

AUSTRALIAN
CUSTOMS SERVICE

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The goal of the Australian Customs Service is to provide the nation with effective border management. In line with the Government's commitments to increase border protection and to combat the importation and use of illicit drugs, Customs protects Australia's interests by detecting, controlling and, where appropriate, preventing the entry and exit of individuals and goods that have the potential to adversely affect the safety or quality of life in Australia. To provide effective border management Customs aims to achieve this in a way that facilitates legitimate movements of goods and people into and out of Australia. In addition, Customs protects Australia's revenue base through the effective collection of revenue and the administration of certain Government industry schemes and trade measures.

As part of the *Protecting our Borders* election commitment, in 2002–03 Customs will build on and expand strategies designed to increase border protection and provide disincentives to unauthorised arrivals. This will involve maintaining its program of increased air and sea surveillance in north-west Australia whilst retaining the capacity to respond to taskings and operations from other law enforcement and Government agencies.

The Government has approved additional counter-terrorism measures and capabilities. These include access to international airline reservation systems, and the requirement for international airlines to provide advance passenger information. This information, used in conjunction with information available through law enforcement agencies and links to visa systems, provides an enhanced ability to ensure the integrity of the border. Legislative change will be necessary for some of these measures.

Customs will continue to discharge its responsibility under the Increased Quarantine Intervention initiative. Following the Government's most recent election commitments and *Tough on Drugs* initiatives, Customs will continue to direct resources into technology to further improve its capacity for drug detection at Australia's borders. In particular, the development and operation of container x-ray technology will ensure sea cargo will move quickly through our borders with an increased capacity for detecting suspect goods. Customs will continue with the re-engineering of its business processes for cargo management in line with undertakings to improve service delivery to industry and make greater use of technology.

APPROPRIATIONS

The total appropriation for Customs in the 2002–03 Budget is \$843.978m. Table 1.1 shows appropriations (2002–03) and other revenue by outcome.

**ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS
AND LOANS**

Customs will receive an equity injection of \$12.121m for marine vessel finance lease (\$4.121m), and purchase of container x-ray and pallet x-ray machines as part of *Protecting our Borders* election commitment (\$8.000m).

Australian Customs Service — Appropriations 2002–03

Table 1.1: Appropriations and other revenue (\$'000)

Outcome	Departmental (price of outputs)					Administered			Total appropriations	
	Revenue from government (appropriations)			Revenue from other sources	Price of outputs	Annual appropriations	Special approps	Total administered appropriations		
	Bill 1	Special approps	Total			Bill 1	Bill 2 (SPPs & NAOs)			
(A)	(B)	(C=A+B)	(D)	(E=C+D)	(F)	(G)	(H)	(I=F+G+H)	(J=C+I)	
Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics	535,158	-	535,158 70.9%	219,296	754,454	280	-	296,419	296,699	831,857
Total	535,158	-	535,158	219,296	754,454	280	-	296,419	296,699	831,857
Non-operating: equity injections, loans and previous years' outputs									12,121	
Administered assets and liabilities									-	
Total appropriations									843,978	

Note:

- Under the appropriation structure, Bill 2 includes appropriations for Specific Purpose Payments (SPPs), New Agency Outcomes (NAOs), administered assets and liabilities and equity injections, loans and previous years' outputs.
- Refer to Budgeted Departmental Statement of Financial Performance for application of agency revenue.
- Revenue from other sources includes other revenue from government (eg resources free of charge) and revenue from other sources (eg sales of goods and services by agencies). Non-appropriated departmental and administered revenues are details in Appendix 1.
- Estimated expenses from individual Special Appropriations are shown in Appendix 2.
- Percentage figure in column C indicates the percentage contribution of Revenue from Government (Departmental Appropriations) to the Total Price of Outputs, by outcome.

BUDGET MEASURES — AUSTRALIAN CUSTOMS SERVICE SUMMARY

Table 1.2: Summary of measures disclosed in the 2002-03 Budget

Measure	Outcome	Outputs affected	Appropriations Budget 2002-03 (\$'000)			Appropriations Forward Estimate 2003-04 (\$'000)			Appropriations Forward Estimate 2004-05 (\$'000)			Appropriations Forward Estimate 2005-06 (\$'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
Doubling of Customs' National Marine Unit surveillance and response capacity	1	2 & 3	-	14,800	14,800	-	20,200	20,200	-	20,200	20,200	-	22,200	22,200
Additional container x-ray machines	1	1	-	-	-	-	5,200	5,200	-	8,000	8,000	-	12,800	12,800
Increased Coastwatch surveillance	1	3	-	9,500	9,500	-	9,500	9,500	-	9,500	9,500	-	-	-
High frequency surface wave radar	1	3	-	3,000	3,000	-	3,200	3,200	-	3,200	3,200	-	3,400	3,400
Additional pallet x-ray machines	1	1	-	-	-	-	800	800	-	1,300	1,300	-	2,700	2,700
Enhanced Coastwatch communications capability	1	3	-	2,000	2,000	-	2,000	2,000	-	2,000	2,000	-	2,100	2,100
Improved data access for border control agencies	1	2	-	6,649	6,649	-	6,994	6,994	-	13,009	13,009	-	6,413	6,413
Total			-	35,949	35,949	-	47,894	47,894	-	57,209	57,209	-	49,613	49,613

Note: The Government provided \$23.6m in 2001-02 for increased border protection capacity to address unauthorised arrivals.

