
2nd Annual Border Security Conference

29 April 2010, Melbourne

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Speech

[Slide 1 - Title page – greeting and strategic view]

Good morning, ladies and gentlemen.

I would like to join with the chair in welcoming you to the 2nd Annual Border Security Conference.

Today I will share with you an insight as to how the border agencies view the future border environment. Specifically, I will discuss the key trends and drivers that are creating the challenges and opportunities in the strategic environment, both for border agencies and our adversaries, those trying to breach our borders.

[Slide 2 - Customs and Border Protection's role]

So why does a primarily operational agency like Customs and Border Protection focus on the broader picture and the strategic outlook? Just as the future is important, so too is history.

While all of you sitting in this room today will realise that border security is critical to effective national security, it is worth remembering that this is a relatively recent idea.

An Australian customs service has existed in one form or another for more than a century. In our early days our job was primarily to collect revenue.

This moved to a shared focus of facilitation and border protection, processing passengers, detecting smuggling and the movement of illicit goods such as drugs. This was the beginning of an era which gave the Customs Service a focus on border protection.

The events of September 11, 2001 brought with them a dramatic shift in our business. Customs began to focus on counter-terrorism and counter-proliferation in cooperation with other border agencies and those agencies in the national security sphere.

The Prime Minister's National Security Statement in December 2008 brought further changes for Customs and border agencies more broadly.

Customs was renamed the Australian Customs and Border Protection Service. It was given the lead role in border protection, and the task of integrating that role within the National Security Sphere.

[Slide 3 - Strategic outlook]

Historically Australia's border management agencies have performed well in their roles, resulting in a safe and secure Australian border with minimal disruptions to legitimate trade and travel. Management of a strong migration program has contributed immensely to the building of our nation. Today, more than one in four Australians was born overseas or has a parent who was born overseas.

However, we cannot sit idle, there are many challenges. It is critical that we plan for today and tomorrow. To plan for tomorrow, we need to know what our environment will look like. To do this we need to understand what will shape it and how. A strategic outlook delivers this understanding. A common understanding for all border agencies.

A strategic outlook allows us to plan for the future by understanding what capabilities we will need and their relative priority. This planning will ensure that we are best prepared for the future.

[Slide 4 - Discontinuities]

So what are the emerging issues and future challenges?

Because I am about to peer into the future, let me pause to make one qualification in the interests of prudence. In exploring the forecast of longer term strategic possibilities, we have not lost sight of strategic discontinuities, critical events which are inherently unpredictable. Critical events that have the potential to profoundly change our projections of the future state of the border.

Geopolitical trends can be changed by a critical event that jolts current thinking by challenging the political, security, economic, social and technological environment. A critical event has the ability to alter the fundamental strategies, investments and missions of governments and institutions. Critical events can have ramifications beyond the various existing historical patterns and create significant new challenges for securing our borders.

One obvious response to these critical events is that we can be better at pre-empting and preparing to respond.

Recent critical events such as the September 11 targeting attacks on the World Trade Centre, and the Boxing Day tsunami in 2004 have taught us to prepare for terrorist attacks that are executed in unconventional ways and to prepare for large scale catastrophic environmental events in the region. We are now in a much better position to respond to these events.

But they also teach us to prepare for events we have not envisioned. Part of the lesson of critical events is not to prepare only for disruptive events such as a pandemic, catastrophic event, or terrorist attack but to prepare for the unexpected.

Critical to our success in achieving the agility and resilience necessary to respond to the unexpected is how well, and how naturally, border and related agencies are able to come together to focus on a shared outcome for the community. This has been the focus of recent initiatives addressing such issues as maritime people smuggling and

terrorism and in the development of the strategic Border Management Plan, about which Michael Pezzullo will have more to say.

With that caution about strategic projections, I will now move on to explore our future outlook and the impact on both enduring and emerging risks.

[Slide 5 - Emerging issues and future challenges]

There are four key drivers that I will explore with you today. They are; globalisation, security, technology, and resource and supply constraints.

