

# CUSTOMS OVERVIEW

This section describes Customs role, structure and operations. It sets the scene for the report on performance.



## Year at a Glance

**Figure 1: Customs Major Achievements During 1999-2000**

- Customs completed preparations to ensure the successful introduction of the Government's Tax Reform Package for both the organisation and its clients on 1 July 2000.
- Customs preparations for the Sydney 2000 Olympic and Paralympic Games were tested and reviewed following the Olympic test events. The cargo arrival phase began and seizures of counterfeit merchandise continued.
- Significant progress was made in implementing the recommendations of the Prime Minister's Task Force on Coastal Surveillance and Customs detected a record number of suspect unlawful non-citizens during the year.
- Customs conducted its first United Nations support role in assisting to establish border controls in East Timor.
- Customs seized record levels of narcotic and performance enhancing drugs.

# Customs Overview

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

Customs principal roles are:

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

## Authority and Legislation

Customs derives its authority and powers principally from the Constitution, which provides for the levying of customs duties and for laws with respect to trade and commerce.

The Department of Trade and Customs was established at the time of Federation on 1 January 1901. Customs was established in its current form, consisting of a Comptroller-General (later retitled as Chief Executive Officer) and staff, on 10 June 1985, by subsection 4(1) of the *Customs Administration Act 1985*.

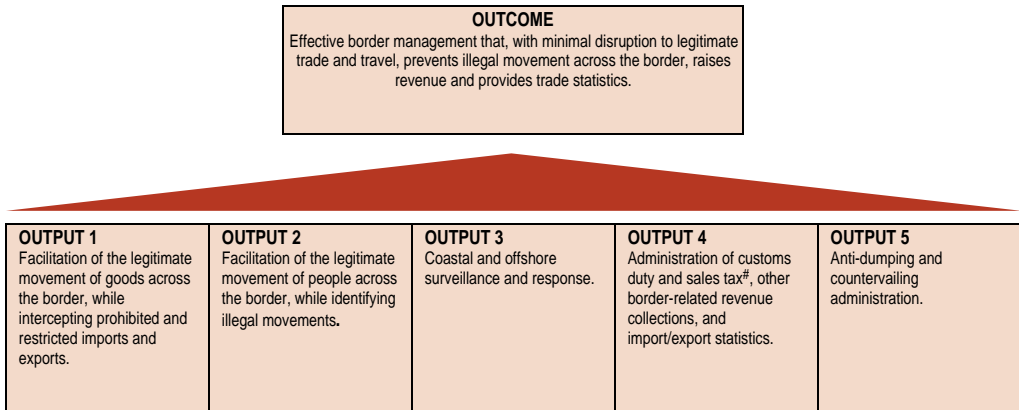
Customs constitutional authority is given legislative expression through the *Customs Act 1901*, the *Customs Tariff Act 1995* and related legislation. Customs also administers legislation on behalf of other government agencies, principally in relation to the movement of goods and people across the Australian border.

Customs became responsible to the Minister for Justice and Customs, Senator the Hon. Amanda Vanstone, on 21 October 1998. In the Attorney-General's Portfolio Budget Statements, Customs is included in the *maintenance of law, order and safety* group of agencies.

## Outcome/Output Structure

Customs outcome and output structure for 1999-2000 is shown in Figure 2.

**Figure 2: Customs - 1999-2000 Outcome/Output Framework\***



\* Output prices are included on page 28.

<sup>#</sup> From 1 July 2000, Output Four will be amended to: *the administration of customs duty and indirect taxes, other border-related revenue collections, and import/export statistics.*

The transition from Customs previous program/sub-program structure to the new outcome/output structure is illustrated in Appendix B in page 141.