Capital measures

- \$6.0m in 2002-03, \$4.8m in 2003-04 and \$3.0m in 2004-05 associated with additional container x-ray machines.
- \$2.0m in 2002-03, \$1.2m in 2003-04 and \$1.2m in 2004-05 associated with additional pallet x-ray machines.
- \$9.3m in 2003-04 associated with improved data access for border control agencies.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The Australian Customs Service has 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

There are five outputs for Customs' outcome:

- Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports*
- Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements*
- Output 3: Civil maritime surveillance and response*
- Output 4: Administration of customs duty and indirect taxes, other border related revenue collections, and import/export taxes*
- Output 5: Anti-dumping and countervailing administration*

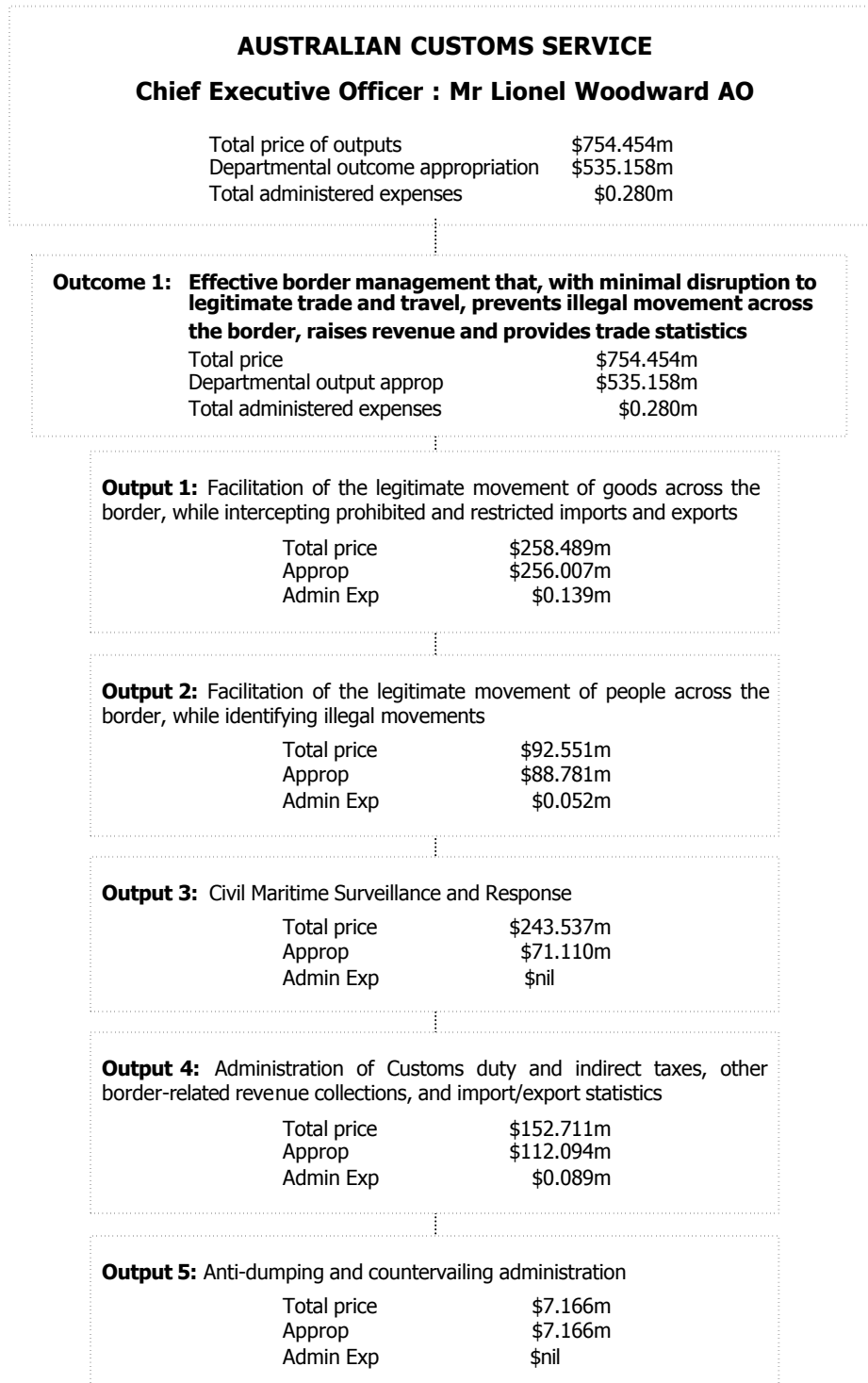
Financial and non-financial information is provided as follows:

- Map 2.1 - details outcome and output resourcing and illustrates the relationship between the outcomes and contributing outputs.
- Table 2.1.1 - details financial information for outcome 1.
- Table 2.2.1 - details non-financial information for outcome 1.

