are fully recognised by any similar program they have established or are establishing.

Review of Customs Compliance Assurance Strategy (CCAS) by Australian National Audit Office (ANAO)

The ANAO conducted a performance audit of the CCAS for international cargo and reported in November 2005. The ANAO report notes that Customs adopts an appropriate risk management approach and has developed and implemented systems and processes to risk assess and target high-risk consignments and non-compliant behaviour. It also notes that intervention strategies to address non-compliance are tailored to the nature and extent of the risk involved.

The ANAO Report made nine recommendations for improving the administrative effectiveness of CCAS. We have agreed to, and made significant progress in the implementation of the recommendations which cover:

- undertaking a review of the Cargo Reporting Compliance Strategy 12 to 18 months after the introduction of the Integrated Cargo System
- maximising the benefits of a national risk analysis project
- improving intelligence support
- data integrity improvements
- national implementation of a desktop audit program
- improving coordination and management of licensed premises compliance activities
- performance reporting.

Compliance activities

The range of compliance activities used by Customs reflects the diversity of client behaviours and operational responses. Activities include a range of post transactional audit activity (benchmark, focused and desktop) and other activities including real-time interventions of import and export cargo.

Audit activity

Benchmark audits use a statistically valid sample of the importing and exporting community to provide an indication of the level of compliance with Customs-related law. Companies that exhibit high levels of non-compliance in a benchmark audit are subject to further compliance activity such as 'focused audits'. Focused audits check specific compliance aspects of the client's activities that are relevant to Customs. They are conducted in response to identified risks and maximise the impact of audit activity by

focusing on the area of highest risk in the client operations.

Desktop audits are document verification checks of nominated transactions. The actual number of transactions checked will depend on the level of import or export activity and on the risks they present. Desktop audits are generally conducted to monitor the activities of clients where the specific risk can be sufficiently addressed by the examination of commercial documents.

During 2005-06, benchmark audit results for 2004-05 were reported to the ANAO. The

results confirmed that revenue leakage (duty and GST) in the import sectors audited was not material. We estimated the duty leakage to be less than two per cent and the GST leakage to be less than one per cent.

The figure below show the number of benchmark, focused and desktop audits carried out in 2005-06.

Figure 20: 2005-06 Compliance activities (Benchmark, focused and desktop compliance audit program)

Regions	Benchmark audits completed	Focused audits completed	Desktop audits completed	Total
New South Wales	39	48	10	97
Victoria	27	83	53	163
Queensland	15	11	13	39
Western Australia	14	9	9	32
South Australia	12	13	9	34
Tasmania	1	3	0	4
Northern Territory	1	0	0	1
Total	109	167	94	370

Other compliance activities

In addition to audits, we conduct 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. All activities are conducted in response to identified risks.

Extent of compliance activity

We conducted post-transaction compliance activity across a range of companies. The

customs value of the goods imported by these companies, \$39b, was 22 per cent of a total value of imports.

Real-time import compliance activities covered a further three 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)³ value of goods exported by companies subjected to compliance activity was \$12b, representing eight per cent of a total value of exports.

³ 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.

Real-time export compliance activities covered a further six per cent of the value of exports. These activities included actions resulting from profile matches, export events and referrals.

Figure 21: Percentage of total value of Customs imports and exports in 2005-06 subject to compliance activity

Imports (cval)	Percentage	Exports (fob)	Percentage
Audit activity	22.27	Audit activity	7.99
Other compliance activity	2.71	Other compliance activity	6.54
Total	24.98	Total	14.53

Export compliance strategy

Our role in exports is to ensure that all goods being exported from Australia are reported as required by law. Customs administers controls on behalf of Permit Issuing Agencies on the export of restricted goods and passes information to the Australian Bureau of Statistics (ABS) for the compilation of international trade statistics.

We have given greater compliance attention to exported goods focusing on:

- the data integrity of export declarations and manifests
- compliance with permit issuing requirements, particularly for weapons
- industry groups having new responsibilities under new export related provisions of the *Customs Act 1901* and the associated commencement of the exports release of the ICS
- identified high-risk areas such as Duty Free Stores and delivery of ships stores.

Through increasing our focus on the above and undertaking specific projects in respect of our priorities we were able to identify those clients operating in a non-compliant manner in areas that we had given a priority.

Compliance activities have confirmed a high level of compliance in respect to Cargo Terminal Operators but have highlighted deficiencies in the export reporting process, particularly in relation to the correct provision and recording of Export Declaration Numbers

Accredited client program

We continued our development of the Accredited Client Program (ACP). The ACP will be open to highly compliant companies and it will allow them to report their imports and exports on a monthly basis rather than reporting each and every consignment as currently is the case. Other benefits will include:

- reduced red tape for participating companies
- improved supply chain security as part of the program's entry requirements
- streamlined customs clearance procedures with a minimum level of Customs intervention
- eligibility for account-based processes as opposed to traditional transaction-based processes
- an emphasis on self-assessment and monitoring, not Customs verification

- improvement in Customs risk assessment analysis as a result of more timely and higher quality information.

Amendments to the *Customs Act 1901* to introduce mid-month duty payment arrangements for accredited clients are included in the *Customs Legislation Amendment (Border Compliance and Other Measures) Bill 2006*, which was introduced into Parliament in March 2006. The amendments will provide for the lodgment of a mid-month payment of an estimate of customs duty for the month, followed by a reconciliation payment being made in the following month. Subject to the passage of the bill, it is expected that the ACP will become operational in the first half of 2007.

USA and Thailand Free Trade Agreements

Customs responsibility with Free Trade Agreements (FTAs) includes the administration and enforcement of Rules of Origin (ROOs). ROOs are used to determine that goods arriving in Australia from a country with which Australia has a trade agreement are entitled to claim that country as the country of origin. Activities include risk based targeting for both real-time assessments and post-transactional audits.

Experience gained from these activities has given us opportunities to provide training to owners and brokers about the Australia-United States Free Trade Agreement (AUSFTA) and the Thailand-Australia Free Trade Agreement (TAFTA) eligibility requirements. For AUSFTA, there is a requirement for importers to have information to support US preference eligibility in order to claim preference. For TAFTA, there is a requirement for Thai exporters to be registered to obtain a TAFTA specific certificate of origin.

Cargo reporting strategy

We are addressing late reporting of cargo through our Cargo Reporting Compliance

Strategy and working with industry to improve the timeliness of cargo reporting. A number of new import related offence provisions came into operation that allow for penalties to be issued to cargo reporters who fail to meet their reporting obligations. Over the last few years, we have worked with industry to raise awareness of the reporting requirements and the new offences.

Key elements of the Compliance Strategy include closely monitoring the timeliness of cargo reports, providing feedback to cargo reporters on levels of compliance, education and where appropriate, taking action under the Infringement Notice Scheme.

A major focus of the strategy was the education of cargo reporters in regard to their responsibilities for the timely reporting of cargo. The percentage of air cargo reports submitted in accordance with the legislation improved from 83 per cent to 92 per cent. Sea cargo reports submitted on time improved from 69 per cent to 83 per cent. This was despite the timeliness of sea cargo reports falling to as low as 56 per cent in October 2005 following the introduction of the cargo reporting component of ICS.

Container examination facility (CEF)

Customs conducted a tender process for CEF unpack/repack and transport contracts and renegotiated arrangements with both stevedores, which resulted in improved storage arrangements for importers.

Existing contracts between Customs and CEFs' transport and unpack/repack service providers expired in 2005-06 and Customs decided to advertise Request for Tenders (RFTs) for the provision of these services. In the lead up to the RFT process, we undertook an independent review of CEF contracts and performance measures consistent with a recommendation made by the ANAO as part of its performance audit of CEF operations in 2004. The tender process was conducted in

accordance with the recommendations of the review and was completed in December 2005. Customs entered into contracts with successful service providers in 2006.

Our contracts with cargo terminal operators (CTOs) for CEF container handling services also expired in 2005-06 and were renegotiated. Since the start of the CEF program, we have received regular feedback from industry stating that more free storage time was required for containers being inspected at the CEFs. Customs has listened to these concerns and over the last three years has negotiated with the stevedores about these arrangements.

In 2005, we reached agreement on revised key performance indicators (KPIs) with the stevedores which meant that all containers that were to be inspected by Customs had to be delivered to the CEFs with at least 24 hours free storage remaining.

As part of contract re-negotiations, Customs and the stevedores agreed to increase free storage time for shipping containers that are screened at major CEFs around Australia. Shipping containers that are returned from CEFs to the CTOs with less than 24 hours free storage time remaining will be entitled to one additional free storage day. Australian Customs Notice 2006/23 provides information on the improved arrangements. These arrangements do not cover late-targetted containers, the

majority of which are late reported. We will continue to work closely with the stevedores to ensure that all containers are handled in the most efficient manner.

CEFs' performance

CEF performance is primarily measured using inspection and examination rates and complaints received about CEF operations. Figure 22 shows the number of containers inspected and examined over the past three financial years and the number of complaints.

Declaration Validation Examinations

Declaration Validation Examinations are a relatively new compliance activity conducted at the CEFs 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 has been lodged. The consignment is examined to ensure that the goods are entered correctly and comply with Customs-related law.

More than 8 100 examinations were conducted. Of the examinations conducted, 7.7 per cent identified one or more errors. The most common errors were surplus goods and trademarks.



Customs officer inspecting a container at the Melbourne CEF



Figure 22: Customs performance at the container examination facilities

Performance Indicators	2003-04	2004-05	2005-06
Number of TEU*			
Inspected (X-rayed) at CEFs	89 687	128 257	140 014
Physically examined at CEFs	7 562	11 808	13 773
Number of complaints formally received about CEF operations^	297	242	251
relating to CEFs	239	159	145
relating to CTO/wharf/stevedores	1	18	10
relating to brokers	1	6	7
relating to other Customs work areas	56	59	89

* TEUs inspected and examined includes both import and export TEUs.

^ Complaints figures are subject to revision due to possible reclassification as a result of an investigation.

Figure 23 shows the significant detections made at the CEFs, often in collaboration with other law enforcement agencies.

Figure 23: Significant container examination facility detections from sea cargo 2005-06

Date	Facility	Quantity	Item found
07 July 2005	Sydney	500 000	cigarette sticks
20 July 2005	Sydney	3	export containers of batteries
17 Aug 2005	Sydney	400kg	ephedrine
21 Aug 2005	Sydney	6 500kg	tobacco
26 Aug 2005	Sydney	62	prohibited items - blow pipes and pistol crossbows
31 Aug 2005	Sydney	1	container of stolen goods
08 Sep 2005	Melbourne	24kg	MDMA
14 Sep 2005	Fremantle	496	40 boxes containing undeclared trench knives, daggers and goods containing concealed blades
30 Nov 2005	Adelaide	525kg	tobacco
10 Dec 2005	Fremantle	1 000	slingshots with arm brace
13 Dec 2005	Sydney	46kg	crystal methylamphetamine (ice)
14 Jan 2006	Melbourne	6 490kg	tobacco
16 Jan 2006	Sydney	6 000kg	tobacco
01 Feb 2006	Fremantle	68	daggers
06 Feb 2006	Sydney	8 556 000	cigarette sticks
28 Mar 2006	Brisbane	7 950 000	cigarette sticks
31 Mar 2006	Sydney	4 230 000	cigarette sticks
03 April 2006	Melbourne	999.5kg	chewing tobacco
27 April 2006	Melbourne	8 600 000	cigarette sticks

Date	Facility	Quantity	Item found
15 May 2006	Sydney	446kg	tobacco and BIDI cigarettes
15 May 2006	Sydney	100kg	chewing tobacco
07 June 2006	Melbourne	371kg	MDMA
07 June 2006	Sydney	8	export containers of batteries
08 June 2006	Melbourne	3 581	pieces of clothing subject to trademark objections
13 June 2006	Sydney	120kg	pseudoephedrine
16 June 2006	Melbourne	6 241	pieces of clothing subject to trademark objections

Computer forensics

A computer forensics capability continues to support the needs of Customs Investigations activities. We continue to make referrals to other Federal and State law enforcement agencies where material is identified in relation to matters relevant to their jurisdictions, such as terrorism.

To address the increasing volume of electronic data being examined, new network servers and storage equipment were installed in Customs computer forensics facilities during the year. An electronic examination capability has also been implemented in airports to enable selected officers to examine a range of electronic devices and media.

Radio communications

The radio communications systems at Melbourne and Adelaide Airports were upgraded. Adelaide received additional enhancements to its communication infrastructure due to the relocation to the new airport terminal. We have also provided enhanced communication technology for the Southern Ocean patrol vessel, the *Oceanic Viking*.

Revenue fraud

Customs successfully prosecuted 15 revenue fraud cases. The penalties imposed ranged from fines to eight separate prison terms. Of these successful prosecutions, eight concerned revenue fraud associated with tobacco/cigarette importations. The 2005-06 Portfolio Budget Estimates Forecasts for Revenue Fraud were achieved this year. Figure 24 summarises the number of matters involving fraudulent activity.

Figure 24: Summary of investigation activity – revenue fraud

	2003-04	2004-05	2005-06
Referrals received*	100	129	129
Cases adopted	61	71	80
Cases completed^			
with prosecution (through courts)	34	26	17
without prosecution	71	41	56
Cases where prosecution briefs completed^	23+	20	17

* 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.

+ Does not include six recovery briefs.

CASE STUDY – SIGNIFICANT DRUG SEIZURES IN SYDNEY

Two significant seizures at the Sydney container examination facility (CEF) demonstrate the relationship between technology and the importance of officers conducting physical searches of cargo to locate contraband. The CEF, through the application of advanced container x-ray and associated technology, aims to maximise its capacity to examine sea cargo.

A significant drug find from the year was 46 kg of methamphetamine (ice) worth over \$17m, located in a speedboat in an operation that lasted five months.

The boat arrived in a container from Canada and was examined at the CEF in October. An anomaly was detected by the container x-ray and a subsequent physical search located drugs secreted into the hull of the boat. The container was finally collected in February and three people were arrested for attempting to import a commercial quantity of an unlawful border controlled drug.

In June, a container from Indonesia, manifested as furniture, was x-rayed at the CEF. The container was selected for physical inspection by the image interpreting officer, due to a small portion of the image not matching with the declared description of the goods. During the physical search over two million tablets containing pseudoephedrine were located.

Large quantities of pseudoephedrine can be used to produce a significant quantity of drugs such as methamphetamine. The tablets were in 139 cartons wrapped in brown paper and were hidden behind the furniture in the container. This was the first significant seizure of the drug precursor, pseudoephedrine since the recent changes to the Commonwealth Criminal Code. Four people were later charged in Australia and two overseas for offences related to this importation.

Technology coupled with our highly trained staff have resulted in successful operations and significant achievements over the past 12 months.



Speedboat concealing ice



Methamphetamine (ice)

Other fraud - the import and export of prohibited and restricted goods such as weapons, performance enhancing drugs, precursor chemicals, child pornography, flora and fauna

During 2005-06, we successfully prosecuted

107 Other Fraud cases. The penalties imposed ranged from fines to nine separate prison terms. These cases involved various goods with the majority of the cases being concerned with non-narcotic drugs and weapons. The 2005-06 Portfolio Budget Estimates Forecasts for Other Fraud were achieved this year.

Figure 25: Summary of investigations activities concerning the illegal import and export of prohibited and regulated goods

	2003-04	2004-05	2005-06
Referrals received	2 033	2 368	2 886
Cases adopted	561	385	537
Cases completed^			
with prosecution (through courts)	112	106	109
without prosecution	427	274	344
Cases where prosecution briefs completed^	119	95	118

^ Includes cases adopted in previous years.

Proceeds of Crime Act 2002

As part of the Government’s proceeds of crime legislation, \$890,000 was provided for enhanced CCTV monitoring at airports.

This year 76 *Proceeds of Crime Act 2002* (POCA) referrals were received, with 27 of those cases subsequently adopted for investigation. This is a substantial increase

from financial year 2004-05, indicating a greater use of the POCA.

The 2005-06 Portfolio Budget Estimates Forecasts for POCA investigations were introduced this financial year. Limited historic data was available to formulate these forecasts and they will need to be reviewed in the forthcoming financial year.

Figure 26: Number of matters involving recovery under the *Proceeds of Crime Act 2002*.

	2003-04	2004-05	2005-06
Referrals received	14	9	76
Cases adopted	13	5	27
Cases completed			
with recovery (through courts)	0	1	0
without recovery	2	3	19
Cases where recovery briefs completed	3	4	0

We continue to work jointly with other agencies such as the AFP and State police when there are offences detected at the Australian border relevant to other Commonwealth and State jurisdictions.

Managed deliveries

The *Customs Act 1901* 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.

We conducted 12 managed deliveries in relation to the illegal import and export of prohibited and regulated goods. A total of 14 people were arrested. One person has pleaded guilty and received fines in Court. A second case has had the charges withdrawn. Prosecution action has commenced in relation to another four of these managed deliveries and investigations continue in relation to six others. Six matters involved the smuggling of cigarettes or tobacco, with the other six matters involving the importation of weapons, child pornography, border controlled precursors and steroids.

Counter terrorism

Proliferation security initiative

As the Proliferation Security Initiative (PSI) has developed, there has been a maturing of activity and a change of focus as participants see a growing role for law enforcement agencies. We have a specialist role to play and are seen to have expertise in these areas. Information on people and goods coming to and leaving Australia is an area where Customs is able to play an important role. Our staff are well trained in searching ships, aircrafts, containers, goods, smallcrafts

and people. Throughout the year, we have participated in a number of PSI conferences, working groups and exercises.

In August 2005, the Republic of Singapore hosted a PSI exercise. This Exercise 'Deep Sabre 2005' involved a number of maritime law enforcement agencies including the Republic of Singapore Navy, the Royal Navy, the Royal Fleet Auxiliary, the United States Navy, the United States Coast Guard, the Royal New Zealand Air Force, the Japanese Maritime Self Defence Force and the Japanese Coast Guard. The exercise also included a number of foreign country observers including those from Russia, France, Italy, Poland, Pakistan, Brunei, Malaysia and the Netherlands.

Customs committed a boarding team and the ACV *Hervey Bay*. As a result of this commitment *Hervey Bay* proceeded on a return deployment from Darwin to Singapore via Indonesia. *Hervey Bay* and the Customs boarding team participated fully in the exercise including all practice boardings, maritime interdiction operations, briefings and de-briefings.

In April 2006, Customs played a key role in developing, planning and participating in Exercise Pacific Protector 06 held in Darwin. The training exercise was conducted under the joint command of Customs and the Department of Defence (Defence) and involved the interception of air cargo at Darwin Royal Australian Air Force base. The scenario suggested that the cargo was nuclear related material and was bound for a country of proliferation concern. Defence coordinated the air interception. Command was then handed over to Customs to coordinate the ground phase, which involved the location and isolation of the suspect material. Senior delegates from over thirty countries attended the exercise.

At the same time as Exercise Pacific Protector 06, Customs showcased its detector dog and mobile x-ray capabilities to demonstrate some

of its technology and capabilities being used to detect items at the border.

Legislative changes

Suppression of Unlawful Acts at Sea

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 adopted by the International Maritime Organisation (IMO) in October 2005 and signed by Australia in March 2006. The amending Protocols have not yet been adopted into Australian law.

The amendments create new offences concerning the use of vessels for terrorist purposes and a new regime for boarding vessels suspected of committing offences under the amended Convention. Once enacted, these new enforcement powers will bolster and complement the role of Customs in protecting Australia's offshore maritime security.

Infringement notice scheme

On 19 July 2005, ten import-related strict liability offences became subject to the Infringement Notice Scheme in line with the commencement of the release of the imports component of the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001*. An administrative moratorium applied to the serving of infringement notices for offences that occurred on or before 12 April 2006.

The Customs Chief Executive Officer's Guidelines for issuing infringement notices were reviewed and the updated version commenced on 20 June 2006. Taking account of industry feedback on a consultation draft of the guidelines, a key change is the inclusion of a new discretionary consideration relating to difficulties associated with the introduction of the ICS.

In 2005-06, 111 infringement notices were issued, 78 notices were paid and three notices were withdrawn. No prosecutions were commenced following non-payment of an infringement notice.

Duty recovery

We progressed the development of legislation to clarify the operation of the duty recovery provisions in the *Customs Act 1901*. This followed the receipt of a number of complaints during 2004-05, which argued that duty recovery action should be limited to 12 months. Our approach, on the other hand, has been to recover duty for periods of up to four years. The amended legislation is expected to commence in 2006-07.

Planning for the future

Future plans for Output 2 are to:

- increase our detection and apprehension of IFFs and transport and process those additional IFFs who are detained
- train an additional 600 officers in use of force over the next two financial years and maintain their skills and qualifications in subsequent years
- increase Customs detector dog program from 54 to 74 teams over a two year period
- transfer a further 12 puppies from the Customs National Breeding and Development Centre to the China Customs Detector Dog Program
- undertake detector dog capacity building for Indonesia, Malaysia, Saipan, and Samoa Customs administrations
- implement the outcomes of a joint Customs/AFP review into opportunities for better integration of detector dog facilities

- continue support for APEC through the provision of a further 32 trainee detector dogs to the AFP
- progress implementation of the World Customs Organization Framework of Standards within Australia, and to assist other economies efforts in this regard. Australian Customs will commence a 'proof of concept' project from 1 July 2006 for the development of an Australian Authorised Economic Operator program for supply chain security
- implement new export air cargo security measures in cooperation with DOTARS and AQIS
- continue testing the neutron scanner. We have engaged an independent team leader to undertake a full evaluation of the technology and processes. The evaluation will determine the effectiveness of the scanner in a normal working environment, and the impact of revised business processes on industry and Government. We will report back to Government on the evaluation results in early 2007
- begin a trial of radiation detector portals at the CEFs to improve Customs radiation detection capabilities
- continue to liaise with international and Australian Government agencies to improve our export inspection arrangements, including high-risk cargo exported to the USA
- enhance CCTV monitoring and analysis capability at Australian International airports. This includes off-site data storage and a national monitoring centre, which will provide 24/7 monitoring capability, on-line access to data feeds and better coordination with other agencies. Funding has also been provided for an analysis unit to extract and reconstruct data and for tools to enhance CCTV surveillance and analysis
- deploy an explosives detection x-ray system at Australia Post's Melbourne Facility, to complement the installation of similar technology in Sydney in 2005-06
- upgrade our cabinet x-ray systems to enhance and modernise their detection capabilities
- develop a metal detection system capable of screening inbound international mail for firearms and firearm parts. Following initial research and development, a prototype metal detection system was trialled at the Perth International Mail Centre during May-June 2006. We plan to deploy the metal detection systems during 2006-07, following further development and evaluation
- further deployment of dual mode ion-spectrometry units, capable of detecting narcotics and explosives, to replace existing single mode spectrometers. An additional 10 immuno-assay trace detectors, also capable of detecting narcotics and explosives, will be deployed
- continue to enhance our computer forensic capabilities to include operational areas outside of the Investigations and airport environments
- focus investigations towards more joint activity with the AFP and State Police in the continuing challenge posed at the border by ATS and precursors
- conduct a major review of our fraud control arrangements to ensure that best practice is being followed
- participate in new joint agency Identity Crime Strike Teams in Perth, Melbourne and Brisbane.

Output 3

Cargo regulation, trade facilitation and revenue collection

This Output covers:

- the development and management of the electronic Integrated Cargo System
- the investigation of dumping and countervailing complaints and the determination, implementation and review of appropriate measures to address them
- the administration of customs duty and indirect taxes, through the processing of all imported and exported cargo and mail and items entering and leaving Australia with passengers and crew
- the administration of revenue collection activity including Customs-related revenue collections associated with craft movements and collection of the Passenger Movements Charge, the assessment and collection of Goods and Services Tax (GST), Luxury Car Tax (LCT) and Wine Equalisation Tax (WET).

Summary of key operational objectives and achievements for 2005-06

Objectives	Achievements
Provide for an effective transition to new cargo management processes for Customs and Industry	Implemented the imports component of the Integrated Cargo System (ICS) in October 2005, although significant implementation difficulties were experienced
Support and maintain cargo systems	Transition from cargo legacy systems
Advise stakeholders of the services available and the associated policy and procedures	
Administer trade programs consistent with the legislation, policy and World Trade Organization (WTO) and World Customs Organization (WCO) agreements	Conducted anti-dumping investigations consistent with the legislation, policy and WTO agreements
	Participated in free trade agreement negotiations with China, Malaysia and the Association of Southeast Asian Nations (ASEAN)
	Successful Federal Court decision on canned tuna
Implement trade measures resulting from investigations and monitor compliance	Implemented anti-dumping measures and monitored compliance
	Developed a draft Ministerial Direction on material injury
Contribute to the development of domestic and international practice and procedure on anti-dumping and countervailing subsidies	Advised stakeholders of the services available and the associated policy and procedures
	Contributed to WTO Doha Round negotiations on anti-dumping and subsidies
	Convened the joint study of administration of the anti-dumping system, which included representatives from Federal Government departments, the manufacturing industry, importers and exporters
Implement legislative changes and update administrative systems where revenue policy initiatives affect imported goods	Implemented changes to the <i>Customs Tariff Act 1995</i> to reflect Federal Budget outcomes and other Government policy initiatives
Represent Government in international fora on valuation, origin and tariff classification	Represented Customs in tariff and valuation related talks at the WCO and Asia-Pacific Economic Cooperation (APEC), and in origin-related talks in Australia's Free Trade Agreement (FTA) negotiations and feasibility studies

Objectives	Achievements
Provide quality advisory and support services to members of the public, industry and their agents	Timely process of applications for Tariff Advices, Valuation Advices, Tariff Concession Orders, publication of Australian Customs Notice on valuation principles under Free Trade Agreements and other preferential duty schemes
The annual renewal of depot and warehouse licences and the triennial renewal of all customs broker's licences	Renewed 360 depot licences, 425 warehouse licences and 2200 brokers' licences
Introduce new legislation and update existing legislation to reflect Government policies and improved business practices	Prepared and implemented Customs aspects of the Fuel Tax Reform and Excise Review legislation, introduced the <i>Melbourne 2006 Commonwealth Games (Indicia and Images) Protection Act 2005</i> and updated the <i>Customs Tariff Act 1995</i> , <i>Customs (Prohibited Imports) Regulations 1956</i> and <i>Customs (Prohibited Exports) Regulations 1958</i>
Deliver on our commitments to whole-of-government initiatives	Worked with Customs and border security agencies in the Asia Pacific Region to strengthen regional capabilities in recognising Weapons of Mass Destruction
Increase accountability mechanisms for detained and seized goods and improve management of firearms importations	Introduced the Firearms Tracking System (FTS) and Detained Goods Management System (DGMS)

Performance against targets

Figure 27: Performance against targets set in the 2005-06 Portfolio Budget Statement–Output 3

Quality/quantity performance measures	Target*	Actual
Cargo regulation, trade facilitation and revenue collections		
Quality		
Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of receipt of finalisation of details	97%	ICS 99.93% ^ COMPILE 99.45%
Electronic cargo systems – availability to Customs clients (availability against typical work day)	Air cargo automation# 99.7% Sea cargo automation# 99.7% ICS Electronic cargo systems^ 99.7%	99.99% 99.99% 99.28%
Rates of appeal against decisions where the original decision by Customs is over-turned	**	See Appendix D on page 249
Number of external appeals against decisions:		
Granting of Tariff Concession Order	15-20	0
Eligibility for 4th Schedule By-Law	1-5	3
Proportion of drawback and refunds delivered in accordance with standards	Drawbacks 90%	ICS 91.84% COMPILE 99.02%
	Refunds 100%	ICS 94.92% COMPILE 93.27%
Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	100%	100%
Proportion of anti-dumping/countervailing cases and reviews completed within 155 days	Cases 100%	50% >
	Reviews 100%	84% >
Quantity		
Number of customs import declarations lodged^	Electronic 3 000 000	3 097 208
	Manual 24 800	17 973
Number of air cargo screened free consignments^	3 180 000	3 241 887
Number of imported air waybills reported	6 015 000	6 072 545
Number of imported sea cargo manifest lines reported	2 075 000	1 992 271
Number of export declarations issued	1 320 000	1 246 848

Quality/quantity performance measures	Target*	Actual
Revenue adjustments		
Recoveries	**	\$19.40m +
Refunds	\$311m	\$0.35m +
Significant revenues collected (including Customs Duty, GST collected and Passenger Movement Charge)	\$7 510 million (net of GST deferred)	\$7 535m ~
Number of drawback applications	10 500-11 500	7 515
Number of refund applications	23 000	50,789
Major duty concessions		
Tariff Concession System	\$850-\$900 million	\$1 038.4m
Cheese and Curd Quota	\$12.5-\$13 million	\$12.8m
Number of anti-dumping/countervailing cases	**	
Carried forward from 2004-05		3
Lodged		16
Rejected		0
Withdrawn/Terminated		5
Concluded (approved by Minister)		4
Carries forward to 2006-07		10
Number of anti-dumping/countervailing reviews<	**	
Carried forward from 2004-05		20
Lodged		30
Rejected		3
Withdrawn/Terminated		3
Concluded (approved by Minister)		35
Carries forward to 2006-07		9
Anti-dumping/subsidy appeals to the Federal Court	**	2
Price	\$111.4m	\$118.8m

* 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 import declarations and manifests was replaced by ICS Imports in October 2005.

< Represents the number of applications for reviews, continuation inquiries and duty assessments. Figures reported in previous Annual Reports did not include duty assessments.

ICS Imports is the import component of the Integrated Cargo System introduced in October to replace COMPILE, Air Cargo Automation & Sea Cargo Automation.

+ Revenue adjustment figures includes customs duty and GST adjustments identified through Compliance audit activities.

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

> 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.

Figure 28: Revenue collected on behalf of other agencies (\$m)*

	2003-04	2004-05	2005-06
Indirect taxes collected from importers [^]			
GST collections [#]	2 051.32	2 361.47	2 508.12
LCT	1.25	1.21	2.66
WET	4.78	5.40	6.78
<i>Total indirect taxes</i>	<i>2 057.36</i>	<i>2 368.08</i>	<i>2 517.55</i>
Passenger movement charge (PMC)	329.79	363.84	374.57
Marine navigation levy	44.04	41.67	42.15
Protection of the sea levy	4.32	4.68	4.86
AQIS fees ⁺	55.03	56.83	67.65
AQIS fines [~]	1.10	0.99	0.65
Wood levy	0.89	0.92	0.84
Total	2 492.52	2 837.01	3 008.28

* 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 ATO acquits these liabilities in subsequent BAS statements from importers. In 2005-06 GST deferred was \$15.1 billion.

⁺ Fees collected on behalf of AQIS.

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

Implementation of major Government initiatives

Cargo Management Re-engineering

Imports – implementation and maintenance

Prior to the implementation of the Integrated Cargo System (ICS), we used a number of automated systems that allowed the trading community to provide the bulk of required regulatory information in electronic form.

These applications, including COMPILE and the Air and Sea Cargo Automation applications were becoming outdated. New technologies were required to allow for more sophisticated manipulation of information, and a reduction in duplication.

The most significant event during 2005-06 was the implementation of the Cargo Management Reengineering (CMR) imports module with the cargo community in October 2005. The change completed the implementation of the ICS that commenced with exports in October 2004. These changes integrated for the first time within the one system the import declaration and the import cargo reporting business processes for both industry and Customs.

The move to a new integrated cargo system was required for a number of reasons including:

- a steady growth rate placing pressure on our cargo systems
- a changing business environment

- ageing infrastructure
- a number of separate applications involved
- changing Government expectations
- the emergence of the internet.

Prior to, and during implementation, there was consultation with industry about levels of readiness. Forums such as the Industry Action Group, the Software Developers Forum and the Minister's Roundtable provided important mechanisms to consult with industry and its software providers on ICS issues.

The ICS Imports was implemented on 12 October 2005, with some transition problems for air cargo but with severe short-term consequences for the movement of sea cargo. Many customs brokers and freight forwarders experienced grave difficulties interacting with Customs through their third-party software and attempted instead to use the ICS through the online Customs Interactive (CI) facility. CI proved difficult to use and very slow under the additional load, further exacerbating user frustration with the system. These difficulties were not general, some operators had relatively minor issues, but the problems were widespread.

Response to implementation difficulties

The Minister for Justice and Customs had established the Roundtable working group of senior industry sector representatives, software developers and Customs officials to provide a forum to discuss issues relating to the implementation of the ICS. The group met eight times between January 2004 and October 2005.

On 20 October 2005, the Minister convened the roundtable group to address the backlog of cargo moving from wharves and airports that occurred after the cut over to the new system. Industry was advised that COMPILE contingency arrangements would be extended beyond 24 October 2005.