## Organisational Arrangements

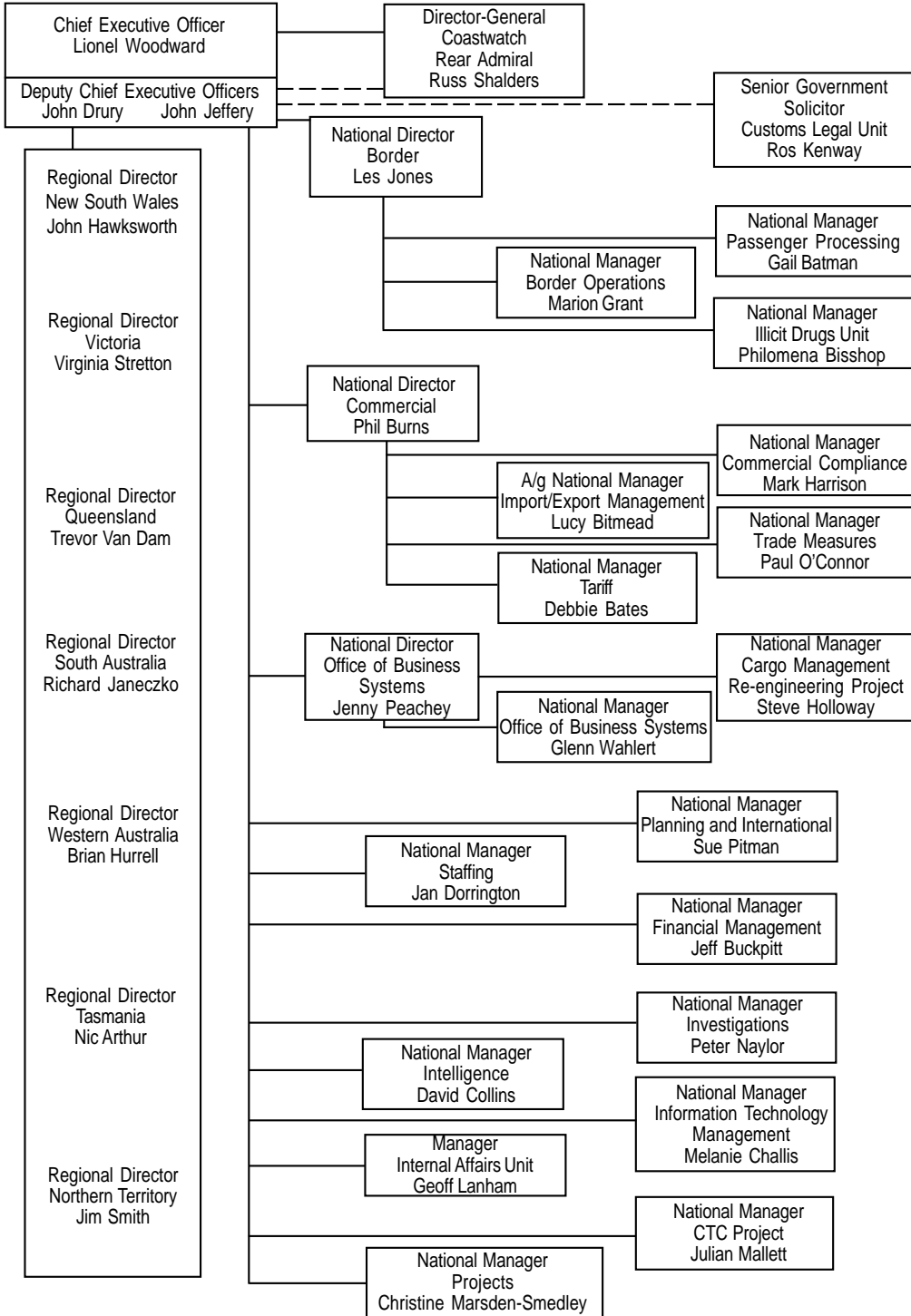
Customs is a diverse organisation where core business activities often span multiple functions. To ensure that there is a cohesive and client-oriented approach to the delivery of services, one senior manager has been made specifically accountable for each of the five outputs.

Figure 3 identifies these senior managers.

