

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. 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 movement of goods and people into and out of Australia. In addition, Customs protects Australia's revenue base through effective collection of revenue and the administration of certain Government industry schemes and trade measures.

In 2003-04, Customs will continue to support the Government priorities relating to counter-terrorism and security arrangements and *Protecting our Borders*. Counter-terrorism measures approved in the 2002-03 budget and additional estimates will continue, along with several internal initiatives undertaken to assist the Government deliver counter-terrorism control.

In addition to its maritime presence in northern Australia, the Government has approved funding for Customs to begin patrolling Australia's Southern Oceans. In association with the Department of Agriculture, Fisheries and Forestry, Customs will develop a surveillance and enforcement programme to provide for the protection of Australia's Southern Ocean waters and resources. Ongoing funding for a programme with long-term capability will be considered in the 2004-05 budget.

Customs has implemented shipping container examination facilities (CEF) into the ports of Melbourne, Sydney and Brisbane. A similar facility will be in operation in the port of Fremantle by the end of 2003. This initiative uses advanced x-ray screening technology enabling Customs to significantly increase its sea cargo inspection rates to around 80,000 containers per year, or around five percent of total loaded import containers across these ports. This increased examination capacity is a core element of Australia's heightened border protection strategy under the Government's *Tough on Drugs* and *Protecting our Borders* policies. 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 AND RESOURCING

The total appropriation for Customs in the 2003-04 Budget is \$908.850m. Table 1.1 shows appropriations (2003-04) and other revenue by outcome.

ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

Customs will receive an equity injection of \$20.489m for the marine vessels finance lease (\$3.872m), purchase of container x-ray machines (\$4.800m), purchase of pallet x-ray machines (\$1.200m), purchases associated with improved data access for border control agencies (\$9.300m), purchases associated with fraudulent document detection readers (\$0.750m) and purchases associated with the surveillance and enforcement programme to provide for the protection of Australia's Southern Ocean waters and resources (\$0.567m).

AUSTRALIAN CUSTOMS SERVICE — APPROPRIATIONS 2003–04

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 Appropriations	Total Administered Appropriations	
	Bill No. 1 (A)	Special approps (B)	Total (C = A+B)	(D)	(E = C+D)	Bill No. 1 (F)	Bill No. 2 (SPPs & NAOs) (G)	(H)	(I = F+G+H)	
Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics	586,836	-	586,836 72.1%	227,628	814,464	280	-	301,245	301,525	888,361
Total	586,836	-	586,836	227,628	814,464	280	-	301,245	301,525	888,361
Departmental capital (equity injections and loans)										20,489
Administered capital										-
Total Appropriations										908,850

- Columns C, E and F refer to information provided in Total Resources for Outcome tables – Table 2.1.1.
- Under the Appropriation structure, Bill No. 2 includes Specific Purpose Payments (SPP's), New Agency Outcomes (NAO's), administered capital and departmental capital via departmental injections and loans.
- Refer to Budgeted Statement of Financial Performance for application of agency revenue.
- Revenue from other sources includes other revenue from government (for example, resources received free of charge) and revenue from other sources. Non-appropriated departmental and administrative revenues are details in Table 1.3.
- Estimated expenses from individual Special Appropriations are shown in Table 1.4.

MEASURES — AUSTRALIAN CUSTOMS SERVICE SUMMARY

Table 1.2.1: Summary of expense measures disclosed in the 2003–04 Budget

Measure	Outcome	Outputs affected	Appropriations Budget 2003–04 (\$'000)			Appropriations Forward Estimate 2004–05 (\$'000)			Appropriations Forward Estimate 2005–06 (\$'000)			Appropriations Forward Estimate 2006–07 (\$'000)		
			Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total	Admin expenses	Dept outputs	Total
A Safer Australia - Increased use of x-ray facilities for shipping container inspections (1)	1	1 & 2	-	16,300	16,300	-	16,300	16,300	-	16,300	16,300	-	-	-
Australia's Southern Ocean – surveillance and enforcement program *	1	2 & 3	-	9,600	9,600	-	-	-	-	-	-	-	-	-
Melbourne Airport – additional quarantine infrastructure	1	1 & 2	-	(3,850)	(3,850)	-	-	-	-	-	-	-	-	-
Total			-	22,050	22,050	-	16,300	16,300	-	16,300	16,300	-	-	-

* The figures in the table for this measure include funding for depreciation.