On 24 October 2005, the Minister met with the roundtable group to review progress in the movement of cargo from wharves, noting that the air industry was not affected to the same extent as the shipping industry. The meeting noted improvement in the movement of cargo and agreed on further actions to facilitate speedier release and delivery of cargo. The meeting agreed to establish the Industry Action Group. This group was jointly chaired by industry and Customs and was tasked with identifying and fixing ICS problems.

Industry Action Group

On 26 October 2005, the Minister established an action group to be jointly chaired by Customs and Industry to address matters related to the release of cargo. The membership of this group consists of representatives from Customs, the air and sea cargo industries, customs brokers and freight forwarders. This action group met to establish a terms of reference on 28 October 2005 and had met on 10 occasions as at 30 June 2006.

Agreement was reached on the formation of sub-committees to address issues related to specific areas of business process and key areas of cargo reporting and management. As a result, a number of improvements have been made to the ICS, including:

- reducing time taken for clients to register to use ICS
- reducing time to determine status for air and sea cargo
- additional status messages to assist in the submission of under bond movement requests
- removing the need to link sea freight Cargo Reports and Import Declarations by Ocean Bill of Lading numbers
- introducing the facility to search for Import Declarations
- introducing a simplified (Express) Import Declaration

- ability for external users to search by sea freight container numbers
- increasing number of allowable lines on an Import Declaration from 400 to 1000
- introducing changes to cascade reporting rules to improve opportunities for matching sea freight.

The remaining available legacy system, COMPILE, continued to be available to external users until 11pm on 3 February 2006. We decided to keep COMPILE available to assist industry users whose software did not provide full functionality and as a contingency system for the ICS. The decision to close access to COMPILE was reached in consultation with industry. The CLEAR application remains available for the processing of Post Warrant Amendments by internal Customs users relating to cargo reported in COMPILE.

As a result of the issues that arose around ICS imports implementation, Customs put in place arrangements for claimants to submit and have assessed claims for compensation.

On 26 October 2005, Customs established an email address for potential claimants to advise of their intention to claim and in December 2005 Customs issued a claim pack to all potential claimants. The claim pack comprised of a questionnaire and instructions to claimants advising of the information and substantiation required in relation to making a claim.

At 30 June 2005, Customs had received 391 claims with a total value of \$8.6m. The majority of these claims related to storage costs incurred during the period October and November 2005. There were a small number (24) of large, complex claims totalling \$7.8 million. At 30 June 2006, these claims were still being assessed.

ICS post implementation Booz Allen Hamilton review

On 14 February 2006, the CEO of Customs announced the engagement of the consulting firm of Booz Allen Hamilton to conduct an independent review of the ICS. The review's objectives were to identify lessons learned from the implementation of ICS so that we could perform better in the future. It also identified opportunities to maximise the potential benefits of the new system for industry and Customs.

The review concluded that a significant proportion of industry experienced problems following the introduction of the imports component of ICS, and despite a difficult implementation and transition period, the focus for the ICS must now be on leveraging the investments made for the future. This was based on the finding that the integrated nature of the ICS and its modern architecture represent a sound base for further improvements.

On 9 June 2006, the CEO met with industry representatives at a Customs National Consultative Committee meeting to advise that we accepted all the recommendations contained in the review. We acknowledged there are things that we could have done to make the implementation smoother. The CEO committed Customs to work together with industry to realise the potential benefit of the ICS for both Customs and industry.

A new management structure to oversee future ICS development has been established, including the creation of a new Deputy Chief Executive Officer position responsible for delivering the recommendations outlined in the report. The CEO will chair a senior level steering committee involving industry representatives to provide strategic direction and oversight for the ongoing program of improvements to the ICS.

Agreement was reached to form a series of joint working groups to explore potential improvements in trade facilitation. Initial working groups will focus on the benefits and feasibility of adopting the US 24-hour load rule for cargo reporting and the development of an Authorised Economic Operator program consistent with international Supply Chain Security initiatives.

A copy of the final report (*Review of the Integrated Cargo System*) is available on the Customs Internet site.

Australian National Audit Office review

The Australian National Audit Office (ANAO) has initiated a performance audit of the development and implementation of the Cargo Management Re-engineering project of which the ICS was a major component. We are cooperating fully with the ANAO. The ANAO is expected to report in early 2007.

ICS internal impact

Since the implementation of imports in October 2005 a number of changes have been implemented that have improved the usability of the system for Customs staff. These include:

- fewer keystrokes required for risk assessment, enabling faster processing
- enhanced diagnostic capabilities, enabling staff to more readily identify the progress of cargo through the system
- additional reporting capability.

A further program of work has been identified that will improve staff productivity in meeting Customs goals. The new Trade Facilitation Program Management Unit is managing these changes in close co-operation with our staff.

Figure 29: Number of successfully processed ICS messages in 2005-06

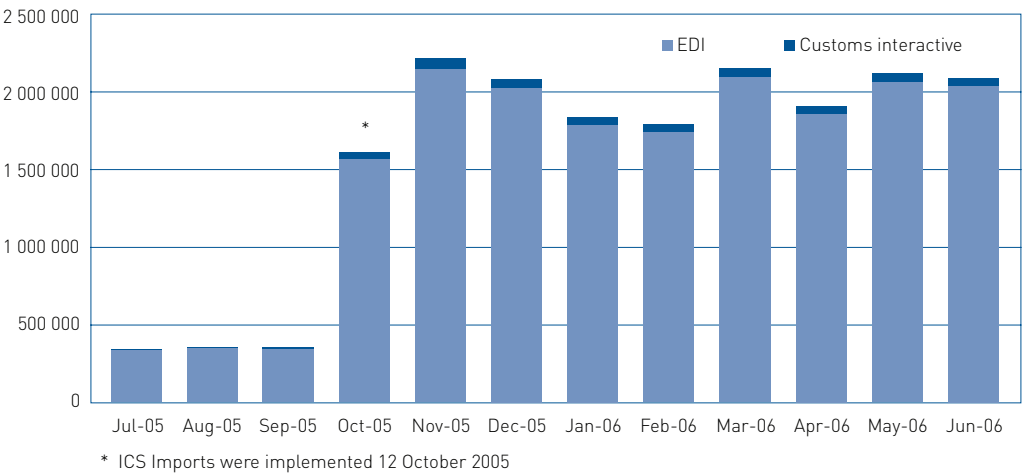
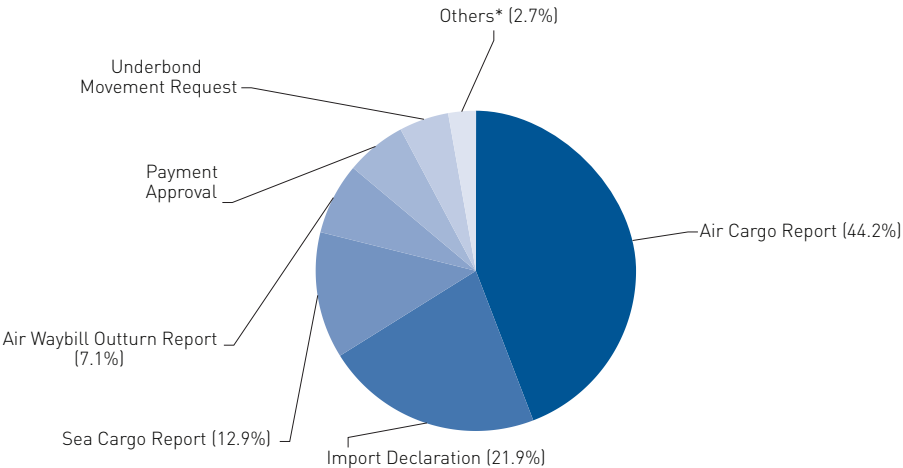


Figure 30: Imports successfully processed ICS messages by type during 2005-06



* Others includes:

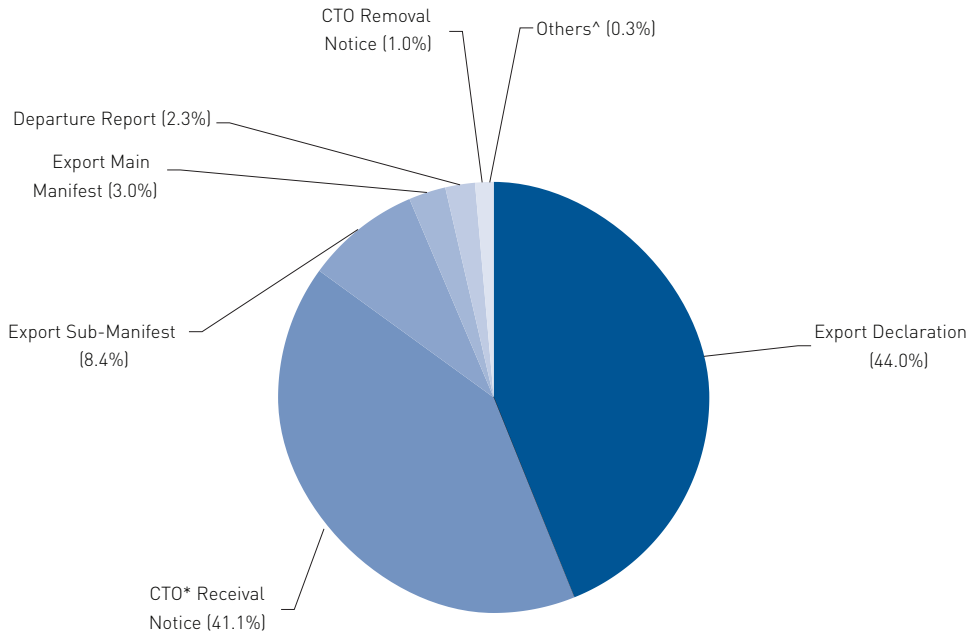
- Self assessed clearance declaration
- Sea cargo outturn report
- Air impending arrival report
- Air actual arrival report
- Progressive discharge report
- Cargo list report
- Drawback request
- Sea actual arrival report
- Sea impending arrival report
- Movement application
- Unaccompanied personal effects

Maintenance of exports

Throughout the past year, the exports component of the ICS has remained stable. The shift in resource priority to imports

activities from the Industry Action Group, after the implementation of imports functionality in October 2005, has resulted in work being conducted on only the highest priority Export issues.

Figure 31: Exports successfully processed ICS messages by type during 2005-06



* CTO is Cargo Terminal Operator for air cargo and Container Terminal Operator for sea cargo.

^ Others includes:

- Depot export release notice
- Depot export receiving notice
- Request for status
- Warehouse export release
- Warehouse export return

CASE STUDY – FIVE STAR SHIPPING & AGENCY COMPANY PTY LTD AND DHL EXPRESS

With the assistance of Customs, Five Star Shipping & Agency Company Pty Ltd and DHL Express were able to embrace Customs e-commerce development and to advance their trading initiatives in our region by implementing the Integrated Cargo System (ICS). "The implementation of ICS has benefited customers, as it provides

early status information about cargo and an emphasis on cargo security as a result of improved supply chain management. The increase in the import threshold from \$250 to \$1000 provided significant savings to customers in Customs charges, duty and GST," said Mr Stephen Ly, Customs & Regulatory Affairs Manager – Oceania, DHL.

Five Star Shipping's involvement with the Cargo Management Reengineering (CMR) strategy commenced with the contribution

by General Manager, Alan Brundish from the inception of the Industry Reference Group in 1998. DHL Express established a cross-functional project team in 2003, which worked directly with Customs to define the broad scope of the project for DHL Express.

Early preparation was a key factor to the success for both companies. Both Five Star Shipping and DHL attended the many Customs and industry seminars, and Five Star Shipping was an active participant of the National Consultative Committee meetings. Customs also had extensive dealings with both DHL and Five Star Shipping. This strong working relationship enabled communications and training to take place providing their staff and customers with an understanding of what the ICS proposed changes involved.

Five Star Shipping and DHL both chose to undertake in-house software development to create their internal interface with the ICS. For Five Star Shipping, the postponement of the cutover date for imports became a challenge in maintaining the priority of the project for the parent company.

Customs ICS specialists addressed frustrations experienced during the early days of development through on-site visits for both organisations. As a result of these visits the companies were able to openly discuss problems and resolve a number of in-house technical issues.

“Industry simulation exercises organised by Customs, including stress and volume testing, successfully allowed DHL Express to identify capacity and process issues well in advance of implementation”, said Mr Sunil Shah, Software Development Manager, DHL.

DHL Express indicated that a phased implementation both functionally and by business sector would have reduced the risk associated with the ‘big bang’ approach adopted by Customs. But they believe that ICS will provide ongoing benefits. They continue to be involved in the redevelopment of the ICS business continuity plans.

Five Star Shipping noted that frustrations identified by the company during the implementation of the CMR initiative were among issues acknowledged by Customs and are being addressed in implementing findings of the Booz Allen Hamilton Review, in a renewed commitment to listen to and partner with industry and find solutions.

“While some issues remain and a few changes are still needed, the lines of communication with Customs are working well, with Customs now more responsive to industry concerns” says Five Star Shipping’s Mr Brundish.



Five Star Shipping's Sky River



From left to right: Sunil Shah, Software Development Manager-DHL; Matthew Corkhill, National Manager Cargo Systems-Australian Customs Service; Stephen Ly, Customs & Regulatory Affairs Manager-Oceania, DHL

Fuel tax reform and excise and duty rate changes

In June 2004, the Treasurer announced proposed reforms that were designed to provide excise and customs duty relief for a wide range of businesses and households. The main feature of the proposed reforms was the removal of the effective excise and customs duty from burner fuels and the replacement of refunds and remissions with the fuel tax credit system.

At that time, it was also decided to conduct a review of the arrangements that apply to all excisable products, being alcohol (other than wine), petroleum and tobacco products. The review was also extended to cover the imported excise equivalent goods, which are governed by the *Customs Act 1901* and the *Customs Tariff Act 1995*.

We worked closely with the Treasury and the Australian Taxation Office (ATO) to develop four draft Bills and associated regulation amendments. All of the cognate Fuel Tax Reform and Excise Review Bills received Royal Assent on 26 June 2006. The Governor-General signed related amendments to Customs and to Excise regulations on 28 June 2006 at a special meeting of the Federal Executive Council. The major amendments include:

- requiring manufacture using excise equivalent goods to occur at a place licensed under both Customs and excise legislation
- continuing Customs control of excise-equivalent goods until an excisable liability has been created under the *Excise Act 1901*, or the goods are entered into home consumption and relevant duties paid, or the goods are exported
- repealing items 44 and 67 of Schedule 4 to the *Customs Tariff Act 1995*. Importers of excise equivalent goods may then enter the goods for home consumption (duty paid), or warehouse their goods. When the goods are

used in excise manufacture the liability for customs duties is extinguished (except for ad valorem duty that is payable on certain spirits and petroleum products)

- repealing all existing refund, rebate and remission circumstances for fuels not used in an internal combustion engine. From 1 July 2006 refunds for prescribed uses of imported and domestic fuels, for example, generation of electricity or heat will be delivered through the Government's new fuel tax credit system that will be administered by the ATO.

Operational performance and improvement initiatives

Weapons and strategic goods

Firearms

We provide advice to the Minister, other government agencies and the import/export community in relation to the border controls for weapons and strategic goods. We administer the handgun stock limits available to licensed firearms dealers and process applications for Ministerial permission to import non-firearm weapons.

At 30 June 2006, there were 353 gun dealers certified by Customs to hold newly imported handguns. Of these, the majority (over 90 per cent) were certified to hold no more than ten weapons.

Figure 32: Firearm importations and exports 2005-06

	Rifles	Handguns	Shotguns	Military firearms	Antique firearms	Total
Commercial importations	21,665	5,876	10,036	1,706	106	39,389
Commercial exports	1,733	1,435	697	14	87	3,966

Figure 33: Firearm detection and seizures* 2005-06

	Firearms, parts and accessories	Air guns
Detections	11 878	5 757
Seizures	3 857	3 767

* These figures include seizure of firearms (and parts) and weapons shown in Figure 16

The officials-level Firearms Policy Working Group promotes national consistency of controls on firearms and other weapons. This Working Group has representation from all State or Territory Police forces and Justice (or Attorney-General's) Department's, the Commonwealth Attorney-General's Department, Customs and the Australian Federal Police (AFP). We also contribute to the Australasian Police Ministers' Council process on a range of firearms and weapons related issues. We cooperated with the Attorney-General's Department to develop a package of regulation changes for firearms, including updating safety testing regulations to better protect the Australian community.

The Firearms Tracking System was introduced as part of the Commonwealth Games preparations. It has now been integrated into

general operations and can be used for other major firearms events. Planning and liaison has begun towards Customs involvement in APEC 2007, hosted by Australia.

On 10 April 2006, we introduced a national system for the recording of all goods detained and seized by Customs. The Detained Goods Management System (DGMS) will track the movement of goods from detention and/or seizure to release and/or disposal.

The system is designed to record all firearms importations, greatly improving our ability to report on firearms at a national level and assist stakeholders in the tracking of goods. The DGMS audit capabilities have improved data integrity. Enhancements are anticipated for 2006-07 to provide greater system flexibility.

CASE STUDY – STREAMLINED PROCEDURES FOR SHOOTING EVENTS

Customs has developed a Firearms Tracking System (FTS) to record the temporary movement of firearms across Australian borders by people authorised to travel with firearms. Examples are firearms temporarily imported into Australia by international sporting competitors, or for returning Australian sporting shooters who have taken firearms temporarily out of Australia for sporting events. The system can also record the temporary importation of firearms of military personnel.

The FTS was developed by Customs with the close cooperation of M2006 Corporation Shooting Event staff, Victoria Police, Department of Defence and the Australian Sporting Shooters Association, who were all involved with the Commonwealth Games this year. This system ensured Customs ability to deliver an enhanced clearance and verification process. The FTS provides Customs with greater control of data integrity and the ability to ensure that all

firearms entering the country for major events are appropriately controlled.

The Melbourne Commonwealth Games, with its high number of competitors and turnover of associated weaponry, tested the new system and found it to be fast and effective. What was once a time consuming manual process was streamlined, ensuring an efficient process was delivered to Games competitors.

These arrangements attracted compliments from a range of competitors, team officials, M2006 Corporation representatives and airline operators.

The FTS will play an important ongoing role in ensuring border security objectives are met for all major sports shooting events while lowering the administrative costs for Customs and minimising the interruption for competitors and organisers of such events.



Customs officers checking and sealing firearms for Commonwealth Games competitors at the Athlete's Village

Explosives and other security sensitive substances

Controls of security sensitive ammonium nitrate (SSAN) will operate Australia-wide by the end of 2006. We control SSAN at the border, allowing import and export only by State and Territory licensed operators where the State or Territory has its licensing arrangements in place. As at 1 June 2006, legislation and controls have been implemented in all jurisdictions except South Australia where a special transition period ends in July 2006 and in Western Australia where the legislation has not yet been enacted.

Military-grade explosives are controlled under Customs legislation and generally can only be imported for use by the Department of Defence or to fulfil contracts with the Department of Defence. An import permit from the Minister for Justice and Customs is required for all importations of military grade explosives.

Non-military prepared explosives currently are not controlled under the *Customs Act 1901*. They are controlled to varying extents under State and Territory legislation. We cooperate with State or Territory authorities to monitor imports of such explosives to establish if the importer has an appropriate State or Territory permit or licence. Where non-military explosives are imported, Customs will consult with the appropriate State or Territory to determine whether the importer has an appropriate permission or license. If there is no permission the matter is referred to the relevant State or Territory Governments.

All dual use materials, which are goods that can be used to produce or deliver a weapon of mass destruction, are controlled as prohibited exports. The process of training regional operational staff to visually identify commodities that can be used to produce or deploy chemical, biological, radiological or nuclear weapons of mass destruction commenced in early 2006. The training was

delivered in a train-the-trainer style by the US Department of Energy. Customs officers will deliver future training.

We are working with other Customs and border security agencies in the Asia Pacific Region to strengthen regional capabilities.

Other weapons

We also control the import and export of other weapons including daggers, tasers, blow pipes, nunchakus, crossbows, flick knives and slingshots. In 2005-06, we processed 1283 applications for permission to import weapons. This is an increase of approximately 27 per cent over the previous year. Around 90 per cent of applications were approved.

CASE STUDY – PROTECTING THE COMMUNITY BY SEIZING ILLEGAL WEAPONS

Customs seized one of the largest quantities of illegal weapons ever discovered in Australia during raids on five premises in Sydney.

The captured cache included:

- 449 knives and daggers
- 267 replica firearms and pistol lighters
- 171 electric shock devices including stun guns
- 88 bags of slingshot ballbearings
- 86 slingshots
- 75 sword sticks
- 10 blowdarts

The Customs investigation began after Customs officers intercepted two cartons containing 50 blowpipes and 12 pistol crossbows which were concealed within

a sea cargo container of display units and novelty goods.

The container arrived at Port Botany from Shanghai, China, in August 2005. It was selected for examination based upon assessments made by Intelligence Branch officers. Officers at the Customs container examination facility in Sydney used x-ray technology and their skills and experience to detect the concealed goods. Investigations Branch officers executed search and seizure warrants which resulted in the retrieval of prohibited goods and the location of evidentiary material for use in prosecution action.

Unless prior permission has been obtained, such items are considered prohibited imports under Customs regulations. Importers of these types of weapons, who do not have the necessary permission, face a fine of up to \$275 000 and/or ten years imprisonment.



Weapons seized in Sydney.

Licensing depots and warehouses

Customs licenses a total of 404 depots and 505 warehouses. These figures include 44 new depots and 80 new warehouses licensed during 2005-06. The increase in the number of warehouse licences granted was caused by changes to the administration of excise giving effect to the Government's review of excise arrangements. Licences are renewed annually.

National Customs Brokers Licensing Advisory Committee

The National Customs Brokers Licensing Advisory Committee (NCBLAC) advises the CEO on customs broker licensing issues. NCBLAC comprises one member nominated by an organisation representing brokers, one Commonwealth member nominated by the CEO of Customs and an independent Chair. All decisions made by the CEO in response to NCBLAC recommendations are open to appeal in the Administrative Appeals Tribunal.

In 2005-06, NCBLAC considered 86 new licence applications consisting of 24 corporate, four sole trader and 58 individual applications. Of these, NCBLAC held hearings for ten applicants who did not meet the required academic standards. After considering the recommendations of the NCBLAC the CEO issued 83 new broker licences in 2005-06 (compared with 93 licenses issued in 2004-05 from 100 applications).

There were also four NCBLAC hearings covering disciplinary matters where the CEO accepted the NCBLAC recommendations.

All customs brokers licences expired on 30 June 2006 (after three years validity) and Customs renewed over 2200 of those licences. Total broker numbers have remained relatively stable in recent years with an increase of around 50 since 1995.

Legislative changes have been proposed to provide for the introduction of 'locum brokers' in 2006-07. This change will provide more flexibility in the employment arrangements for customs brokers by allowing a broker to be employed by a number of brokerages.

Free Trade Agreements

Australia currently has Free Trade Agreements (FTAs) with New Zealand, Singapore, Thailand and the United States of America. We provide both information advice and formal origin advice rulings for goods imported into Australia under the FTAs. These rulings provide certainty for importers and consumers about the preferential tariff treatment of goods imported into Australia.

During 2005-06, we have been involved in implementing agreements made between Australian and New Zealand Trade Ministers to amend the Australia and New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) to apply the change in tariff classification approach to rules of origin. The Trade Ministers have announced that the changes to the ANZCERTA are planned to commence on 1 January 2007.

We have reviewed and are developing legislative amendments for all agreements to ensure that they reflect changes to the World Customs Organization Harmonized Commodity Description and Coding System (known as the Harmonized System) that are due to commence on 1 January 2007.

Currently, Customs is participating in the negotiations leading to possible free trade agreements with China, Malaysia and the Association of Southeast Asian Nations (ASEAN) in conjunction with New Zealand. Customs input into these negotiations covers Customs cooperation, rules of origin, e-commerce, intellectual property rights and trade in goods.

The negotiations between the United Arab Emirates and Australia have ceased and instead investigations into expanding the agreement to engage the Gulf Cooperation Council as a whole are being undertaken. Customs is also contributing to feasibility studies into the possibility of Free Trade Agreements with Japan and Mexico.

The South Pacific Regional Trade and Economic Agreement (SPARTECA) is a non-reciprocal trade agreement under which Australia and New Zealand offer duty-free and unrestricted access or concessional access for all products from Forum Island countries. To qualify, goods must meet the SPARTECA rules of origin, that is, goods must be produced in a

Forum Island country and have at least 50 per cent local area content. There is an additional scheme for the Fiji textiles industry under SPARTECA TCF introduced on 1 March 2001 and applicable until 31 December 2011. Both SPARTECA and SPARTECA TCF have in-built review mechanisms and it is expected reviews will occur over the coming year.

We provide both informal as well as formal origin advice rulings for goods imported into Australia under Australia's trade agreements. There has been a steady increase in both types of origin requests in 2005-06, resulting in Customs issuing 60 binding origin advice rulings.

CASE STUDY – INSIGHT INTO THE WORLD OF NATIONAL MANAGER, TRADE MEASURES

Andrew Rice's role as National Manager, Trade Measures sees him taking on trade tasks both locally and overseas. While attending the Department of Foreign Affairs and Trade (DFAT) sponsored Australia-China Free Trade Agreement Proposed Goods conference in June 2006, Andrew took the opportunity to meet with key Chinese government agencies to talk about anti-dumping issues facing both countries.

Andrew said, "the visit was a success both in information gathering and relationship building in China". Highlights included:

- the Prime Minister, the Hon John Howard, and the General Secretary of the Chinese Communist Party, Guangdong Province, Mr Zhang Dejiang, attending the FTA conference held in Shenzhen, as did business figures, academics and officials from both countries. The conference raised awareness of the FTA being negotiated between the two countries. Andrew's presentation on Customs experience with implementing the rules of origin – change in tariff classification was well received. Australia's offer to share its experience in more detail was taken up by China Customs.
- a visit to Yantian Port (near Shenzhen) along with trade negotiators from DFAT and Australian Embassy Beijing personnel to view import and export arrangements at a major Chinese port.
- a visit to the National Development and Reform Commission (NDRC) gave

valuable insight into the Government's industry policies and the operation of industry sectors in China. NDRC and the Chinese government have a positive view towards Australia and our relationship with China. NDRC offered to assist with our inquiries on industry policies.

- meeting with the Bureau of Fair Trade (BOFT) for Import and Export, which was very interested to learn about Australia's anti-dumping system and the challenges facing Customs in this role. One of the outcomes from the talks on pricing and market economy was BOFT's offer to assist Customs on issues of pricing in future anti-dumping investigations. BOFT was also keen on our offer for their staff to receive training in Australia.

Andrew was accompanied on his calls by staff from the Australian Customs Post in Beijing. The Post was increased in size by two staff members in February 2006, to assist the Trade Measures Branch to conduct its anti-dumping investigations in China. The Post performs a vital role in information gathering on the Chinese market.



Andrew Rice (left), National Manager Trade Measures and Tom Anderson, Senior Customs representative in Beijing

Tariff Operations

Tariff Operations comprises the operational aspects of both tariff classification and tariff concessions functions.

Tariff Classification

We provide 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 (ABS).

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.

Figure 34 shows the total number of tariff advices issued and a breakdown of the reviews undertaken.

Figure 34: Tariff advices and reviews

	2003-04	2004-05	2005-06
Tariff advices issued	3 602	3 254	2 497
Reviews			
Customs decision overturned	38	21	18
Customs decision affirmed	47	36	19
Review decision substituted	5	4	0
Reviews withdrawn	1	4	3
Reviews yet to be finalised	3	3	8
Total reviews undertaken	94	68	48

In 2005-06, 48 internal reviews of decisions on tariff advices were undertaken compared with 68 in 2004-05.

Tariff Classification has provided formal tariff classification training for our staff involved in both tariff classification and compliance areas.

Tariff Concessions

We directly administer or assist in the administration of a number of concessional items under Schedule 4 of the *Customs Tariff Act 1995*. 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.

In the 2004-05 Federal Budget, the Government announced the removal of the three per cent tariff on business inputs subject to a Tariff Concession Order (TCO), effective 13 May 2005. As a consequence, over the past twelve months there has been a three-fold increase in the number of TCO applications and an increase in the numbers of objections, requests for revocation and requests for internal review.

Figure 35 details the number of applications and revocations under the Tariff Concession Scheme. The number of applications increased from 562 in 2004-05 to 1268 in 2005-06.

Figure 35: Item 50 in Schedule 4 of the *Customs Tariff Act 1995* - Tariff Concession System

	2003-04	2004-05	2005-06
Applications			
Received	506	562	1 268
Approved	407	455	1 037
Not approved	82	62	139
Revocations			
Received	25	8	107
Approved	22	9	267
Not approved	2	2	18
Customs initiated	753	462	190

In 2005-06, 32 internal reviews of decisions on tariff concession applications and revocation requests were finalised, compared with 11 in 2004-05.

All applications, requests for revocation and associated reviews were completed within

legislated timeframes.

Figure 36 contains a comparative analysis of the Customs duty forgone as a result of the concessional arrangements available under Schedule 4 of the *Customs Tariff Act 1995*.

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

Industry assistance measure	Concession Item	2003-04	2004-05	2005-06
Tariff Concession System*	50	476.8	552.2	1 038.4
Automotive Competitiveness Investment Scheme (ACIS)*	41E, 41G	586.9	531.1	464.0
TRADEX*	21A	129.3	93.8	65.5
Enhanced project by-laws	71	54.0	55.6	24.7
Cheese and curd quota scheme	62	11.8	12.5	12.8
TCF policy by-law	40A	26.8	20.4	13.5
TCF overseas assembly provisions	61	5.4	4.8	3.3
Other Concessions		125.4	141.1	115.4
Total		1 416.3	1 411.5	1 737.6

* The 3% duty on 'inputs to industry' eligible for a Tariff Concession Order (TCO) was removed on 11 May 2005. The result was an increase in the number of TCO applications requesting the 0% duty rate concession instead. Duty forgone figures exclude the monetary adjustments during the period February 2003 to May 2005 for Item 50A, as a result of duty refunds for goods that should have been considered 'consumption goods' and thus free of the 3% duty rate.

An ACIS Credit acquittal is a duty liability which is not paid but acquitted against credits granted under the Automotive Competitiveness and Investment Scheme set out in the *ACIS Administration Act 1999*. Items 41E & 41G (ACIS) commenced 1 January 2001 and these figures are only the money forgone by Customs.

+ 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.

Duty free treatment – consumer goods

Duty free treatment for consumption goods subject to a TCO is provided under Item 50A to Schedule 4 of the *Customs Tariff Act 1995*. 'Consumption goods' was defined by reference to United Nations Statistical Papers, which did not change for many years. In mid-2005, our attention was drawn to errors associated with our administration of Item 50A.

The errors resulted in some goods not being provided with the duty free treatment to which they should have been entitled as consumption goods, and other goods being incorrectly treated as consumption goods (rather than business inputs) and therefore not subject to three per cent customs duty.

We paid more than \$15m in refunds within the statutory time periods in relation to this matter. After initially seeking the recovery of short levied duty, Customs reviewed its decision and decided to write-off those debts.

Recognising that there might be potential for similar errors, we wrote to all of the agencies responsible for the policy underpinning the various concessions within Schedule 4 to the *Customs Tariff Act 1995*, asking them to review the fundamental basis of the concessions and any link to other legislation. This review will continue in 2006-07.

Valuation

We issued 26 binding valuation advices during the year. One valuation advice was subject to internal review and was affirmed. For details of external reviews conducted by the Administrative Appeals Tribunal and the Federal Court refer to Appendix D.

Trade measures programs

In response to industry applications, ten investigations were initiated. Of the new investigations, one investigation was concluded during the year. Three investigations carried forward from last year

were completed. Five of the ten investigations related to goods in the metals sector, two in the flat glass sector, two in the prepared foodstuffs sector, and one in the plastics sector.

We may impose provisional measures in the form of securities to remedy the effects of dumping pending final decisions by the Minister for Justice and Customs. Provisional measures were taken in three investigations. The Minister made final decisions and imposed new anti-dumping measures following four investigations. Measures remain in place only as long as and to the extent necessary, to counteract dumping and/or subsidisation causing injury. Measures may be reviewed or revoked. Unless an investigation establishes a need for their continuation, measures expire after five years.

Measures continued or revoked:

- at 30 June 2006, 44 anti-dumping measures were in place for goods from 16 countries
- of the 25 goods subject to measures eight involve more than one country
- in 2005-06, five measures expired, two were revoked and two were continued
- of the 11 anti-dumping measures due to expire in 2006-07, Customs has initiated continuation inquiries on two measures, as at 30 June 2006.