CHANGES TO OUTCOMES AND OUTPUTS

There have been no changes to the outcome and outputs structure for the Australian Customs Service.

Map 2.1: Outcome and output groups



OUTCOME 1 —EFFECTIVE BORDER MANAGEMENT THAT, WITH MINIMAL DISRUPTION TO LEGITIMATE TRADE AND TRAVEL, PREVENTS ILLEGAL MOVEMENT ACROSS THE BORDER, RAISES REVENUE AND PROVIDES TRADE STATISTICS

MEASURES AFFECTING OUTCOME 1

The measures in the 2002–03 Budget for outcome 1 are:

- \$77.4m additional resourcing over four years for the Australian Customs Service to double its National Marine Unit surveillance and response capability.
- \$42.3m resourcing over four years as part of counter-terrorism measures for the Australian Customs Service for improved data access for border control agencies.
- \$39.8m additional resourcing over four years for the Australian Customs Service to expand its technology program by installing additional container x-ray machines in Fremantle and Brisbane.
- \$28.5m additional resourcing over three years for the Australian Customs Service to expand Coastwatch flight surveillance.
- \$12.8m additional resourcing over four years to the Australian Customs Service for the provision of a high frequency surface wave radar system.
- \$9.2m additional resourcing over four year for the Australian Customs Service to expand its technology program by installing four additional pallet x-ray machines in Sydney, Adelaide, Brisbane and Perth.
- \$8.1m additional resourcing over four years for the Australian Customs Service to enhance the communications capability of Coastwatch by utilising the latest digital and satellite technologies.
- In addition, \$23.6m was provided to Australian Customs Service in 2001–02 for increased border protection capacity to address unauthorised arrivals.

Doubling of Customs' National Marine Unit surveillance and response capacity

The Government will provide additional funding of \$77.4m over four years to double the National Marine Unit surveillance and response capability in order to meet increasing demand as a result of the increase in unauthorised arrivals. The funding will increase the surveillance and response capacity of the National Marine Unit from 1,200 sea days to 2,400 sea days per year.

Improved data access for border control agencies

The Government will provide additional funding of \$42.3m over four years to strengthen Australia's border security. The additional funding comprises \$33.0m over four years for expenses and \$9.3m in 2003-04 for capital.

This measure will provide border control authorities with access to international airline computer reservation and departure control systems and facilitate data sharing between border control authorities including immigration systems. This will increase the capacity to screen arriving and departing international passengers to enable better detection and interception of illegal activities, principally directed at terrorism, but also helpful in the fight against drug trafficking and people smuggling. The capital funding will provide database development and analysis tools for border control authorities with access to international airline computer reservation and departure control systems.

Additional container x-ray machines

The Government will provide additional funding of \$39.8m over four years for the purchase and ongoing operational costs associated with additional container x-ray machines in Brisbane and Fremantle. The additional funding comprises \$26.0m over three years from 2003-04 for expenses and \$13.8m over three years from 2002-03 for capital.

This measure expands the container x-ray procurement program currently being implemented in Sydney and Melbourne and will enable enhanced screening of imported goods and greater interception of illegal goods.

Increased Coastwatch surveillance

The Government will provide additional funding of \$28.5m over three years to increase Coastwatch flight surveillance time by 20 percent or 1,600 hours per year. The increase in capacity is in response to increased demand for aerial coastal surveillance as a result of an increase in unauthorised arrivals and forms part of the Government's commitment to protecting Australia's border security.

High frequency surface wave radar

The Government will provide additional funding of \$12.8m over four years to the Australian Customs Service for the provision of a high frequency surface wave radar system to be provided through contractual arrangement. This system will provide greater and more continuous coverage against air and surface targets. The radar will allow the current surveillance assets to be redeployed to other high security threat areas.

Additional pallet x-ray machines

The Government will provide additional funding of \$9.2m over four years for the purchase and ongoing operational costs associated with four additional pallet x-ray machines to be located in Sydney, Adelaide, Brisbane and Perth. The additional funding comprises \$4.8m over three years from 2003-04 for expenses and \$4.4m over three years from 2002-03 for capital.

The additional machines will enable greater interception of illegal goods entering Australia by increasing the number of cargo inspections.

Enhanced Coastwatch communications capability

The Government will provide additional funding of \$8.1m over four years to upgrade the communications capability of Coastwatch. These funds will enable inter-operability of communications equipment with existing air and surface assets and facilitate secure and reliable communications with surveillance command and control centres.

A system utilising the Inmarsat satellite constellation is designed to provide multi-channel capability to provide sufficient bandwidth to facilitate the transmission of reasonable quality imagery in real time and the transmission of high quality imagery in near real time within Customs' current operational area and potential operational areas. In broad terms that is within the Australian Exclusive Economic Zone (AEEZ) extending from the west of Cocos Island to as far east as Vanuatu, north to the Indonesian border, north east into PNG and the AEEZ south of Tasmania. The measure would allow the National Surveillance Centre and mobile command centers to analyse a situation in real-time, and enhance decision making processes in complex situations.