[Slide 6 - Globalisation]

Let me begin with globalisation and its impacts on trade and travel trends, trade and travel patterns and community expectations.

[Slide 7 - Trade and travel trends]

The recent global financial crisis has demonstrated the truly globalised nature of the economy. There have been changes in the world economy arising from this crisis. There have been variations in trade and travel patterns.

However, the longer term growth trends in trade and travel are expected to continue. Year on year, ups and downs will exist, but in the longer term the global financial crisis has not shifted our forecast for an overall trend to greater numbers of passengers and increased volumes of trade.

This trend in increasing numbers of passengers and increased trade is expected to be significant out to 2020. By way of example:

- in 2007-08 there were over 12 million inwards passengers, by 2020 we expect over 20 million.
- in 2007-08 there were over 5 million containerised cargo movements, by 2020 this will have doubled to be over 10 million.

[Slide 8 - Travel patterns]

The advent of the global economy has also influenced travel patterns. Travel patterns will continue to become less predictable, with people travelling to and from more countries for more diverse reasons. Growing wealth in the Asia Pacific is likely to result in further geographic diversity in the travel hubs servicing Australia. The increasing diversity in traveller place of origin will add complexity to visa processing and passenger screening processes.

[Slide 9 - Trade patterns]

Along with these increases will come changes in trade volumes as a result of aircraft and ship sizes. This may create the potential for choke points and result in new demands on air and sea ports.

Trade patterns will continue to become less predictable as goods are being sourced and delivered through a more complex supply chain.

This means we will see busier entry points and have less time to make judgements at the physical border. We will also see less predictable arrival patterns resulting in a shift away from our traditional risk profiles.

Globalisation will also have implications for how we deal with export trade. We need to ensure that in a more complex environment that businesses maintain their competitiveness in global markets and are not disadvantaged by potential de facto trade barriers.

Border agencies are increasingly called upon to protect the community from the negative effects of globalisation. This includes products manufactured to less than acceptable standards, some of which are also counterfeit goods.

The risk that any good may present is often not immediately obvious.

[Slide 10 – Asbestos]

The import control on goods containing asbestos is a case in point. The import of asbestos goods is strictly controlled but detection and management of the cargo is often complex. A recent case involving the import of decorative wall tiles made of pieces of natural stone is a good example. A builder in NSW who had a background in asbestos management took a sample of the tiles to NSW WorkCover. NSW WorkCover had the tiles tested and tremolite asbestos, one of the most lethal forms of asbestos, was identified in the tiles. NSW WorkCover turned to us for assistance in identifying the supplier and limiting distribution of the tiles. An extensive exercise followed which involved contacting the Australian Competition and Consumer Commission and each of the state and territory work place safety authorities about the risk and soon after industry and public alerts were issued.

Since then Customs and Border Protection has also intercepted and checked around a dozen consignments to date, and referred samples for testing. This has meant finding qualified experts to undertake the inspections and selecting samples. Storing the containers of tiles is logistically difficult, and some storage places aren't keen on taking goods that might put their workers at risk. We too have had to ensure our officers attending the inspections are properly protected. Fortunately most consignments tested at the border have proved negative and have been cleared, but a couple of product lines already with distributors in Australia did test positive and have been removed from the market. This became a very lengthy and time consuming task and is expected to continue for some time yet.

[Slide 11 - Community expectations - pharmaceuticals]

As I mentioned earlier, there is also a threat from counterfeit goods, consider the potential for harm to the Australian public in an example from the UK last year. The UK's Chief Medical Officer publicly warned consumers against purchasing products advertised as Tamiflu from online suppliers because the likelihood of the products being counterfeit was high.

In times of high demand, such as a pandemic, consumers become more vulnerable to sub-standard pharmaceutical products. This vulnerability is magnified by the advent

of the global market and online sales. Should a pandemic occur during an economic downturn, there may be even greater pressure for consumers to seek cheaper prices and increase their exposure to counterfeit products.