Reviews of Existing Measures:

- Customs initiated four reviews of existing measures and reported to the Minister on all but one during 2005-06. One review was underway as at 30 June 2006.

Fourteen duty assessment applications were initiated in 2005-06, compared to six in the previous year. The Minister decided repayment on nine and nil repayment on one. The remainder were under review at 30 June 2006.

Customs sought timeframe extensions for placing the statements of essential facts on the public record for:

- one anti-dumping investigation, which concluded in 2005-06
- three reviews of measures and three continuation inquiries. One review and one continuation inquiry remain underway at 30 June 2006.

The Minister agreed to extensions ranging from 20 to 50 days. Reasons for seeking extensions included the large number of interested parties, additional time to verify information on injury, export prices and normal values, and to align reporting on concurrent reviews and continuation inquiries on the same products.

During 2005-06, we conducted monitoring activities on imports of goods subject to measures to identify exporter and importer compliance with countervailing and anti-dumping measures. Nineteen goods were subject to monitoring during the year. The selection of goods was based on factors such as requests by Australian industry, other interested parties or Customs risk assessment profiles.

Interested parties sought a review by the Trade Measures Review Office (TMRO) on eight matters during 2005-06. The TMRO affirmed Customs decisions on six matters. Two matters were referred back to Customs and both remain underway as at 30 June 2006. Two matters were referred to the Federal Court in 2005-06, compared to three in the previous year. One Federal Court matter outstanding as at 30 June 2005 was concluded in October 2005. The Full Federal Court found in favour of the Minister, the CEO and delegates of the CEO.

Service delivery and improvement

We provide liaison services and guidance to clients regarding anti-dumping and countervailing matters including a 'hotline' to answer inquiries in relation to anti-dumping and countervailing matters.

This service includes guidance on new and existing anti-dumping and countervailing measures, reviews or revocations of existing measures, dumping duty assessment and applications for continuation of existing measures past the five-year expiration date. In addition, advice is provided on entering goods affected by anti-dumping and countervailing measures. Inquiries to the hotline increased by 28 per cent before and after the introduction of ICS.

CASE STUDY – SUPPORTING CARGO CLIENTS

Customs recognised that when introducing the Integrated Cargo System (ICS) it needed to assist clients in dealing with the new system. We established an ICS User Support framework that comprises three levels of support to clients:

- Customs Information and Support Centre, which deals with most requests for assistance from industry. During implementation in October, the centre received an average 1720 requests each day
- User support in Canberra provides second-level support for more difficult requests and also provides an internal client support role to Customs and Australian Quarantine and Inspection Service (AQIS)
- IT support in Canberra provides system maintenance and development support to the ICS architecture and software. This includes evaluation of client

support requests that indicate a system fix or enhancement is required.

ICS implementation is discussed elsewhere in this report, but for staff involved in the ICS user support teams, it was a time of challenge as they worked to support clients who were experiencing difficulties associated with the implementation. As implementation issues have been progressively addressed, phone calls and emails requesting support have reduced.

Typically the enquiries made by clients involves issues such as:

- registering digital certificates
- working through ICS access problems
- dealing with client cargo reporting problems sometimes in association with their software providers
- dealing with import declaration queries
- issuing updates to industry on ICS related issues.

All Customs staff involved in the ICS User Support framework worked long and hard to assist clients during the difficult implementation phase, and in

the settling-in phase since implementation. This input was noted by clients who were full of praise for the efforts made by individual staff in user support areas, and across Australia.



Team behind ICS User Support. **Front row:** Mike O'Brien. **Back row left to right:** Nathan Wright, Gary Barron, Rebecca O'Neill and Rod Walker

Domestic and international practice and procedure

On 24 February 2006, the Minister for Justice and Customs and the Minister for Industry Tourism and Resources announced a joint study of the administrative aspects of the current Australian anti-dumping system. The Terms of Reference covered issues of access, transparency, conduct of investigations and post imposition of dumping measures. Public submissions to the study focused on difficulty of access to the anti-dumping system, the substantial information requirements, limited transparency of the anti-dumping process and consistency of assessment and investigation process. The study received advice from a Reference Group of representatives from peak bodies with an interest in anti-dumping. A final report was in course of preparation at 30 June 2006.

In consultation with interested parties and relevant government agencies, a draft Ministerial Direction on material injury was developed. The draft seeks to provide clarification on material injury and injury indicators and to respond to comments from stakeholders on the effectiveness of the current guidance on material injury.

We continued our supporting role in the formulation and presentation of Australia's response to issues arising in the WTO Doha Round negotiations. Customs officers joined Australia's delegation attending plenary sessions, small-group consultations and technical meetings.

Legislative changes

Federal Budget outcomes and tariff legislation

Several Bills involving changes to the *Customs Tariff Act 1995* were introduced to or passed by the Parliament. The most extensive reflected changes to the fuel taxation arrangements and excise reforms.

The 2006-07 Budget announced amendments to items 31 & 71 to Schedule 4 of the *Customs Tariff Act 1995*. Item 31 is an industry assistance measure designed to assist the aircraft manufacture, repair and maintenance industry, and has been amended to include the duty free importation of goods used in the modification of aircraft. Item 71 underpins the operation of the Enhanced Project By-law Scheme. This scheme offers tariff concessions to major projects in a range of industry sectors. The 2005-06 Budget announced that the power supply and water supply industries have been added to the list of valid industries to which the scheme applies.

Customs (Prohibited Imports) Regulations 1956

The legislation relating to crossbows, item 18C of Schedule 2, was amended to give the Commonwealth the power to complement State and Territory controls on crossbows. The item previously restricted the importation of pistol crossbows only. Now all crossbows (except toys) are covered.

Item 29A of Schedule 2, covers any ballistic and protective vests, was amended to ensure that articles designed to protect against fragments emitted from explosive devices and other weapons, such as knives, are covered as well as projectiles emitted from firearms.

Controls to support a *Trade Practices Act 1974* permanent ban on the importation of mini jelly cups containing konjac⁴ were introduced, as were controls on the importation of an additional breed of dangerous dog (Perro de Presa Canario or Presa Canario). Controls were also introduced to prohibit, without permission, the import of five high-risk emerging chemicals of abuse.

Customs (Prohibited Exports) Regulations 1958

Legislation was put in place to meet Australia's obligations under the International

⁴ A plant of the genus *Amorphophallus*, grown in China, Japan and Korea for its large starchy corn, used to create a flour and jelly of the same name.

Atomic Energy Agency's Code of Conduct on the Safety and Security of Radioactive Sources. Radioactive substances are now prohibited exports unless they have permission from the Australian Radiation Protection and Nuclear Safety Agency.

Arrangements for the export of agricultural chemicals were revised in support of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade.

Controls were also introduced to prohibit, without permission, the export of five high-risk emerging chemicals of abuse.

Commonwealth Games indicia protection

The Melbourne 2006 Commonwealth Games (Indicia and Images) Protection Act 2005 was in force until 30 June 2006. It strengthened our powers to support the intellectual property associated with the 2006 games. No seizures of counterfeit goods were made under this legislation, but experience indicated that it was important to have such measures in place.

A DAY IN THE LIFE OF A REGIONAL OFFICER

Meeting diplomats, clearing cargo and personal effects and processing international flights are just some of the daily duties performed by the ACT Regional Officer Julie Stelzer and her team. The ACT Regional office is the district office for the ACT. Julie and her team manage all Customs work for Canberra.

Canberra is home to the Government's VIP aircraft, which flies the Prime Minister, Governor-General and Ministers

domestically and internationally. Canberra also has guests of Government arriving or departing direct from overseas. This year the ACT Regional Office processed Heads of State from China, Vietnam, Chile and the United Kingdom.

Most notable were the visits by Her Majesty the Queen and the British Prime Minister (Tony Blair) both here for the Commonwealth Games. The Queen arrived directly into Canberra requiring clearance for 26 individuals, and the securing of firearms from her security team.

Prime Minister Tony Blair arrived in Melbourne and travelled to Canberra. Julie met the aircraft on arrival and took the firearms into bond. During the departure processing, Julie was invited to meet Mr Blair. She says that when Mr Blair asked if she had, 'Sorted this lot out?' many answers went through her head, but all that came out was, "Yes, indeed I have".

Julie says that supervising the ACT Regional Office is busy, but rewarding and never dull.



Julie Stelzer meets with British Prime Minister Tony Blair

Harmonised Commodity Description & Coding System (HS2007)

Australia is a member of the WCO and is a contracting party to the Harmonised System Convention. Customs attends meetings of the Harmonised System Committee and the Review Sub-committee. Legislation is intended to be introduced into the Parliament during the 2006 Spring Sittings to give effect to the third review of the Harmonised Commodity Description and Coding System (HS2007). About 1400 changes will be implemented.

Once the amendments are passed through Parliament, many Tariff Concession Orders will require revocation and possible reissue. There will also be an impact on classifications and duty rates under Australia's Free Trade Agreements. The rules of origin for any amended classifications will be reviewed. Many of the existing tariff advices and tariff precedents issued by Customs will also need to be reconsidered. The HS2007 changes are due to commence on 1 January 2007.

Planning for the future

Future plans for Output 3 are to:

- implementing the initiatives outlined in the Booz Allen Hamilton Review
- providing trade facilitation by:
 - working with industry with a continuing view to implement ICS changes
 - increasing engagement with industry and the Regions in the development and consistent application of national cargo policy, and to ensure that industry requirements continue to be met
 - continuing to work with industry to explore whether an alternative cargo reporting model can be designed for Australia along the lines of the US model
- improving trade measures business practices by responding to, and implementing, recommendations from the Joint Study of the administration of the anti-dumping system, in particular on issues of access to the system, consistency of practice and transparency
- involving in WTO Doha Round negotiations to ensure that practical experiences of anti-dumping administrators and affected parties are given relevant consideration in the negotiations
- reviewing Schedule 2 of the *Customs (Prohibited Imports) Regulations 1956* to ensure the continued application of efficient and effective controls
- developing quality assurance and ensure a consistent national approach to valuation, origin and tariff classification.

Output 4

Civil maritime surveillance and response

This output covers the provision of air and sea based civil maritime 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 offshore regions and the Australian Exclusive Economic Zone. It also covers the range of Coastwatch capabilities delivered through the Joint Offshore Protection Command (JOPC),

in particular, the protection of Australia's offshore oil and gas facilities, the offshore interdiction of ships and the detection and response to any terrorist threat to Australia's maritime assets and coastline.

Operational activities delivered specifically by our National Marine Unit are reported under Output 2. Output 4 reports the outcomes of the combined civil maritime surveillance and response activity delivered through the JOPC by Customs and Department of Defence.

Summary of key operational objectives and achievements for 2005-06

Objectives	Achievements
Increase the number of apprehended illegal foreign fishing vessels (IFFVs)	367 IFFVs apprehended during 2005-06. This is nearly an 80 per cent increase in IFFV apprehensions when compared with apprehensions the previous year Operations Larrakia, Clearwater II and Breakwater conducted with a total of 58 apprehensions of IFFVs.
Finalise negotiations in relation to new surveillance contracts and undertake the substantial task of transitioning to the new surveillance contracts	Contracts for helicopter services signed on 29 August 2005 and fixed wing services signed on 3 March 2006. Service delivery will commence on 1 January 2008 Asset delivery and modification, and transitioning processes commenced
Continue to assess the viability of use of emergent technology	Emergent technology, particularly in the form of improved sensors and enhanced communications equipment, is a significant component of surveillance contracts Commenced processes to install Automatic Identification System (AIS) transponders in Dash-8 aircraft. These transponders will enable the electronic interrogation of certain vessels to establish their identity and other operational details
Further refine the operational and organisational arrangements for JOPC and augmented security patrols	JOPC responsibilities broadened to include control of on the water responses by assigned assets Operational, organisational and governance arrangements for JOPC reviewed following Fisheries Task Force Report and associated Government Budget decisions Augmented security patrols incorporated in asset deployment planning
Build the linkages and infrastructure that will underpin Australian Maritime Identification System (AMIS)	Tender for detailed design of AMIS released and responses evaluated Interim AMIS became operational in early 2006.

Performance against targets

Figure 37: Performance against targets set in the 2005-06 Portfolio Budget Statement–Output 4

Quality/quantity performance measures	Target*	Actual
Civil maritime surveillance and response		
Quality		
Number of detections and interceptions of Suspect Illegal Entry Vessels (SIEVs)+	**	4
Number of apprehensions of illegal foreign fishing vessels (IFFVs)+	**	367
Number of suspect unlawful non-citizens (SUNCs) intercepted by sea (including ships' crew)+	**	56
Quantity		
Aerial surveillance coverage (square nautical miles)#		
Coastwatch contracted aircraft and RAAF assets~	147 500 000	142 231 000
Coastwatch contracted satellite	5 600 000	7 510 000
High frequency surface wave radar	^	1 500 000
Total		151 241 000
Sorties flown by Coastwatch contracted aircraft	**	4 347
Aerial Surveillance (flying hours)		
Coastwatch contracted aircraft	21 145	20 372
RAAF AP-3C Orion maritime patrol aircraft~	250	
- Operation Cranberry		69.6
- Operation Relex II		1 352.5
Total	21 395	21 794.1
Marine surveillance and response (sea days)		
RAN Fremantle Class Patrol Boat~	1 800	
- Operation Cranberry		774
- Operation Relex II		1 035
Total	1 800	1 809
Price	\$236.6m	\$237.0m

* 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 hours/sea days are costed in accordance with rates provided by Defence. The target is based on a long-standing Defence commitment to Customs for the civil maritime surveillance program.

The total price of Output 4 includes resources provided free of charge by Department of Defence. The remaining direct expenditure attributed to this output includes:

- aerial surveillance contract costs
- Coastwatch operating expenses
- headquarters JOPC operating costs
- the Output 4 share of distributed costs for strategic intelligence and technical support

We have an Activity Based Costing system, which attributes direct costs based on specific activities together with an apportionment of indirect costs.

Defence resources received free of charge

Government agencies undertake surveillance of the Australian Exclusive Economic Zone (AEEZ) within two distinct areas of operation. In the north and northwest of Australia, Defence has the lead in the deterrence of unauthorised boat arrivals seeking to enter Australian waters. This is named Operation Relex II. Elsewhere in the AEEZ, Customs is the lead agency and Defence operates in support under the codename Operation Cranberry. During the year, 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 JOPC client agencies, report them to the JOPC National Surveillance Centre and respond in accordance with asset availability and the requirements of those clients. The total Defence commitment to civil maritime surveillance and response for 2005-06 was 1422.1 RAAF AP-3C Orion maritime patrol aircraft hours and 1809 RAN Armidale and Fremantle class patrol coast sea days.

From 17 July 2006, Operations Relex II, Cranberry and other related Defence operational surveillance activities in the AEEZ, were combined into a single Operation, Operation Resolute.

Provision of effective civil maritime surveillance

During the year, Coastwatch aircraft flew 20 372 hours of surveillance. This was 96 per cent of the target hours for the year.

The target for flying hours is forecasted months before the commencement of the financial year to which it relates. Hours expended by Coastwatch against that target will depend on operational requirements throughout the year. For example, where threat assessments require flying closer to the coastline, hours expended (and therefore surveillance coverage) will be less than in periods when flying takes place in the outer reaches of the AEEZ. The short fall in targets resulted from mission changes and cancellations for operational purposes, aircraft and aircrew unavailability and adverse weather.

Surveillance coverage was 98 per cent of the target for coverage for the year. A major component of the apparent shortfall was the accounting for delivery of a significant component of the RAAF AP-3C Orion maritime patrol aircraft under Operation Relex II, rather than Operation Cranberry (see previous section). While this remains a commitment in line with the civil maritime surveillance and response program, it is accounted for in the Defence Annual Report.

Offshore Protection maintained its strong support of the Southern Ocean Maritime Patrol and Response program through our cooperative surveillance arrangements with France. In 2005-06, satellite surveillance of the Southern Ocean, specifically the Heard and McDonald Islands involved coverage of an area of 7.5m square nautical miles.

Customs operational activities in relation to the Southern Oceans are detailed under Output 2 of this Report.

People smuggling

There were four arrivals of Suspect Illegal Entrant Vessels (SIEVs) during 2005-06, compared to nil arrivals during the previous year.

Figure 38: Summary of suspect illegal entrant vessels (SIEVs) and suspect unlawful non-citizens (SUNCs)

	2003-04	2004-05	2005-06
SIEV summary*			
Undetected			
onshore unauthorised boat arrival	1	0	2
offshore unauthorised boat arrival	2	0	1
Detected	0	0	1
Total	3	0	4
SUNC summary*			
Undetected			
onshore unauthorised boat arrival	53^	0	51#
offshore unauthorised boat arrival	29	0	7~
Detected	0	0	3
Total	82	0	61
Crew	4	0	0

* Figures sourced from Department of Immigration and Multicultural Affairs.

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

No vessel was sighted for one of the 51 SUNCs.

~ No vessel was sighted for four of the 7 SUNCs.

Implementation of major Government initiatives

Illegal foreign fishing vessels incursions

IFFV activity has increased over the last two to three years and incursions are coming deeper into the AEEZ, particularly into the Gulf of Carpentaria and closer to land. In addition to the increased number of sightings of IFFVs, 2005-06 saw some emerging trends in relation to IFFVs that gave rise to additional concern:

- landings of IFFVs on Australian soil pose quarantine risks in terms of human health and animal and poultry health
- sightings of IFFVs in and close to the Great Barrier Reef Marine Park (GBRMP) area are of particular concern given the sensitivity of the biodiversity of this area, and the interests of local tourism industries. There were 14 apprehensions of IFFVs within the GBRMP to mid-April 2006, with no further sightings for the remainder of the year
- vessels searching for trepang (beche-de-mer) are typically located closer to shore and with

greater numbers of people on board. This has implications for biodiversity in relation to potential on-shore landings and for overloading on-shore detention facilities for apprehended crew

- use of iceboats, mother ships and sophisticated communications and positioning systems could be an indication of increasing involvement of organised syndicates, rather than traditional fishers. Aggressive resistance to boardings also increased.

The capacity of the limited on-shore processing facilities had to be monitored closely to assess the capacity to process detained fishers. On occasions when additional crew could not be accommodated, legislative forfeitures of catch and equipment had to be used in preference to apprehensions.

CASE STUDY – WHOLE OF GOVERNMENT APPROACH TO ILLEGAL FOREIGN FISHING VESSEL INCURSIONS

In the 2006-07 Budget, the Government announced that it would provide an additional \$388.9m in a plan to combat illegal foreign fishing in northern Australian waters.

Under an integrated whole-of-government approach, Customs, Australian Fisheries Management Authority (AFMA), Australian Quarantine and Inspection Service (AQIS), Department of Agriculture, Fisheries and Forestry (DAFF), Department of Defence, Department of Immigration and Multicultural Affairs (DIMA), the Great Barrier Reef Marine Park Authority, Attorney-General's Department, Australian Federal Police (AFP) and the Commonwealth Director of Public Prosecutions will be provided with the resources to more than double the number of illegal foreign fishing boats that are apprehended each year.

The additional resources will meet the costs associated with the apprehension, transportation, processing and accommodation of the several thousand extra fishermen likely to be detained each year, and the related investigations and prosecutions. It will also fund the expansion of fishing boat management and destruction facilities, and provide additional surveillance hours and a helicopter capability which will provide rapid transport of Customs, AQIS, AFMA and other relevant agency officers to the sites of illegal landings or abandoned vessels. This is to quickly contain any unauthorised persons and assess and respond appropriately to any animal, plant or human health threats.

As part of the package, Joint Offshore Protection Command (JOPC) assumed responsibility for controlling and coordinating all 'on the water' operational responses to civil maritime security threats.

An additional key component of this initiative is the co-location within JOPC

headquarters in Canberra of personnel from key partner agencies to facilitate decision making, enhance risk assessments and provide a conduit for intelligence flows from other agencies.



Customs officers board and apprehend an illegal foreign fishing vessel in northern Australian waters

Focussed IFFV operations

In addition to its ongoing daily surveillance and response operations, we also planned and executed focussed operations aimed at halting illegal foreign fishing incursions and involving a range of government agencies, including, Australian Fisheries Management Authority (AFMA), Australian Quarantine Inspection Service (AQIS), Department of Immigration and Multicultural Affairs (DIMA), the Department of Foreign Affairs and Trade (DFAT) and relevant State and Territory Health and Police agencies. Focussed operations included:

- in September 2005, Operation Larrakia was conducted utilising the Customs and Fisheries Southern Ocean patrol vessel, the *Oceanic Viking* and the Australian Customs Vessel (ACV), the *Corio Bay*, in a targeted operation to apprehend larger Indonesian IFFVs known as 'Iceboats' in the region around the Wessel Islands, off the Northern Territory coast. The two day operation resulted in the apprehension of four IFFVs. Three of the IFFVs were escorted to Darwin and one to Gove for further investigation
- in October 2005, Operation Clearwater II was conducted off the North West Australian Coast. At its conclusion, Operation Clearwater II resulted in 31 apprehensions of IFFVs, three legislative forfeitures were conducted by three ACVs, one warning was issued and 187 IFFs detained
- in March-April 2006, Customs, Department of Defence, AFMA, AQIS and DIMA conducted Operation Breakwater aimed at illegal foreign fishing activities off Cape Wessel in the Northern Territory. The operation included the *Oceanic Viking*, which normally operates in the Southern waters. The operation resulted in the apprehension of 23 IFFVs and 197 IFFs. For the first time, civilian chartered tugboats were hired to bring the detained boats in to shore.

IFFV numbers

Accurate estimates of the numbers of IFFVs in the AEEZ are very difficult to calculate as the majority of IFFVs are broadly similar in construction and carry no distinguishing markings. Surveillance aircraft are unable to identify individual IFFVs and data involving IFFV sightings and the IFFV numbers will inevitably include repeat sightings of individual vessels. It will also include vessels legally fishing in, and/or transiting, the AEEZ.

In June 2006, JOPC, AFMA and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) commenced a study to seek to quantify the number of IFFVs in the AEEZ within a known percentage. It is anticipated that the findings of this study will be available early in the first quarter of 2007.

Additional surveillance hours

The 2006 Budget provided funding for an additional 3600 hours of surveillance coverage per year. These hours represent a considerable increase over current flying, and will be achieved largely through additional capability provided by the fixed wing surveillance contractor. Strategic surveillance may also be provided through use of the newly acquired Australian Maritime Safety Authority (AMSA) Dornier aircraft, when not required for search and rescue activities. Proof of concept flights for these aircraft were undertaken in the last quarter of 2005-06.

The Joint Offshore Protection Command – one year on

The role of JOPC is to safeguard Australia's national interest through the conduct of surveillance and coordination of maritime response in the AEEZ and adjacent areas and to prepare for, support and/or command directed offshore maritime, joint and specified operations to protect Australia and its interests.

JOPC is a partnership between the Customs and the Australian Defence Force that links the Australian Defence Force's counter-terrorism responsibilities and capabilities with the existing civil maritime surveillance and law enforcement roles. This significantly increases JOPC's ability to identify and respond to threats in Australia's offshore zone and to deliver a coordinated national approach to efforts to secure critical resource infrastructure.

JOPC comprises a civil component, Customs Coastwatch, a military component, Northern Command (based in Darwin) and an inter-agency Headquarters in Canberra. The States and the Northern Territory remain responsible for initial counter-terrorism incident response and security arrangements within ports. The direct protection of each offshore oil and gas platform and the provision of appropriate on-site security measures remains an industry responsibility.



Signing of Civil Maritime Surveillance contracts.

Front row, from left to right: Peter Nottage, CEO Surveillance Australia Pty Ltd and Cobham Flight Operations and Services Australia and Michael Carmody, CEO of Customs.

Back row, from left to right: Steve Fitz-Gerald, Managing Director Cobham Flight Operations and Services Division; Gordon Page, Chairman Cobham PLC; Minister for Justice and Customs, Senator Chris Ellison and RADM Russ Crane, previous Director-General Coastwatch.

CASE STUDY – PREPARING THE AIRCREW OF COASTWATCH

Most people are not aware of the effort that goes into producing an operationally effective Coastwatch crew. Coastwatch contracts its airborne surveillance to private companies. Initial training of the aircrew - pilots and observers - in Customs requirements for surveillance and reporting, and regular monitoring of service delivery is vital to operational effectiveness.

Coastwatch's twelve Competency Assessment and Training Officers (CATOs) are involved in almost all stages of training of aircrew, at contractor bases

in Northern Australia, starting with the three-week Basic Visual Training Course. Pilots and Observers are required to complete this course, covering aviation issues including aerodynamics, meteorology and radio communications, vessel identification, reporting procedures, airborne photography and flight operations.

Other courses include the Pilot Electronic Course, Operations Course for our Coastwatch officers, and the advanced Mission Coordinator courses.

When not involved with training, CATOs conduct in-flight assessments of contractor aircrew. The aim is to fly with every crew member a minimum number of times each year to consolidate their aviation skills and ensure they are performing their duties in accordance with the contract.

Next time you see or hear about another successful interception involving a Coastwatch aircraft, you will know that a lot of time and effort has gone into preparing the aircrew for just this moment.



View from the CATO seat in a Dash-8 aircraft of the radar and communication stations

Relationship with Federal, State and Territory Police Forces

During the year, JOPC worked closely with the Federal, State and Northern Territory Police Forces to develop Memoranda of Understanding to address a range of operational and jurisdictional issues. This will assist JOPC in its work with the Protective Security Coordination Committee on the development of a maritime chapter for the National Counter Terrorism Handbook.

Augmented security patrols

An important task for JOPC is to program and execute augmented security patrols in Australia's oil and gas fields in the Timor Sea and on the North West Shelf using Royal Australian Navy and Customs patrol assets. The objective of these patrols is to increase the level of security and deter those who may be contemplating or planning an attack on these offshore assets. JOPC commenced an ongoing program of Augmented Security Patrols when the Command was formally opened on 30 March 2005.

JOPC has established an informal network with relevant industry sectors, including the Australian Petroleum Producers and Exploration Association, National Offshore Petroleum Safety Authority, Department of Industry, Tourism and Resources (DITR), Department of Transport and Regional Services (DOTARS), Timor Sea Designated Authority and industry security managers

Australian Maritime Identification System (AMIS)

Many Federal and State/Territory agencies collect diverse information about the maritime environment and maritime activities for their own regulatory purposes. When fully developed, AMIS will provide whole-of-government Maritime Domain Awareness (MDA) by bringing together the existing, yet

dispersed, maritime data elements, fusing this disparate data into a single system and producing the recognised Australian Maritime Picture.

AMIS will provide security and risk analysts with a greater appreciation of any threat posed by the many thousands of individual vessels, crew, passengers and cargo shipments in Australian waters, and further enhance the Government's ability to proactively respond to threats as far from the Australian coast as possible.

On 6 February 2006 a Request for Tender (RFT) for AMIS was issued. The tender outcome was announced in August 2006. Following contract signing, JOPC, AMIS client agencies and the successful contractor will work together to complete the final design of the mature AMIS system. This will include a fully considered investment and whole-of-life support financial plan. Pending development of the mature AMIS, JOPC has established an interim capability based on information feeds into the National Surveillance Centre in Canberra.

The AMIS project mandate will require broader consideration of how MDA is acquired and will look to other sensors and intelligence to supplement the traditional aerial and maritime surveillance capabilities.

2007-08 Surveillance contracts

Over the past two years, two tender processes have been conducted by Coastwatch as part of its Civil Maritime Surveillance 2004 tendering process. The main 'Service A' contract was awarded to Surveillance Australia Pty Ltd and covers the inshore and offshore zones of the AEEZ and remote areas. It is valued at around \$1b over the life of the contract. The smaller 'Service B' Torres Strait helicopter surveillance and response service is valued at around \$100m and was awarded to Australian Helicopters. Both contracts are for a 12 year delivery period starting from January 2008 for Service A and from July 2007 for Service B.

The new Service A contract will deliver a significant increase in capability with a fleet of 10 Dash-8 aircraft, including four Dash-8 315 long range aircraft (replacing five Dash-8, six Islanders, three Reims F406 and one Shrike). The Service B contract will provide the existing Bell 412 EP and a new Eurocopter AS350B3 Squirrel. Importantly the new contracts will deliver improved sensors and significantly enhanced communication systems and a flexible fleet, capable of response at short notice.

CASE STUDY – PARTNERING WITH THE COMMUNITY

The community plays an important role in assisting Customs to protect our borders. No one knows their local area better than locals and it is this knowledge and expertise of people living and travelling around Australia that Customs draws on.

Customs regularly targets key audiences at various exhibitions around Australia including annual air shows, travel shows and careers expos to promote its activities and raise the community's awareness of how they can help Customs by reporting suspicious border activity through the Customs 24 hour Hotline.

The Pearce Airshow at the Pearce airbase, about one hour out of Perth, was one of the venues this year where

Customs showcased its activities and hardware. In a spectacular weekend of displays and events and crowd attendance of 45 000, Customs Hotline was on display together with Coastwatch aircraft. A demonstration by dogs from the Detector Dog Unit was a crowd pleaser.

Staff were kept busy explaining Customs activities and answering questions from the general public.



Pearce Airshow

Operational performance and improvement initiatives

Suspect illegal entry vessel (SIEV)

On the evening of Friday 13th January 2006, JOPC received unsubstantiated information that a group of West Papuans had departed that morning, travelling to Australia. An immediate search, using a Coastwatch 412 helicopter was initiated. An intensive search continued the next day and beyond using both Coastwatch and Defence aerial surveillance assets. Two additional aircraft were deployed into the area to provide further capability to the existing three Coastwatch aircraft on station in the Torres Strait. A Navy Patrol Boat and a Customs vessel were positioned to undertake a surface response.

The search area encompassed almost 14 500 square nautical miles. On 17 January 2006, JOPC advised Australian Search and Rescue (AusSAR) of the possibility that a vessel was overdue, and a Coastwatch aircraft was released to AusSAR to undertake search and rescue duties in relation to the alleged overdue vessel.

On 18 January 2006, a Coastwatch aircraft located the vessel and 43 crew and passengers. The Coastwatch 412 helicopter was used to transfer DIMA and Customs officials to the area pending the arrival of a response vessel.

Greater coordination with stakeholders

In 2005, JOPC completed an extensive study into relevant domestic legislation and a number of international regulatory conventions to which Australia is a party. JOPC is currently considering the way ahead to provide a consistent and coordinated approach to boarding, arrest and search powers with the aim of ensuring greater coordination among the various stakeholders.

Planning for the future

Future plans for Output 4 are to:

- achieve targets for apprehensions of IFFVs
- achieve targets for surveillance coverage
- provide effective responses to emergent threats and incidents
- continue to develop an enhanced whole-of-government surveillance and response effort that detects and deters illegal foreign fishing
- develop the JOPC staffing capability and integration of other agency liaison officers in JOPC
- trial relevant developments in surveillance and communications technology
- progress the delivery of the Australian Maritime Identification System
- further develop JOPC intelligence capability
- develop and enhance the civil maritime surveillance and response planning capability, including the risk assessment and evaluation processes
- progress the signing of JOPC Memoranda of Understanding with external bodies
- progress JOPC engagement programs in relation to relevant industry sectors, including the shipping industry, the offshore oil & gas industry, and the Australian fishing industry.

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PART 3

ENABLING OUTPUTS

Corporate governance

Corporate governance practices

We are satisfied that we meet the requirements in relation to due diligence and accountability. We are committed to further improvements, particularly through promoting accountability and transparency in organisational decision making, improving performance measures and integration of management strategies.

Governance arrangements are based on the following principles:

- clear lines of decision making and authority through management rules
- strong leadership provided through the Executive Management Committee and other internal committees
- strong relationships and consultation processes with external stakeholders, including consultative bodies such as the Customs National Consultative Committee, the National Passenger Processing Committee and the Steering Committee chaired by the CEO to provide strategic direction and oversight for the ongoing program of improvements to the Integrated Cargo System (ICS)
- well-defined corporate planning and performance reporting processes
- benchmarked human resource policies and strategies
- personal responsibility, with Australian Public Service (APS) Values and Code of Conduct clearly identified and reinforced and a good staff awareness of probity issues
- disciplined budget processes and financial management
- adherence to risk management policies
- regular reporting to the executive
- internal reviews and learning from past experience
- a service delivery charter supported by a Complaints and Compliments Management System
- sustainability of policies and practices.

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 meeting, the Executive Group, the Audit Committee and the Senior Executive Service (SES) and Regional Directors Conference. Other key committees in Customs include:

- Business Continuity Planning Steering Committee
- Cargo Management Reengineering SES Committee
- Customs Security Committee
- Information Management Strategy Committee
- Information Management Project Committee.