1. \$7.1m received for Increased use of container x-ray facilities in 2002–03.

Capital measures

\$0.567m in 2003–04 associated with Surveillance and enforcement programme to provide for the protection of Australia's Southern Ocean waters and resources.

MEASURES — AUSTRALIAN CUSTOMS SERVICE SUMMARY

Table 1.2.2: Summary of revenue measures disclosed in the 2003–04 Budget

Measure	Outcome	Outputs affected	Budget 2003–04 (\$'000)			Forward Estimate 2004–05 (\$'000)			Forward Estimate 2005–06 (\$'000)			Forward Estimate 2006–07 (\$'000)		
			Admin revenue	Dept outputs	Total	Admin revenue	Dept outputs	Total	Admin revenue	Dept outputs	Total	Admin revenue	Dept outputs	Total
Passenger motor vehicle and automotive components – reduction in tariff rate	1		-	-	-	-	-	-	-	-	-	-	-	-
A Safer Australia – cost recovery for x-ray facilities for shipping container inspections	1	-	16,300	-	16,300	16,300	-	16,300	16,300	-	16,300	-	-	-
Singapore-Australia Free Trade Agreement – reduced tariffs	1	-	(30,000)	-	(30,000)	(30,000)	-	(30,000)	(35,000)	-	(35,000)	(35,000)	-	(35,000)
Chemical paraquat dichloride – removal of import duty	1	-	(500)	-	(500)	(500)	-	(500)	(500)	-	(500)	(500)	-	(500)
Total		-	(14,200)	-	(14,200)	(14,200)	-	(14,200)	(19,200)	-	(19,200)	(35,500)	-	(35,500)

RECEIPTS FROM INDEPENDENT SOURCES

Table 1.3: Receipts from independent sources

	Estimated Revenue 2002–03 \$'000	Estimated Revenue 2003–04 \$'000
DEPARTMENTAL REVENUE		
Resources received free of charge	154,001	156,593
Sales of goods and services	70,523	71,035
Interest	500	-
Total Estimated Departmental Revenue	225,024	227,628
ADMINISTERED REVENUE		
Customs Duty	5,060,000	5,350,000
Sales of goods and services	301,731	307,960
Cost recovery revenue	103,671	114,996
Total Estimated Administered Revenue	5,465,402	5,772,956
Total Estimated Revenue	5,690,426	6,000,584

Refer to Section 4, page 352, for a summary of Custom's Cost Recovery Impact Statement.

SPECIAL APPROPRIATIONS

Table 1.4: Estimates of expenses from special appropriations

	Outcome affected	Estimated Expenses 2002–03 \$'000	Estimated Expenses 2003–04 \$'000
Customs Duty rebate	Outcome 1	296,419	301,245
Total estimated expense		296,419	301,245