**Figure 3: Output Coordinators**

Output	Senior Manager
1	National Director Border
2	National Director Border
3	Director General Coastwatch
4	National Director Commercial
5	National Manager Trade Measures

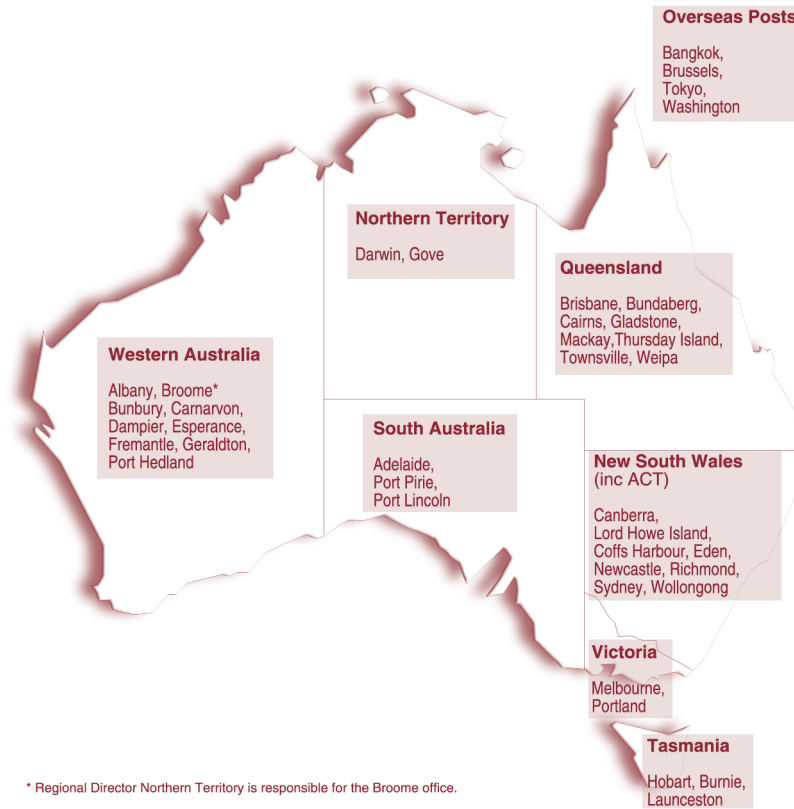
**Figure 4: Customs Organisational Structure – 30 June 2000**



CTC refers to Competitive Tendering and Contracting.

## Customs Locations

**Figure 5: Location of Customs Offices**



## Consultative Mechanisms

Customs chairs or is an active member of many consultative committees relevant to its responsibilities. These include:

### Minister’s Advisory Council on Customs (MACC)

MACC provides advice on matters emerging from the trading community that might impact on the administration, operation and management of Customs service delivery while participating in the development, implementation and evaluation of specific Customs related issues.

MACC has proved effective in obtaining the views of the private sector on the performance of Customs, its relationship with other agencies at the border and future directions.

## Customs National Consultative Committee (CNCC)

Customs chairs the CNCC, which provides a national forum for communication of Customs policies, practices and procedures relevant to the trading community. CNCC works in partnership with the trading community to resolve any perceived difficulties and is an important forum for regular consultation on a wide range of Customs matters.

## Heads of Commonwealth Operational Law Enforcement Agencies (HOCOLEA)

HOCOLEA was endorsed by the Commonwealth Government as the primary consultative mechanism for law enforcement policy issues extending beyond the responsibilities of the Commonwealth Attorney-General's portfolio. The Committee comprises the Heads of 11 Commonwealth law enforcement, taxation, and regulatory agencies and departments.

The Chief Executive Officer (CEO) and Deputy CEO of Customs participated in HOCOLEA meetings and Customs continued to provide secretariat support. HOCOLEA deliberations focussed on the various law enforcement, management and regulatory challenges facing HOCOLEA agencies. Customs continues to provide support for mechanisms, such as joint-agency task forces (on issues including electronic commerce and Goods and Services Tax fraud), established to explore these challenges.

## National Passenger Processing Committee (NPPC)

NPPC provides advice on policy issues relating to passenger processing.