Regional committees and project specific steering 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 Meeting

The Executive meeting meets once per month to evaluate our performance in meeting our obligations to Government and to discuss major policy issues. This group comprises the CEO, Deputy CEOs (DCEOs), National Directors, the Director-General Coastwatch, the Chief Information Officer, the Chief Financial Officer, and National Manager Planning and International.

Executive Group

The Executive Group is a corporate forum that meets three times per month to discuss major operational and management issues. This group comprises the CEO, DCEOs, National Directors, the Director-General Coastwatch, the Chief Information Officer, the Chief Financial Officer, Regional Directors New South Wales and Victoria, and National Manager Planning and International.

Once a month the meeting is attended by all SES and Regional Directors, the latter attending by video-conference link.

Audit Committee

As the senior governance advisory body to the CEO the Committee meets quarterly to review progress in all matters required of Audit Committees by the *Financial Management and Accountability Act 1997* and its Regulations and Orders. In addition it undertakes a number of associated responsibilities for the CEO with the objective of preserving good management in Customs by monitoring the progress of significant systems development and associated change management processes.

Members are appointed by the CEO and for 2005-06 included both DCEOs, as alternate Chairs, Chief Information Officer, National Director Cargo and Trade, Regional Director Victoria and an external member. Senior Australian National Audit Office (ANAO) representatives also attend and the Chief

Financial Officer and National Manager, Planning and International attend meetings as advisors. Other officers may be co-opted to attend meetings for specific items of discussion.

Senior Executive Service/Regional Directors (SES/RDs) Conference

Customs Senior Executives from central office and regions meet face-to-face twice per year to discuss strategic management issues and future directions. SES/RDs Conferences were held in November 2005 and June 2006.

External consultative mechanisms

Customs National Consultative Committee

The Customs National Consultative Committee (CNCC) was established in 1991 following the Government's response to the House of Representatives Standing Committee on Finance and Public Administration's report *A Tour of Duties*.

This committee provides an opportunity at national level, for discussion of policies, practices and procedures relevant to the trading community and to work in partnership to resolve any difficulties. The CNCC meets quarterly and includes representatives of Customs (chair) and the following organisations:

- Australian Air Transport Association
- Shipping Australia
- Stevedores
- Australian Federation of International Forwarders
- Customs Brokers and Forwarders Council of Australia
- Institute of Chartered Accountants in Australia

- International Air Couriers Association of Australia
- Law Council of Australia
- Australian Chamber of Commerce and Industry
- Australian Exporters and Importers Association.

Customs, Immigration, Quarantine and Transport Committee

The Customs, Immigration, Quarantine and Transport Committee serves to ensure coordinated progress of border management policy and related issues across these key agencies. Membership comprises of the CEO and a DCEO from Customs, Department of Immigration and Multicultural Affairs, Department of Agriculture Fisheries and Forestry and Department of Transport and Regional Services.

HOCOLEA

The Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA) is the broad consultative mechanism for Commonwealth law enforcement policy and is made up of Agency heads from 11 Commonwealth law enforcement and regulatory departments and agencies. The CEO represents Customs at HOCOLEA and Customs also provides secretariat support for the group.

We are also involved in several HOCOLEA working groups, including the Working Group on Corruption, which we chair. The Working Group produced a better practice guide on anti-corruption training for use by member agencies. In 2005-06 the Working Group agreed to examine mechanisms for raising awareness of Australia's foreign bribery offences among member agencies.

Australian Crime Commission Board

Customs CEO contributes to the development of National Criminal Intelligence Priorities and the strategic direction of the Australian Crime Commission (ACC) through membership on the Australian Crime Commission Board.

The Board meets quarterly and considers numerous items out of session. Through the CEO's membership on the Board, our strategic issues are incorporated into the broader law enforcement agenda. In return, Customs is able to contribute resources and ideas to enable delivery of the ACC's agenda.

Policy and practices on appropriate ethical standards

We have clear policies and procedures that address conduct and behaviour and compliance with the APS Values and Code of Conduct. These are available on the intranet and in hard copy. There is an on-line development program on APS Values and Code of Conduct and completion of this program is mandatory for all staff. The topic is also included in all entry level induction and training programs. Customs performance agreements contain a performance measure related to compliance with the Values and Code of Conduct. For more information on conduct and behaviour and compliance with the APS Values and Code of Conduct, refer to Management of human resources.

Cooperation with key international stakeholders

Our work at the border is complemented by our close working relationships with other countries' customs administrations, law enforcement and intelligence agencies. We maintain a presence in six international locations – Bangkok, Beijing, Brussels, Jakarta, Tokyo and Washington. The Posts support the exchange of intelligence and operational information. In early 2006,

Customs expanded the Beijing post from one to three staff members to address economic developments in China following its change in World Trade Organization (WTO) status to a market economy.

Notable achievements in international cooperation in 2005-06 include:

- formal bilateral discussions with China's Vice-Minister, General Administration of China Customs and the New Zealand Customs Service
- the inaugural meeting of the Australia/New Zealand Customs-to-Customs High-Level Steering Group
- signed cooperative agreements with the Customs administrations of India and Taiwan.

We continued our program of support to Papua New Guinea (PNG) Customs under the Australian Agency for International Development (AusAID) Enhanced Cooperation Program. A wide ranging and comprehensive work plan, covering intelligence development, cargo policy, and border enforcement has been devised and four officers assigned to positions in PNG Customs to deliver the reform and modernisation program.

Two Australian Customs officers are seconded to the Solomon Islands Division of Customs and Excise to review and deliver a program of support in cargo management. AusAID provided funding under the Pacific Governance program in support of broader reform and modernisation under the Regional Assistance Mission.

We also provided an officer to act as the interim head of Tongan Customs under a program aimed at restoring the operational capacity of Tongan Customs, funded by AusAID.

We hosted the 17th Customs International Executive Management Program (CIEMP) during late 2005. A total of 18 participants from Customs administrations within the Asia-Pacific region attended for five weeks of intensive customs management training. CIEMP provides an excellent opportunity for networking within the Asia-Pacific region as well as developing management skills and promoting international customs cooperation. As with previous years, the intensive classroom based training is complemented by a four-day regional visit so participants can see Australian Customs at work.

A DAY IN THE LIFE OF CUSTOMS REPRESENTATIVE IN WASHINGTON DC

Customs representatives in overseas posts play an important role, providing a contact point for furthering Australian Customs international agenda. Customs maintains close and regular relations with the customs administrations overseas at both a bilateral and multilateral level. These relationships provide a valuable platform for international customs cooperation and information sharing.

Washington representative, Dean Hogarth has a heavy workload incorporating all areas of Customs that vary from sensitive intelligence and enforcement role to a commercial and representational role. He has worked with the New York Detective Ellen Friedman to learn more

about sophisticated concealments within motor vehicles, and in turn, to provide training materials for Australian Customs examining officers. US vehicles are popular imports into Australia. The concealments, or 'traps' are primarily used to conceal weapons and narcotics from law enforcement searches. In many cases offenders will access these traps through a complex series of actions which makes detection by Law Enforcement officers more challenging. Detective Friedman is considered an authority on these traps, she is part of the New York Drug Enforcement Task Force which comprises Drug Enforcement Administration Agents, New York City Police Detective and New York State Police Investigators. The training materials sourced from Detective Friedman will greatly assist Customs officers in detecting these sophisticated vehicle 'traps'.



Detective Ellen Friedman shows Dean Hogarth Australian Customs Representative Washington DC, a sophisticated concealment used for narcotics and weapons in the door of a vehicle.

Corporate planning

We developed a new corporate plan for 2005-2010 to provide a framework for the annual development of business and individual performance plans. The plan sets out our role, future challenges, our structure and organisation, our stakeholders and commitment to APS Values.

The Customs Plan identified a range of characteristics that will help the organisation to meet challenges of the future. The plan indicates that we will:

- maintain flexibility and strength to respond to Government priorities and to serve Australia
- work for and with other agencies
- continuously improve business processes to meet stakeholder needs, including new technologies
- deliver services fairly, effectively, impartially and courteously to the Australian public and be sensitive to its diversity
- manage the impact of costs and regulations on clients
- provide checks and balances so the public has confidence that Customs powers are being exercised with integrity
- be aware of, and prepared for, external scrutiny, including Parliament, Government, media and the community
- develop cooperative relationships with stakeholders
- maintain effective corporate governance including performance measurement and reporting processes
- manage emerging issues and risks through the development of annual priorities that support the Customs Plan
- maintain quality recruitment and a workforce which is competent, well trained and able to deal with complex situations
- celebrate success and investigate and learn from mistakes
- make decisions that are fair and transparent
- seek to make a positive contribution towards sustainable development.

Risk management practices

We use formal risk management processes to achieve our objectives and to continuously improve decision-making and management practices. These processes are embedded in our planning, governance, administrative and operational activities.

Risk management underpins Customs business planning, allocation of resources, project management and operational responses. We use risk management processes to undertake operations, develop policy and comply with corporate governance requirements.

Our risk management policy is described in a Chief Executive Instruction and reflects guidance from the revised Australian Standard for Risk Management AS 4360:2004. The Chief Executive Instruction and supporting risk management tools were reviewed and updated in 2005-06.

We received a positive assessment in an annual risk management benchmarking survey conducted by Comcover. This entitles us to an eight per cent premium discount on our insurance cover for 2006-07.

A risk management training and awareness project was established to make improvements in this area. We will be implementing a comprehensive training and awareness package for all our staff in the next year.

Business continuity arrangements were strengthened. A total of 15 plans were revised for key business functions, a program of desktop scenario testing began, and a project to review existing IT disaster recovery arrangements was implemented.

ANAO internal management review of Financial Statements identified control weaknesses in business continuity planning and IT disaster recovery planning. It recommended actions to improve the business continuity framework, undertake further testing of the ICS imports business continuity plan, and to ensure suitable controls existed for transactions made when business disruptions occur. The ANAO acknowledged the extent of work that we had undertaken to implement previous recommendations on business continuity.

Internal audit

Our Internal Audit Unit (an outsourced function) 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 Branch business plans and corporate strategic risks. This ensures that the organisations core priorities and risks are addressed. The plan is agreed by the Audit Committee.

Internal Audit reviews included ICS financial controls, information management, trainee recruitment, first port boarding and assessment of the Integrated Analysis Tool project.

A total of 31 internal audits and reviews were scheduled and conducted during 2005-06, five more than in 2004-05. Sixty five per cent of audits were a combination of performance, compliance, financial and IT audits with the remaining 35 per cent being system-under-development reviews.

Certification of fraud measures

Our fraud risk assessment and fraud control plan is current and we comply with the Commonwealth Fraud Control Guidelines. The fraud control plan encompasses a summary of risks identified in fraud risk assessment and details of strategies to address these risks. Customs has appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes in place that meet the specific needs of Customs and comply with the guidelines.

Management of human resources

Workforce planning

During the last financial year the focus of the workforce planning group was to review programs and tools with a view to simplifying workforce planning in Customs. As an outcome of this review there is a trial currently being conducted of a strategic workforce planning program that will assist in developing a greater understanding of the workforce and the elements that impact it.

We also undertook our annual review of the National Strategic Workforce Plan to ensure that human resource strategies continue to closely align with the Customs corporate priorities. The plan provides an analysis of the workforce profile detailing demographics, and identifies trends and progress against strategies. Quarterly Workforce Statements that report against strategies are provided to the Executive.

Absenteeism was a particular focus during the year with a potential bonus payment being negotiated as part of the *Customs Certified Agreement 2004-2007*. Staff were eligible for an attendance bonus of \$150 if the absenteeism figure for 2005 was reduced by one day or more when compared with the 2004 figure.

The national absenteeism figure reduced for the first time since 2001, largely due to a reduction in sick leave without a medical certificate, which was the main target category. The reduction, while showing a welcome trend, was not sufficient to enable the payment of the bonus.

A review of the Customs Trainee selection process was undertaken in October and November 2005 with the aim of:

- developing an updated list of characteristics on which to base the Customs Trainee selection process

- analysing the current process including screening/filtering mechanisms
- seeking views, possible improvements and best practice approaches from regional staff.

The Recruitment Taskforce Steering Committee agreed to the 19 recommendations in the report on 1 March 2006. The recommendations included actions to update and improve the Customs Trainee recruitment process as well as other aspects raised by regions relating to advertising, marketing, training and support for Customs trainees once they are in the organisation.

The Recruitment Strategy Taskforce

The Recruitment Strategy Taskforce, formed in response to both the changing employment environment in Australia, and the need to update our recruitment processes to meet our future needs. Outcomes can be summarised as:

- developing an identified employer brand for Customs focusing on the benefits and attractions of working with us
- redesigning and reviewing Customs recruitment marketing tools
- improving and maximising the corporate profile of Customs to improve awareness of Customs as a career choice
- reviewing of the selection process
- adoption of employment arrangements to increase the participation of older workers in the Customs workforce
- modularising and revising the content and competencies of Customs Trainee program and development of an induction program for above-base grade entrants to the Customs workforce.

Staff turnover and retention

The rate of ongoing staff separating from Customs averaged 6.36 per cent in 2003-04, 6.68 per cent in 2004-05 and 6.73 per cent in 2005-06. Although separation rates have increased, they are within acceptable benchmark limits.

Analysis revealed significant numbers of separations at specific levels in specific regions, especially Customs Level (CL) 3 in South Australia and CL4 in Central Office.

Staffing profile

We planned for an estimated average staffing level⁵ of 4902 to enable the delivery of our Outcome. This figure was revised to 5076 in Portfolio Budget Additional Estimates. The average staffing level in 2005-06 was 4962.9.

Throughout 2005-06, Customs increased recruitment activity in response to a number of Government initiatives including Southern

Ocean Maritime Patrol and Response, Container Examination Facilities, the Wheeler Report, Biometric Technology, Arming of Customs Patrol Vessels, Illegal Foreign Fishers and Sea Crew Movement Enforcement.

Customs total workforce⁶ at 30 June 2006 was 5578. This compares to 5055 staff at 30 June 2005. Customs recruited 12 graduate trainees in 2005 and 2006. At 30 June 2006, Customs had staff in all States and Territories of Australia as shown in Figure 39.

Customs staff also hold posts in offices in Bangkok (1), Beijing (3), 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 (3) and Tonga (1).

⁵ Average Staffing Level is the average of the end of fortnightly Full-Time Equivalent (FTE) staff as paid by the organisation. Excludes employees on leave without pay for periods greater than three months.

⁶ Actual headcount

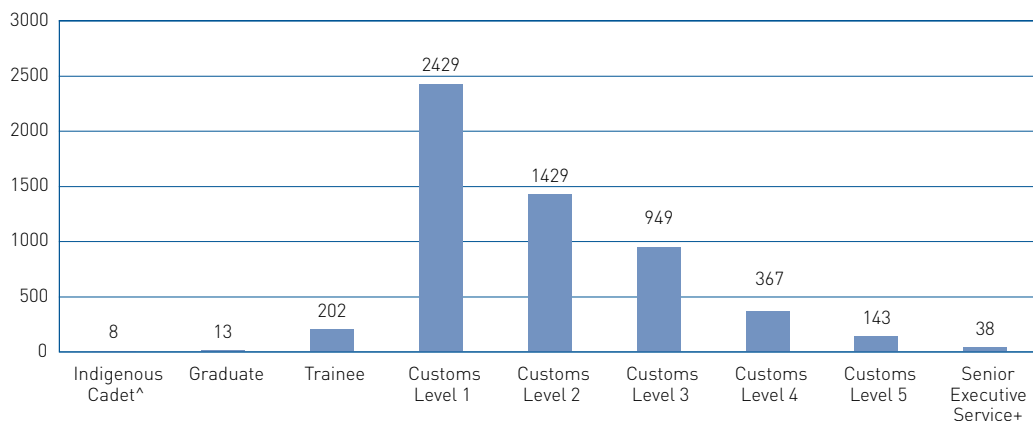
Figure 39: Staff employment category by location at 30 June 2006*

	ACT#	NSW	VIC	QLD	SA	WA	TAS	NT	O/S	Total
Full-Time										
On-going employee	1 136	1 387	864	732	157	449	33	145	17	4 920
Non-ongoing	61	5	8	14	1	3	-	1	-	93
Full-time total	1 197	1 392	872	746	158	452	33	146	17	5 013
Part-Time										
Ongoing employee	52	113	136	129	33	50	1	5	-	519
Non-ongoing	7	3	2	3	-	6	-	-	-	21
Part time total	59	116	138	132	33	56	1	5	0	540
Casual										
Non-ongoing	3	13	-	-	8	-	1	-	-	25
Males	782	905	602	504	102	300	20	77	12	3 304
Females	477	616	408	374	97	208	15	74	5	2 274
Total	1 259	1 521	1 010	878	199	508	35	151	17	5 578

* 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). Employees may be attached to one region and physically located within another.

ACT figures include National Marine Unit and Indigenous Cadets.

Figure 40: Staff numbers by classification at 30 June 2006*



* 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). Employees may be attached to one region and physically located within another.

^ Indigenous Cadets are funded by Australian Capital Territory (Central Office) for the term of their cadetship and located in regions, two each in New South Wales and Victoria and four in Queensland.

+ Senior Executive Service includes ongoing and non-ongoing SES employed under the *Public Service Act 1999*, including four non-SES staff on higher duties. It does not include the Chief Executive Officer who is a statutory office holder.

Figure 41: Staff classification and location at 30 June 2006*

	ACT#	NSW	VIC	QLD	SA	WA	TAS	NT	O/S	Total
Indigenous Cadet^	-	2	2	4	-	-	-	-	-	8
Graduate	13	-	-	-	-	-	-	-	-	13
Trainee	-	70	36	37	15	14	-	30	-	202
Customs Level 1	268	746	478	504	89	273	15	56	-	2 429
Customs Level 2	249	437	294	210	57	130	13	39	-	1 429
Customs Level 3	375	201	153	94	29	71	6	19	1	949
Customs Level 4	224	50	35	22	7	16	-	6	7	367
Customs Level 5	103	10	8	6	2	3	1	1	9	143
Senior Executive Service	27	5	4	1	-	1	-	-	-	38
Total	1 259	1 521	1 010	878	199	508	35	151	17	5 578

* 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 (in Note 15) report on staff numbers by full-time equivalent (FTE).

ACT figures include National Marine Unit and Indigenous Cadets.

^ Indigenous Cadets are funded by ACT for the term of their cadetship and located in regions, two each in New South Wales and Victoria and four in Queensland.

+ Senior Executive Service includes ongoing and non-ongoing SES employed under the *Public Service Act 1999*, including four non-SES staff on higher duties. It does not include the Chief Executive Officer who is a statutory office holder.

CASE STUDY - STARTING OUT AS A DISTRICT OFFICER

Level One Officer, Darren Hammer, heard that District officers led a varied and interesting working life. He was about to experience just how varied it could be when he joined the Canarvon District Office early this year.

Most would expect their first vessel boarding to be a bulk carrier, but Darren progressed straight to a 5-star cruise vessel anchored in Exmouth Gulf, which saw him rubbing shoulders with the well heeled.

The next morning Darren boarded a heavy lift vessel delivering oil field equipment. Somewhat 'untidy' sea conditions added an element of dampness and once crew change and boarding duties were completed he returned to shore to dry out.

Darren barely had time to repack his bags before he was off on a joint agency patrol of Dirk Hartog Island. The purpose of this was to promote the Customs Hotline program to tourist operators and fishing



groups with assistance from Fisheries and Western Australia Police. Quad bikes were used to assist with gaining access to all areas of the island.

All this, and only two weeks into the job. Who said life in the public service was boring?

Australian Workplace Agreements and Certified Agreement

Certified Agreement

Customs currently has a Certified Agreement (CA) in place which covers the pay and conditions for the majority of employees. This agreement will remain in place until October 2007.

Figure 42 highlights the current salary rates for our employees as covered in the CA.

WorkChoices

The *Workplace Relations Act 1996* amendments (WorkChoices) commenced on 26 March 2006. We have refined the individual Australian Workplace Agreements (AWAs) to ensure that they are WorkChoices compliant. There is no immediate impact on the operation of the Customs CA.

Figure 42: Staff classification, Australian Public Service equivalent level and salary range at 30 June 2006*

Customs Classification	APS Level	Salary Range (\$)
Indigenous Cadet	APS Level 1	19 902 – 37 397
Customs Trainee	APS Level 1	19 902 – 37 397
Customs Graduate Trainee	APS Level 2	36 664 – 41 627
Customs Level 1 Customs officer	APS Level 2-3	31 074 – 47 957
Customs Level 2 Senior Customs Officer	APS Level 4-5	47 957 – 56 342
Customs Level 3 Customs Supervisor	APS Level 5-6	56 342 – 67 267
Customs Level 4 Customs Manager	EL 1	72 760 – 84 223
Customs Level 5 Customs Director	EL 2	84 223 – 101 446

* Salary range includes minimum and maximum salaries available under the Customs Certified Agreement 2004-2007; Australian Workplace Agreement (AWA) salaries are not included.

Australian Workplace Agreements - Senior Executive Service (SES)

All ongoing SES employees have remuneration arrangements agreed through AWAs. The CEO and Deputy CEOs who represent an informal remuneration committee determine salaries and performance pay. They are broadly within three bands representing the three classification levels.

Performance pay may take the form of an annual bonus, bonus payment(s) during the cycle or movement to a higher salary. Such payments recognise outstanding contribution to particular work outcomes. The performance pay generally accords with

Certified Agreement employee performance assessment and feedback outcomes.

During the past year, 70 per cent of our Senior Executive staff received performance pay. The aggregate amount of performance pay for Senior Executives was \$285 163.

Non-Senior Executive Service

As at 30 June 2006 there were 122 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 Customs CA.

Figure 43: Senior Executive Service classification and gender at 30 June 2006*

	SES 1	SES 2	SES 3	Total
	\$103 300-\$125 800	\$123 400-\$154 500	\$144 000-\$186 100	
Females	13	2	0	15
Males	14	3	2	19
Total	27	5	2	34

* The amount shown for each band represents salary levels. The SES staff who received or were due to receive total remuneration of \$130,000 or more (including superannuation and other non-salary benefits) are listed in the Financial Statements on page 223. Staff shown above represent substantive ongoing SES at 30 June 2006. It does not include staff not employed by Customs and does not include the CEO, who is a statutory office holder.

Performance management

We 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) process. 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 2005-06 PAF cycle was the second performance cycle in which all agreements were established and managed online. Participation in the process is now at 97.8 per cent.

Of the 4 795 employees eligible for performance pay at the end of 2005-06, 308 (6.4 per cent) achieved a rating of performed above agreed requirements. Figure 44 shows the distribution by classification.

A range of communication and support materials were utilised to facilitate the online process, including quick reference guides, tutorials, frequently asked questions and a help desk.

Figure 44: 2005-06 Performance Assessment and Feedback Scheme ratings – performed above agreed requirements

	CL1	CL2	CL3	CL4	CL5	Total
Number of staff rated performed above agreed requirements	62	90	92	46	18	308

Figure 45: 2005-06 performance pay outcomes (Certified Agreement)

	CL1	CL2	CL3	CL4	CL5	Total
Number of staff receiving bonus*	20	48	74	21	1	164
Total amount paid	40 743	105 497	206 416	49 177	2 376	404 208
Bonus amount average	2 037	2 198	2 789	2 342	2 376	2 465
Minimum bonus paid	245	88	288	799	2 376	88
Maximum bonus paid	2 300	2 808	3 226	4 039	2 376	4 039

* Not all staff who performed above requirements received a performance bonus. Some received an adjustment in salary.

Figure 46: 2005-06 performance pay outcomes (AWA holders)

	CL3	CL5	Total
Number of staff receiving bonus	1	20	21
Total amount paid	\$ 1 107	36 546	37 653
Bonus amount average	\$ 1 107	1 827	1 793
Minimum bonus paid	\$ 1 107	290	290
Maximum bonus paid	\$ 1 107	5 108	5 108

Workplace diversity

We continued to promote the Workplace Diversity Policy and Workplace Harassment Policy and reinforce the roles and responsibilities of all employees through:

- induction training sessions, all-staff emails and articles in *Customs News*
- mandatory on-line learning modules on Australian Public Service (APS) Values and Code of Conduct
 - Workplace Discrimination and Harassment
 - Legal Compliance
 - Workplace Discrimination and Harassment
 - Email and the Internet
- non-mandatory on-line courses on Performance Management and Diversity and Cultural Awareness
- the development of a bullying brochure.

We developed an Indigenous Recruitment and Career Development Strategy to improve representation rates of Indigenous Australians in Customs. This will provide Indigenous employees with development and support opportunities to enhance their career progression. The Indigenous Recruitment and Career Development Strategy consolidates a range of activities that we have been undertaking over recent years while also identifying several new approaches. This is to be launched in July 2006.

The three Indigenous entry-level trainees that were recruited in October 2005 as part of a pilot Indigenous Entry-level Recruitment Program successfully completed their studies and are currently working in Customs. We participated in the evaluation of the pilot program and began planning to recruit further trainees under this scheme. It is expected that more trainees will start employment in 2007.

We recruited six cadets under the National Indigenous Cadetship Project in 2006 taking our total cadet numbers to eight as at 30 June 2006. In addition two other cadets successfully completed their cadetships in 2005 and they have secured ongoing employment in the APS, one in Customs. One Indigenous Graduate was also recruited from the APS Indigenous Graduate Program in 2006 to join Customs Graduate Trainee program.

We continue to promote a range of diversity events such as the International Day of People with a Disability and National Aboriginal and Islander Day Observance Committee (NAIDOC) week activities.

Figure 47 shows the representation of equity and diversity groups in Customs. There was a slight increase in the proportion of female employees and those born overseas but slight decreases in other groups compared with staffing figures as at 30 June 2005. These figures rely on voluntary self-identification and compliance levels vary from year to year.

Figure 47: Representation of equity and diversity groups by staff classification at 30 June 2006*

	Female		Born Overseas~		People with disabilities		Indigenous	
	Number	%	Number	%	Number	%	Number	%
Indigenous Cadet^	5	62.5	-	-	-	-	8	100.0
Customs Graduate Trainee	5	38.5	-	-	-	-	1	7.69
Customs Trainee	99	49.0	30	14.9	-	-	1	0.5
Customs Level 1	1 102	45.4	381	15.7	41	1.7	45	1.9
Customs Level 2	574	40.2	184	12.9	30	2.1	20	1.4
Customs Level 3	313	33.0	120	12.6	22	2.3	5	0.5
Customs Level 4	119	32.4	52	14.2	7	1.9	1	0.3
Customs Level 5	42	29.3	20	14.2	3	2.1	-	-
Senior Executive Service	15	44.1	5	11.6	2	4.7	-	-
Total	2 274	40.8	792	13.7	105	1.9	81	1.42

* 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.

Code of conduct

This year we focused again on integrity and ethics through Customs trainee courses and the Customs graduate trainee induction. In addition, the availability of online learning assisted in better awareness of the APS values and Code of Conduct. Instances of code of conduct breaches have increased slightly.

We conducted 73 investigations on suspected breaches of the Code of Conduct under Section 15(3) of the *Public Service Act 1999* (15 were carried over from the previous financial year). At the end of the year, 67 investigations had been finalised and 12 were continuing. Of the finalised investigations, breaches were found in 57 cases.

In the majority of cases, the alleged breaches involved more than one element of the APS Code of Conduct.

Investigations of employee misconduct

Our Internal Affairs Unit is responsible for the investigation of all complaints of serious

misconduct and suspected criminality against our employees. The Unit provides lectures on integrity and internal fraud control to all Customs new members and to all employees attending training and development courses. The Unit addresses work groups throughout the organisation to remind staff of their reporting obligations.

The Unit investigated 118 complaints of serious misconduct and/or criminality against our employees and 146 miscellaneous matters (see Figure 48). This represents an increase on previous figures, which may be attributed to:

- an increase in employee preparedness to report their concerns/suspicions
- improved technology to assist in computer audits.

Of the 118 complaints received, 56 were substantiated, 50 were not substantiated, 10 are still the subject of ongoing investigation and two matters were referred to other agencies. Disciplinary action taken on the 56 substantiated matters ranged from counselling to termination of employment (See Figure 51).

Of the 118 complaints received, 91 were deemed to involve fraud as defined by the Commonwealth Fraud Control Guidelines (89 Internal Frauds and two External Frauds).

Of these, 50 were substantiated, 32 were not substantiated, seven are still the subject of ongoing investigation and two were referred to other agencies.

Figure 48: Breaches of the APS Code of Conduct found in 2005-06

Breach	Number of cases*
Failure to behave honestly and with integrity	7
Failure to act with care and diligence in the course of APS employment	4
Failure to treat everyone with respect and courtesy and without harassment	11
Failure to comply with all applicable Australian laws	3
Failure to comply with any lawful and reasonable direction	19
Failure to maintain appropriate confidentiality about dealings with any Minister or Minister's member of staff	1
Failure to disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with APS employment	1
Failure to use Commonwealth resources in a proper manner	31
Provide 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
Make improper use of: inside information, or the employee's duties, status, power or authority, in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person	11
Failure to behave in a way that upholds the APS Values and the integrity and good reputation of the APS	38

* In some instances more than one breach was recorded for the same case. Sanctions took into account the circumstances and seriousness of each breach

Figure 49: Sanctions imposed for breaches of the APS Code of Conduct in 2005-06

Sanction	Number of cases*
Termination of employment	4
Reassignment of duties	3
Reduction in salary	1
Salary deductions by way of a fine	31
Reprimand	29
Employee counselled	14

* In some instances more than one sanction was imposed for the same case.

During 2005-06 substantiated fraud cases related to:

	Number of cases
• Misuse of Customs petrol	1
• Misuse of Customs phone	2
• Misuse of Customs computer	37
• Abuse of position	3
• Unlawful release of information	1
• Theft of money	2*
• Theft of detained goods	1
• Misuse of Cabcharge vouchers	1
• Attempt to fraudulently obtain allowances	1
• Fraudulent use of Customs credit card	1>

* One of which was External Fraud

> External Fraud

Figure 50: Trends in investigations, security checks and lectures

	2003-04	2004-05	2005-06
Investigations undertaken	122	72	118
Investigations finalised	97	51	104
Miscellaneous inquiries undertaken	159	154	146
Miscellaneous inquiries finalised	159	154	146
Security checks undertaken	466	480	648
Lectures given (participants)	448	585	936

Figure 51: Action taken on substantiated complaints of serious misconduct and/or criminality 2005-06

Action	Number of cases
Employment terminated and offender charged criminally	1
Employment terminated	2
Resigned	3
Salary reduction and fine	1
Fined and reprimanded	15
Fined	2
Counselled	12
Offender not identified	3
Offender arrested and charged by Police	1
Awaiting outcome of administrative action	16
Total	56

Security

Customs experienced an increase of almost 50 per cent in the number of security clearances granted for ongoing and non-ongoing employees (1480, up from 1000 the previous year). However, the percentage of security clearances processed for contractors fell by 14 per cent (480, down from 577 the previous year).

Vetting service providers were used to assist processing security clearances during peak periods, such as Southern Ocean Maritime Patrol Response Unit and National Marine Unit recruitment processes.

Customs continued with its delivery of the Server Room Hardening Project to further enhance the protection of Information and Communications Technology and ensure compliance with the physical security standards set out in the Protective Security Manual and Australian Communication and Information Security Instructions (ACSI33).

We commenced the Maritime Security Identification Card (MSIC) plan on 31 January 2006. Customs MSIC scheme is to provide government agencies operating within Maritime Security Zones a service to issue security identification cards identifying employees who comply with the *Maritime Transport and Offshore Facilities Security Amendment Regulations 2005* (Regulation 6.07a(1)a).

Nine Customs officers have successfully completed the Canberra Institute of Technology (CIT) Diploma of Security and Risk Management, developing a strong security knowledge base within the section. Nationally 85 per cent of Customs staff completed the annual online security awareness training, which is linked to the performance assessment and feedback process.

Learning and development strategies

Work this year has focused on building the capability of staff through the development of a

number of core technical skill on-line programs and 'Leading People at the Frontline'.

National Human Resource Development (NHRD) team in conjunction with line areas have developed a series of on-line programs that staff are able to access via a learning management system. The programs have been developed using a three-step assessment and development methodology to align training courses against competencies. Some of the programs designed this year include:

- Responsible Recordkeeping
- Basic Security Awareness
- Introduction to Intelligence
- Valuation 1
- Origin
- Assurance Techniques 1
- Traveller Search Module/ Integrated Analysis Tool (IAT) systems training
- Tariff 1
- General Examination and Search.

The newly developed 'Leading People at the Frontline' program for supervisors will be piloted in a number of regions in the 2006-07 financial year. The program is designed to equip frontline supervisors with key people management capabilities in areas such as leadership, team building, applying policies and practices related to human resource management and change management.