Additional funding to address unauthorised arrivals

In 2001-02 the Government provided additional funding of \$23.6m (comprises \$22.9m for expenses and \$0.7m for capital) to increase Coastwatch surveillance and response capability and to establish a Customs function on Christmas Island. This funding was provided as part of a cross-portfolio measure to address unauthorised arrivals.

DISCUSSION OF RESOURCES FOR THE CUSTOMS OUTCOME

Customs has an administered expense which contributes to the Customs outcome – Australia's contribution to the World Customs Organisation (\$0.280m in 2002–03).

The total price of Customs' outputs increased by \$29.207m in 2002–03. The main reasons for the increase relate to doubling of National Marine Unit crew (\$14.800m) affecting outputs 2 and 3, and extra resources relating to increased Coastwatch surveillance (\$9.500m) affecting output 3. Other major initiatives which do not have direct resource implications but which have also increased the price of outputs include: improved data access for Border control agencies (\$6.600m) affecting output 2, development of high frequency surface wave radar (\$3.000m) affecting output 3 and enhancements to Coastwatch communications capabilities (\$2.000m) also affecting output 3.

OUTCOME 1 - RESOURCING

Table 2.1.1 shows how the 2002–03 appropriations translate to total resourcing for Customs for outcome 1: revenue from government (appropriations), revenue from other sources and the total price of the outputs.

Table 2.1.1: Total resources for outcome 1 (\$'000)

	Estimated Actual 2001–02 (\$'000)	Budget Estimate 2002–03 (\$'000)
ADMINISTERED APPROPRIATIONS		
Word Customs Organisation contribution		
Total administered appropriations	273	280
DEPARTMENTAL APPROPRIATIONS		
Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	253,505	256,007
Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements	79,299	88,781
Output 3: Civil maritime surveillance and response	61,443	71,110
Output 4: Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	106,875	112,094
Output 5: Anti-dumping and countervailing administration	6,727	7,166
Total revenue from government (appropriations) contributing to price of departmental outputs	507,849 70.0%	535,158 70.9%
REVENUE FROM OTHER SOURCES		
Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	2,659	2,482
Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements	3,919	3,770
Output 3: Civil Maritime Surveillance and Response	169,670	172,427
Output 4: Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	41,150	40,617
Output 5: Anti-dumping and countervailing administration	-	-
Total revenue from other sources	217,398	219,296
Total price of departmental outputs (Total revenue from government and other sources)	725,247	754,454
Total estimated resourcing for outcome 1 (Total price of outputs and administered expenses)	725,520	754,734
AVERAGE STAFFING LEVEL	4,561	4,707

OUTCOME 1 — PERFORMANCE INFORMATION

Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports

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

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

Prohibited and restricted items include illicit drugs, weapons, pornography, unsafe products, therapeutic goods, wildlife, quarantine items and intellectual property rights breaches.

This output also covers the investigation and prosecution of non-narcotic prohibited import and export offences.

Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements

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

Also covered in this output is aerial and marine surveillance/response for specific operations related to illegal movement of people across the border.

Output 3: Civil maritime surveillance and response

This output covers the provision of air and marine based civil surveillance and response services to a number of Government agencies. The aim of the output is to detect, report and respond to potential or actual non-compliance with relevant laws in coastal and offshore regions. Specific surveillance and response operations related to prohibited imports or illegal people movements are covered under outputs 1 and 2.

Output 4: Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics

In order to administer Customs duty and indirect taxes this output covers processing of:

- all imported and exported cargo and mail; and
- items entering and leaving Australia with passengers and crew.

Related activity covered under this output includes:

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

This output also includes:

- Customs-related revenue collections associated with craft movements, and collection of the Passenger Movement Charge;
- processing and compliance activity related to imported and exported goods, in order to collect and validate import and export statistics;
- the assessment and collection of GST, LCT and WET; and
- administration of the TRS.

Output 5: Anti-dumping and countervailing administration

This output covers the investigation of dumping and countervailing complaints, the determination, implementation and review of appropriate measures. It also covers the provision of advice to industry and foreign governments, and maintenance of Australia's policy and legislative framework for anti-dumping and countervailing; advice to Government and representation of Australia's interests in the WTO, in relation to anti-dumping rules and practice; and expert participation (as resources permit) on WTO dispute panels.

Table 2.2.1 provides information on the strategies chosen to deliver outcome 1, and shows the links between the outputs and the outcome.