An extreme example cited by the World Health Organisation estimated that 50,000 deaths resulted in Nigeria from a consignment of anti-malarial drugs found to have no active ingredients.

Public concern has also been on the rise over the counterfeiting of everyday products and food items. Counterfeit operators are becoming more sophisticated, infiltrating legitimate supply chains and deceiving mainstream industry participants.

[Slide 12 - Community expectations – car parts]

In 2008, Toyota warned against counterfeit car parts, including poor quality brake pads that put consumers at risk. Cadbury also recalled Chinese-origin chocolate because of melamine contamination.

Fortunately there is no evidence to date of a significant risk to Australia from counterfeit pharmaceuticals or car parts.

While the expectation on border agencies to deal with dangerous consumer goods may be increasing, the threat from trafficked illicit drugs is not diminishing.

While the demand for particular types of illicit drugs will fluctuate, the threat overall from illicit drugs will remain. There is also the threat of chemicals sold to legitimate suppliers being diverted into the criminal market and used as precursors of illicit drugs. And finally, there is the ever present need to watch for emerging drugs. The harm caused by illicit drugs means this will be an enduring priority for border agencies. The key to our response is not simply to detect at the border but to work with law enforcement agencies to disrupt and bring to account the syndicates involved.

[Slide 13 - Resource and supply constraints]

Let me now move to the second of the major drivers; resource pressures and environmental changes, and their implications for the border.

[Slide 14 - Implications]

Environmental changes and resource pressures are key drivers in the international environment. They drive economic cycles, the movements of people and perhaps even inspire leaps in technology.

Any increasing incidence of extreme weather events, like droughts and floods, coupled with resource pressures like food, water and energy shortages may exacerbate conditions in states dealing with instability. This has the potential to encourage global migration and population displacement.

Conflicts in Afghanistan, the Middle East and the situation in Sri Lanka have meant that large numbers of displaced persons have been looking for settlement in stable, secure nations like Australia

The increasing globalisation of trade and travel have the potential to spread exotic pests and diseases into new locations, heightening biosecurity risks globally.

Shrinking world fisheries will mean the incentives for illegal foreign fishing will be with us for sometime.

And the impact of any climate change and the corresponding volatility of resources may lead to an even greater need for border agencies to regulate in the area of environmentally damaging goods.

Many of the goods we are looking to intercept at the border are environmental threats. There are controls on CFCs and last year we implemented controls on incandescent light-globes. There are controls to prevent the export of hazardous waste, and the Government is looking to implement controls to prevent the trade in illegally logged timber.

At an agency level, issues like the continued global oil price volatility could lead to an increased cost of doing business. Border management is currently dependent to some extent on operating boats and planes that require fuel. In addition, we will be exposed to the same increase in power and water costs that will affect all enterprises.

[Slide 15 - Technology]

Let me now move to the topic of technology, its opportunities and challenges and the need to prepare for its advances.

Technology is becoming increasingly sophisticated, powerful, portable, affordable and pervasive. Technology works for and against us. Technology helps us to facilitate border management in a way which is unobtrusive and integrated with our systems. But technology is also available to criminal groups, some of which have the potential to take up new technology faster than government agencies.

These innovative and technology-savvy criminals will mean we also need new strategies. Today's organised criminal groups are profit driven, risk averse, opportunistic and trans-national. Organised criminal groups already seek to capitalise on globalisation and the associated difficulties in regulating an increasingly complex environment with increasingly complex regulation. Complexities in trade mean that there is potential for organised criminal groups to camouflage themselves as legitimate businesses.

Add to these the advantages created by new technology, including the increased geographical reach and increasing sophistication in the activities that support organised crime. In particular, the internet and the globalisation of financial markets have led to increased possibilities for money laundering.

The affordability, and in some cases anonymity, of communication technology can potentially be used by criminal groups and terrorists groups to better facilitate their activities. For example, affordable GPS technology has been found in the hands of people smugglers.