The program is framed around the Integrated Leadership System (ILS) and embeds the APS Values and Code of Conduct, working with diversity and organisational health principles that underpin effective leadership in the APS.

Additionally, NHRD has worked with training areas such as investigations and operational safety to bring national qualifications and competencies into the Customs Registered Training Organisation. This ensures a quality training framework is applied to staff training and development in these critical skill areas.

CASE STUDY – BEHIND THE SCENES IN THE TRAINING OF A CUSTOMS OFFICER

Most staff who join Customs are recruited through a six-month trainee program that incorporates three months of classroom and theory work with three months of practical, on-the-job training, typically at international airports.

Last year Customs recruited 481 trainees from a mix of public and private sector backgrounds, almost all with no previous experience in customs environments. The task of equipping these trainees effectively is therefore an essential task for Human Resource Development in all regions.

In Queensland, where 99 trainees were recruited for Brisbane and 22 for Cairns, the Customs Trainee coordinator, Lisa Parsons, reflects about her role on the first day in the classroom for each intake.

“On day one of a Customs Trainee (CT) course, you scan the faces of the group of people sitting before you. Many look excited, however it is not uncommon to note an element of apprehension as the recruits ponder the six month journey ahead,” Lisa says.

“The journey will call for commitment, dedication and effort, and will be rewarded not only on graduation, but throughout the trainee’s career.

“To maximise the benefits to the trainees, you have to undertake a great deal of preparation beforehand to ensure that they are ‘job-ready’ for operational areas when the training ends. This involves designing a course to prepare the trainees for their final deployment and covers a wide range of topics including legislation, baggage and immigration training, drug identification procedures and training in use of technology, to name a few components.

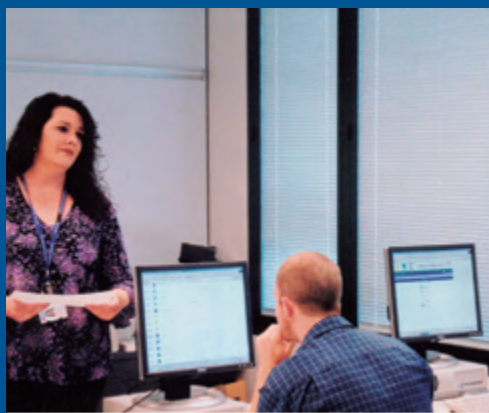
“Ensuring that you stay up to date on the latest legislative and policy provisions is essential. Recent legislative changes that were added to the trainees’ learning included changes to narcotics offences and changes in Customs Prohibited Imports and Prohibited Exports regulations.

“In addition to Customs legislation, our officers need to enforce legislation on behalf of other agencies such as the Department of Immigration and Multicultural Affairs (DIMA), Australian Quarantine and Inspection Service (AQIS), AUSTRAC and the Australian Federal Police (AFP), therefore they need to have some training in relevant legislation.

“Throughout the six-month program you will invariably face challenges, which may test your skills as you take on the role of teacher, mentor, coach and friend to the new recruits,” Lisa says.

“You work hard to support your charges through what are often challenging learning experiences, and share their sense of achievement as they progress through the course.

“Graduation Day marks the culmination of your trainees’ efforts, and you look on with a sense of pride as your colleagues translate from trainees to Customs officers,” Lisa says.



Customs trainer Lisa Parsons

Occupational health and safety performance

Occupational Health and Safety (OH&S) can be a key driver of high organisational performance by supporting the achievement of business outcomes. Customs OH&S Management System outlines how OH&S is managed in the workplace and it includes a cycle of continuous improvement. Details of the activities undertaken to improve our OH&S performance and details of compliance with section 74 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991* are at Appendix A.

We undertake a variety of operational tasks in diverse work environments that present many OH&S hazards not faced by most APS agencies. This requires active management and risk assessment to eliminate the hazards or reduce their risk. Some of the specific OH&S challenges for Customs in 2005-06 include:

- the introduction of operational safety approaches including training staff in the use of force
- establishing medical, physical fitness and psychological standards for staff selected to undertake these roles
- OH&S issues associated with safe training in the handling and storage of weapons, ammunition and other accoutrements
- increasing maritime patrols to detect and deter illegal foreign fishing and other activities, including processing and guarding crewmembers that may have a communicable disease such as tuberculosis

- planning for the potential outbreak of pandemic flu
- introducing new technology to help detect a range of illicit substances including explosives and precursor chemicals used to manufacture weapons or illegal drugs
- increasing our role in counter terrorism related activities domestically and overseas.

Despite these challenges we have realised some important improvements in OH&S performance, including:

- the number of accepted workers' compensation claims has dropped from 241 in 2003-04 to 194 in 2004-05 despite an increase in staff numbers from 4806 to 5059. The number of claims per 100 staff for the same period dropped from 5.01 to 3.81. In 2005-06 claim numbers have risen to 205 but claims per 100 staff have dropped further to 3.67 given the further increase in staff numbers to 5581. Note that the 2005-06 claim details are subject to further development.
- the number of accepted Psychological Injury claims dropped from 18 in 2003-04 to eight in 2004-05 and four in 2005-06 and the estimated costs of these claims have dropped dramatically. This improvement has resulted from implementing several strategies to raise awareness of the causes and early symptoms of psychological injuries, including developing a training session on mental health and a Managers Toolkit, and by focussing on earlier and more effective rehabilitation support.

The performance of Customs in relation to OH&S matters is outlined in figure 52.

Figure 52: OH&S performance indicators

Performance measure	2003-04*	2004-05	2005-06
Accepted compensation incident claims	241	194	205
Claims per 100 staff (headcount)	5.01	3.83	3.67
Accepted compensation incident claims with time off work	155	132	130
Accepted compensation incident claims resulting in 5 or more days incapacity	101	92	92
Claims of 5 or more days incapacity per 100 staff (headcount)	2.1	1.82	1.65
Quality of return to work outcomes [^]	91%	88%	93%
Annual absenteeism [#] (days per FTE)	11.74	12.17	11.96

* 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

Financial management

We have a number of internal and external processes designed to ensure compliance with financial 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 funding to the operational units of Customs on a four year rolling cycle in accordance with the funding provided to us by Government as incorporated into the published forward estimates. The agency has a mid-year review of allocations to adjust funding allocated through the National Resource Assessment process and re-align internal budgets based on year-to-date performance.

We produce several financial reports on a monthly basis to report actual results against budget. *The Executive Management Monthly Performance Report* comprises a report of financial performance against budget. Through the Corporate Business Intelligence system, a monthly report covers comprehensive financial and staffing data electronically distributed to Customs managers. In addition, we report on a monthly basis to Government through the reporting systems administered by the Department of Finance and Administration. 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 and Administration

In response to the revised Commonwealth Procurement Guidelines of 1 January 2005, our National Procurement and contracting section has revised internal documentation and business processes. An annual procurement plan is published on the Austender website in accordance with the requirements of the Commonwealth Procurement Guidelines.

We implemented a number of process improvement projects throughout 2005-06. These included a complete upgrade of Customs Financial Management Information System (FMIS) (QSP – Quality Software Products) to improve overall functionality particularly usability through the introduction of a purchasing and authorising portlet.

Customs FMIS interfaces with the Integrated Cargo System (ICS), which includes the consolidation of all debts within the FMIS and the daily collections and refunds of cargo payments.

Purchasing

Our procurement is conducted in a devolved environment across the organisation. A central procurement cell, the National Procurement and Contracting Section, facilitates the agency's procurement operations through the development and maintenance of guidance and policy documents. The section is also directly involved in all major procurement and this financial year has contributed to the IT Market Test and the procurements related to illegal fisher initiatives in northern waters. The section monitors compliance with relevant Government procurement policies such as the Commonwealth Procurement Guidelines and facilitates contract reporting in line with Government requirements such as the Senate Order on Departmental and Agency Contracts.

Customs competitive tendering and contracting operations reflect best value for money, encourage competition and produce optimal results for the agency.

Information technology management

Information technology (IT) is a key corporate resource that is provided to all areas of Customs and is the responsibility of the Chief Information Officer. It is responsible for providing a secure and reliable IT environment to meet Customs current and future business outcomes.

We continued to provide quality services in the areas of IT security, service support, contract management, small systems development and desktop, voice and data services. These services are provided through engagement officers throughout all regions of Customs.

Key tasks and achievements during 2005-06 included the following:

- the Small Systems Development Unit continued to develop and maintain various applications in support of many Customs units including Firearms Tracking in support of the Commonwealth Games and the container x-ray management system for Border Intelligence and Passengers Branch
 - a three-year Enterprise Agreement for Microsoft licencing was established through the reseller Dimension Data
 - IT services continued to be effectively managed and coordinated through various IT Service Provider arrangements
 - an Identity Management project implemented Single Sign on for the Customs Financial system
 - IT Service Support and Engagement Office was created that enable the delivery of services to our business areas in a more responsive manner
 - an IT Security Panel was established to provide for more efficient procurement of IT security services.
- Desktop and LAN support services will be brought in-house following the end of the current contract with EDS Australia
 - an extension to the existing Customs Telecommunication Services Agreement with Telstra will be negotiated
 - assistance and advice will continue to be provided on IT issues to other Customs projects and business areas
 - formal security certification of the LAN will occur including the implementation of centralised audit logging
 - implementation of an Identity Management solution to improve management of user access processes.

We will be undertaking the following key projects/tasks in 2006-07:

- the One Office project will implement an upgraded desktop and Local Area Network (LAN) server environment
- the disengagement and transition of IT services will commence following the current IT Market Testing process

Application development

Our primary focus has been the implementation and support for the Cargo Management Reengineering (CMR) application suite. In the lead up to the release of the Imports components in October 2005, Applications team was engaged in the support of and mitigation of the IT issues identified by the Industry and Software Developer community.

Following the ICS Imports release, the focus for the Applications Team was to resolve, in a timely manner, IT issues impacting on the movement of cargo through Australia's Borders. Applications Team gave priority to addressing the issues coming from the Minister's Industry Action Group meetings.

During 2005-06, we have moved from an application development focus to an application production support focus to provide maintenance services for the Customs cargo application portfolio. Extensive monitoring of the application suite is undertaken to ensure maximised availability. The team has also implemented a planned and managed Packaged Release Framework

that has improved the governance of change management within Customs through the alignment with business process changes.

IT market testing

The Information Services Agreement between Customs and EDS Australia is due to expire on 30 June 2007. In preparation for this, we have developed a whole of Customs IT Sourcing Strategy to identify how to best source all IT services. Through this process Customs identified that the Desktop, Local Area Network and Service Desk services should be provided primarily by Customs and that the following services should be market tested/outsourced:

- Main Processing
- Applications Maintenance and Support
- Voice Infrastructure
- Internet and Secure Gateway.

Following the finalisation of the Sourcing Strategy, we developed an IT Market Testing Strategy to outline how we would go about sourcing the services through market testing. This endorsed Strategy identified that the following method of release would reap the highest possible value for money outcome for Customs:

- release an Expression of Interest (EOI), then a Request for Tender (RFT) for the Applications Maintenance and Support services
- release the four RFTs concurrently
- allow for IT industry to respond to one or more of the tenders in a single, multiple or alternate method, for the above services.

Extensive internal user consultation was undertaken to ensure the RFTs would meet our business needs, and five industry briefings have been held to keep Industry informed.

The RFTs were released on 26 May 2006 with responses from industry due on 22 August 2006. Customs expects transition from the current arrangements to the new contracts to occur between February 2007 and November 2007.

IT supporting a whole-of-government approach

The IT Market Testing branch of Customs was instrumental in the establishment and ongoing management of a whole-of-government Information Technology Sourcing Inter-Agency Forum. The forum is a formal group under the Chief Information Officers Committee and was established to enable exchange of lessons learned, material and resources regarding IT sourcing at the practitioners level across Government. The forum is open to all Federal Government agencies and State Governments where appropriate. To date seven forums have been held.

IT strategic planning

We have refined the IT Strategic Plan 2006-2011 to further align with our current and future business requirements and our changing roles and priorities. The plan addresses IT governance, information systems (applications), information management, information technology, IT security, people, and IT budget.

Data Management

The Data Management team played an important role in enabling Customs to achieve key Outputs during 2005-06. Examples include:

- improving governance of Customs information assets such as IT applications, through the creation of the Customs Business Information Registry
- supporting information retention and requirements for data systems.

Corporate Research Environment

The Corporate Research Environment contributes primarily to passenger movement, cargo movement and intelligence. It has achieved this in 2005-06 by:

- supporting the implementation of ICS Imports through the provision of data warehousing and research capability
- supporting the delivery of reporting capability for external clients
- supporting the Cargo Risk Assessment Business Continuity Program through the delivery of key data extracts
- supporting the redevelopment of the EXAMS 2 application through the provision of extended reporting functionality
- supporting Customs business areas to deliver relevant information to external agencies.

Information standards and harmonisation

We worked with the Australian Government Information Management Office, our clients and other stakeholders to develop a new digital certificate. It is designed to provide clients with more choice and flexibility to communicate with Customs. It also helps to ensure our requirements for compliance, confidentiality, privacy and security.

We continue our active involvement in the development of the World Customs Organization (WCO) data model. The new version due for release in June 2008 expands the model to include data requirements for government agencies, other than Customs, broadening its scope for use in supply chain security.

We have chaired the WCO data modelling sub-committee over the past four years. The committee contributes to the development of international data standards and associated

proof-of-concept projects. In March 2006, Australian Customs handed over the role of Chair to the US. Customs remains active in WCO projects, including developing a standardised WCO response message.

Key outputs include:

- Customs hosting a delegation from Korean Customs in December, to help streamline data elements of the WCO Data Model
- Customs hosting a delegation from the Directorate General of Taiwan Customs in November, in the joint Paperless Trading project. This expanded an original pilot to include all air cargo consignments.

Standardised data set

The development of a standardised data set for whole-of-government reporting of import, export and transit information relating to cargo, crew and conveyance was completed. A paper exploring options for a trade 'single window' facility was also developed.

Corporate Communication

Corporate Communication played a key role in enabling Customs to achieve key outputs during 2005-06. Key achievements included:

- raising community awareness of Customs and its varied border protection roles through coordination of the agency's participation in the top rating Seven Network series *Border Security*
- heightening awareness of border compliance through the publicising of major detections of illegal drugs and duty evasion, illegal fishing apprehensions, trademark and copyright infringements and wildlife smuggling attempts. There were 170 media releases during 2005-06
- promoting our role in operational events with the Joint Offshore Protection Command in the fight against illegal foreign fishing

- refreshing the Customs website, making it more user friendly
- expansion of advertising the 24 hour Customs Hotline across northern Australia encouraging remote and regional communities to act as Customs 'eyes and ears' for suspicious activity.

CASE STUDY – CUSTOMS ON *BORDER SECURITY* – COMPELLING VIEWING FOR AUSTRALIAN TELEVISION AUDIENCES

Customs has played a major role in the top rating Network Seven TV series, *Border Security* for the third year running.

The series has proved compelling viewing, attracting a growing audience of more than three million Australian viewers over the past year – making it one of the highest-ranking series ever on Australian television and the highest rated series for 2006.

In a 'fly on the wall' approach to filming, Australian audiences accompany Customs officers in various working environments including international airports and seaports, as well as aboard Customs and Navy boats patrolling Australia's

northern coastal waters for illegal foreign fishermen.

For Series 4 aired in 2006, Customs allowed Channel Seven to film stories as far west as Ashmore Reef off the Kimberley Coast of Western Australia, and in Torres Strait in the north-east.

Customs officers who volunteered to play a part in the series found the task challenging but rewarding. As Craig Cameron, the Commanding Officer of Australian Customs Vessel (ACV) *Dame Roma Mitchell*, explained, the biggest challenge was appearing in front of a TV camera. However, he believes the show reflects Customs in a positive way.

"It obviously brings Customs into the public eye in a good light, especially the National Marine Unit," Craig said.

"I don't think many members of the public realise we have a fleet of enforcement vessels manned by very dedicated crew working 24/7 on today's hot topic...border security. Hopefully, this series gives the audience an understanding of the role we perform and it assists with the type of information reported to our Hotline 1800 number as people develop a greater awareness of that role."

According to the program makers, *Border Security* has proved to be a winner because



Customs officers Craig Cameron, Leon Serzycki, Peter Walsh and Mark Radon who featured in the TV series *Border Security*.

it portrays real people, performing the difficult but hugely important role of protecting Australia's borders. Producers are very appreciative of the extraordinary access given to their cameras to cover the work of Customs. The show's popularity indicates that Australians are interested in the work being done by officers around the country. Whether officers are in tough

situations on ACVs apprehending illegal foreign fishermen, facing aggressive passengers at our airports, successfully targeting drug couriers, or on patrol in some of the most remote areas of Australia, the *Border Security* cameras give the Australian public a chance to see the vital work done by Customs.

Information policy

Analysis and evaluation is underway following the request for tender process for the Records and Information Management System project. Evaluation is due to be completed in October 2006. The electronic record keeping system will be implemented over the next two years. Other key achievements during 2005-06 included:

- developing an online training course on record keeping for employees, raising awareness of the benefits and legal obligations of record keeping
- networking between the regional Records Management Units to ensure greater standardisation of record management practices across Customs.

Assets management

The Australian Equivalents for International Financial Reporting were adopted in 2005-06. In line with the new requirements Customs has valued all assets and tested for impairment of intangibles. An asset stock take was also conducted during the year.

Contract management and corporate outsourced arrangements

We have outsourced arrangements for IT support, legal service, internal audit services and some recruitment services.

The majority of Customs IT support is outsourced to EDS Australia. Our IT Services Agreement with EDS was extended this year to June 2007.

A consortium headed by Computer Associates provided the development and support for the ICS and associated systems. In addition, specialised IT services are sourced from a number of other IT providers including IBM and CPT global.

Customs Telecommunications services agreement with Telstra Corporation is in its third year of operation. The three-year contract came into effect in September 2004 and allows for 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.

Our internal audit is co-sourced to PricewaterhouseCoopers, supported by 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 centers. We interview candidates that are short listed from the process and make the final decision.

We did not have any contracts exempt from the purchasing and disposal gazette in 2005-06.

Customs use of legal services

The information below is provided in accordance with the requirements of paragraph 11.1 (ba) of the *Legal Services Directions 2005*. All figures quoted are GST exclusive.

All our legal services are outsourced. Customs contracted the Australian Government Solicitor (AGS) in 2004-05 to provide 'core' legal services. The AGS provide these core legal services through:

- an in-house legal service (Customs Legal Unit)
- onsite legal services
- regional legal services.

We completed an open tender process in November 2005 for a new legal panel for the provision of 'non-core' legal services. These non-core legal services include:

- litigation arising under the *Administrative Decisions (Judicial Review) Act 1977*
- simple debt recovery
- tendering and contracting
- provision of advice in relation to legislation that is not administered by Customs other than

advice in relation to Customs powers under that legislation, e.g. general advice on taxation law not specifically administered by Customs, trade practices law, corporations law

- employment and workplace relations law, including disciplinary matters and worker's compensation
- matters relating to contractual and common law actions and disputes
- advice sought by National Customs Agents Licensing Advisory Committee in relation to its powers under the *Customs Act 1901*
- property matters
- information technology and intellectual property matters
- matters relating to probity, Commonwealth accountability and commercial practice and policy in relation to legislation that is not administered by Customs
- matters concerning legal compliance and risk management in relation to legislation that is not administered by Customs
- private international law impacting on commercial activities in relation to legislation that is not administered by Customs
- alternative dispute resolution in relation to 'non-core' matters.

The new panel members are the AGS, Clayton Utz and Phillips Fox. The members of the previous panel were the AGS, Clayton Utz, Dibbs Barker Gosling and Blake Dawson Waldron.

Total legal services expenditure	
In 2005-06, Customs total expenditure on legal services was:	
External expenditure on solicitors	\$7,299,273.71
External expenditure on counsel	\$417,585.81*
External expenditure on disbursements	\$728,132.51
Total	\$8,444,992.03

*The financial figures provided for expenditure on Counsel relate to the expenditure on Counsel holding briefs during the financial year. Accordingly, some of that expenditure relates to briefs provided to Counsel prior to the commencement of the financial year

Briefs to Counsel – number and value by gender	
In 2005-06, the number and value of briefs to Counsel by gender was:	
Number of male counsel briefed	18*
Value of briefs to male counsel	\$367,616.20**
Number of female counsel briefed	6*
Value of briefs to female counsel	\$49,969.61**

* The number of Counsel briefed reflect the number of new briefs issued during the financial year

**The financial figures provided for expenditure on Counsel relate to the expenditure on Counsel holding briefs during the financial year. Accordingly, some of that expenditure relates to briefs provided to Counsel prior to the commencement of the financial year

Legal services expenditure for contracted legal services providers	
In 2005-06, Customs total expenditure on legal services to its contracted services providers was:	
Australian Government Solicitor	\$7,499,939.73
Blake Dawson Waldron	\$451,212.05
Clayton Utz	\$387,811.34
Dibbs Barker Gosling	\$14,215.01
Phillips Fox	\$24,764.50
Total	\$8,377,942.63

Consultants

During 2005-06, 35 new consultancy contracts were entered into involving total actual expenditure of approximately \$3m. In addition, eight ongoing consultancy contracts were active during the 2005-06 year involving total actual expenditure of approximately \$0.575m.

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 the information on consultancies. A list of consultancy services let during 2005-06 is available on the Customs Internet site at www.customs.gov.au (Annual Report).

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. We generally commission consultants to:

- investigate or diagnose a defined issue or problem
- carry out defined research, reviews and evaluations
- provide independent advice, information or creative solutions to assist Customs
- provide specialised services.

All selection procedures are compliant with Commonwealth policy and principles.

The main purposes for which consultants were engaged include:

- human resources and Occupational Health and Safety advice and analysis
- security risk review and analysis services
- procurement and competitive tendering advice and assistance including probity advice
- post implementation review of the CMR project.

Advertising and market research

Expenditure on advertising and market research is detailed in Appendix C.

Discretionary grants

Customs did not provide or receive any discretionary grants in 2005-06.

CASE STUDY – IMPROVED EFFICIENCY HELPS COLLECT REVENUE WHILE PROTECTING BORDERS

Balancing our border protection roles with rapid movement of legitimate travellers and goods is a constant Customs challenge that requires a focus on achieving efficiency improvements wherever possible.

An example in 2005-06 was the development of an updated duty collection IT system called DutyCalc for use primarily at airports where Customs currently collects about \$8m annually. The system calculates duty and tax payable on passenger accompanied baggage, for example, duty payable on alcohol and tobacco that exceeds passenger concession limits.

When Customs decided that a modern system was needed, its design needed to take account of sometimes conflicting priorities between revenue collection and fast movement of international passengers through terminals. It

also needed to improve financial accountability, improve accuracy of tariff classification, reduce manual processing, and improve reporting of revenue collected.

A team in the Financial Systems Division developed the new system in-house using best practice methodologies and project management expertise. The in-house development meant that no external spending was required, although internal expenses consisted of four staff working on the project for nine months.

The system began use in April 2006, with frontline officers at airports praising the new system, especially the training and support provided to them by the Financial Services Division officers.

The system is meeting requirements of Customs officers for ease of operation, has allowed faster processing of passengers because it replaces some manual forms with electronic printouts, and judging on feedback about more professional and detailed duty receipts produced by the system, is also being viewed well by airport passengers.

Just as importantly, it ensures that Customs meets its requirements to collect revenue owed to the Commonwealth Government.



Team behind the Duty Calc system **Front row:** Alison Dadic, **Back row from left to right:** Samuel Roberts, Matthew Patton, Joann Corcoran, Jon Brocklehurst, Dwane Hall

External Scrutiny

Freedom of Information

In 2005-06, 46 requests were made to Customs under section 15 of the *Freedom of Information Act 1982* (FOI Act) which is an increase on numbers received from previous years. Some requests are complex and there have been delays in responding within required time frames.

Section 8 of the FOI Act requires us 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 53: Requests made under the Freedom of Information Act

	2003-04	2004-05	2005-06
Requests received*			
Section 15	42**	40**	46**
Section 54 (internal review)	4	7	5
Section 55 (AAT review)	2	3	1
Total	48	50	52
Decisions on section 15 requests			
Access granted in full	12	9	10
Access granted in part	15	14	21
Access refused	3	6	6
Requests transferred	0	0	1
Requests withdrawn	8	6	4
Time taken to process section 15 requests			
0-30 days	19	13	11
31-60 days (consultation under subsections 26A, 27 or 27A)	-	-	2
61-90 days	10	6	15
91-120 days	1	6	5
121 plus days	0	3	4
Fees and charges (\$) collected for section 15 and section 54 requests			
Total application fees collected	1 071	1 390	940
Total charges notified	2 046	4 341	5 610
Total charges collected	1 066	3 177	2 839
Outstanding charges at 30 June	980	1 164	2 771

* 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 2312 items of Customs related correspondence. We provided the Minister with advice and recommendations on the 1873 items that required a response. Major issues were:

- applications for permits to import goods
- information on import requirements
- issues relating to the implementation of the Integrated Cargo System (ICS)
- 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 482 briefings on issues including:

- initiating anti-dumping investigations
- significant seizures of prohibited imports such as illicit drugs
- implementation of the ICS
- proposed changes to legislation and regulations administered by Customs
- other significant policy and procedural matters.

Figure 54: Ministerial correspondence and briefings

	2003-04	2004-05	2005-06
Ministerial correspondence received on Customs issues	1 669	1 915	2 312
Ministerial briefings provided by Customs	510	455	482

Questions on Notice

The Minister for Justice and Customs received 190 Questions on Notice directed to Customs or requiring an Agency response from Customs.

Questions on Notice were received from the House of Representatives (27) Senate (26) and Estimates Hearings (137). Major issues were:

- illegal foreign fishing activities, apprehension, and detection
- Customs staffing issues
- Integrated Cargo System
- Customs operations in the airport environment
- Coastwatch operational activities

Judicial decisions and decisions of administrative tribunals

Granite Arms (High Court)

This case involved proceedings arising out of the importation into Australia of 2 000 handguns from China by a licensed Victorian gun dealer (Granite Arms) who was acting as an agent for the owner of the guns - a licensed Queensland gun dealer.

Handguns will be prohibited imports upon importation (and therefore forfeited goods) if relevant criteria in the *Customs (Prohibited Imports) Regulations 1956* (the Regulations) are not complied with. In respect of the handguns, the importer was required to satisfy the police authorisation test in paragraph 4.1 to Part 1 of Schedule 6 to the Regulations.

This test is satisfied by production of a police authorisation or B709 indicating that the importer holds a licence according to the laws of the relevant State or Territory to possess the firearm. In this case the B709 was held by the agent but not by the owner of the guns - the owner's authorisation having been rescinded by the Queensland Police for modifying firearms in contravention of the State's weapons legislation.

Customs seized the guns and applied to the Magistrate's Court for a declaration that the guns were special forfeited goods and for an order that the guns be condemned as forfeited to the Crown. Granite Arms sought judicial review in the Federal Court and Customs cross-claimed for its applications to be granted. The Federal Court dismissed that cross-claim on finding that, for the purposes of the police authorisation test, Granite Arms as the agent was the 'importer' of the guns.

On appeal by us, the majority of the Full Federal Court decided that the guns were lawfully imported and that the police authorisation test did not require the importer of firearms to be the same person as the person who would maintain possession of the firearms following importation. The majority also held that the meaning of 'importer' in the context of the Regulations is not limited to the person who has paid for the goods being imported.

We sought and were granted special leave to appeal to the High Court. The High Court held that the guns were prohibited imports under the Customs Regulations and were therefore special forfeited goods. In this case the police authorisation test had not been satisfied because Granite Arms was not the 'importer' within the meaning of the Regulations. The subject, scope and purpose of those Regulations are the performance by the Commonwealth of its part in the national scheme of firearms control and public safety. In that context the notion of importation and the term 'importer' look to the possession of the firearms after importation.

H J Heinz (Full Federal Court)

This case was an appeal by H J Heinz from a decision of the Federal Court dismissing the company's earlier appeal of an Administrative Appeals Tribunal decision that imported canned tuna products were classified as 'fish in pieces, but not minced' under the *Customs Tariff Act 1995* as contended by Customs.

The Court at first instance held that the Tribunal did not make any errors of law. It was open to the Tribunal, on the evidence, to hold that the word 'minced' and the phrase 'fish in pieces' should be understood in their usual and ordinary meaning and to find, as a matter of fact, that the products were not minced. The Tribunal could readily recognise or identify that the goods had retained the textural and structural integrity of preserved tuna.

The Full Court held that neither the Tribunal nor the single judge made any errors of law. Rather, the classification of the goods first requires it to be asked whether the prepared fish is whole or in pieces. If it is in pieces, the question then arises whether it is minced. The Tribunal's task was to decide, as a matter of fact, with reference to size and structural integrity, where on the continuum of 'fish in pieces' to 'minced fish', the tuna was to be placed.

Labrador Liquor (Supreme Court)

Labrador Liquor (a company with two sole directors/employees) operated a bond store or 'licenced warehouse' under the *Customs Act 1901*. Its licence entitled it to temporarily store alcohol and cigarettes that had been imported or manufactured in Australia, without paying customs and excise duty, otherwise payable on them. However in dealing with alcohol and cigarettes from its warehouse, either by exporting them or delivering them into home consumption, it was legally obliged to notify Customs.

We prosecuted the company for the offences of evading customs and excise duty on liquor and/or cigarettes delivered into home consumption by falsely documenting that they were being exported; knowingly or recklessly making a statement to an officer that was false or misleading in a material particular; and moving, altering or interfering with goods which were subject to the control of Customs - the two directors being prosecuted as accessories for those same offences.

The onus was on us to prove beyond reasonable doubt that the goods were not exported. We pleaded and averred that the goods were not exported and mounted a substantial circumstantial case to demonstrate that the goods were not exported. The defendants pleaded that the goods were exported and in the alternative if the goods were not exported, that occurred without their knowledge or consent.

On the evidence the Supreme Court was satisfied beyond reasonable doubt that the goods were not exported with the only

available inference being that the goods were delivered into home consumption. The Court convicted the defendants of the 45 offences under the *Customs Act 1901* and the *Excise Act 1901* and each received the maximum penalty of five times the amount of duty evaded - the fine amounting to \$15.18m - with a term of imprisonment of four years and 345 days for each of the directors ordered by the Court in the event of default of payment of the penalty. The convictions and sentences are under appeal.

Privacy matters

There was one complaint to the Privacy Commissioner against Customs in 2005-06. This complaint remains open and is the subject of preliminary inquiries being conducted by the Office of the Privacy Commissioner.

Commonwealth Ombudsman matters

Figure 55 provides a summary of the number of approaches received by the Commonwealth Ombudsman in 2005-06 relating to Customs.

Figure 55: Issues raised with the Commonwealth Ombudsman

	2005-06
Number of approaches received about Customs	121
Number of approaches finalised	116
Number within the Ombudsman's jurisdiction	103
Number that fell outside the Ombudsman's jurisdiction	13
Number of issues raised and finalised	110
Finding of administrative deficiency following an investigation	1
Finding of no administrative deficiency following an investigation	5
Decided not to investigate, or not to investigate further	101
Finalised as lapsed or withdrawn	3

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 eight performance audits specific to Customs:

- *ANAO Report No.11-2005-06 – The Senate Order for Departmental and Agency Contacts (Calendar Year 2004 Compliance)*
- *ANAO Report No.18-2005-06 – Customs Compliance Assurance Strategy for International Cargo*
- *ANAO Report No.21-2005-06 – Audit of Financial Statements of Australian Government Entities for the Period Ended 30 June 2005*
- *ANAO Report No.27-2005-06 – Reporting of Expenditure on Consultants*
- *ANAO Report No.28-2005-06 – Management of Net Appropriation Agreements*
- *ANAO Report No. 33-2005-06 – Administration of Petroleum and Tobacco Excise Collections-Follow-up*
- *ANAO Report No.34-2005-06 – Advance Passenger Processing*
- *ANAO Report No.45-2005-06 – Internet Security in Australian Government Agencies*

The ANAO is in the process of completing the following review:

- Customs Cargo Management Reengineering project

Other reports relevant to Customs released in 2005-06 included:

- *ANAO Report No.12-2005-06 – Review of the Evaluation Methods and Continuous Improvement Processes for Australia's*

National Counter-Terrorism Coordination Arrangements

- *ANAO Report No.16-2005-06 – The Management and Processing of Leave*
- *ANAO Report No. 19-2005-06 – Managing for Quarantine Effectiveness-Follow-up*
- *ANAO Report No.22-2005-06 – Cross Portfolio Audit of Green Office Procurement*
- *ANAO Report No.23-2005-06 – IT Security Management*
- *ANAO Report No.26-2005-06 – Forms for Individual Service Delivery*
- *ANAO Report No. 29-2005-06 – Integrity of Electronic Customer Records*
- *ANAO Report No. 32-2005-06 – Management of the Tender Process for the Detention Services Contract*
- *ANAO Report No.37-2005-06 – The Management of Infrastructure Plant and Equipment Assets*
- *ANAO Report No.48-2005-06 – Interim Phase of the Audit of Financial Statements of General Government Sector Entities for the Year Ending 30 June 2006*

Our Audit Committee monitored the implementation of the recommendations arising from the Customs audits. The committee sought comments from line areas on recommendations that might have relevance to us. These responses were circulated to the Customs Executive.