Table 2.2.1 Performance information for outcome 1

Effectiveness - Overall achievement of the outcome	
Minimum disruption to legitimate trade and travel	
Cargo Facilitation	Proportion of electronically lodged entries where an authority to deal is transmitted within 15 minutes of receipt of entry payment and finalisation of entry details Target: 97%
Passenger Facilitation	National proportion of arriving international passengers processed through the entry control point within 30 minutes of joining the queue Target: 95%
Prevent illegal movement across the border	
Trends in the number and weight of drug seizures Trends in number of detection's and/or seizures of other prohibited imports and exports	The number and weight of drug seizures, other detections of prohibited imports and exports and vessels cannot be estimated through any reliable statistical or other method but actual levels achieved will be reported in the Annual Report
Undetected vessels subsequently found to have breached the Australian border	No target is set but actual levels will be reported in the Annual Report
Raise revenue	
Significant revenues collected (Including Customs Duty, GST collected and Passenger Movement Charge)	Forecast: \$7,160m (net of GST deferred)

Table 2.2.1 Performance information for outcome 1 (continued)

Performance Information for Agency Outputs			
Output Group	Quality/Quantity	Target/Forecast	
Output 1 Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports.	Facilitate movement of goods Quality Proportion of electronically lodged entries where an authority to deal is transmitted within 15 minutes of receipt of entry payment and finalisation of entry details Electronic cargo systems – availability to Customs clients (availability against typical work day) Rates of appeal against decisions where the original decision by Customs is over-turned Quantity Number of imported air waybills reported Number of imported sea cargo manifest lines reported Number of export entries lodged Interception of prohibited/restricted goods Quality Weight and number of drug seizures by significance of offence Weight of drug seizures by mode of importation Number of detections and/or seizures of other prohibited imports Price: \$258.489 million	97% Air cargo automation 99.7% Sea cargo automation 99.7% * Forecast 4,180,000 Forecast 1,465,000 Forecast 1,500,000 * * *	
	Output 2 Facilitation of the legitimate movement of people across the border, while identifying illegal movements.	Facilitate legitimate movement of people Quality Proportion of arriving international air passengers processed through the Entry Control Point within 30 minutes Percentage of arriving passengers processed via advance passenger clearance processes Quantity Number of international passengers Number of international crew Prevent illegal movements across the border Quality Number of air passenger referrals to Immigration and Health Number of suspected unlawful non-citizens (SUNCs) intercepted by sea (including ships' crew) Price \$92.551 million	95% 70% Arrivals 9,265,000 Departures 9,159,000 Arrivals 834,200 Departures 850,300 * *

Table 2.2.1 Performance information for outcome 1 (continued)

Output Group	Quality/Quantity	Target/Forecast
Output 3 Civil maritime surveillance and response	Quality Number of apprehensions of Suspect Illegal Entry Vessels (SIEVs) Number of apprehensions of Foreign Fishing Vessels (FFVs) Quantity Aerial surveillance coverage Square nautical miles patrolled Coastwatch sorties flown Aerial Surveillance Flying Hours RAAF P3 Orion hours Marine surveillance coverage Number of Fremantle Class Patrol Boat days Number of vessel sea days for Customs ocean-going vessels greater than 12 metres Price: \$243.537 million	* * 155,000,000 * 21,850 hours 250 hours 1,800/annum 2,400
Output 4 Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	Collection of revenue Quality Electronic systems availability to Customs clients (availability as a proportion of prime time) Number of external appeals against decisions; Granting of TCO Eligibility for 4th Schedule By-law Average number of unacquitted export clearance numbers at the end of the month Quality Significant revenues collected (Including Customs Duty, GST collected and Passenger Movement Charge) Number of customs import entries lodged Number of drawback applications Number of refund application Number of export entries lodged Number of air cargo screened free consignments Major duty concessions: Tariff Concession Scheme Cheese and Curd	COMPILE, EDIFICE, EXIT and TAPIN 99% 5-10 1-6 3,000 Forecast \$7 160 million (net of GST deferred) Forecast Electronic 2,900,000 Forecast Manual 17,000 Forecast 10,000-12,000 Forecast 27,000 Forecast 1,500,000 Forecast 1,700,000 Forecast \$390-\$440m Forecast \$9.0m

Table 2.2.1 Performance information for outcome 1 (continued)

Output Group	Quality/Quantity	Target/Forecast
	<p>Revenue compliance verification</p> <p>Quality</p> <p>Revenue and compliance assurance activity:</p> <p>Imports – Total Customs value subject to compliance activity as a proportion of total Customs value reported.</p> <p>Exports – Total FOB subject to compliance activity as a proportion of total FOB reported</p>	<p>10%</p> <p>10%</p>
	<p>Proportion of drawback and refunds delivered in accordance with standards</p> <p>Proportion of concessional arrangements for importers and exporters delivered in accordance with standards</p> <p>Average number of unacquitted export clearance numbers at the end of each month</p> <p>Number of fraud/evasion cases adopted for prosecution</p> <p>Quantity</p> <p>Revenue adjustments</p> <p>Recoveries</p> <p>Refunds</p> <p>Number of fraud/evasion cases adopted for investigation</p> <p>Price \$152.711 million</p>	<p>Drawbacks 90%</p> <p>Refunds 100%</p> <p>100%</p> <p>3,000</p> <p>18 - 25</p> <p>*</p> <p>*</p> <p>85-110</p>
<p>Output 5</p> <p>Anti-dumping and countervailing administration</p>	<p>Quality</p> <p>Proportion of anti-dumping/countervailing cases and reviews completed within 155 days</p> <p>Quantity</p> <p>Number of anti-dumping/countervailing</p> <p>New cases</p> <p>Reviews initiated</p> <p>Cases terminated</p> <p>Cases withdrawn</p> <p>Cases rejected</p> <p>Appeals to the Federal Court</p> <p>Price: \$7.166 million</p>	<p>100%</p> <p>#</p>

* Performance cannot be forecast through any reliable statistical or other method. Actual Results will be reported in the Annual Report.