New technologies can and are being used to commit traditional border offences and new types of crime.

The possibility of cyber-attack on government or commercial infrastructure means that strengthening e-security and securing the cyberspace domain will be essential in protecting border operations.

[Slide 16 – Developments in technology]

While organised crime can make use of technology so can we. Detection technologies are evolving all the time. It is worth noting that when I refer to technology I am not restricting us to computers and scanning equipment. I refer to scientific advancement more generally. There is technology, or in other words, science, behind the breeding programmes that make our detector dogs so effective.

The use of biometrics to strengthen identity management is another way in which we are moving to take advantage of developments in technology.

In recent history we have seen our way of life become completely entwined with unexpected technologies. In 1943 Thomas Watson the chairman of IBM is reported to have said "I think there is a world market for maybe five computers". As recently as 1977 Ken Olson, President of the Digital Equipment Corporation was reported to have said that "There is no reason anyone would want a computer in their home". As with many quotes there is doubt whether these words were actually said, but the point remains the same. The miniaturisation of the computer and its impacts on our lives was unforeseen and our recent history has taught us that we need to be prepared to respond to unexpected developments in technology.

[Slide 17 - Security]

The fourth driver is security. The issues are vast, ranging from proliferation to piracy. Their impacts on the border are numerous.

[Slide 18 - Proliferation]

The proliferation of nuclear technology, weapons of mass destruction and related technology by both state and non-state actors will remain an important international concern and a particular concern to border agencies.

The potential for proliferation has a more far reaching effect than is often commonly expected. The border controls are not just concerned with intercepting a fully fledged weapon of mass destruction on its way to an area of concern. Intercepting proliferation goods, or people with knowledge and ill-intent, is a much more sophisticated matter. You may have seen a controversy in the media earlier this year when the Government blocked the shipment of spectrophotometers to a company in Pakistan. I should note that the Government has made it clear that the exporting company had done nothing wrong and that Pakistan has not been targeted. With globalization, increasingly complex supply chains, and more complex technologies, the job of intercepting goods that could be dangerous in the wrong hands has become much more sophisticated.

[Slide 19 - Terrorism]

Terrorism has become a persistent and permanent feature of Australia's security environment. It threatens Australians and Australian interests both at home and overseas. The Government's intelligence agencies assess that further terrorist attacks could occur at any time.

Terrorists groups have shown themselves to be innovative and ruthless with a lack of formal structure making them resilient and able to regenerate after setbacks. While the threat of terrorism may expand and contract with political, social and other geo-strategic events, it is expected to be a destabilising global force for some time to come.

A well coordinated and executed terrorist event either on Australian soil or an offshore location, involving Australians or Australian interests, would likely impact on the future of the border environment.

Piracy, and here I mean criminally motivated armed attacks for profit on the high seas, has been the subject of significant discussion particularly in regard to the Gulf of Aden, Suez Canal and off the Somali coast more generally.

While an equivalent risk of piracy in Australian waters is unlikely there is the possibility of unexpected flow on effects. Some shipping company's strategies to secure the safety of their crew and cargo involve increased carriage of weapons and potentially the introduction of onboard sonic and high voltage electronic devices. This raises the future possibility of border agencies needing to secure firearms and defensive weapons at the first port of call.

[Slide 20– Responding to events]

Earlier on I mentioned that some of the threats we face are the result of accumulation of the geopolitical drivers. The convergence of the global trends I have discussed – globalisation, resource and supply constraints, technology and security - with political instability and impoverished conditions brings to prominence certain types of crime, crimes like people smuggling and piracy.

Environmental and resource pressures, impoverished conditions, political instability, persecution of minorities and armed conflicts in vulnerable areas have implications for irregular migration. Australia, along with other industrialised stable countries, will remain a target for asylum seekers and we can expect that organised crime in the form of people smuggling will remain a feature of the future border environment.