The ANAO also issued Better Practice Guides for *Preparation of Financial Statements by Public Sector Entities, Administration of Fringe Benefit Tax and User-Friendly Forms, Key Principles and Practices to Effectively Design and Communicate Australian Government Forms.*

Further information on ANAO reports is available on the ANAO Internet site at www.anao.gov.au

Parliamentary Committee reports

Senate Legal and Constitutional Committee

Customs appeared before three Estimates hearings:

- Budget Supplementary Estimates – 31 October 2005
- Additional Estimates – 17 February 2006
- Budget Estimates – 25 May 2006

Senate Legal and Constitutional Legislation Committee

Customs provided submissions to the following Committee inquiries:

- inquiry into the provisions of the *Law and Justice Legislation Amendment (Serious Drug Offences and Other Measures) Bill 2005*
- inquiry into the provisions of the *Telecommunications (Interception) Amendment Bill 2006*
- inquiry into the provisions of the *Customs Legislation Amendment (Border Compliance and Other Measures) Bill 2006*

Senate Rural and Regional Affairs and Transport Legislation Committee

Customs provided a submission to the following Committee inquiry:

- inquiry into the regulatory framework under the *Maritime Transport Security Amendment Act 2005*

Parliamentary Joint Committee on the Australian Crime Commission

Customs provided a submission to the following Committee inquiry:

- inquiry into Amphetamines & Other Synthetic Drugs (AOSD)

Parliamentary Joint Committee of Public Accounts and Audit

Customs provided a submission to the following Committee inquiry:

- inquiry into developments in aviation security since the Committee's June 2004 *Report 400: Review of Aviation Security in Australia*

Parliamentary Joint Standing Committee on Public Works

Customs provided a submission to the following Committee inquiry:

- fitout of New Leased Premises for Australian Customs Service at 1010 LaTrobe Street, Docklands, Melbourne, Vic.

Accountability to clients

Client service

To meet client service expectations, we have established service principles and key service standards that are published in Customs Client Service Charter.

The Charter outlines our commitment to providing quality service to all of our clients. It provides information on how clients can comment on Customs services or on the Charter itself. We aim to be professional, accountable and transparent in all dealings with our clients.

The Customs Information and Support Centre

The Customs Information and Support Centre (CI&SC) is a multi channel contact centre which handles phone, email and fax inquiries from industry and the Australian community. The CI&SC provides support for industry clients using the Integrated Cargo Systems (ICS) and general information and advice to the Australian community on Customs requirements.

The CI&SC handled 534 000 cargo systems and general information contacts from across Australia in 2005-06. This figure comprised:

- 455 000 inbound telephone calls
- 73 000 emails
- 6 000 inquiries by fax.

Due to a change in the way data is collected these figures cannot be compared with figures from previous years.

The CI&SC played a key role in supporting the introduction of the imports component of the ICS in October 2005. The systems support line answered 29 per cent more calls in October 2005 compared with September 2005. Not only

did the CI&SC experience an increase in the number of calls received, but also a significant increase in the average time it took to handle a call. When compared to September 2005, there was a 56 per cent increase in call handling times in October 2005. To deal with the significant increase in call volumes, the CI&SC seconded additional staff to work in the centre, and teams were mobilised in Brisbane, Melbourne and Fremantle to provide additional support for industry.

The CI&SC is focused on continuously improving its service to clients. Funding has been approved for increased staffing levels and for new call centre technology to increase the service standards of the centre. In addition, we have established an ICS User Support Reference Group with membership drawn from a wide cross section of industry. The Group will primarily be responsible for establishing a quality framework for the CI&SC including performance benchmarks.

Complaints and compliments

The Complaints and Compliments Management System invites the public to comment on Customs services through:

- email (comments@customs.gov.au)
- Customs Internet site (www.customs.gov.au)
- freecall (1800 228 227).

Quarterly statistical reports are published on the Customs Internet site.

We received 2556 complaints and 695 compliments about our services in 2005-06, compared with 2319 complaints and 789 compliments for the previous year. Of these, 270 complaints and seven compliments related to other organisations.

Most complaints and compliments occurred at international airports. We received 1090 complaints and 753 compliments from 10.7

million incoming passengers, equivalent to one complaint for each 9880 passengers.

A total 397 client complaints were received about the ICS after it went live on 12 October 2005. Most complaints related to extended cargo waiting times causing additional storage costs, as well as delays in accessing the system's helpdesk. ICS complaints reduced from an average of 104 per month between October and December 2005 to an average of 14 per month between January and June 2006.

The monthly rate of complaints concerning passengers' duty free concessions reduced, with an average 26 complaints per month in 2005-06 compared with 49 per month between February and June 2005.

We monitor complaints to identify possible service improvements. Examples of service improvements resulting from complaints in the past year included Western Australia region providing extra staff training in conduct of Tourist Refund Scheme, passenger duty concessions, detained goods management, and goods re-export. Queensland region acted to reduce client complaints relating to constant targeting of containers for examination by updating management procedures and providing refresher training for staff in container selection.

Environmental accountability

Our new 2005-2010 Customs Plan committed Customs to make a positive contribution to sustainable development. Our focus on sustainability provides a better understanding of the social, economic and environmental effects of our activities. Customs measures its impact using benchmark indicators from the Global Reporting Initiative (GRI) that are relevant to Customs and for which data is available. GRI is a globally accepted reporting framework providing guidelines to enhance the quality, rigour and utility of sustainability reporting.

We endeavour to meet principles of ecologically sustainable development, 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 risks that may impact on corporate performance. Customs recognises the strategic risk to Australia's health and safety if Customs operational response to enforcing legislation is inadequate. Established reporting and review processes ensure that the risks are assessed regularly, and that systems and processes support continuous improvement.

Environmental impact

Our Environmental Policy Statement commits to continuously improving environmental performance in our activities. We monitor activities, including the management of energy, water and wastes, the vehicle fleet and purchasing. Our Environmental Management System provides a framework for considering and minimising environmental impacts within continual improvement.

Energy audits have been carried out in the past, but implementing the recommendations has proved slower than desirable due largely to competing priorities. A renewal of the energy audit program will occur over the coming year.

Our overall energy consumption this year has remained relatively static, declining by 0.7 per cent. Energy consumption fluctuated in the following areas:

- office electricity consumption has increased by 37 per cent due primarily to an increase in staff. However, energy consumed per employee fell by 5.2 per cent to 11 596 mega joules per person per annum, primarily due to a 19 per cent reduction in office space. Energy consumed per employee remained

CASE STUDY – CUSTOMS DEVELOPING ENVIRONMENTAL GUIDELINE FOR DRIVERS



Customs using E10 in Mackay

Customs is developing Environmental Awareness guidelines for its staff who drive fleet vehicles. The proposed guidelines recommend that drivers ensure vehicles are serviced when scheduled, utilize E10 fuel (ethanol blended fuel) where available and drive in a fuel-efficient manner.

The proposed inclusion of E10 fuel is in line with the Government's commitment to support the bio fuels industry.

In Mackay, the sugar capital of Australia, the local Customs fleet already uses E10 fuel, where available. The price is the same as regular unleaded fuel. The local farmers benefit indirectly as the E10 fuel is partly made from sugar cane. Boarding Officer Rod Buckley of the Mackay District Office said "it's great to help the

environment, prolong the life of our fossil fuels and support the local farmers just by filling up with E10 - sugar-based ethanol".

CUSTOMS CARES FOR THE MARINE ENVIRONMENT



Customs seizes illegal shark fin catch

Customs protects the marine habitat by searching for illegal fishing vessels. In doing so, Customs uses vessels that limit the damage to the environment, caused by emissions. Bay class Customs Vessels completed after August 1999 comply with restrictions on nitrous oxide emissions from the engines.

The waste treatment plant, where all grey and black water is treated complies with International Maritime Organisation (IMO) requirements. All vessels are fitted with oily water separators, which prevent oily residues from being discharged overboard.

outside the Government's target of 10 000 mega joules per person per annum. Greenhouse gas emissions rose by 12 per cent

- passenger automotive fuel consumption increased by 1.8 per cent, with diesel up by 23 651 litres, while petrol decreased by 11 295 litres
- energy used in special facilities such as communication sites and container examination facilities fell by 11 per cent as measured by mega joules per metre squared per annum.

We worked cooperatively with other agencies to protect the Australian environment. Examples of activities included:

- in April and June 2006, ACV *Dame Roma Mitchell* transported Australian Quarantine and Inspection Service (AQIS) officers along the Kimberley Coast to conduct a scientific survey and awareness presentations in remote coastal communities and camps. These presentations focused on threats presented by illegal foreign fishing vessels, Avian Influenza and general quarantine awareness. Feedback from clients and stakeholders was consistently positive and the close working relationship between AQIS and Customs officers during the patrol was a major factor in the success of the tasking
- our vessels conducted three multi-agency compliance patrols in the Great Barrier Reef with officials from the Great Barrier Reef Marine Park Authority, Queensland Police, Queensland Boating and Fisheries, and Queensland Parks and Wildlife embarked
- Customs vessels provided on-site park management services in the National Nature Reserve at Ashmore Islands and the nearby Cartier Islet. This activity was funded through a joint initiative between the Department of Environment and Heritage (DEH) and Customs

- our vessels are constantly on the look out for abandoned drift nets and long lines, because of the threat they pose to marine wildlife. When sea conditions allow, these nets are recovered onboard and transported back to port. This year our vessels retrieved a number of nets from the sea. The crew onboard ACV *Arnhem Bay* in May 2006 located two ghost nets and a long-line floating in the water, north of the Arnhem Land Coast. About 30 green turtles and numerous shark carcasses needed to be cut out. A number of live saw sharks were also cut free and released back into the water. Crew spent over five hours recovering approximately 700 metres of net and long-line from the water.



Customs officers recovering abandoned drift nets

Social impact

We meet a range of Commonwealth requirements led by Australian Public Service (APS) Values and Code of Conduct to ensure our actions are lawful and meet community expectations.

We promote 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 are tabled in HR12.

We comply 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).

We carry out a significant role in community protection through our 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.

We pursue Government priorities relating to counter-terrorism, security arrangements and protecting our borders. Critical business functions in Customs are supported by business continuity plans to allow them

to continue business at some level during unscheduled outages.

Where requested, we undertake search and rescue operations. Examples of rescues carried out this financial year included:

- in September 2005, ACV *Corio Bay* rescued a stricken sailor off the yacht *Wathara III* on the Kimberly Coast after an Emergency Position Indicating Radio Beacon (EPIRB) had been activated. The sailor was medically evacuated to nearby Troughton Island
- in October 2005, a passenger embarked on a charter vessel at Ashmore Islands suffered a suspected detached retina and was evacuated to the Jabiru Ventre production platform by ACV *Arnhem Bay*
- in January 2006, ACV *Storm Bay* assisted in a search and rescue involving a small powered vessel, which required assistance near Cole Island off the Queensland coast. Four occupants had spent approximately 20 minutes in the water prior to beaching the vessel. Customs provided temporary repairs towed the vessel to Hamilton Island
- in May 2006, ACV *Holdfast Bay* successfully rendered assistance to an Australian yacht that had run aground in Torres Strait.

In cooperation with the Australian Agency for International Development (AusAID) and other customs administrations, we provide an extensive range of technical assistance and capacity building focused on customs modernisation in our region.

We contribute to international capacity building programs in Solomon Islands and Papua New Guinea (PNG). Customs also provides assistance to Tonga, Indonesia, Malaysia, Philippines, China and the Oceania Customs Organisation. For 17 years we have hosted the Customs International Executive Management Program (CIEMP), an annual five-week management training

program - most recently in partnership with the University of Canberra's Customs & Excise Centre. CIEMP is highly successful, delivering pragmatic training to participants with high demand for participation by regional senior executives.

In PNG under the Australian Government's Enhanced Cooperation Program, our advisers contribute to a modernisation program with PNG customs. Over the last 12 months, we assisted in:

- a modernisation of passenger processing at Port Moresby Airport
- building more effective intelligence analysis capability and efficient customs revenue collection
- cargo control and revenue improvements.

In the Solomon Islands, under the Government's Regional Assistance Mission, we contributed to more effective border controls at Honiara Airport, improved cargo management processes and other Customs reforms.

Economic impact

We undertake a variety of activities on behalf of the 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
- protecting Australia's fishing grounds from illegal foreign exploitation

- 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
- contribution to Australia's trade facilitation agenda through participation in free trade agreement and World Trade Organisation negotiations, the Asia Pacific Economic Cooperation work program and bilateral customs cooperation initiatives
- contribution by Customs overseas posts 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
- administration of various industry schemes such as Tradex.

Global Reporting Initiative environmental indicators

The Global Reporting Initiative offers 109 possible performance indicators. Customs has selected 23 of these for inclusion in this Report.

EM1: Environmental Management System (EMS) Conformance

Customs EMS is currently applied in Canberra and it is proposed that it be implemented at more sites.

We conform with our 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 high percentage recycled paper throughout Central Office.
- 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.

EM2: Environmental performance improvement process

Customs measures performance against energy targets and energy audit requirements as required by the Government.

EM3: Integration of environment with other business management systems

We incorporate environmental factors into our 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

We manage the risks on sites identified as having asbestos and other hazardous material. Occupational health and safety guidelines are in place for hazardous substances and managing the identified risks.

Customs has engaged a contractor to undertake Hazmat inspections for commercial properties and Department of the Environment & Heritage (DEH) for residential properties regarding asbestos.

EN3: Direct energy use (tenant light and power)	2003-04	2004-05	2005-06*
<i>Office – Tenant Light and Power</i>			-
Electricity (kWh)	10 020 562	13 770 693	-
Total GJ	36 074	49 574	-
Occupancy (People)	2 948	4 275	-
Area (m2)	76 801	62 560	-
MJ/Occupancy (People)/annum	12 237	11 596	-
MJ/Area (m2)/annum	470	792	-
m2/person	26.05	14.63	-
<i>Office – Central Services</i>			-
Electricity (kWh)	1 849 212	1 652 286	-
Natural Gas (MJ)	8 886 073	11 789 515	-
Total GJ	15 543	17 738	-
Area (m2)	22 117	19 448	-
MJ/Area (m2)/annum	703	912	-
<i>Other Buildings*</i>			-
Electricity (kWh)	5 429 769	3 996 633	-
Total GJ	19 547	14 280	-
Area (m2)	81 198	66 722	-
MJ/Area (m2)/annum	241	214	-

* 2005-06 figures were not available at the time of publication

EN3: Direct energy use (transport)*	2003-04	2004-05	2005-06**
<i>Passenger Vehicles</i>			-
LPG (L)	838	36	-
Automotive Diesel (L)	35 607	59 258	-
Petrol (L)	595 335	584 040	-
Total GJ	21 756	22 262	-
<i>Other Transport</i>			-
Automotive Diesel (L)	3 660 243	3 372 830	-
Total GJ	141 285	130,191	-
Entity Totals			-
Total GJ	234 206	234 045	-

* These figures cover leased vehicles only. Owned vehicles, vessels, leased aircraft are not included.

** 2005-06 figures were not available at the time of publication

EN8: Greenhouse gas emissions	2003-04	2004-05	2005-06**
<i>Office – Tenant Light And Power</i>			
CO2/person/annum (tonnes)	3.18	3.02	-
CO2/m2/annum (tonnes)	0.12	0.21	-
Total CO2/annum (tonnes)	9 379.24	12 889.24	-
<i>Office – Central Services</i>			
CO2/m2/annum (tonnes)	0.10	0.11	-
Total CO2/annum (tonnes)	2 214.26	2 187.86	-
<i>Other Buildings</i>			
CO2/m2/annum (tonnes)	0.06	0.06	-
Total CO2/annum (tonnes)	5 082.22	3 712.80	-
<i>Passenger Vehicles *</i>			
Total CO2/annum (tonnes) – LPG	1.28	0.06	-
Total CO2/annum (tonnes) – Diesel	95.80	159.40	-
Total CO2/annum (tonnes) – Petrol	1 343.79	1 318.30	-
Totals	18 116.59	20 267.65	-

* These figures cover leased vehicles only. Owned vehicles, vessels and leased aircraft are not included

** 2005-06 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

Environmental Goals at a glance		
Environmental Goals 2005-06	Result	Environmental Goals 2006-07
trial 60 per cent and 80 per cent recycled paper in printers and photocopiers	trial complete	increase usage of recycled paper to 80 per cent from current usage of 50 per cent in Central Office
compile data for toner recycling program Australia wide	new supplier approved	implement toner-recycling program Australia wide
review Energy Audits	compiling data	implement energy saving recommendations from Energy Audits
investigate more fuel-efficient vehicles	continuously researched	promote fuel-efficient vehicles for Customs Fleet improving overall GVG rating (and amend procurement guidelines)
review of Fleet Chief Executive Instructions (CEI) 5.5	review complete	environmental Clause added in CEI 5.5 promoting the use of E10 fuel and fuel-efficient driving behaviour
report on 2005-06 Customs Energy Consumption to DEH	compiling data	aim to improve electricity consumption in regions with promotion of EMS and assistance across all regions of environmental initiatives
thoroughly review all data input for the energy usage report to ensure a more accurate assessment of consumption	review underway. Completion expected October 06	continue to use and review system for greater accuracy and consistent reporting to DEH
electricity contracts renewed to include percentage of Green Energy	AGL contract approved by Customs	minimum of five per cent Green Energy will be established for eight sites in ACT and NSW
identification of Hazardous Materials and treatment at sites	report conducted	implement recommendations received from the Report
implementation of the Customs Heritage Strategy	document drafted and under review	implementation on approval
conduct Graduate Project 2006 of Green Procurement	report conducted	review results and implement where possible

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

We developed an Indigenous Recruitment and Career Development Strategy to improve representation rates of Indigenous Australians in Customs and to provide Indigenous employees with development and support opportunities to enhance their career progression.

Customs works in partnership with the Australian Public Service Commission and several other Federal agencies to run 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 (See Part3 Enabling Outputs: Management of human resources).

We participate 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.

We participate in a whole-of-government Indigenous Graduate Recruitment strategy aiming to recruit indigenous graduates for the 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	OS	Total*
Full-Time										
Ongoing employee	1 136	1 387	864	732	157	449	33	145	17	4 920
Non-ongoing	61	5	8	14	1	3	-	1	-	93
Full-time total	1 197	1 392	872	746	158	452	33	146	17	5 013
Part-Time										
Ongoing employee	52	113	136	129	33	50	1	5	-	519
Non-ongoing	7	3	2	3	-	6	-	-	-	21
Part Time total	59	116	138	132	33	56	1	5	-	540
Casual	3	13	-	-	8	-	1	-	-	25
Non-ongoing	3	13	-	-	8	-	1	-	-	25
Total	1 259	1 521	1 010	878	199	508	35	151	17	5 578
Gender										
Male	782	905	602	504	102	300	20	77	12	3 304
Female	477	616	408	374	97	208	15	74	5	2 274
Total	1 259	1 529	1 010	878	199	508	35	151	17	5 578

* 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 (Note 15) report on staff numbers by full-time equivalent (FTE).

ACT figures include National Marine Unit and Indigenous Cadets.

LA2: Employment net creation and average turnover

In 2005-06, Customs staff turnover rate was 6.73 per cent. The total number of people recruited from external sources into Customs for 2005-06 was 961.

LA4: Policy and procedures involving information, consultation and negotiation with employees over changes in the reporting organisation's operations (eg restructuring)

Our 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. We have 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

Our 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 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	2004-05*	2005-06*
Accepted compensation incident claims	194	205
Claims per 100 staff (headcount)	3.83	3.67
Accepted compensation incident claims with time off work	132	130
Accepted compensation incident claims resulting in 5 or more days incapacity	92	92
Claims of 5 or more days incapacity per 100 staff (headcount)	1.82	1.65
Quality of return to work outcomes^	88%	93%
Annual absenteeism# (days per FTE)	12.17	11.96

* 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. Due to a change in the method of calculating data, the values for previous financial years will be different from those reported in previous Annual Reports

LA10: Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance

Our Workplace Diversity Policy defines workplace diversity within the Customs and Australian Public Service (APS) 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.

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	
	No.	%	No.	%	No.	%
Senior Executive Service	15	44.11	5	14.70	-	-

* Number of staff born outside Australia

LA12: Employee benefits beyond those legally mandated

We provide 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 flex time; 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

Our 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. Our 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.

S01: 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

Our Regulatory Philosophy ensures that our 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 consulting on 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. Another example is the Industry Action Group whose members are from Customs and industry. This group identifies ways to improve the ICS.

Our 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.

Global Reporting Initiative Economic indicators

EC3: Cost of all goods, materials, and services purchased

\$569.870m* (this includes resources received free of charge \$141.711m)

* 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

	2004-05	2005-06
	\$m	\$m
New South Wales	92.129	105.715
Victoria	57.607	68.176
Queensland	49.882	58.753
Western Australia	33.238	36.512
South Australia	10.288	11.870
Northern Territory	7.716	9.012
Tasmania	1.918	2.410
Corporate, including the Australian Capital Territory	102.756	120.229
Total	355.534	412.676

PA11: Describe procurement policy of the public agency as relates to sustainable development

We comply 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

We apply economic, environmental and social criteria in 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 1982* and *Privacy Act 1988*.

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

We request 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.

We are not reporting against the following GRI indicators either because data is not available, or the indicator is not relevant to the sustainable performance of Customs:

Economic

EC1, EC2, EC4, EC6, EC7, EC8, EC9, EC10, EC11, EC12, EC13, PA8, PA9, PA10, PA13

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

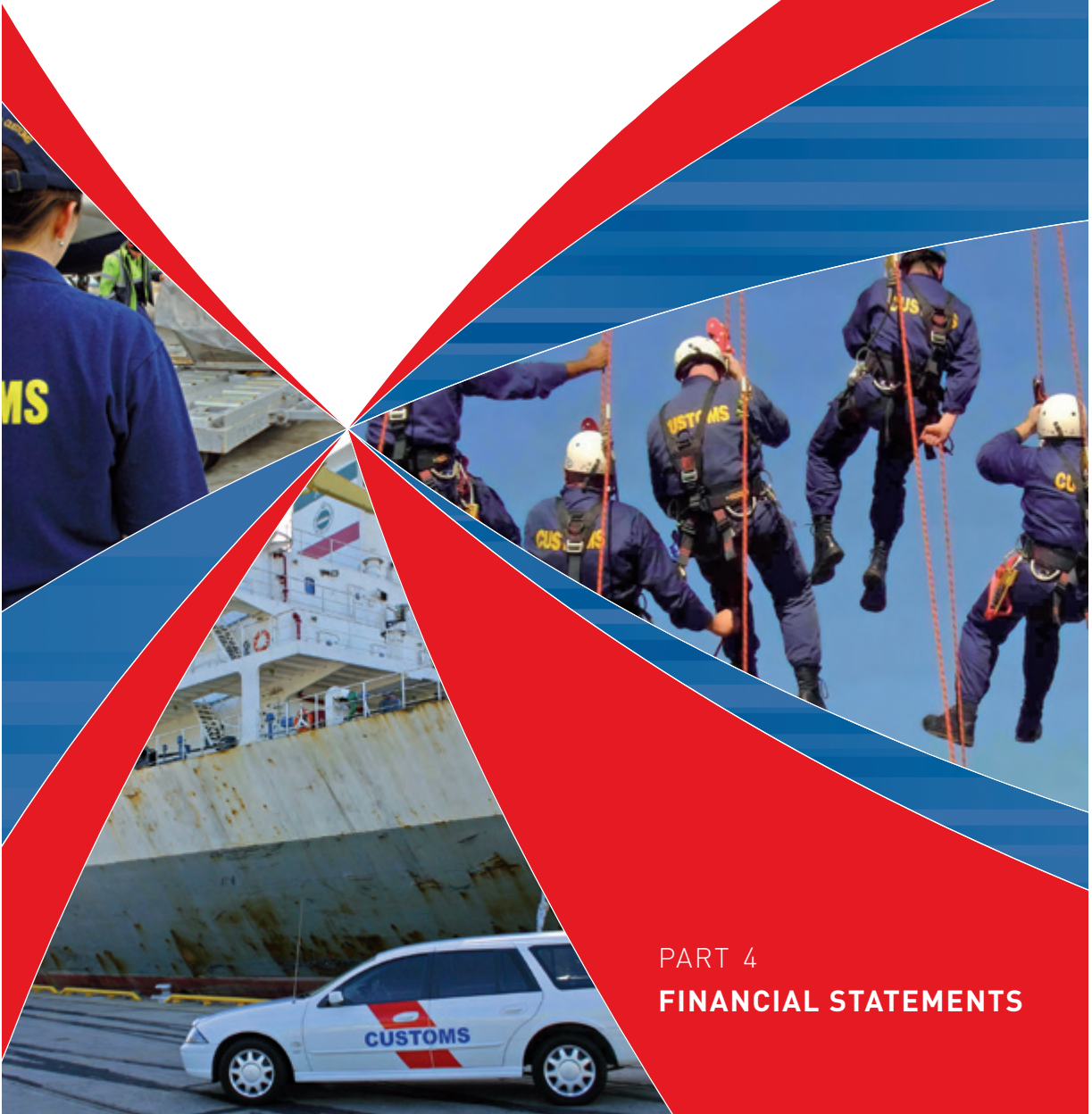
OVERVIEW OF FINANCIAL STATEMENTS

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AGENCY STATEMENTS - [page 178](#)

ADMINISTERED SCHEDULE - [page 178](#)

2005-06 PERFORMANCE - [page 184](#)



PART 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.

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 2005-06, we reported a net operating surplus of \$2.7m as compared with a net operating surplus of \$37.1m in 2004-05.

Total revenue for 2005-06 was \$1.029b (up from \$961.5m in 2004-05). This increase is primarily due to additional funding provided for new measures as announced in the 2005-06 Budget and the Additional Estimates Statement.

Total costs for 2005-06 were \$1.026b (\$926.2m in 2004-05). This increase is primarily due to additional employee costs resulting from the Certified Agreement pay rise and additional expenditure associated with new measures.

The total cost of the Cargo Management Reengineering project, including the development and implementation of the Integrated Cargo System and the electronic gateway (Customs Connect Facility), was \$205m. These costs were incurred from the commencement of the project in 1999 to the implementation of the imports version of the ICS in the 2005-06 financial year. Of these costs \$180m has been capitalised as an intangible asset in Customs financial statements and will be amortised over a ten year period.

The agency statement of financial position represents the financial position of Customs as at 30 June 2006 and takes into account movements in assets, liabilities and equity.

Total equity has increased to \$313.7m compared with \$269.2m in 2005. This increase relates principally to the reported surplus for the year and the capital injections associated with new initiatives funded by the Government.

Administered schedule

A schedule of administered items is presented with the financial statements disclosing all revenues, expenses, assets, liabilities, cash flow, commitments, contingent assets and liabilities.

Customs duty collections in 2005-06 totalled \$5b (\$5.6b in 2004-05). The full year impact of the United States and Thailand Free Trade Agreements, general tariff reductions for passenger motor vehicles and textiles, clothing and footwear, plus the extension of trade concession scheme from May 2005 resulted in a \$573m reduction in duty collections when compared against 2004-05.

Other taxes collected have increased by \$0.4m in 2005-06. This consists primarily of the Passenger Movement Charge collections of \$374.6m (\$363.8m in 2004-05) and the Import Processing Charges of \$118.3m (\$128.6m

in 2004-05). The marginal increase in the Passenger Movement Charge reflects a three per cent rise in international departing passenger movement. The decrease in Import Processing Charge revenue reflects the implementation on 12 October 2005 of a decision to increase the threshold for the requirement to submit an Import Declaration for most sea and air imports to a value of \$1,000.

Total administered expenses increased from \$4.6m in 2004-05 to \$10.3m in 2005-06. This reflects an increase in recorded bad debts. It is also important to note that the Automotive Competitiveness and Investment Scheme is no longer disclosed by Customs as an administered expense. This expense item is now recognised by the Department of Industry, Tourism and Resources as the agency responsible for the *ACIS Administration Act 1999*.



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 Financial Officer;
- Income Statement, Balance Sheet and Cash Flow Statement;
- Statement of Changes in Equity;
- 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 2006.

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 the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards, other mandatory financial reporting requirements in Australia. 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.

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

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Centenary House 19 National Circuit
BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

reporting requirements in Australia, a view which is consistent with my understanding of the Australian Customs Service's financial position, and of its 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 2006 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
15 August 2006

AUSTRALIAN CUSTOMS SERVICE

STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2006 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.....

(M Carmody)
Chief Executive

15 August 2006

Signed.....