NPPC is a cost effective and non-resource intensive forum for Government bodies, with the established sub-committee of industry representatives, to consider national issues affecting the passenger processing environment. NPPC provides the opportunity for consultation, review and implementation of initiatives and Government decisions, made to provide continuous improvement in the passenger environment.

## Industry Reference Group (IRG)

An IRG was established in 1999 to provide high level strategic guidance for the development of the Cargo Management Re-engineering (CMR) business model. The IRG was chaired by the Managing Director of the Australian Stock Exchange and consisted of representatives from peak industry bodies and senior representatives from the international trading community. It provided a forum to consider the competing needs of industry and government in the development of the CMR design. Its final meeting was held in April 2000.

## International Activity

Customs maintains a broad program of international activity and is active in international and regional organisations. Customs completed its two year tenure as Regional Vice Chair of the Far East, South and South East Asia Region of the World Customs Organisation (WCO) in June 2000.

Customs hosted the 8<sup>th</sup> WCO Regional Conference of Heads of Administrations for the Asia-Pacific region from 10-12 April 2000. The meeting agreed broad strategies for 2001-2002, including the addition to the 2000-2001 Regional Strategic Plan of new work on integrity, e-commerce, enforcement and improved communication, cooperation and coordination between members.

Customs is also highly active in committees and commissions of the United Nations (UN), the World Trade Organisation (WTO) and the Asia Pacific Economic Cooperation (APEC) Forum. Customs provides training and assistance to a range of international Customs organisations as part of the global effort to modernise customs procedures. It also hosts and coordinates the Customs International Executive Management Program (CIEMP) and provides the secretariat for the Oceania Customs Organisation (OCO).

These activities are supported through permanent representation at Customs overseas posts in Bangkok, Brussels, Tokyo and Washington.

## Consultants

The total number of consultants engaged by Customs was 52 and the total value of the contracts was approximately \$3.5m. Detailed information regarding consultants engaged is on the Customs website at (<http://www.customs.gov.au>).

For the purposes of this Report, the term 'consultant' was defined as 'an entity, whether an individual, a partnership or a corporation, providing professional or expert advice'. Non-consultancy contracts for services, which are typically far more restrictive in the degree of latitude afforded to the contractor, were not included.

## Advertising and Market Research

\$114 165.20 was paid to AIS Media for advertising.

## Supplementary Information

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

- Corporate Plan;
- Corporate Statement;
- Customs Service Charter;
- Customs Figures (quarterly statistical bulletin);
- Manifest (Australian Customs Service Journal);
- Customs News (staff newspaper); and
- Something to Declare (news publication primarily designed for media).

Brochures and fact sheets detailing Customs activities are also available on request.

### Customs Website/Customs Information Centres

This Report and additional information is available on the Customs website (<http://www.customs.gov.au>).

Customs related enquiries could also be directed to your nearest Customs Information Centre (CIC). Appendix C on page 142 lists the contact details for each CIC.

Requests for further information should be directed to:

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Director

Corporate Communication

Australian Customs Service

5 Constitution Avenue

Canberra ACT 2600

email: ([leon.bedington@customs.gov.au](mailto:leon.bedington@customs.gov.au)).

## CUSTOMS KEY PRIORITIES FOR 1999-2000

### The New Tax System

Preparing for the introduction of tax reform was one of Customs key priorities for 1999-2000. By 30 June 2000, Customs had business processes and systems in place to ensure a smooth transition to The New Tax System.

The tax reform measures affecting Customs included the abolition of wholesale sales tax (WST) and the introduction of the Goods and Services Tax (GST), Luxury Car Tax (LCT), Wine Equalisation Tax (WET) and the Australian Business Number (ABN). Customs was a key contributor in developing the approach, priority and timing for legislative change.

On 18 June 2000, major changes were made to Customs electronic systems. The systems were then able to successfully accommodate the Australian Business Number, calculate importers' tax liabilities, provide deferral of GST to approved importers, collect tax where required and communicate revenue liabilities to the ATO. It was not possible to process amendments to finalised Customs entries (including applications for refund) electronically between 17 June 2000 and 2 September 2000. Customs consulted with industry in developing manual processes to ensure Customs service levels for post warrant amendment processing continued to apply during this period.