I talked earlier about preparing for truly unforeseeable disruptive events by being agile, scalable and flexible. We must also prepare for disruptive events that are partly foreseeable. We know that terrorist attacks, environmental catastrophes, and pandemics are all likely to happen at some stage. We just don't know when or what they will look like in their entirety. But we can make some judgements about how to prepare for these events, to be able to be resilient in the face of sudden shifts of focus,

reductions in staff numbers and potential resource strains that are both long-lasting and severe.

I have also talked about our need to keep up with the increasing sophistication of organised crime and terrorist threat. Equally, we must also be ready for threats that are not the product of any mal-intent, and are instead carried through unwitting and/or legitimate vectors.

The potential for a global pandemic is a good example of a partly foreseeable disruptive event that is not the result of active mal-intent.

Studies and planning exercises after the 2003 SARS outbreak demonstrated that the likelihood of actually being able to prevent a breach of the border is low. One reason is that an influenza type virus has an incubation period of several days in which those with the virus have no signs of the illness. In the 2009 H1N1 influenza outbreak, Australia quickly moved to a management stance, rather than a preventive stance, for this reason.

The role of border agencies in the event of a pandemic may be very wide ranging, from a focus on critical early intervention and maintenance of normal trade arrangements in order to minimise economic damage, to preventing or limiting the spread of infection, to dealing with potentially very large numbers of people who are unable to travel, either due to health issues or because of Australian or international border closures. The challenge for border agencies is to plan to operate well in an environment that may be characterised by reduced staff numbers both in our own agencies and due to labour shortages in other areas of the trade and traveller infrastructure chain.

[Slide 21 - The border continuum]

Most of the enduring and emerging issues I have mentioned today have brought into focus that we are living in an inter-connected world.

Our vision of the border has moved with a more sophisticated understanding of the border as a continuum. The border is no longer just air and sea ports. It encompasses activities that happen overseas which have an impact prior to any physical arrival at the border. As far as possible, we aim to prevent persons and goods of concern approaching our border at all. It encompasses activities that happen at sea. It encompasses activities that happen domestically within Australia, that impact on movements across the border in either direction.

Many countries, along with Australia, are looking to deal with risks before they reach their own shores. At one level, this has meant working cooperatively with our neighbours to prevent dangerous goods and people leaving for Australia.

At another level, this dynamic can be expected to result in Australia focussing more on goods and people leaving Australia for overseas destinations. Australia would not be a responsible world citizen if it was exporting risks to the rest of the world. Likewise we would not be meeting the needs of our own citizens if we did not work with our exporters to meet the requirements of other border administrations who are seeking, as Australia is, to prevent dangerous goods and people being exported to their shores.

The renewed focus on aviation security, arising from the Christmas Day attempted aircraft bombing in the US, has seen both the introduction of initiatives to enhance information sharing amongst border and security agencies on passengers heading for Australia and initiatives to enhance the physical screening of passengers leaving Australia for overseas destinations.

[Slide 22 – The year ahead]

Overall the outlook for border protection has not altered from that of the 1st Border Security Conference last year. Our strategic and operating environments are becoming more complex, our adversaries more sophisticated and our fiscal environment tighter.

In this evolving environment the year ahead will continue to see a high focus on enduring risks - those such as terrorism, maritime people smuggling, illicit drugs and precursors and related to that, criminality on the waterfront. We will also see an increasing focus on emerging issues such as responding to consumer safety issues and on the illegal movement of money across the border to the extent it helps target criminal activity. To do this we will need to work together using the strength of all border agencies.

Together border agencies have been making progress in meeting both enduring and future challenges. This is an area that Mr Michael Pezzullo, Customs and Border Protection's Chief Operating Officer will address later this morning.

First you will hear next from Mr Tony Sheehan from the Department of Prime Minister and Cabinet who I understand will discuss the progress made on the Government's approach to national security.

And, I am sure, as the conference progresses, you will find further evidence of an emerging new culture of strategic cooperation amongst border agencies to meet the challenges of the future.