Workloads against these measures cannot be anticipated as they are dependent on international trends/economic circumstances beyond Customs’ control. Actual figures will be provided in the Annual Report.

Table 2.2.1, above, lists the performance information that Customs will use to assess the level of achievement of the Customs outcome during 2002–03. The table also shows the efficiency of the outputs in contributing to the Customs outcome.

Information shown is both quantitative and qualitative. Targets for effectiveness, have been included where they are applicable and appropriate for performance information for the Customs outcome. In some instances target performance, such as for drug seizures and air passenger referrals to immigration and health, etc, cannot be estimated through any reliable statistical or other method. Where possible actual performance for such indicators will be published in the Annual Report.

EVALUATIONS

Customs undertakes a number of evaluation activities including internal audits, internal and external surveys, and regular review of performance information. Results are published in the Annual Report, whole of government reports, formal survey reports and in Customs statistical bulleting called *Customs Figures*.

The internal audit program will include performance audits, which examine internal outcomes and inputs, as well as the regular compliance audits. In addition there is provision for evaluations specifically requested by management each year.

As part of the Customs National Survey Program, the organisation undertakes a program of external evaluation and review. The program includes surveys of passengers, industry clients and staff; organisational self-assessment against the Australian Business Excellence Framework; and collection and analysis of complaints and compliments data. Customs also participates in international benchmarking programs as an additional means of evaluating performance against specific areas of the business.

Customs also evaluates its performance on an ongoing basis through analysis of performance information articulated in the Corporate Plan. This includes the reporting of critical performance measures in a monthly Executive Management Report.

COMPETITIVE TENDERING AND CONTRACTING

Government policy on competitive tendering and contracting requires Customs to market test relevant activities and services, starting with corporate services. Customs commenced a market testing program for corporate services during 2000–01.

Customs is continuing to carefully assess opportunities to use competitive tendering and contracting in other areas to support its business objectives. A market test commenced during 2000–01 for the transport, unpacking and repacking of containerised cargo. This manual handling and transport work supports the more specialised Customs examination function. The scope of the market test has been expanded to reflect the planned installation of container x-ray and examination facilities in major ports. Tenders for this market test were released in April 2002, with responses required by May 2002.

Customs conducted a competitive tendering and contracting process for a range of recruitment services during 2000–01. This arose from initiatives to improve market reach and applicant selection particularly for base level and specialist recruitment, and followed the closure during 2000 of Recruitment Services Australia, which had previously provided some recruitment services to Customs. Implementation of outcomes from this tender process commenced in early 2002.

In late 2001, tenders were invited for the sourcing and distribution of staff uniforms and corporate clothing activities performed by Customs National Uniform Store. Assessment of tenders have been completed and it has been decided to retain the Uniforms Store in-house. Expressions of interest were invited during 2001 for Pay and Accounts Processing and Records Management, Mail and Distribution services. It has been decided not to proceed to invite tenders on Pay and Accounts Processing. Further work on standardising Records Management services is being undertaken before proceeding to the next stage of this market test.

Section 3: Budgeted Financial Statements

Table 3.1: Budgeted Departmental Statement of Financial Performance for the period ended 30 June

	Note	Estimated Actual 2001–02 \$'000	Budget Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000
Revenues from ordinary activities						
Revenue from government	1	507,849	535,158	560,028	586,085	602,392
Sales of goods and services		72,443	72,795	73,307	74,698	76,115
Interest		3,500	2,500	2,500	2,500	2,500
RRFOC		141,455	144,001	146,593	149,232	151,920
Total revenues from ordinary activities		725,247	754,454	782,428	812,515	832,927
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	2	293,894	320,408	330,363	338,152	353,036
Suppliers	3	369,323	391,039	402,682	420,658	425,640
Depreciation and amortisation		21,413	23,287	29,802	34,141	34,537
Net losses from sale of assets		3,066	2,035	1,372	-	-
Total expenses from ordinary activities (excluding borrowing costs expense)		687,696	736,769	764,219	792,951	813,213
Borrowing cost expense		1,173	885	595	284	38
Net surplus or (deficit) from ordinary activities		36,378	16,800	17,614	19,280	19,676
Gain or loss on extraordinary items		-	-	-	-	-
Net surplus or (deficit)		36,378	16,800	17,614	19,280	19,676
Capital use charge		15,973	16,800	17,614	19,280	19,676
Net surplus or (deficit) after capital use charge		20,405	-	-	-	-