Customs conducted a wide ranging communication program using a variety of printed and electronic media including Australian Customs Notices, the Customs website and Customs Information centres to assist clients make a successful transition to the new tax arrangements.

Customs delivered tax reform awareness sessions to the Australian importing industry and provided information to Commonwealth and State Government departments and agencies, information technology service providers, international passengers and diplomatic and consular staff.

### Tourist Refund Scheme: All Systems Go on 1 July 2000

A concentrated effort by staff ensured that Customs was able to provide a Tourist Refund Scheme (TRS) for Australian and international travellers in time for the introduction of The New Tax System. The TRS allows international travellers to claim a refund of the GST and WET paid on goods bought in Australia that they take with them as accompanied hand baggage when they leave.

TRS booths were operational at the eight major international airports—Sydney, Brisbane, Melbourne, Perth, Cairns, Adelaide, Darwin and Coolangatta. Broome airport and cruise liner terminals at Sydney’s Circular Quay and Darling Harbour, Cairns, Darwin and Fremantle also had a TRS facility available for the first day of the Scheme.

Following broad consultation with industry and overseas experts, the TRS was developed to minimise paperwork for retailers and travellers and maximise efficiency and compliance. A Tourist Refund Office was established within Customs to operate the Scheme and 154 officers were recruited and trained to verify the export of the goods and the passenger’s eligibility for a refund. Refund mail back services were outsourced to a private contractor.

Customs produced a variety of information products to inform retailers, travellers and the tourism industry about the Scheme. Detailed information on the TRS is available by contacting Customs Information Centres (refer to Appendix C on page 142).

## Planning and Preparations for Sydney 2000 Olympic and Paralympic Games in September-October 2000

While the increased cargo and passenger movements for the Sydney 2000 Olympic and Paralympic Games will be our largest peace time logistics exercise, Customs is equally committed to maintaining service levels to industry and travellers during this period. Customs refined Olympic policies and procedures following test events and peak travel periods. Customs facilitated the arrival of the flame and continued to help protect Olympic brands from counterfeits.

Olympic Games planning streamlined processes and improved coordination between agencies and organisations. During the Olympic period, Customs and the Australian Quarantine and Inspection Service (AQIS) will co-locate at Watsons Bay to streamline vessel clearance activities and co-locate cargo response officers to provide a ‘one-stop-shop’ for Olympic importers. A single passenger card, requesting Customs, immigration and quarantine information, was also created with the Olympic workload in mind.

Customs made a significant contribution to Olympic and Paralympic Games planning through multi-organisational working groups during the year. Although the number and volume of passengers and cargo are expected to be significantly less than the Olympic Games, the concentrated arrival of Paralympic teams and their baggage requirements will also present challenges to Customs operations. Customs Olympic policy decisions and operational arrangements apply equally to the Paralympic Games.

## Cargo Clearance including Intellectual Property Rights

Customs cleared approximately \$140m worth of Olympic temporary imports by 30 June 2000.

In June 2000, Customs launched an Olympics Cargo Response Unit (OCRU) of 12 officers to deal with urgent and out-of-hours Olympic-related cargo clearances. In May 2000, the OCRU tested Olympic cargo clearance procedures. The OCRU was well placed to manage the peak cargo arrivals period (June-August 2000).

Seizures of unauthorised or unlicensed Olympic products under the *Sydney 2000 Games (Indicia and Images) Protection Act 1996* increased significantly in the latter part of 1999-2000. Goods seized range from pins and badges to clothing and toys. Patterns show that both the volume and the 'quality' of infringing goods intercepted is increasing. 59 seizures netted 78 975 items. This represents 70 per cent of the number of seizures and 89 per cent of Olympic intellectual property items seized between 1996 and June 2000.