(J Brocklehurst)
Chief Financial Officer

15 August 2006

AUSTRALIAN CUSTOMS SERVICE INCOME STATEMENT

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
INCOME			
Revenue			
Revenues from Government	4A	827,267	758,296
Goods and services	4B	59,229	57,188
Interest	4C	-	1
Total Revenue		886,496	815,485
Gains			
Other gains	4D	142,516	145,984
Total Gains		142,516	145,984
TOTAL INCOME		1,029,012	961,469
EXPENSES			
Employees	5A	404,264	350,087
Suppliers	5B	569,870	543,320
Depreciation and amortisation	5C	49,139	30,784
Finance costs	5D	43	608
Write-down and impairment of assets	5E	2,617	1,524
Net losses from disposal of assets	5F	399	(154)
Other expenses	5G	19	1
TOTAL EXPENSES		1,026,351	926,170
OPERATING RESULT		2,661	35,299

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE

BALANCE SHEET

as at 30 June 2006

		2006	2005
	Notes	\$'000	\$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	6A	9,338	18,024
Receivables	6B	138,350	93,021
Total Financial Assets		147,688	111,045
Non-Financial Assets			
Land and buildings	7A,C	51,627	51,993
Infrastructure, plant and equipment	7B,C	84,613	70,658
Intangibles	7D	198,005	197,521
Inventories	7E	1,577	1,040
Other non-financial assets	7F	3,438	4,185
Total Non-Financial Assets		339,260	325,397
TOTAL ASSETS		486,948	436,442
LIABILITIES			
Payables			
Suppliers	8A	46,831	45,894
Other payables	8B	3,247	4,075
Total Payables		50,078	49,969
Interest Bearing Liabilities			
Leases	9	-	2,775
Total Interest Bearing Liabilities		-	2,775
Provisions			
Employee provisions	10A	116,714	108,068
Other provisions	10B	6,425	6,463
Total Provisions		123,139	114,531
TOTAL LIABILITIES		173,217	167,275
NET ASSETS		313,731	269,167
EQUITY			
Contributed Equity		228,734	200,905
Reserves		29,503	15,430
Retained surpluses or (accumulated deficits)		55,494	52,832
TOTAL EQUITY		313,731	269,167
Current Assets		152,703	116,270
Non-current Assets		334,245	320,172
Current Liabilities		102,385	84,669
Non-current Liabilities		70,832	82,606

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE

CASH FLOW STATEMENT

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
OPERATING ACTIVITIES			
Cash Received			
Goods and services		69,574	51,381
Appropriations		775,914	715,858
Interest		-	1
Net GST received from ATO		44,646	44,882
Other cash received		805	152
Total Cash Received		890,939	812,274
Cash Used			
Employees		395,656	359,836
Suppliers		472,499	408,186
Financing costs		43	246
Other cash used		19	861
Total Cash Used		868,217	769,129
Net Cash From or (Used by) Operating Activities	11	22,722	43,145
INVESTING ACTIVITIES			
Cash Received			
Proceeds from sales of property, plant and equipment		-	746
Total Cash Received		-	746
Cash Used			
Purchase of property, plant and equipment		27,692	20,722
Purchase of intangibles		25,216	42,703
Total Cash Used		52,908	63,425
Net Cash From or (Used by) Investing Activities		(52,908)	(62,679)
FINANCING ACTIVITIES			
Cash Received			
Appropriations - Contributed equity		24,275	18,614
Total Cash Received		24,275	18,614
Cash Used			
Repayment of debt		2,775	5,153
Total Cash Used		2,775	5,153
Net Cash From or (Used by) Financing Activities		21,500	13,461
Net Increase or (Decrease) in Cash Held		(8,686)	(6,073)
Cash at the beginning of the reporting period		18,024	24,097
Cash at the End of the Reporting Period	6A	9,338	18,024

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

	Accumulated Results		Asset Revaluation Reserve		Contributed Equity		Total Equity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Opening Balance	52,832	17,533	15,430	15,399	200,905	159,525	269,167	192,457
Equity lapsing	-	-	-	-	-	7,697	-	7,697
Adjustments for changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted Opening Balance	52,832	17,533	15,430	15,399	200,905	167,222	269,167	200,154
Income and Expense								
Revaluation adjustment	-	-	14,073	31	-	-	14,073	31
Subtotal income and expenses recognised directly in equity	-	-	14,073	31	-	-	14,073	31
Net Operating Result	2,661	35,299	-	-	-	-	2,661	35,299
Total Income & Expense recognised directly in equity	2,661	35,299	14,073	31	-	-	16,734	35,330
Sub-total Income and Expenses								
of which:								
attributable to Australian Government	2,661	35,299	14,073	31	-	-	16,734	35,330
attributable to outside equity interest	-	-	-	-	-	-	-	-
Transaction with Owners								
<i>Distribution to owners</i>								
Returns of Capital								
Contributed Equity	-	-	-	-	-	(8,460)	-	(8,460)
<i>Contributions by Owners</i>								
Appropriation (equity injection)	-	-	-	-	27,829	42,143	27,829	42,143
Sub-total Transactions with Owners	-	-	-	-	27,829	33,683	27,829	33,683
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance at 30 June	55,493	52,832	29,503	15,430	228,734	200,905	313,730	269,167
Less: minority interests	-	-	-	-	-	-	-	-
Closing balance attributable to the Australian Government	55,493	52,832	29,503	15,430	228,734	200,905	313,730	269,167

The above statement should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF COMMITMENTS

as at 30 June 2006

	2006 \$'000	2005 \$'000
BY TYPE		
Capital Commitments		
Land & Buildings	9,682	-
Infrastructure, plant and equipment ¹	3,927	10,667
Total Capital Commitments	13,609	10,667
Other Commitments		
Operating leases ²	1,752,372	685,175
Other Services	142,828	42,775
Total Other Commitments	1,895,200	727,950
Commitments Receivable	(173,529)	(116,310)
Net Commitments by Type	1,735,280	622,307
BY MATURITY		
Capital Commitments		
One year or less	13,445	8,621
From one to five years	164	2,046
Over five years	-	-
Total Capital Commitments	13,609	10,667
Operating Lease Commitments		
One year or less	214,402	238,570
From one to five years	529,349	376,199
Over five years	1,008,621	70,406
Total Operating Lease Commitments	1,752,372	685,175
Other Services Commitments		
One year or less	81,689	36,863
From one to five years	61,139	5,912
Over five years	-	-
Total Other Services Commitments	142,828	42,775
Commitments Receivable	(173,529)	(116,310)
Net Commitments by Maturity	1,735,280	622,307

AUSTRALIAN CUSTOMS SERVICE

SCHEDULE OF COMMITMENTS

as at 30 June 2006

- 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 2006

Contingent liabilities	Guarantees		Claims for damages/costs		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance from previous period	-	-	24	514	24	514
New	-	-	74	10	74	10
Re-measurement	-	-	185	-	185	-
Liabilities crystallised	-	-	-	-	-	-
Obligations expired	-	-	-	(500)	-	(500)
Total Contingent Liabilities	-	-	283	24	283	24
Contingent assets	Guarantees		Claims for damages/costs		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance from previous period	-	-	-	-	-	-
New	-	-	54	-	54	-
Re-measurement	-	-	-	-	-	-
Assets crystallised	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-
Total Contingent Assets	-	-	54	-	54	-
Net Contingent Liabilities	-	-	229	24	229	24

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 12: Contingent Liabilities and Assets

The above schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF ADMINISTERED ITEMS

	Notes	2006 \$'000	2005 \$'000
Income Administered on Behalf of Government			
<i>for the year ended 30 June 2006</i>			
Revenue			
Taxation			
Customs Duty	17	4,987,757	5,560,803
Other Taxes	17	492,831	492,401
Total Taxation		5,480,588	6,053,204
Non-Taxation			
Interest	17	311	212
Other Non-Taxation Revenue	17	7,233	11,049
Total Non-Taxation		7,544	11,261
Total Revenue Administered on Behalf of Government		5,488,132	6,064,465
Expenses Administered on Behalf of Government			
<i>for the year ended 30 June 2006</i>			
Impairment	18	10,081	4,357
Other Expenses	18	259	255
Total Expenses Administered on Behalf of Government		10,340	4,612

*In Customs 2004/05 administered financial statements, credits applied under the Automotive Competitiveness and Investment Scheme (ACIS) were disclosed as an expense. For 2005/06 this expense will be recognised by the Department of Industry, Tourism and Resources as the agency responsible for the ACIS Administration Act 1999 under the Administrative Arrangements Orders. Refer to note 21 for current year disclosure of ACIS credits.

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF ADMINISTERED ITEMS (continued)

	Notes	2006 \$'000	2005 \$'000
Assets Administered on Behalf of Government			
<i>as at 30 June 2006</i>			
Financial assets			
Cash and cash equivalents	19	3,582	3,441
Receivables	19	110,811	76,938
Total financial assets		114,393	80,379
Non-financial assets			
Inventories	19	215	69
Total non-financial assets		215	69
Total Assets Administered on Behalf of Government		114,608	80,448
Liabilities Administered on Behalf of Government			
<i>as at 30 June 2006</i>			
Liabilities			
Other Interest Bearing Liabilities	20	3,078	2,926
Payables	20	5,875	2,889
Special Accounts	20	7,274	9,513
Total Liabilities Administered on Behalf of Government		16,227	15,328
Net Assets Administered on Behalf of Government		98,381	65,120
Current Assets		114,608	80,448
Current Liabilities		16,227	15,328

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE

SCHEDULE OF ADMINISTERED ITEMS (continued)

	Notes	2006 \$'000	2005 \$'000
Administered Cash Flows			
<i>for the year ended 30 June 2006</i>			
OPERATING ACTIVITIES			
Cash Received			
Customs duty		4,847,755	5,337,412
Other taxes		490,165	489,256
Interest		43	212
Return of Tourist Refund Scheme Drawings *		713	642
Other non-tax revenue		5,135	1,473
Total Cash Received		5,343,811	5,828,995
Cash Used			
Suppliers		259	255
Refunds of duty and other taxes		359,570	306,536
Refunds of GST (on imports), WET, LCT & Sales Tax *		15,322	9,846
Tourist Refund Scheme *		52,797	50,342
Special Accounts		2,613	2,909
Total Cash Used		430,561	369,888
Net Cash from Operating Activities		4,913,250	5,459,107
Net Increase or (Decrease) in Cash Held			
Cash at the beginning of the reporting period		3,441	3,074
Cash from Official Public Account for:			
Appropriations		373,342	341,556
Refunds of GST (on imports), WET, LCT & Sales Tax *		15,322	9,846
Tourist Refund Scheme *		52,797	50,342
Special Accounts		16,408	29,256
Reclassification of Special Accounts		-	(56)
		457,869	430,944
Cash to Official Public Account for:			
Administered Receipts		(5,356,469)	(5,862,695)
Return of Tourist Refund Scheme Drawings *		(713)	(642)
Special Accounts		(13,796)	(26,347)
		(5,370,978)	(5,889,684)
Cash at End of Reporting Period	19	3,582	3,441

* The Australian Taxation Office is the responsible entity for these appropriations and the subsequent returns.

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 2006

Administered Contingent Liabilities	Guarantees		Claims for damages/costs		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance from previous period	-	-	-	-	-	-
New (*)	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-
Liabilities crystallised	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-
Total Administered Contingent Liabilities	-	-	-	-	-	-
Administered Contingent Assets	Guarantees		Claims for damages/costs		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Balance from previous period	-	-	49,034	44,476	49,034	44,476
New	-	-	-	2	-	2
Re-measurement	-	-	-	4,556	-	4,556
Liabilities crystallised	-	-	(48,472)	-	(48,472)	-
Obligations expired	-	-	-	-	-	-
Total Administered Contingent Assets	-	-	562	49,034	562	49,034
Net Administered Contingent Liabilities	-	-	(562)	(49,034)	(562)	(49,034)

Unquantifiable and remote but material contingencies are disclosed in Note 22: 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 2005/06 financial year which have been tabled in the Parliament.

Customs had no Administered Commitments for 2005/06.

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 2006

Note 1:	Summary of Significant Accounting Policies
Note 2:	The impact of the transition to AEIFRS from previous AGAAP
Note 3:	Events after the Balance Sheet Date
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Note 5:	Operating Expenses
Note 6:	Financial Assets
Note 7:	Non-Financial Assets
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Note 9:	Interest Bearing Liabilities
Note 10:	Provisions
Note 11:	Cash Flow Reconciliation
Note 12:	Contingent Liabilities and Assets
Note 13:	Executive Remuneration
Note 14:	Remuneration of Auditors
Note 15:	Average Staffing Levels
Note 16:	Financial Instruments
Note 17:	Income Administered on Behalf of Government
Note 18:	Expenses Administered on Behalf of Government
Note 19:	Assets Administered on Behalf of Government
Note 20:	Liabilities Administered on Behalf of Government
Note 21:	Administered Reconciliation Table
Note 22:	Administered Contingent Liabilities and Assets
Note 23:	Administered Financial Instruments
Note 24:	Appropriations
Note 25:	Special Accounts
Note 26:	Compensation and Debt Relief
Note 27:	Reporting of Outcomes

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Australian Customs Service

Australian Customs Service (Customs) is an Australian Public Service organisation. The objective of 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 four outputs being: Output 1. Passenger movement and intelligence, Output 2. Border compliance and enforcement, Output 3. Cargo regulation, trade facilitation and revenue collection, and Output 4. Civil maritime surveillance and response. For the 2005 and earlier years, these outputs were identified across five outputs.

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 Preparation of Financial Statements

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 orders (Financial Statements for reporting periods ending on or after 1 July 2005)*);
- * Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- * Interpretations issued by the AASB and UIG that apply for the reporting period.

This is the first financial report to be prepared under Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 2.

The Income Statement and the Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets and liabilities, which as noted, are at fair value or amortised cost. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars, unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by accounting standards, assets and liabilities are recognised in the Balance Sheet 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 12).

Unless alternative treatment is specifically required by accounting standards, revenues and expenses are recognised in the Income Statement 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 1.22.

Notes to and forming part of the Financial Statements

1.3 Significant Accounting Judgement and Estimates

In the process of applying the accounting listed in this note, Customs has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- * The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, Customs buildings are purpose built and may in fact realise more or less in the market.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS).

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for Customs in the future. The nature of the impending change within the table, has been out of necessity abbreviated and users should consult the full version available on the AASB’s website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on Customs initial assessment at this date, but may change. Customs intends to adopt all of standards upon their application date.

Notes to and forming part of the Financial Statements

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-1	AASB 139	1-Jan-2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact.
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1-Jan-2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact.
2005-5	AASB 1 and AASB 139	1-Jan-2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease. Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact.
2005-6	AASB 3	1-Jan-2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact.
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1-Jan-2006	Amended standards in regards to financial guarantee contracts.	No expected impact.
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1-Jan-2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact.
2006-1	AASB 121	31-Dec-2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact.
2006-2	AASB 1	1-Jan-2005	Allow the use of AASB 1 by not-for-profit public sector entities experiencing extreme difficulties in complying with some Standards subject to making certain disclosures.	No expected impact.

Notes to and forming part of the Financial Statements

1.5 Revenue

Revenues from Government

Departmental outputs appropriations for the year (less any current year savings 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. Savings are amounts offered up in Portfolio Additional Estimates Statements. Reductions are amounts by which appropriations have been legally reduced by the Finance Minister under Appropriation.

Appropriations receivable are recognised at their nominal amounts.

Other Revenue

Revenue from the sale of goods is recognised when:

- * The risks and rewards of ownership have been transferred to the buyer;
- * The seller retains no managerial involvement nor effective control over the goods;
- * The revenue and costs incurred for the transaction can be reliably measured; and
- * It is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- * The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- * The probable economic benefits with the transaction have flowed to the entity.

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 no longer probable.

1.6 Gains

Resources Received Free of Charge

Services received free of charge are recognised as gains 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 civil maritime surveillance taskings coordinated by Coastwatch and multi-tasked activity associated with Operation RELEX.

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 1.7).

Other Gains

Gains from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.7 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.

Notes to and forming part of the Financial Statements

1.8 Employee Benefits

As required by the Finance Minister's Orders, Customs has early adopted AASB 119 Employee Benefits as issued in December 2004.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for short-term employee benefits (i.e. wages and salaries, annual leave etc, expected to be settled within 12 months of the reporting date) are 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 2006. 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 (CSS) and the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefits schemes for the Commonwealth. 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.

New employees (from 1 July 2005) are eligible to join the new PSS Accumulation Scheme which is a defined contribution scheme.

The liability for superannuation recognised as at 30 June 2006 represents outstanding contributions for the final fortnight of the year.

1.9 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 rewards incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the beginning of the lease term and a liability recognised at the same time and 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 straight line basis unless another systematic approach is more 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.

Notes to and forming part of the Financial Statements

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.

1.10 Borrowing Costs

All borrowing costs expensed include movements in make good provision as well as costs incurred in relation to leased vessels.

1.11 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.

1.12 Financial Risk Management

Customs activities expose it to normal commercial financial risk. As a result of the nature of Customs business and internal and Australian Government policies, dealing with the management of financial risk, Customs exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

1.13 Derecognition of Financial Assets and Liabilities

As prescribed in the Finance Minister's Orders, Customs has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

For the comparative year, financial assets were derecognised when the contractual right to receive cash no longer existed. Financial liabilities were derecognised when the contractual obligation to pay cash no longer existed.

1.14 Impairment of Financial Assets

As prescribed in the Finance Minister's Orders, Customs has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are assessed for impairment at each balance date.

Financial Assets held at Amortised Cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in profit and loss.

Financial Assets held at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for Sale Financial Assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the profit and loss.

Notes to and forming part of the Financial Statements

Comparative Year

The above policies were not applied for the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Other financial assets carried at cost which were not held to generate net cash inflows, were assessed for indicators of impairment. Where such indicators were found to exist, the recoverable amount of the assets was estimated and compared to the assets carrying amount and, if less, reduced to the carrying amount. The reduction was shown as an impairment loss.

1.15 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 or services have been received (and irrespective of having been invoiced).

1.16 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or 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 or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.

1.17 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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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 of 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.

1.18 Property (Land, Buildings and Infrastructure), Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment 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 where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by Customs where there exists an obligation to restore the property to its original condition. These costs are included in the value of Customs leasehold improvements with a corresponding provision for the 'makegood' taken up.

	<u>2006</u>	<u>2005</u>
Buildings and leasehold improvements	50,000	50,000
Infrastructure, plant and equipment	3,000	3,000

Notes to and forming part of the Financial Statements

Revaluations

Basis

Land, buildings, plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset is not materially different, at reporting date, from its fair value. Valuations undertaken in each year are as at 30 June.

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

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ with the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Customs has provided for additional provision for the leasehold improvements and increased the value of the asset (this includes provision for make good).

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 depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting 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 prices 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 (*)

	<u>2006</u>	<u>2005</u>
Buildings on freehold land	40 years	40 years
Leasehold improvements	Varies (**)	Varies (**)
Plant and equipment	3 to 7 years	3 to 7 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.

Impairment

All assets were assessed for impairment at 30 June 2006. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Customs were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

1.19 Intangibles

Intangible Recognition Threshold

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 where they form part of a group of similar items which are significant in total).

Customs intangibles comprise internally developed software for internal use and purchased software. These assets are carried at cost.

All software assets were assessed for indications of impairment as at 30 June 2006. No indicators of impairment were found.

	<u>2006</u>	<u>2005</u>
Internally developed software	100,000	100,000
Purchased software	3,000	3,000

Intangible assets are amortised on a straight-line basis over their anticipated useful lives. The useful lives of Customs intangible assets vary between 3 to 10 years (2004/05: 3 to 10 years).

Notes to and forming part of the Financial Statements

1.20 Inventories

Inventories of seized and surrendered goods held for sale are brought to account at net realisable value.

Inventories held for distribution are measured at the lower of cost and current replacement cost.

Inventories not held for distribution are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

Inventories acquired at no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

1.21 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.

Notes to and forming part of the Financial Statements

1.22 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 21. 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.

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 recognised in accordance with S132A 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.

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.

Notes to and forming part of the Financial Statements

	2005	2004
	\$'000	\$'000

Note 2: The impact of the transition to AEIFRS from previous AGAAP

Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS

Total equity under previous AGAAP	276,605	198,112
Adjustments to retained earnings:		
Deferred Expenses Asset (Make Good) ¹	4,725	4,735
Accumulated Amortisation ¹	(2,592)	(1,688)
Provision for Make Good ¹	(6,463)	(6,122)
Employee Leave Provision ²	(3,108)	(2,580)
Adjustments to other reserves:		
Asset Revaluation Reserve	-	-
Total equity translated to AEIFRS	<u>269,167</u>	<u>192,457</u>

Reconciliation of profit or loss as presented under previous AGAAP to AEIFRS

Prior year profit as previously reported	37,113
Adjustments:	
Leave expenses ²	(528)
Depreciation ¹	(904)
Borrowing costs ¹	(351)
Prior year profit translated to AEIFRS	<u>35,330</u>

The cash flow statement presented under previous AGAAP is equivalent to that prepared under AEIFRS.

¹AEIFRS requires the recording of assets reflecting future estimated restoration costs. Amounts for 'makegood' provisions in existing accommodation leases (operating) have been taken up accordingly. This treatment has also impacted on depreciation and borrowing expenses.

²AEIFRS requires that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. Adjustments of the leave balance were included accordingly.

Notes to and forming part of the Financial Statements

Note 3: Events after the Balance Sheet Date

No events occurred after the balance date.

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 4: Income		
<u>Revenues</u>		
<u>Note 4A: Revenues from Government</u>		
Appropriations for outputs	827,267	758,296
<i>Total Revenues from Government</i>	827,267	758,296
<u>Note 4B: Goods and Services</u>		
Goods	379	393
Services	58,850	56,795
<i>Total Goods and Services</i>	59,229	57,188
Provision of goods to:		
Related entities	-	1
External entities	379	392
<i>Total Sales of Goods</i>	379	393
Rendering of services to:		
Related entities	56,450	53,740
External entities	2,400	3,055
<i>Total Rendering of Services</i>	58,850	56,795
<u>Note 4C: Interest</u>		
Interest	-	1
<u>Gains</u>		
<u>Note 4D : Other gains</u>		
Resources received free of charge (Government)	137,810	137,617
Resources received free of charge (other than Government)	3,901	8,215
Other gains	805	152
<i>Total Other Gains</i>	142,516	145,984

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 5: Operating Expenses		
<u>Note 5A: Employee</u>		
Salaries & Wages	244,156	208,991
Superannuation	60,382	52,071
Leave and other entitlements	89,751	80,372
Separation and redundancies	188	237
Other employee expenses	9,787	8,416
Total Employee	404,264	350,087

<u>Note 5B: Suppliers</u>		
Provision of goods - related entities	73	117
Provision of goods - external entities	44,430	29,025
Rendering of services - related entities	12,961	14,037
Rendering of services - external entities	295,868	300,577
Operating lease rentals ¹	208,128	193,589
Workers compensation premiums	8,410	5,975
Total Suppliers	569,870	543,320

¹ These comprise minimum lease payments only.

Note 5C: Depreciation and Amortisation

(i) Depreciation

Other infrastructure, plant and equipment	14,515	11,996
Buildings & leasehold improvements	4,919	6,162
Total Depreciation	19,434	18,158

(ii) Amortisation

Leased assets	4,279	4,260
Intangibles - computer software	25,426	8,366
Total Amortisation	29,705	12,626
Total Depreciation and Amortisation	49,139	30,784

The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable assets are as follows:

Buildings	545	543
Leasehold improvements	4,374	5,620
Plant and equipment	18,794	16,255
Software	25,426	8,366
Total Depreciation and Amortisation	49,139	30,784

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
<u>Note 5D: Finance Cost</u>		
Leases	43	597
Other finance costs	-	11
Total Finance Costs	43	608
<u>Note 5E: Write-down and Impairment of Assets</u>		
Financial assets		
Bad and doubtful debts expense	(211)	566
Non-financial assets		
Other intangibles - impairment	17	-
Land, buildings and leasehold improvements - impairment	259	593
Plant and equipment - impairment	3,089	82
Inventories	(537)	283
Total Write-down and Impairment of Assets	2,617	1,524
<u>Note 5F: Net Losses from Sale of Assets</u>		
Land and buildings		
Land and Buildings:		
Proceeds from disposal	-	(722)
Net book value of assets disposed	25	571
Selling expenses	-	-
Net loss/(gain) from disposal of land and buidlings	25	(151)
Infrastructure, plant and equipment		
Proceeds from disposal	(15)	(24)
Net book value of assets disposed	178	21
Selling expenses	-	-
Net loss/(gain) from disposal of infrastructure, plant and equioment	163	(3)
Intangibles		
Proceeds from disposal	-	-
Net book value of assets disposed	211	-
Selling expenses	-	-
Net loss/(gain) from disposal of intangibles	211	-
Total proceeds from disposals	(15)	(746)
Total value of assets disposed and selling expenses	414	592
Total Net Losses from Sale of Assets	399	(154)
<u>Note 5G: Other Expenses</u>		
Other expenses	19	1
Total Other Expenses	19	1

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 6: Financial Assets		
<u>Note 6A: Cash & Cash Equivalents</u>		
Departmental (other than special accounts)	9,338	18,024
 <u>Note 6B: Receivables</u>		
Goods and Services	2,473	7,859
Less: Allowance for doubtful debts	(1,063)	(1,458)
	1,410	6,401
GST Receivable from the Australian Taxation Office	6,299	7,465
Appropriations receivable		
- for additional outputs & equity	130,641	75,734
- undrawn s31	-	3,421
Total receivables (net)	138,350	93,021
 All receivables (net) are current assets.	138,350	93,021
 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	138,180	92,776
Overdue by:		
Less than 30 days	15	104
30 to 60 days	145	62
61 to 90 days	10	79
More than 90 days	1,063	1,458
	1,233	1,703
Total Receivables (gross)	139,413	94,479
 The allowance for doubtful debts is aged as follows:		
Current	-	-
Overdue by:		
More than 90 days	1,063	1,458
Total allowance for doubtful debts	1,063	1,458

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 7: Non-Financial Assets		
<u>Note 7A: Land and Buildings</u>		
Freehold Land		
- at fair value	8,515	4,385
Total freehold land	<u>8,515</u>	<u>4,385</u>
Buildings on freehold land		
- at fair value	13,206	10,632
- accumulated depreciation	(122)	(978)
Total buildings on freehold land	<u>13,084</u>	<u>9,654</u>
Leasehold improvements		
- at fair value	26,950	32,285
- accumulated depreciation	(3,335)	(13,038)
	<u>23,615</u>	<u>19,247</u>
- under construction at Cost	6,413	18,707
Total leasehold improvements	<u>30,028</u>	<u>37,954</u>
Total Land and Buildings (non-current)	<u>51,627</u>	<u>51,993</u>
<u>Note 7B: Infrastructure, Plant and Equipment</u>		
Plant and equipment		
- at fair value	81,345	101,571
- accumulated depreciation	(3,233)	(33,472)
	<u>78,112</u>	<u>68,099</u>
- under construction at cost	6,501	2,559
Total Infrastructure, Plant and Equipment (non-current)	<u>84,613</u>	<u>70,658</u>

Plant and equipment under finance leases are subject to revaluation. The carrying amount is included in the valuation figures above and is separately disclosed in Table B below.

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2005/06, an independent valuer (Australian Valuation Office) conducted the revaluations. Fair values for 2005/06 were arrived at by the valuer preparing a complete valuation based on current market prices.

The revaluation increment of \$3.76m for land, \$3.20m for buildings on freehold land & \$6.38m for Leasehold Improvements was credited to the asset revaluation reserve by asset class and included with equity on the balance sheet. The net decrement of \$2.37m for Infrastructure Plant & Equipment was expensed.

Notes to and forming part of the Financial Statements

Note 7C: Analysis of Property, Plant and Equipment

TABLE A - Reconciliation of the opening and closing balances of property, plant and equipment.

Item	Land	Buildings on Freehold Land	Buildings - Leasehold Improvem't	Buildings - Total	Land and Buildings Total	Other IP&E
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2005						
Gross book value	4,385	10,632	50,992	61,624	66,009	104,130
Accumulated depreciation/amortisation	-	(978)	(13,038)	(14,016)	(14,016)	(33,472)
Opening Net Book Value	4,385	9,654	37,954	47,608	51,993	70,658
Additions:						
by purchase	364	794	6,286	7,080	7,444	20,248
by finance lease	-	-	-	-	-	-
from acquisition of entities or operations	-	-	-	-	-	-
Net revaluation increment/(decrement)	3,765	3,197	6,407	9,604	13,369	(2,372)
Reclassifications	-	-	(15,977)	(15,977)	(15,977)	15,057
Depreciation/amortisation expense	-	(545)	(4,374)	(4,919)	(4,919)	(18,794)
Recoverable Amount Write - Downs	-	-	(259)	(259)	(259)	(19)
Other movements	-	-	(4)	(4)	(4)	-
Disposals:						
From disposal of entities or operations	-	-	-	-	-	-
Other disposals	-	(17)	(8)	(25)	(25)	(163)
As at 30 June 2006						
Gross book value	8,515	13,206	33,363	46,569	55,084	87,846
Accumulated depreciation/amortisation	-	(122)	(3,335)	(3,457)	(3,457)	(3,233)
Closing Net Book Value	8,515	13,084	30,028	43,112	51,627	84,613

Notes to and forming part of the Financial Statements

Note 7C: Analysis of Property, Plant and Equipment

TABLE B - Property, Plant and Equipment held under Finance Lease.

Item	Land	Buildings on Freehold land	Buildings - Leasehold Improvem't	Buildings - Total	Land & Buildings - Total	Other IP&E
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2006						
Gross value	-	-	-	-	-	-
Accumulated depreciation/amortisation	-	-	-	-	-	-
Closing Net book value	-	-	-	-	-	-
As at 30 June 2005						
Gross value	-	-	-	-	-	27,750
Accumulated depreciation/amortisation	-	-	-	-	-	(8,484)
Closing Net book value	-	-	-	-	-	19,266

TABLE C - Property, Plant and Equipment held under Construction.

Item		Buildings on Freehold land	Buildings - Leasehold Improvem't	Buildings - Total		Other IP&E
		\$'000	\$'000	\$'000		\$'000
Carrying amount at 30 June 2006		-	6,413	6,413		6,501
Carrying amount at 30 June 2005		-	18,707	18,707		2,559

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
<u>Note 7D: Intangibles</u>		
Computer software:		
Internally developed - in progress (non-current)	26,809	112,717
	<u>26,809</u>	<u>112,717</u>
Internally developed - in use (non-current)	207,353	110,370
Accumulated amortisation*	(36,527)	(26,202)
	<u>170,826</u>	<u>84,168</u>
Externally acquired - at cost (non-current)	1,083	1,214
Accumulated amortisation	(713)	(582)
	<u>370</u>	<u>632</u>
Total intangibles	<u>198,005</u>	<u>197,517</u>

TABLE A - Reconciliation of the opening and closing balances of intangibles

Item	Computer software internally developed \$'000	Computer software purchased \$'000
As at 1 July 2005		
Gross book value	223,087	1,214
Accumulated depreciation/amortisation *	(26,202)	(582)
Opening net book value	196,885	632
Additions:		
By purchase	25,145	71
Reclassifications	920	
Depreciation/amortisation expense	(25,116)	(310)
Disposals:		
Gross other disposals	(14,989)	(185)
Accumulated amortisation	14,790	180
Write offs:		
Gross value	-	(17)
Accumulated depreciation/amortisation	-	
As at 30 June 2006		
Gross book value	234,163	1,083
Accumulated depreciation/amortisation	(36,528)	(713)
Closing net book value	197,635	370

* Opening balance has been adjusted by \$4,000 to amend prior year balances. This adjustment has an immaterial effect on the financial statements.

Notes to and forming part of the Financial Statements

	2006	2005
	\$'000	\$'000
<u>Note 7E: Inventories</u>		
Inventories not held for sale	1,577	1,040
<i>Total inventories</i>	1,577	1,040

All departmental inventories are current assets.

<u>Note 7F: Other Non-Financial Assets</u>		
Prepayments	3,438	4,185
<i>Total other non-financial assets</i>	3,438	4,185

All other non-financial assets are current assets.

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 8: Payables		
<u>Note 8A: Suppliers</u>		
Trade creditors	46,831	45,894
<i>Total Supplier Payables</i>	46,831	45,894

All supplier payables are current liabilities.

Settlement is usually made net 30 days.

<u>Note 8B: Other Payables</u>		
Revenue received in advance	279	459
GST payable to the ATO	29	-
Fringe benefits tax	698	435
Other payables	2,241	3,181
<i>Total Other Payables</i>	3,247	4,075

All other payables are current liabilities.

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 9: Interest Bearing Liabilities		
<u>Note 9: Leases</u>		
Finance lease commitments		
Payable:		
Within one year	-	2,816
In one to five years	-	-
Minimum lease payments	-	2,816
Deduct: future finance charges	-	(41)
<i>Net lease liability</i>	-	2,775
Lease liability is represented by:		
Current	-	2,775
Non-current	-	-
<i>Net lease liability</i>	-	2,775

The finance lease above relates to vessels. Although the lease is now fully paid, it was non-cancellable and for a fixed term of 6 years and 4 months. Customs guaranteed the residual of all assets leased. There are no contingent rentals.

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 10: Provisions		
<u>Note 10A: Employee Provisions</u>		
Salaries and Wages	2,581	1,328
Leave	111,959	105,557
Superannuation	339	146
Other	1,820	1,035
Workers compensation	15	2
Total employee provisions	116,714	108,068
Current	53,005	31,925
Non-current	63,709	76,143
Total employee provisions	116,714	108,068
<u>Note 10B: Other Provisions</u>		
Provision for 'Make good'	6,425	6,463
Total Other Provisions	6,425	6,463
<i>Represented by:</i>		
Carrying amount at beginning of period	6,463	
Additional provision made	-	
Unwinding of discounted amount arising from the passage of time	(38)	
Amount owing at end of period	6,425	

The Agency currently has a number of agreements for the leasing of premises which have provisions requiring the Agency to restore the premises to their original condition at the conclusion of the lease. The Agency has made a provision to reflect the present value of this obligation.

Notes to and forming part of the Financial Statements

	2006 \$'000	2005 \$'000
Note 11: Cash Flow Reconciliation		
Reconciliation of Cash per Balance Sheet to Cash Flow Statement		
Cash at year end per Cash Flow Statement	9,338	18,024
Balance Sheet items comprising above cash:		
'Financial Asset - Cash'	9,338	18,024
Reconciliation of Operating Result to net cash from operating activities:		
Operating result	2,661	37,082
Depreciation/ amortisation	49,139	29,880
Net write down of non-financial assets	2,617	675
(Gain) / loss on disposal of assets	399	(154)
(Increase) / decrease in net receivables	(42,192)	(47,126)
(Increase) / decrease in other assets - financial	1,166	48
(Increase) / decrease in inventories	(537)	165
(Increase) / decrease in other assets - non financial	747	6,439
Increase / (decrease) in supplier payables	289	23,398
Increase / (decrease) in employee provisions	8,646	(4,302)
Increase / (decrease) in other provisions	(38)	-
Increase / (decrease) in unearned revenue	(180)	(2,958)
Increase / (decrease) in other liabilities	5	(2)
Net cash from / (used by) operating activities	22,722	43,145

Notes to and forming part of the Financial Statements

Note 12: Contingent Liabilities and Assets

Quantifiable Contingencies

The Schedule of Contingencies in the financial statements reports contingent liabilities in respect of claims and damages/costs of \$283,000 (2005: \$24,000). The amount represents an estimate of the Agency's liability based on precedent cases. The Agency is defending the claims.

The Schedule also reports contingent assets in respect of claims for damages/costs of \$54,000 (2005: \$0). Customs is expected to succeed in claims against suppliers, although the cases are continuing. The estimate is based on precedent in such cases.

Unquantifiable Contingencies

As at 30 June 2006, 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.