**Table 3.2: Budgeted Departmental Statement of Financial Position
as at 30 June**

	Estimated Actual 2001–02 \$'000	Budget Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000
Note					
ASSETS					
Financial assets					
Cash	85,075	63,187	86,159	95,304	103,907
Receivables	12,950	12,976	12,970	12,970	12,970
Total financial assets	98,025	76,163	99,129	108,274	116,877
Non-financial assets					
Land and buildings	12,595	13,246	13,873	13,823	13,562
Infrastructure, plant and equipment	4 101,257	94,812	89,655	85,040	76,740
Inventories	2,084	2,084	2,084	2,084	2,084
Intangibles	5 10,376	36,875	40,141	40,141	40,141
Other	30,000	46,000	46,000	46,000	46,000
Total non-financial assets	156,312	193,017	191,753	187,088	178,527
Total assets	254,337	269,180	290,882	295,362	295,404
LIABILITIES					
Debt					
Leases	17,323	12,770	7,928	2,775	-
Total debt	17,323	12,770	7,928	2,775	-
Provisions and payables					
Employees	85,114	92,362	99,741	101,536	101,536
Suppliers	6,647	6,674	6,667	6,667	6,667
Other	529	529	529	529	529
Total provisions and payables	92,290	99,565	106,937	108,732	108,732
Total liabilities	109,613	112,335	114,865	111,507	108,732
EQUITY					
Capital	77,988	90,109	109,281	117,119	119,936
Reserves	21,756	21,247	20,904	20,904	20,904
Accumulated surpluses or deficits	44,980	45,489	45,832	45,832	45,832
Total equity	144,724	156,845	176,017	183,855	186,672
Liabilities and equity	254,337	269,180	290,882	295,362	295,404

**Table 3.3: Budgeted Departmental Statement of Cash Flows
for the period ended 30 June**

	Estimated Actual 2001–02 \$'000	Budget Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	507,849	535,158	560,028	586,085	602,392
Sales of goods and services	58,376	65,489	65,982	67,228	68,504
Interest	3,500	2,500	2,500	2,500	2,500
Other	9,208	7,280	7,331	7,470	7,611
Total cash received	578,933	610,427	635,841	663,283	681,007
Cash used					
Employees	291,726	313,160	322,984	336,357	353,036
Suppliers	213,524	224,553	232,815	246,751	248,837
Interest	38	38	38	38	38
Other	20,715	22,458	23,281	24,675	24,884
Total cash used	526,003	560,209	579,118	607,821	626,795
Net cash from operating activities	52,930	50,218	56,723	55,462	54,212
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	26,602	62,027	29,910	29,476	25,976
Total cash used	26,602	62,027	29,910	29,476	25,976
Net cash from investing activities	(26,602)	(62,027)	(29,910)	(29,476)	(25,976)
FINANCIAL ACTIVITIES					
Cash received					
Capital injection	11,778	12,121	19,172	7,838	2,817
Total cash received	11,778	12,121	19,172	7,838	2,817
Cash used					
Repayments of debt	4,267	5,400	5,399	5,399	2,775
Capital use and dividends paid	14,977	16,800	17,614	19,280	19,675
Total cash used	19,244	22,200	23,013	24,679	22,450
Net cash from financing activities	(7,466)	(10,079)	(3,841)	(16,841)	(19,633)
Net increase in cash held	18,862	(21,888)	22,972	9,145	8,603
Cash at the beginning of the reporting period	66,213	85,075	63,187	86,159	95,304
Cash at the end of the reporting period	85,075	63,187	86,159	95,304	103,907

Table 3.4: Departmental Capital Budget Statement

	Estimated Actual 2001–02 \$'000	Budget Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	11,778	12,121	19,172	7,838	2,817
Represented by:					
Purchase of non-financial assets	7,392	8,000	15,300	4,200	-
Other	4,386	4,121	3,872	3,638	2,817
Total	11,778	12,121	19,172	7,838	2,817
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	7,392	8,000	15,300	4,200	-
Funded internally by departmental resources	42,199	38,027	14,610	25,276	25,976
Total	49,591	46,027	29,910	29,476	25,976

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget Year 2002–03)

	Land	Buildings	Total land and buildings	Other infrastructure plant and equipment	Total infrastructure plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of year	4,354	8,241	12,595	101,257	101,257	10,376	124,228
Additions	-	885	885	14,076	14,076	31,066	46,027
Disposals	-	-	-	7,359	7,359	-	7,359
Revaluation increments	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-
Depreciation/amortisation expenses	-	234	234	13,162	13,162	4,567	17,963
Write-off of assets	-	-	-	-	-	-	-
Carrying amount at the end of year	4,354	8,892	13,246	94,812	94,812	36,875	144,933
Total Additions	-	885	885	14,076	14,076	31,066	46,027
Self funded	-	885	885	6,076	6,076	31,066	38,027
Appropriations	-	-	-	8,000	8,000	-	8,000
Total	4,354	8,892	13,246	94,812	94,812	36,875	144,933

Table 3.7: Note of Budgeted Revenues and Expenses Administered on Behalf of the Government for the period ended 30 June