## Testing Customs Capabilities

Customs participated in a number of Sydney Organising Committee for the Olympic Games' (SOCOG's) official test events and Sydney Airport exercises (which focussed specifically on passenger processing) for the Olympics. Test events also trialled the OCRU. The Southern Cross Multi-Disability Games ensured that issues specific to athletes with disabilities were adequately addressed.

Formal debrief sessions were conducted following each major test event. Outcomes and issues encountered during the test events were used to validate, refine and amend Olympic planning including regional operational and risk assessment plans.

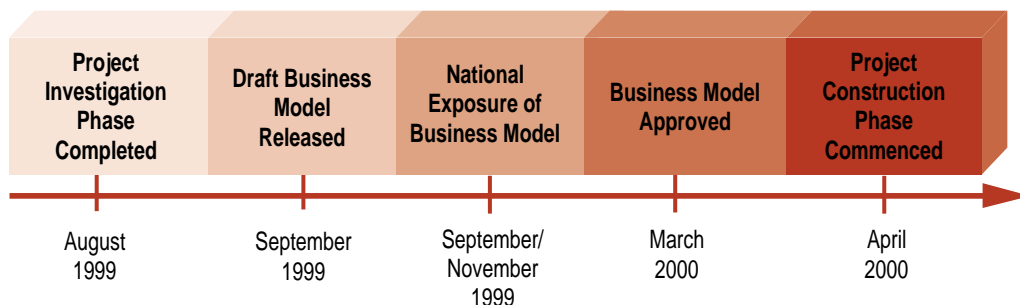
In addition to the test events, airport operations were trialled and proved effective during peak travel periods such as the Easter school holidays (when passenger volumes were comparable to those forecast for the Olympic period).

On 8 June 2000, Customs after consultation with AQIS and the Department of Immigration and Multicultural Affairs (DIMA), facilitated and cleared the Olympic Flame and accompanying entourage of approximately 80 people on board the aircraft enroute to Australia. The no fuss facilitation was representative of Customs planned approach to the Games, in particular the facilitation of Olympic and Paralympic family members.

## Cargo Management Re-engineering

Customs made significant progress on Cargo Management Re-engineering (CMR) as illustrated by Figure 6.

**Figure 6: Key Achievements for CMR in 1999-2000**



When completed, the project will deliver new import and export processes aimed at increasing cargo management efficiency for industry. CMR will also deliver improved targeting of high risk cargo.

In March 2000, Customs released the CMR Business Model. The Model was finalised following nation-wide exposure of a draft model and extensive consultation with industry and government clients. The Business Model represents a blueprint for Customs future cargo management policy and will be the foundation for a new integrated information technology system, legislation and business practices.

The key feature of the CMR Model is flexibility. This is achieved in a number of ways - including improved communication channels between individuals, business and clients and catering for differences in business practices through accreditation arrangements.

With the Model completed and approved, Customs began defining the requirements for a new integrated cargo management system. During 2000-2001 Customs, in consultation with industry and government agencies, will develop the detailed design of the new information technology applications and legislative changes needed to underpin CMR.

A copy of the business model and detailed information on CMR is on the Customs website at (<http://www.customs.gov.au>).

## The Customs Connect Facility

A new electronic gateway (known as the Customs Connect Facility (CCF)) is being developed with the CMR project. The facility is scheduled for installation during 2001 and will provide an improved electronic interface between Customs and its clients. The CCF is expected to create opportunities for Value Added Networks, Communities of Interest and Electronic Service Providers to offer improved and new services to their clients and members when dealing with Customs.

The CCF concept is well advanced with work during the year focussing on design and broad business requirements.

## Accredited Client Scheme

The Accredited Client Scheme (formerly 'Business Partnerships') is designed to simplify the reporting requirements for Australian importers and exporters with a history of compliance. The Scheme is being introduced with CMR and it is expected to provide benefits for both clients (in terms of business process savings) and Customs (with improved compliance with Government requirements).

