

100 years of service 1901-2001

Review by the Chief Executive Officer

During the past 12 months Customs implemented major changes to Government policy, such as tax reform and the response to the risk posed by foot and mouth disease, and was involved in the 2000 Olympic and Paralympic Games. Throughout this, Customs continued to demonstrate its commitment and professionalism to the Government and to the Australian community.

Significant issues and developments

Tax reform

Customs contributed to implementing the Government's tax reform measures at the Australian border. In particular, Customs collects the Goods and Services Tax (GST), Luxury Car Tax (LCT) and Wine Equalisation Tax (WET) associated with postal and cargo activities, and establishes deferred GST liability for imported goods.

Customs is also responsible for administering the Tourist Refund Scheme, which allows tourists and Australian residents travelling overseas to recover the GST and WET they pay on goods purchased in Australia. Nearly 247 000 departing travellers used the scheme during its first year.

Further information on the implementation of tax reform is available under Key priorities for 2000-01 on page 24 and under Output 4 on page 77.

Olympic and Paralympic Games

The Sydney 2000 Olympic and Paralympic Games (Games) were a significant challenge for Customs. The agency was responsible for facilitating the increased volume of people and goods entering and departing Australia during the Games, while continuing to service existing customers and maintain appropriate border controls.

Highlights of the Games for Customs included:

- introducing special initiatives for Games athletes and officials, such as dedicated primary processing facilities and off-airport processing
- facilitating over 62 000 movements of Games athletes and officials using Olympic Travel Authorities
- approving \$633.7 million in temporary imports for the Games
- coordinating a total of 119 seizures of over 149 000 items of fake or unauthorised Olympic merchandise
- maintaining 'business as usual' for other clients of Customs during and around the Games.

Further information on the Games is available under Key priorities for 2000-01 on page 24.

Cargo management re-engineering

Customs is re-engineering its cargo management systems to deliver new import and export processes, increase cargo management efficiency for industry and deliver improved targeting of high-risk cargo. Significant progress was made during 2000-01 including:

- developing IT user requirements for the new Integrated Cargo System
- beginning to define business rules for the Integrated Cargo System
- developing associated legislation, which was passed by the Parliament on 26 June 2001.

Additionally, Customs reviewed its business processes, looking at the impact of cargo management re-engineering and other initiatives on the way Customs does its work. The review identified agency-wide opportunities to better arrange core functions to support the re-engineering process and enhance effectiveness.

Further information on cargo management re-engineering is available under Key priorities for 2000-01 on page 27.

Quarantine risks

The threat of foot and mouth disease and other quarantine risks emerged as a priority for Customs during 2000-01. Customs worked closely with other border agencies, particularly the Australian Quarantine and Inspection Service (AQIS), to increase physical examination of goods and people. This included targeting passenger baggage, personal effects, postal articles and cargo consignments from high-risk areas.

The May 2001 Budget included increased funding for Customs and AQIS, in recognition of the threat posed by foot and mouth disease and other quarantine risks. This funding will further increase examination rates for goods and passengers from high-risk areas and will result in approximately 500 additional staff being employed by Customs.

Further information on quarantine risks is available under Key priorities for 2000-01 on page 31.

Anti-dumping and countervailing

During 2000-01, Customs received 19 new anti-dumping/countervailing cases and initiated three reviews, covering issues such as steel shelving, copper tubing, road sweeper components and gas water heaters. Customs submitted 12 reports on these investigations to the Minister for Justice and Customs for a decision.

There were a number of changes to the way Customs conducts its anti-dumping and countervailing investigations as a result of changes to the guidelines for investigations. In December 2000 the Minister for Justice and Customs provided Customs with guidelines on price control in economies in transition. These guidelines were later revised in June 2001. The Minister also wrote to Customs in December 2000 setting out guidance on determining material injury in dumping investigations.

Parliamentary scrutiny

Customs provided input to several parliamentary committee inquiries as outlined below.

- The Joint Committee of Public Accounts and Audit continued its inquiry into Coastwatch.
- The Senate Legal and Constitutional Legislation Committee considered Customs-related issues at its estimates hearings. It also considered the trade modernisation legislation associated with cargo management re-engineering and legislation about measures to combat serious and organised crime.
- The Senate Legal and Constitutional References Committee announced on 26 June 2001 that it would conduct an inquiry into the outsourcing of IT by Customs.
- The Senate Scrutiny of Bills Committee considered the trade modernisation legislation and several other Customs-related pieces of legislation.
- The Senate Finance and Public Administration References Committee inquiry into IT outsourcing considered evidence provided by Customs.

Further information on parliamentary and other external scrutiny of Customs can be found under Management and accountability, beginning on page 83.