Notes to and forming part of the Financial Statements

Note 13: Executive Remuneration

	2006	2005
The number of executives who received or were due to receive total remuneration of \$130,000 or more:		
\$130 000 to \$144 999	2	1
\$145 000 to \$159 999	8	4
\$160 000 to \$174 999	7	9
\$175 000 to \$189 999	7	7
\$190 000 to \$204 999	5	1
\$205 000 to \$219 999	4	5
\$220 000 to \$234 999	2	1
\$235 000 to \$249 999	1	-
\$250 000 to \$264 999	-	2
\$265 000 to \$279 999	2	-
\$445 000 to \$459 999	-	1
	\$	\$
The aggregate amount of total remuneration of executives shown above.	7,139,625	5,994,996
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	-	216,058

Note 14: Remuneration of Auditors

	2006	2005
	\$	\$
Financial statement audit services are provided free of charge to the agency.		
The fair value of the services provided was:	983,000	580,000

No other services were provided by the Auditor-General.

Note 15: Average Staffing Levels

	2006	2005
The average staffing levels for the Agency during the year were:	5,160	4,686

Notes to and forming part of the Financial Statements

Note 16: Financial Instruments

Note 16A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing			Total			Weighted Average Effective Interest Rate	
				Maturing In			> 5 Years										
				1 Year or Less			1 to 5 Years										
2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %		
Financial Assets																	
Cash at Cash Equivalents	6A	-	-	-	-	-	-	-	-	9,338	18,024	9,338	18,024	N/A	N/A		
Receivables for goods and services (gross)	6B	-	-	-	-	-	-	-	-	2,473	7,859	2,473	7,859	N/A	N/A		
Goods and Services Tax receivable	6B	-	-	-	-	-	-	-	-	6,299	7,465	6,299	7,465	N/A	N/A		
Total		-	-	-	-	-	-	-	-	18,110	33,348	18,110	33,348	-	-		
Total Assets										486,948	436,442						
Financial Liabilities																	
Finance lease liabilities	9	-	-	2,775	-	-	-	-	-	-	-	-	2,775	N/A	6.40%		
Trade creditors	8A	-	-	-	-	-	-	-	-	46,831	45,894	46,831	45,894	N/A	N/A		
Total		-	-	2,775	-	-	-	-	-	46,831	45,894	46,831	48,669	-	-		
Total Liabilities										173,217	167,275						

Notes to and forming part of the Financial Statements

Note 16B: Fair Values of Financial Assets and Liabilities

		2006		2005	
		Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
	Notes	\$'000	\$'000	\$'000	\$'000
Departmental					
Financial Assets					
Cash at bank	6A	9,338	9,338	18,024	18,024
Receivables for goods and services (net)	6B	1,410	1,410	6,401	6,401
Goods and Services Tax receivable	6B	6,299	6,299	7,465	7,465
Total Financial Assets		17,047	17,047	31,890	31,890
Financial Liabilities (Recognised)					
Finance lease liabilities	9	-	-	2,775	2,775
Trade creditors and accrued expenses	8A	46,831	46,831	45,894	45,894
Total Financial Liabilities (Recognised)		46,831	46,831	48,669	48,669

Financial assets

The net fair values of cash and non-interest-bearing monetary financial assets are approximated by 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 16C: 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 Balance Sheet.

Customs 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 any collateral or other security.

This note also applies to customs administered financial instruments and is therefore not reproduced at Note 23.

Notes to and forming part of the Financial Statements

ADMINISTERED		
	2006	2005
	\$'000	\$'000
Note 17: Income Administered on Behalf of Government		
Revenue		
Taxation Revenue		
Customs Duty	4,987,757	5,560,803
Other Taxes		
Passenger Movement Charge	374,575	363,841
Import processing and depot charges	118,256	128,560
Total Taxation Revenue	5,480,588	6,053,204
Non-Taxation Revenue		
Interest		
Deposits	311	212
Other Revenues		
Other Non-Taxation Revenue	7,233	11,049
Total Non-Taxation Revenue	7,544	11,261
Total Revenues Administered on Behalf of Government	5,488,132	6,064,465

Notes to and forming part of the Financial Statements

ADMINISTERED		
	2006	2005
	\$'000	\$'000
Note 18: Expenses Administered on Behalf of Government		
Receivables - Provision for Doubtful Debts		
Doubtful Debts	(4,818)	1,746
Bad Debts Written-off		
Debts Written-off	14,899	2,611
Other Expenses		
Other Expenses	259	255
Total Expenses Administered on Behalf of Government	10,340	4,612

Notes to and forming part of the Financial Statements

ADMINISTERED		
	2006	2005
	\$'000	\$'000
Note 19: Assets Administered on Behalf of Government		
Financial Assets		
<u>Note 19A Cash and Cash Equivalents</u>		
Cash on hand	14	346
Cash at bank	490	169
Special accounts	3,078	2,926
Bank - AR Refunds	-	-
Total cash	3,582	3,441
<u>Note 19B: Receivables</u>		
Customs Duty	66,413	37,450
Other taxes	56,890	54,221
Other non taxation revenue	13,266	15,843
Less: Provision for doubtful debts	(25,758)	(30,576)
Total receivables (net)	110,811	76,938
Receivables (gross) are aged as follows:		
Not overdue	106,355	74,284
Overdue by:		
Less than 30 days	1,318	1,156
30 to 60 days	2,777	1,373
60 to 90 days	361	125
More than 90 days	25,758	30,576
Total receivables (gross)	136,569	107,514
The provision for doubtful debts is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	25,758	30,576
Total provision for doubtful debts	25,758	30,576
Inventories		
Inventories held for sale	215	69
Total Inventories	215	69
Total Assets Administered on Behalf of Government	114,608	80,448
Figures in 2004/05 (designated in <i>italics</i>) have been re-classified for a more meaningful comparison.		

Notes to and forming part of the Financial Statements

ADMINISTERED		
	2006	2005
	\$'000	\$'000
Note 20: Liabilities Administered on Behalf of Government		
<u>Note 20A: Other Interest Bearing Liabilities</u>		
Other debt	3,078	2,926
<u>Note 20B: Payables</u>		
Other payables	5,875	2,889
<u>Note 20C: Special Accounts</u>		
Securities and other special account balances	7,274	9,513
Total Liabilities Administered on Behalf of Government	16,227	15,328
All liabilities are expected to be settled within 12 months of balance date.		

Notes to and forming part of the Financial Statements

ADMINISTERED		
	2006	2005
	\$'000	\$'000
Note 21: Administered Reconciliation Table		
<i>Opening administered assets less administered liabilities as at 1 July</i>	65,120	54,636
Adjustments to retained earnings due to recognition of special accounts	-	(56)
Revised Total	65,120	54,580
Plus: Administered Revenues	5,488,132	6,064,465
Less: Administered Expenses	(10,340)	(4,612)
Administered transfers to/from Australian Government		
Appropriation transfers from OPA	389,750	370,812
Transfers to OPA	(5,370,265)	(5,889,042)
Administered Resources Transferred between Government Agencies*	(464,016)	(531,083)
Net Drawings from OPA on behalf of the ATO **	68,119	60,188
Net Payments on behalf of the ATO out of Special Appropriations **	(68,119)	(60,188)
<i>Closing administered assets less administered liabilities as at 30 June 2006</i>	98,381	65,120
* Automotive Competitiveness and Investment Scheme (ACIS) was disclosed in Customs 2004/05 administered financial statements as an expense. For 2005/06 this expense will be recognised by the Department of Industry, Tourism and Resources as the agency responsible for the ACIS Administration Act 1999 under the Administrative Arrangements Orders.		
** The Australian Taxation Office is the responsible entity for these appropriations and the subsequent returns.		
Note 22: 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 2006, 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 2006, Customs had a number of legal claims for damages that may result in a gain of \$7,218 (2005: \$895,413).		

Notes to and forming part of the Financial Statements

ADMINISTERED

Note 23: Administered Financial Instruments

Note 23: Administered Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing			Total			Weighted Average Effective Interest Rate		
				Maturing In			> 5 years											
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %	2005 %		
Financial Assets																		
Cash	19	-	-	-	-	-	-	-	504	515		504	515		N/A	N/A		
Special Accounts	19	3,078	2,926	-	-	-	-	-	-	-		3,078	2,926		5.02 %	5.07 %		
Bank - AR Refunds	19	-	-	-	-	-	-	-	-	-		-	-		N/A	N/A		
Receivables (gross)		-	-	-	-	-	-	-	11,998	15,362		11,998	15,362		N/A	N/A		
Total		3,078	2,926	-	-	-	-	-	12,502	15,877		15,580	18,803					
Total Assets												114,608	80,448					
Financial Liabilities																		
Customs duty refund	20	-	-	-	-	-	-	-	5,875	2,889		5,875	2,889		N/A	N/A		
Securities and other	20	-	-	-	-	-	-	-	7,274	9,513		7,274	9,513		N/A	N/A		
special account balances																		
Other interest bearing	20	3,078	2,926	-	-	-	-	-	-	-		3,078	2,926		5.02 %	5.07 %		
liabilities																		
Total		3,078	2,926	-	-	-	-	-	13,149	12,402		16,227	15,328					
Total liabilities												16,227	15,328					

Statutory debt is no longer reported within "Receivables (gross)". Figures in 2004/05 (designated in italics) have been re-classified for a more meaningful comparison.

Notes to and forming part of the Financial Statements

Note 24: Appropriations

Note 24A: Acquital of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations

Particulars	Administered Expenses Outcome 1		Departmental Outputs		Total	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
Balance carried from previous year	-	32,000	66,027,292	28,895,513	66,027,292	28,927,313
Reductions of appropriations (prior years)	-	(32,000)	-	(10,761,000)	-	(10,793,000)
Adjusted Balance carried for previous period	-	-	66,027,292	18,134,513	66,027,292	18,134,313
Appropriation Act (No.1)	280,000	280,000	783,265,000	702,619,000	783,545,000	702,899,000
Appropriation Act (No.3)	-	-	47,137,000	55,677,000	47,137,000	55,677,000
Appropriation Act (No.5)	-	-	3,500,000	-	3,500,000	-
Departmental adjustments by the Finance Minister (Appropriation Acts)	-	-	-	-	-	-
Advance to the Finance Minister	-	-	-	-	-	-
Adjustment of appropriations on change of entity function (FMA s32)	-	-	-	-	-	-
Refunds credited (FMA s30)	-	-	819,760	358,984	819,760	358,984
Appropriations reduced by section 9 determinations (current year)	(20,612)	-	-	-	(20,612)	-
Sub-total Annual Appropriations	259,388	280,000	900,749,052	776,789,297	901,008,440	777,069,297
Appropriations to take account of recoverable GST (FMA s 30A)	-	-	44,646,000	44,881,998	44,646,000	44,881,998
Annotiations to 'net appropriations' (FMA s31)	-	-	70,379,000	52,280,069	70,379,000	52,280,069
Appropriation lapsed or reduced	-	(25,110)	-	-	-	25,110
Total Appropriations available for payments	259,388	254,890	1,015,774,052	873,951,364	1,016,033,440	874,206,254
Cash payments made during year (GST inclusive)	(259,388)	(254,890)	(908,244,010)	(807,924,072)	(908,503,398)	(808,178,962)
Appropriations credited to Special Accounts (excluding GST)	-	-	-	-	-	-
Balance of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations	-	-	107,530,042	66,027,292	107,530,042	66,027,292
Represented by:						
Cash at bank and on hand	-	-	338,335	9,023,954	338,335	9,023,954
Departmental appropriations - receivable	-	-	100,891,972	49,538,000	100,891,972	49,538,000
GST receivable from the ATO	-	-	6,299,735	7,465,338	6,299,735	7,465,338
Departmental appropriations receivable - drawing rights withheld by the Finance Minister (FMA s27(4))	-	-	-	-	-	-
Formal reductions of appropriations	-	-	-	-	-	-
Departmental appropriations receivable (appropriations for additional outputs)	-	-	-	-	-	-
Undrawn, unexpired administered appropriations	-	-	-	-	-	-
Total	-	-	107,530,042	66,027,292	107,530,042	66,027,292

Note 24B: Acquital of Authority to Draw Cash from the Consolidated Revenue Fund for other than Ordinary Annual Services Appropriations

Financial Statements

Notes to and forming part of the Financial Statements

Note 24C: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Refund Provisions)

Financial Management and Accountability Act 1997 - Section 28 (Repayments Required or Permitted by Law) (Administered)	2006 \$	2005 \$
Cash payments made during the year *	374,892,260	316,381,283
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to special appropriation	374,892,260	316,381,283
<i>Budget estimate (FMA s28)</i>	311,202,000	306,100,000

* The Australian Taxation Office is responsible for \$15,322,243 of this appropriation relating to GST (on imports), WET, LCT and Sales Tax.

Taxation Administration Act 1953 - Section 16 - Refunds of receipts to individuals under the Tourist Refund Scheme (Administered) The Australian Taxation Office is the responsible entity for this appropriation.	2006 \$	2005 \$
Cash payments made during the year	52,796,590	50,342,159
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to special appropriation	52,796,590	50,342,159
<i>Budget estimate (as this is a new disclosure requirement, there is currently no budget estimate available for this).</i>	N/A	N/A

Notes to and forming part of the Financial Statements

Note 24D: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (section 39 of the FMA Act)

Investment of Public Money: Special Appropriations under section 39 of the FMA Act (Administered)	2006 \$	2005 \$
Amount invested carried from previous period	2,925,670	2,784,784
Prior year investments redeemed in current year	-	-
Investments made during the year	152,072	141,104
Redemptions of current year investments		(218)
Amount invested carried to the next period (sum of the above)	3,077,742	2,925,670
<i>Budget estimate</i>	-	110,000

Note 24E: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Limited Amount)

Australian Customs Act 1901- Section 4AB - Reasonable amount of compensation for acquisition of property (Administered)	2006 \$	2005 \$
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>	-	-

Notes to and forming part of the Financial Statements

Note 25: Special Accounts

	2006 \$	2005 \$
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	3,032,843	5,933,449
Other receipts	659,242	467,019
Adjustment to opening balance	-	-
Available for payments	3,692,085	6,400,468
Payments to the Commonwealth of unclaimed monies	(623,233)	(2,252,396)
Payments made to suppliers	(1,711,630)	(1,115,229)
Balance carried to next year	1,357,222	3,032,843
<i>Represented by:</i>		
Cash on call held in the OPA	1,357,222	3,032,843
Total	1,357,222	3,032,843

	2006 \$	2005 \$
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	175,801	387,328
Receipts from other sources (Tradegate)	5,555,678	16,808,421
Receipts from Tradegate GST	554,435	1,677,345
Available for payments	6,285,914	18,873,094
Payments made to suppliers	(6,285,914)	(18,697,293)
Balance carried to next year	-	175,801
<i>Represented by:</i>		
Cash on call held in the OPA	-	175,801
Total	-	175,801

Notes to and forming part of the Financial Statements

	2006 \$	2005 \$
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	6,304,585	6,361,930
Other receipts - security deposits	6,947,148	7,430,570
Adjustments to opening balance	-	-
Available for payments	13,251,733	13,792,500
Payments to the Commonwealth of securities foregone	(2,202,978)	(1,430,388)
Payments made to suppliers	(5,133,280)	(6,057,527)
Balance carried to next year	5,915,475	6,304,585
Represented by:		
Cash on call held in the OPA	5,915,475	6,304,585
Total	5,915,475	6,304,585

	2006 \$	2005 \$
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	2,925,670	2,784,784
Receipts from other services	152,072	141,104
Available for payments	3,077,742	2,925,888
Payments made to suppliers	-	(218)
Balance carried to next year	3,077,742	2,925,670
Represented by:		
Cash on call held in the OPA	3,077,742	2,925,670
Total	3,077,742	2,925,670

	2006 \$	2005 \$
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	-	-
Represented by:		
Cash on call held in the OPA	-	-
Total	-	-

Notes to and forming part of the Financial Statements

	<u>2006</u>	<u>2005</u>
Note 26: Compensation and Debt Relief	\$	\$
No 'Act of Grace' expenses were incurred during the reporting period. (2005: No expenses)	<u>Nil</u>	<u>Nil</u>
One waiver of \$10,000 owing to the Commonwealth was made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> (2005: No waivers)	<u>10,000</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period (2005: No payments made)	<u>Nil</u>	<u>Nil</u>
Four payments were made under the 'Defective Administration Scheme' during the reporting period. (2005: No payments made)	<u>4,000</u>	<u>Nil</u>
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2005: No payments made)	<u>Nil</u>	<u>Nil</u>

Notes to and forming part of the Financial Statements

Note 27: Reporting of Outcomes

Note 27A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Administered expenses	10,340	4,612	10,340	4,612
Departmental expenses	1,026,351	926,170	1,026,351	926,170
Total expenses	1,036,691	930,782	1,036,691	930,782
<i>Costs recovered from provision of goods and services to the non government sector</i>				
Administered	492,831	492,401	492,831	492,401
Departmental	7,485	11,814	7,485	11,814
Total costs recovered	500,316	504,215	500,316	504,215
<i>Other external revenues</i>				
Administered				
Duty	4,985,787	5,558,370	4,985,787	5,558,370
Duty (inter-government)	1,970	2,432	1,970	2,432
Interest on loans	311	212	311	212
Other	7,233	11,049	7,233	11,049
Total Administered	4,995,301	5,572,063	4,995,301	5,572,063
Departmental				
Goods and services revenue from related entities	56,450	53,741	56,450	53,741
Interest on cash deposits	-	1	-	1
Revenue from disposal of assets	15	746	15	746
Total Departmental	56,465	54,488	56,465	54,488
Total other external revenues	5,051,766	5,626,551	5,051,766	5,626,551
Net cost/(contribution) of outcome	(4,515,391)	(5,199,984)	(4,515,391)	(5,199,984)

Notes to and forming part of the Financial Statements

Note 27B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output 1		Output 2		Output 3		Output 4		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Departmental expenses										
Employees	175,095	155,341	169,587	147,836	52,358	46,261	7,224	6,495	404,264	355,933
Suppliers	93,647	94,415	187,570	166,885	60,070	58,164	228,583	218,484	569,870	537,948
Depreciation and amortisation	9,390	6,436	32,631	19,402	5,953	3,008	1,165	1,068	49,139	29,913
Other expenses	1,282	1,037	1,318	974	420	324	58	41	3,078	2,377
Total departmental expenses	279,414	257,228	391,106	335,097	118,801	107,757	237,030	226,088	1,026,351	926,171
Funded by:										
Revenues from government	257,351	242,225	361,623	325,216	110,171	104,579	98,122	86,277	827,267	758,297
RRFOC for Coastwatch	4,144	7,820	342	249	104	80	137,121	137,683	141,711	145,832
Sale of goods and services	20,439	20,061	29,035	27,355	8,750	8,661	1,005	1,111	59,229	57,188
Other non-taxation revenues	254	42	356	55	109	18	86	37	805	152
Total departmental revenues	282,188	270,148	391,356	352,875	119,134	113,338	236,334	225,108	1,029,012	961,469

Output departmental expenses have been calculated using an activity based costing methodology.

The number of outputs has decreased from five in 2004/05 to four in 2005/06 to better reflect customs structure. The 2004/05 figures have been adjusted at the activity level to give a more meaningful comparison.

Notes to and forming part of the Financial Statements

Note 27C: Major Classes of Administered Revenues and Expenses by Outcome

	Outcome 1		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Administered Revenues				
Customs Duty	4,987,757	5,560,803	4,987,757	5,560,803
Other taxes	492,831	492,401	492,831	492,401
Other non-taxation revenues	7,544	11,261	7,544	11,261
Total Administered Revenues	5,488,132	6,064,465	5,488,132	6,064,465
Administered Expenses				
Other expenses	10,340	4,612	10,340	4,612
Total Administered Expenses	10,340	4,612	10,340	4,612

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PART 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

We undertook a review of our OH&S Policy and suite of guidelines and tools to identify improvements and ensure they reflected the latest legislation, standards and good practice. This review showed that they were generally working well although some improvements were identified. This included the enhancement of the OH&S risk assessment process and the development of a First Aid Report process and a hazard reporting process. A new Explosives and Explosive Device Hazard Guideline was also developed. The National OH&S Committee endorsed the revised new documents.

We participated in the evaluation of an early intervention pilot program with Comcare and used the outcomes to improve our rehabilitation and return to work processes. The Rehabilitation and Return to Work Policy Guideline was updated and enhanced to put more emphasis on early intervention strategies. A Rehabilitation and Return to Work Handbook and Rehabilitation Self-Assessment Instrument were also developed.

We also continued to promote the OH&S self-assessment process and hazard inspections across Regions and implemented a new Cost Code structure to enhance our reporting capabilities within Comcare's workers' compensation information system.

Section 74 (1) (d) Measures taken during the year to ensure the health, safety and welfare at work of employees and contractors.

We undertook the following measures this year to ensure the health, safety and welfare of employees and contractors:

- reviewing the functionality and performance of the on-line OH&S incident reporting system that was launched in April 2005 and enhancing its functionality. OH&S Incident data was also included in OH&S Performance Reports for the first time
- researching the Avian (Bird) Flu situation, participating in Government working groups and preparing action plans
- implementing a range of strategies to promote health and wellbeing such as health seminars, health and fitness testing and flu vaccinations. A project was undertaken in Western Australia to identify current physical wellbeing issues impacting on staff, including barriers to improve physical fitness and options to address these
- enhancing the OH&S Intranet site, including adding an alphabetical index and a range of useful resources, including an enhanced emergency services page, communicable diseases information and a health and wellbeing site
- reviewing the effectiveness and currency of the mandatory OH&S on-line learning module, completion rates (71 per cent as at 6 March 2006), and promoting it widely
- facilitating a two-day conference for Regional OH&S Coordinators in November 2005. The focus of the conference was sharing information, building skills and knowledge, identifying improvements to current policies and practices, and networking.

Section 74 (1) (e) Notifications under section 68 of the OH&S Act

There were 26 notifications to Comcare of accidents or dangerous occurrences in 2005-06 under Section 68 of the OH&S Act. Detailed investigations were undertaken into what occurred and why and appropriate measures were implemented to prevent recurrence.

Section 74 (1)(f) Directions under section 45 of the OH&S Act

There were no directions of notification that the workplace not be disturbed under section 45 of the OH&S Act.

Section 74 (1)(f) Directions 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 2005-06.

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.

We provide 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 Part 1 – Overview.

Arrangements for participation

We have 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 127.

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 162.

We also follow a practice of whenever possible 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 and decisions, including internal and external meetings and ministerial, interdepartmental and 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, we also maintain 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 our Internet site or by calling the Customs Information and Support Centre. 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 Freedom of Information Coordinator at any Customs State or Territory office, contact details for which are on back cover.

Inquiries can be made by letter, telephone or in person. Email inquiries may be sent to foicoordinator@customs.gov.au. Formal 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. Customs provides appropriate facilities for the inspection of documents accessed under the *Freedom of Information Act 1982*.

Appendix C – Advertising and market research

Expenditure on advertising, 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 Hotline, staffing, and public notices.

- \$872 342.04 (HMA Blaze 2004-2005)
- \$1 009 643.13 (HMA Blaze 2005-2006)

Appendix D - Administrative Appeals Tribunal and *Administrative Decisions (Judicial Review) Act 1977*

Figure 56: Administrative Appeals Tribunal applications for review (s37)

	2003-04	2004-05	2005-06
Tariff Classification*	131 [^]	14 [#]	5
Valuation (now includes Origin)	-	6	2
Tariff Concessions	1	2	-
Refunds	1	-	-
Administrative Penalties	2	-	-
Freedom of Information	2	4	3
Other	7	4	3
Total	144	30	13

* Includes Schedule 4 Items.

[^] 122 of these applications relate to one issue.

[#] 8 of these applications relate to one issue.

Figure 57: Administrative Appeals Tribunal requests for reasons (s28)

	2003-04	2004-05	2005-06
Tariff Classification	-	-	-
Valuation/Origin	-	-	-
Tariff Concessions	-	-	-
Refunds	-	-	-
Administrative Penalties	-	-	-
Freedom of Information	-	-	-
Other	-	-	-
Total	-	-	-

Figure 58: Administrative Appeals Tribunal decisions handed down

	2003-04	2004-05	2005-06
Customs decisions affirmed	6	4	2
Customs decisions set aside	5	1	2
Tariff Classification*	5	1	1
Valuation/Origin	-	-	1
Tariff Concessions	-	-	-
Refunds	-	-	-
Administrative Penalties	-	-	-
Freedom of Information	-	-	-
Other	-	-	-
Total	11	5	4

Figure 59: Matters resolved before being heard by the Administrative Appeals Tribunal

	2003-04	2004-05	2005-06
Matters dismissed (s42A)	8	12	6
Matters settled by consent (s42C)	21	15	3
Tariff Classification*	1	12	2
Valuation/Origin	10^	-	1
Tariff Concessions	3	1	-
Refunds	-	-	-
Administrative Penalties	2	-	-
Freedom of Information	-	1	-
Other	5	1	-
Total	29	27	9

* Includes Schedule 4 Items.

^ 9 of these applications relate to one issue.

8 of these applications relate to one issue.

Figure 60: Federal Court appeals from decisions of the Administrative Appeals Tribunal

	2003-04	2004-05	2005-06
Appeals resolved in favour of Customs	2	3	2
Appeals resolved against Customs	1	2	1
Tariff Classification	-	-	-
Valuation/Origin	-	1	-
Other	1	1	1
Total	3	5	3

Figure 61: *Administrative Decisions (Judicial Review) Act 1977* applications/requests for reasons

	2003-04	2004-05	2005-06
Federal Court applications for Review	4	3	2
Requests for Statement of Reasons	2	3	0
Total	6	6	2
Matters settled during the year	2	4	1
Matters pending	3	2	2

Figure 62: Federal Court Decisions in *Administrative Decisions (Judicial Review) Act 1977* matters

	2003-04	2004-05	2005-06
Matters resolved in favour of Customs	1	1	0
Matters resolved against Customs	2	-	1
Total	3	1	1

Appendix E – Commonwealth Disability Strategy

This section provides information on our performance implementing the Commonwealth Disability Strategy. Customs core roles in implementing the Commonwealth Disability Strategy, are as regulator, service provider and employer.

Figure 63: 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.	Percentage of publicly available information on regulations and quasi-regulations requested and provided in: <ul style="list-style-type: none">• accessible electronic formats• accessible formats other than electronic. Average time taken to provide accessible material in: <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 (services for people with hearing or speech difficulties) 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, on the Customs Internet site and on CD ROMS.

Figure 64: Commonwealth Disability Strategy - Service 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, Fremantle and Adelaide have all received and maintained accreditation to the ISO9001:2000 standard. • 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. • the lifts in Customs premises in Canberra were upgraded recently to comply with the Building Code of Australia's updated lift standards. Voice directory feature was added to enhance usability for people with impaired vision.
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 2005-06 indicates that there were no disability-related complaints.

Figure 65: 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>. proactive case management of workplace assessment and reasonable adjustment measures to ensure equal opportunity for staff 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 readily 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. a number of 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.
Complaints/grievance mechanisms, including access to external mechanisms, in place to address issues and concerns raised by staff.	Established complaints/grievance mechanisms, including access to external mechanisms in operation.	<ul style="list-style-type: none"> all staff can access internal dispute resolution/review processes. Staff involved in these processes have access to assistance and information that considers disability issues. staff can 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. the performance assessment and feedback system is mandatory for all staff and encourages feedback on performance and development issues.



PART 6
GLOSSARY AND ACRONYMS

ABS	Australian Bureau of Statistics
ACC	Australian Crime Commission
ACIS	Automotive Competitiveness and Investments Scheme
ACP	Accredited Client Program
ACV	Australian Customs Vessel
AEZ	Australian Exclusive Economic Zone
AFMA	Australian Fisheries Management Authority
AFP	Australian Federal Police
AGS	Australian Government Solicitor
AIS	automatic identification system
AMIS	Australian Maritime Identification System
AML	anti-money laundering
AMSA	Australian Maritime Safety Authority
ANAO	Australian National Audit Office
ANZCERTA	Australia and New Zealand Closer Economic Relations Trade Agreement
APEC	Asia-Pacific Economic Cooperation
APG	Asia Pacific Group
APS	Australian Public Service
AQIS	Australian Quarantine and Inspection Service
ASADA	Australian Sports Anti-Doping Authority
ASEAN	Association of Southeast Asian Nations
ASIC	Aviation Security Identification Card
ASIO	Australian Security Intelligence Organisation
ATO	Australian Taxation Office
ATS	amphetamine-type stimulants
AusAID	Australian Agency for International Development
AUSFTA	Australia-United States Free Trade Agreement
AusSAR	Australian Search and Rescue
AWA	Australian Workplace Agreement
BNI	bearer negotiable instruments
CA	Certified Agreement
CATO	Competency Assessment and Training Officer
CCAS	Customs compliance assurance strategy
CCTV	closed circuit television
CEF	container examination facility
CEO	Chief Executive Officer
CEI	Chief Executive Instructions
CI	Customs interactive (facility)
CI&SC	Customs Information and Support Centre
CIEMP	Customs International Executive Management Program
CIT	Canberra Institute of Technology
CL	Customs Level (with reference to staff classifications)
CMR	Cargo Management Reengineering
CNCC	Customs National Consultative Committee
CND	Commission on Narcotic Drugs (United Nations)
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CTFR	Counter Terrorism First Response (airports)
CTO	cargo terminal operator
DAFF	Department of Agriculture, Fisheries and Forestry
Defence	Department of Defence

DCEO	Deputy Chief Executive Officer
DEH	Department of the Environment & Heritage
DFAT	Department of Foreign Affairs and Trade
DGMS	Detained Goods Management System
DIMA	Department of Immigration and Multicultural Affairs
DITR	Department of Industry, Tourism and Resources
DMW	deck-mounted weapons
DoHA	Department of Health and Ageing
DOTARS	Department of Transport and Regional Services
DVS	document verification service
Ecstasy	MDMA – 3,4-methylenedioxymethamphetamine
EDI	Electronic Data Interchange
EDS	EDS Australia (information technology service provider)
EEZ	Exclusive Economic Zone
EL	Executive Level
EMS	Environmental Management System
EOI	Expression of Interest
EU	European Union
FATF	Financial Action Task Force
FEDD	firearms and explosives detector dog
FMIS	Financial Management Information System
FOB	free on board. 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.
FOI Act	<i>Freedom of Information Act 1982</i>
FTA	Free Trade Agreement
FTDDS	Fraudulent Travel Document Detection System
FTE	full-time equivalent
FTS	Firearms Tracking System
GBRMP	Great Barrier Reef Marine Park
GRI	Global Reporting Initiative
GST	goods and services tax
HOCOLEA	Heads of Commonwealth Operational Law enforcement Agencies
HS2007	Harmonised Commodity Description and Coding System
'ice'	methamphetamine
ICS	Integrated Cargo System
IFF	illegal foreign fishers
IFFV	illegal foreign fishing vessel
ILS	integrated leadership system
IMO	International Maritime Organisation
IT	information technology
JAIG	Joint Aviation Intelligence Group
JAIT	Joint Airport Investigations Team
JOPC	Joint Offshore Protection Command
KPI	key performance indicator

LAN	Local Area Network
LCT	luxury car tax
MDA	Maritime Domain Awareness
MSIC	Maritime Security Identification Card
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
NDRC	National Development and Reform Commission
NHRD	National Human Resource Development
NMC	National Monitoring Centre
NMU	National Marine Unit
OECD	Organisation for Economic Cooperation and Development
OH&S	Occupational Health and Safety
PAF	performance assessment and feedback – performance review scheme
PIEDS	performance and image enhancing drugs
PNG	Papua New Guinea
POCA	<i>Proceed of Crime Act 2002</i>
PRISM	precursors required in synthetic manufacture
PSI	proliferation security initiative
QSP	Quality Software Products
RAAF	Royal Australian Air Force
RD	Regional Director
RFT	Request for Tender
ROO	rules of origin
SES	Senior Executive Service
SIEV	suspect illegal entry vessel
SOMPR	Southern Ocean Maritime Patrol and Response
SPARTECA	South Pacific Regional Trade and Economic Agreement
SSAN	security sensitive ammonium nitrate
SUNC	suspect unlawful non-citizen
TAFTA	Thailand-Australia Free Trade Agreement
TCO	tariff concession order
TEU	twenty-foot equivalent unit
TMRO	Trade Measures Review Office
TODIS	Tough on Drugs in Sport Strategy
TRADEX	A scheme administered by AusIndustry and allows importation without payment of duty or sales tax when the goods are intended for export
TRS	Tourist Refund Scheme
USA	United States of America
WAN	Wide Area Network
WCO	World Customs Organization
WET	wine equalisation tax
WTO	World Trade Organization

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PART 7
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Compliance Index

This is a guide to the report's compliance with the Requirements for Annual Reports as approved by the Joint Committee of Public Accounts and Audit under subsections 63(2) and 70 (2) of the *Public Service Act 1999*.

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