	Estimated Actual 2001–02 \$'000	Budget Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000
REVENUES					
Taxation					
Customs Duty	4,600,000	4,690,000	5,100,000	5,250,000	5,580,000
Other taxes, fees and fines	-	-	-	-	-
Total taxation	4,600,000	4,690,000	5,100,000	5,250,000	5,580,000
Non-taxation					
Sales of goods and services	362,929	379,873	398,523	423,104	446,245
Other	308	-	-	-	-
Total non-taxation	363,237	379,873	398,523	423,104	446,245
Total revenues administered on behalf of the Government	4,963,237	5,069,873	5,498,523	5,673,104	6,026,245
EXPENSES					
Suppliers					
Other	273	280	280	280	280
Total expenses administered on behalf of the Government	273	280	280	280	280
Extraordinary items	-	-	-	-	-

Table 3.8: Note of Budgeted Assets and Liabilities Administered on Behalf of the Government as at 30 June

	Estimated Actual 2001-02 \$'000	Budget Estimate 2002-03 \$'000	Forward Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000
ASSETS					
Financial assets					
Cash	-	-	-	-	-
Receivables	109,798	109,798	109,798	109,798	109,798
Total financial assets	109,798	109,798	109,798	109,798	109,798
Non-financial assets					
Other	361	361	361	361	361
Total non-financial assets	361	361	361	361	361
Total assets administered on behalf of the Government	110,159	110,159	110,159	110,159	110,159
LIABILITIES					
Debt					
Other	-	-	-	-	-
Total debt	-	-	-	-	-
Provisions and payables					
Other	31,326	31,326	31,326	31,326	31,326
Total provisions and payables	31,326	31,326	31,326	31,326	31,326
Total liabilities administered on behalf of the Government	31,326	31,326	31,326	31,326	31,326

**Table 3.9: Note of Budgeted Administered Cash Flows
for the period ended 30 June**

	Estimated Actual 2001–02 \$'000	Budget Estimate 2002–03 \$'000	Forward Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000
OPERATING ACTIVITIES					
Cash received					
Customs Duty	4,600,000	4,690,000	5,100,000	5,250,000	5,580,000
Sale of goods and services	362,929	379,873	398,523	423,104	446,245
Cash from Official Public Account	330,120	296,419	301,245	306,172	311,202
Other	308	-	-	-	-
Total cash received	5,293,357	5,366,292	5,799,768	5,979,276	6,337,447
Cash used					
Suppliers	273	280	280	280	280
Other	-	-	-	-	-
Cash to Official Public Account	5,293,084	5,366,012	5,799,488	5,978,996	6,337,167
Total cash used	5,293,357	5,366,292	5,799,768	5,979,276	6,337,447
Net cash from operating activities	-	-	-	-	-
Net increase in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	-	-	-	-	-
Cash at the end of the reporting period	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

Departmental

1. The net increase in appropriations in 2002–03 is due to:
 - additional funding provided as part of *Protecting our Borders* election commitment (\$29.3m);
 - additional resourcing provided to border control agencies to improve data access as part of counter terrorism measures (\$6.6m); and,
 - parameter adjustments and re-calculation of Capital Use Charge.
2. Employee expenses increased largely due to the implementation of resources as part of *Protecting our Borders* election commitment.
3. Supplier expenses increased due to the implementation of resources as part of *Protecting our Borders* election commitment.
4. Refer to Asset Movement Summary, Table 3.5.
5. Refer to Asset Movement Summary, Table 3.5.

Cross agency overview

In 2002–03 Customs will have cross agency arrangements with the ATO, DIMIA, and the Australia Quarantine and Inspection Service (AQIS).

Customs will continue its arrangement with the ATO, as part of ANTS, to administer the TRS and provide a range of services related to the GST, WET and LCT on imported and exported goods.

Customs also provides a contribution to AQIS controls through screening and examination procedures for passengers and air cargo plus postal articles which has been increased as a result of Increased Quarantine Intervention (IQI). Investigation and prosecution of quarantine offences by passengers is handled by Customs. Customs also provides to AQIS a collection service for AQIS cost recovery charges imposed on all House Airway Bills and cargo reports.

Resourcing

Resourcing for these cross agency arrangements is provided through the government appropriation to the ATO, DIMIA, and AQIS. The resources required for the provision of these services in 2002–03 will be \$66.3m.

Performance against outcomes and outputs

Refer to Table 2.2.1

APPENDIX 1

Receipts from Independent Sources

	Estimated Revenue 2001–02 \$'000	Estimated Revenue 2002–03 \$'000
DEPARTMENTAL REVENUE		
Resources received free of charge	141,455	144,001
Sales of goods and services	72,443	72,795
Interest	3,500	2,500
Total Estimated Departmental Revenue	217,398	219,296
ADMINISTERED REVENUE		
Customs Duty	4,600,000	4,690,000
Sales of goods and services	363,237	379,873
Total Estimated Administered Revenue	4,963,237	5,069,873
Total Estimated Revenue	5,180,635	5,289,169

APPENDIX 2**Estimates of Expenses from Special Appropriations**

	Estimated Expenses 2001-02 \$'000	Estimated Expenses 2002-03 \$'000
Customs Duty rebate	330,120	296,419
Total Estimated Expenses	330,120	296,419