Major progress was made on the development of the Scheme, particularly the development of an approach to manage compliance. Under this arrangement Customs enters into a legally binding contract with the client to provide an alternative import and export cargo reporting system (for specified goods). The client agrees to meet specified performance standards and to undertake regular reviews of business processes to demonstrate standards are being met.

## Electronic Commerce

There was considerable focus on identifying technologies and processes to provide significant improvements in electronic commerce; confidence in Internet based transactions and the streamlining of Customs business operations.

Customs also continued working with the Office for Government On-line and the Defence Signals Directorate on the development of digital signatures. Once complete, it will allow clients to transact confidently with Customs in an Internet environment. This is an important enabler for both the CMR project and the development of Customs on-line capabilities.

Customs continues to pursue a range of e-commerce initiatives with the World Customs Organisation (WCO) to ensure that Customs administrations worldwide streamline and harmonise their approaches to facilitate international trade. It is expected that outcomes on these issues will be agreed by early 2001 with consideration for early uptake by CMR.

## Data Management

Customs Corporate Data Management Strategy was published and is being progressed with the CMR project. The strategy will provide research facilities and information to support Customs strategic and day-to-day decision making. Other Customs projects also involved the development of appropriate standards for data fields to allow greater data integration and achieve improvements in data quality. Such projects include the Passenger Analysis Clearance and Evaluation (PACE) System, National Intelligence System (NIS) and Advanced Cargo Profiling.

## Prime Minister's Task Force on Coastal Surveillance

In April 1999, the Prime Minister announced the formation of a Task Force to investigate issues related to Coastal Surveillance. The Prime Minister's Task Force (PMTF) was initiated in response to the growing global problem of illegal entrants arriving by sea and associated quarantine and public health risks.

The PMTF made 18 recommendations to improve Australia's capacity to detect and deter illegal entrants arriving by sea. The results of the PMTF strengthened Coastwatch's operational effectiveness through enhanced information management and intelligence systems, upgraded communication technology and increased resources for aerial surveillance. These enhancements have combined to improve the overall effectiveness of Coastwatch operations and the surveillance service it provides to government agencies. Customs has acted quickly to implement PMTF recommendations, despite their inherent complexity.

Coastwatch was established as a separate entity within Customs in July 1999. A serving Rear Admiral was appointed to a new position of Director General. Three other Defence personnel were appointed to Coastwatch further strengthening the close union between Customs and Defence. With the improved communication channels and enhanced liaison arrangements between Customs and other agencies, Coastwatch is achieving even more effective client service.

A new night-capable, all weather twin engine helicopter was delivered in December 1999 to respond to quarantine threats and other illegal activities in the Torres Strait. The helicopter is able to deploy response teams to the various islands in the Torres Strait so that illegal activity response can be mounted at any time of the day or night. It also provides improved surveillance capability.

On 26 January 2000, a National Surveillance Centre (NSC) was established at Coastwatch's Canberra headquarters. Better and more timely information flow is achieved through new electronic links to relevant government agencies, including Defence intelligence and operational headquarters. The Prime Minister formally opened the NSC on 5 April 2000.

In March 2000, as a result of a PMTF recommendation, a Memorandum of Understanding was signed by Customs, DIMA, Australian Federal Police (AFP), AQIS, Department of Defence, Australian Defence Forces, Commonwealth Director of Public Prosecutions, and State and Territory Police Forces. The Memorandum and associated guidelines provide a framework for responses by Commonwealth agencies and police forces to illegal landings of suspect illegal entrant vessels on Australian territory and sets out the roles and responsibilities of signatory agencies.

Surveillance Australia Pty Ltd (the fixed wing contractor to Coastwatch) was contracted to provide two new Dash 8 aircraft to enter service in 2000–2001. This will improve electronic surveillance and response capabilities and provide greater coverage of the East Coast of Australia, where covert illegal entrants arriving by sea have been increasingly prevalent. In another area of emerging risk, the north west of Australia, more frequent electronic surveillance coverage will also be possible.