Change of Minister

Senator the Hon Chris Ellison was appointed the Minister for Justice and Customs on 30 January 2001. The previous Minister, Senator the Hon Amanda Vanstone, had held this position since 21 October 1998.

Centenary of Customs

This year marked the centenary of a national Customs service in Australia. Customs participated in a number of activities to recognise this and to celebrate the centenary of federation.

Further information on the Centenary of Customs and federation is available on page 3.

Overview of performance

A number of significant issues and developments for Customs during the past year have been outlined above. In addition to these, Customs continued to deliver on its five outputs. Customs processed more than 17.9 million people and cleared 4.2 million air cargo and over 1.3 million sea cargo consignments. It conducted nearly 4000 surveillance flights over coastal and offshore areas. Customs was the largest collector of Commonwealth revenue after the Australian Taxation Office. Customs duties, indirect taxes and other revenue for which it is responsible amounted to over \$6 billion in 2000-01.

Highlights of this performance included:

- continued high levels of drug seizures, including a substantial increase in the weight and number of seizures of MDMA (ecstasy) and a record number of seizures of performance-enhancing drugs
- a continued emphasis on the use of technology, with a major initiative under way to introduce container x-ray facilities, greatly increasing the examination capabilities of Customs
- a continued emphasis on developing intelligence abilities, including an initiative to allow cross-agency access to intelligence holdings between Customs, the National Crime Authority and the Australian Federal Police
- the contracting of the MV Samson Explorer, as a result of specific funding announced in the 2000-01 budget, to transport illegal entrants from their point of interception to the mainland
- a significant increase in the area patrolled by Customs Coastwatch flights from just over 90 million to over 120 million square nautical miles
- a continued focus on detecting illegal entrant vessels
- significant levels of compliance auditing, with companies audited accounting for 23.5 per cent of relevant revenue during 2000-01
- undertaking an export data integrity project to increase the level of accuracy in export data provided to Customs.

International activity

Customs contributed to implementing the Government's foreign policy and trade objectives by simplifying and improving international customs procedures to enhance global trading. It worked actively through various forums including committees and commissions of the United Nations (UN), the World Trade Organization (WTO), the World Customs Organization (WCO), the Oceania Customs Organisation (OCO) and the APEC Sub-Committee on Customs Procedures (SCCP).

Australian Customs was involved in an initiative to improve the strategic capacity and performance of the WCO.

Australian Customs coordinated activity under the APEC SCCP Collective Action Plan (CAP) programs in integrity, paperless trading and risk management. In addition to these programs, the expertise of Australian Customs was sought to assist the modernisation efforts of other APEC administrations.

Financial results

Customs continued to be a stable organisation operating within its fiscal means. The agency received \$627.2 million in revenue to deliver its outputs and contribute to the Customs outcome. It generated a small net surplus on these operations. There was a net increase in the contribution of Customs to budget outcome. This increase was due to the increase in the value of exports as a result of the lower Australian dollar.

Further information on the financial performance of Customs is available in the Financial statements, commencing on page 115.

Looking forward – outlook for 2001-02

The next 12 months will place further demands on Customs. In particular, Customs must position itself to meet the challenges of the cargo management re-engineering process. Phase 1 of the Integrated Cargo System will be introduced during 2002. This will significantly affect the way Customs does business. Customs is considering a new organisational structure to take advantage of the opportunities presented by this re-engineering process.

Customs will also continue to manage other important issues such as civil maritime surveillance and meeting its international commitments. This will include monitoring Australia's border, detecting importations of illicit drugs and intercepting illegal entrants.

The nature of the work of Customs is dynamic and requires evolving work processes. Intelligence and technology must be used more effectively and efficiently to identify and assess risks. Customs must also work closely with other agencies to further collective aims and be responsive to the ever-changing environment.

Customs will employ more than 500 extra staff to boost screening operations at the border. The new officers will cooperate closely with AQIS as the two agencies put in place measures to guard against the possibility of foot and mouth disease and other quarantine risks entering Australia.

In the corporate arena, Customs must continue developing its staff, particularly in contract and project management. During 2001-02 Customs will introduce its third certified agreement covering Customs staff at Levels 1-5. A new corporate plan will also be introduced, which focuses on linking the work of Customs to the outcome and output framework under which it receives funding.

Through sound strategic planning, recruitment and training that addresses specialist needs, Customs will be better placed to achieve its vision 'to be a world leader in customs administration'. In addition Customs will remain committed to delivering a high quality service to the business, importing and exporting communities.

Customs has the capability to meet these and other challenges that will arise and will continue to deliver its services in a professional and effective manner.