## Improved Inter-agency Cooperation

### Cooperation Measures among Law Enforcement Agencies

After the 1998 federal election, the Government moved Customs into the Attorney-General's portfolio. This resulted in four key agencies with law enforcement responsibilities being in the one portfolio - Customs, the AFP, the National Crime Authority (NCA) and the Australian Transaction Reports and Analysis Centre (AUSTRAC).

The agencies actively sought opportunities for efficiencies and improved effectiveness through increased cooperation and resource sharing. After detailed consultation, the agencies identified a range of measures to achieve these goals. The measures include opportunities for closer cooperation in the corporate, training, intelligence, operations, forensic, other technical services, and information technology areas.

Some measures, including the establishment of a Joint Strategic Intelligence Group to address mutual areas of concern, have already been implemented. Other measures are more complex and require further assessment.

### Developing Inter-Agency Relations in Intelligence

Throughout 1999-2000, Customs sought to develop and maintain closer relationships with domestic law enforcement agencies, the national intelligence community, and other Customs administrations. Relationships were strengthened through participation on inter-agency committees, direct liaison with other agencies, and information and intelligence exchange between the agencies.

Customs actively participated in the Commonwealth Law Enforcement Intelligence Consultative Committee (CLEICC), contributing to the development of generic analyst competencies for application throughout the law enforcement community.

Full-time intelligence analysts were also provided to the Joint Asian Crime Group (JACG), the Joint Strategic Intelligence Group (JSIG), the Olympic Intelligence Centre and the AFP's AVIAN strikeforces (funded through the National Illicit Drug Strategy (NIDS) and aimed at the reduction of illicit drugs).

Following the PMTF report on Coastal Surveillance, an Information Oversight Committee was formed within the Office of National Assessments to ensure that information relating to illegal immigration and associated activities is shared between relevant agencies. Customs has participated on the Committee since its formation.

The Coastwatch Analysis Unit was established within the NSC as a result of the PMTF. This Unit obtains and synthesises data from a number of sources and generates intelligence for use by Coastwatch planning and operational staff, as well as Coastwatch clients.

## Coastwatch Cooperation with the Department of Immigration and Multicultural Affairs (DIMA)

Whilst not a formal purchaser/provider arrangement, Coastwatch made progress on a Service Level Agreement with DIMA. The agreement allows for the transfer of funds from DIMA to Customs to cover extra Coastwatch services provided under the PMTF. The services include 1 000 hours of Dash 8 electronic surveillance, nine months of twin engine helicopter flying in the Torres Strait, extra resources for monitoring performance of the Coastwatch contractors, and a radar maintenance facility.

## Cooperation with AQIS

Customs and AQIS made major advances in cooperative action to achieve a cohesive approach and associated service efficiencies in the clearance of international cargo and passengers. Initiatives being implemented include the sharing of infrastructure, wherever leasing and other arrangements allow, including shopfronts at most international airports, shopfronts for air cargo clearances, office accommodation, dog kennels, x-ray equipment and cross-training of officers.

Clients make significant time and travel savings at combined AQIS and Customs shopfronts by not having to visit both offices to lodge documentation. The arrangements also allow officers from both organisations to gain a greater appreciation of each other's roles and facilitate joint booking of many cargo examinations.

In April 2000, Customs and AQIS in South Australia formally signed an Administrative Arrangement leading to greater cooperation at district level. The arrangement details activities and responsibilities that can be undertaken when an officer from the responsible agency is unavailable in a particular port.

### Cooperation with Australian Taxation Office (ATO) - Excise

The excise function was transferred to the ATO from Customs under the Administrative Arrangement Orders of October 1998. Customs retains responsibility in relation to the importation of alcohol, tobacco and petroleum products and the exportation of excisable goods.

Centres of Expertise (COEs) were established for alcohol in Adelaide and petroleum in Melbourne in recognition of this responsibility. The COEs perform a technical, analytical and policy role in relation to these commodities including liaising closely with the relevant areas of the ATO on cross agency operational matters. The Tobacco Alcohol and Petroleum National Business Centre in Sydney, in addition to its other responsibilities, performs a similar role to the COEs for tobacco.