SPECIAL ACCOUNTS

Table 1.5: Estimates of special account flows and balances

Estimated Special Account Flows and Balances	Estimate - 2003-04, Heavy Figures Actual - 2002-03, Light figures			
	Opening Balance 2003-04 2002-03 \$'000	Receipts 2003-04 2002-03 \$'000	Payments 2003-04 2002-03 \$'000	Closing Balance 2003-04 2002-03 \$'000
Other Trust Monies Reserve (Australians Customs Service) – <i>Financial Management & Accountability Act 1997; s20</i>	7,090 6,441*	1,068 1,182	883 533	7,275 7,090
Tradegate Fees Reserve (Australian Customs Service) - <i>Financial Management & Accountability Act 1997; s20</i>	284 202*	10,604 9,926	10,549 9,844	339 284
Security Deposits Reserve (Australian Customs Service) - <i>Financial Management & Accountability Act 1997; s20</i>	8,466 6,194*	8,717 7,586	8,570 5,314	8,613 8,466
Industry Related Systems Development Fund- <i>Financial Management & Accountability Act 1997; s20</i>	2,682 2,549*	354 133	32 -	3,004 2,682
Australian Customs Service Air Express Courier Deposits Reserve - <i>Financial Management & Accountability Act 1997; s20</i>	789 2,019*	9,571 9,736	9,534 10,966	826 789
Services for Other Government and non-Government Bodies Reserve - <i>Financial Management & Accountability Act 1997; s20</i>	- -	- -	- -	- -
Total Special Accounts	19,311 17,405	30,314 28,563	29,568 26,657	20,057 19,311

* The 2002-03 opening balances for all special accounts are actual figures. Receipts, Payments and Closing Balance for 2002-03 are estimated figures.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The Australian Customs Service works to achieve the outcomes specified by Government. The following section provides a departmental overview, and then the outcome is discussed. Map 2 shows the relationship between the outcome and outputs.

Output cost attribution

The general methodology used by the Australian Customs Service to attribute overheads and other expenses between outputs and determine the full price of each output is through the use of an Activity-Based Costing (ABC) model developed by the agency. Approximately 80 percent of Customs' costs can be directly attributed to an output. For the remaining 20 percent, using FTE as the cost driver, the ABC model allocates overhead expenses to outputs on a FTE per output basis.

Map2: Outcomes and output groups

AUSTRALIAN CUSTOMS SERVICE	
Chief Executive Officer : Mr Lionel Woodward AO	
Total price of outputs	\$814.464m
Departmental outcome appropriation	\$586.836m

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

Total price	\$814.464m
Departmental output approp	\$586.836m
Total administered expenses	\$0.280m

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

Total price	\$280.518m
Approp	\$277.198m
Admin Exp	\$0.139m

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

Total price	\$94.098m
Approp	\$92.893m
Admin Exp	\$0.052m

Output 3: Civil Maritime Surveillance and Response

Total price	\$282.805m
Approp	\$98.733m
Admin Exp	\$nil

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

Total price	\$149.606m
Approp	\$110.645m
Admin Exp	\$0.089m

Output 5: Anti-dumping and countervailing administration

Total price	\$7.437m
Approp	\$7.367m
Admin Exp	\$nil

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 2003–04 Budget for outcome 1 are:

- \$56.0m additional resourcing over four years (including \$7.1m for 2002–03) for the Australian Customs Service to cover the cost of increased use of container examination facilities.
- \$10.2m additional resourcing in 2003–04 for the Australian Customs Service (\$9.5m for expenses excluding depreciation, \$0.6m for capital and \$0.1m for depreciation) to begin a surveillance and enforcement programme to provide for the protection of Australia’s Southern Ocean waters and resources.
- \$3.9m appropriation in 2003–04 to be transferred from the Australian Customs Service to the Department of Transport and Regional Services portfolio to fund additional infrastructure at Melbourne Airport for increased quarantine inspections.
- \$130.0m reduction in administered Customs duty revenue over four years as a result of the Singapore-Australia Free Trade Agreement signed on 17 February, 2003.
- \$2.0m reduction in administered Customs duty revenue over four years through the abolition of the five percent tariff on the chemical paraquat dichloride.
- \$56.0m increase in administered Customs duty revenue over four years (including \$7.1m in 2002–03) due to increase in the Import Processing Charge.

A Safer Australia - Increased use of x-ray facilities for shipping container inspections

The Government will provide additional funding of \$56.0m over four years (including \$7.1m in 2002–03) to the Australian Customs Service to fund logistics costs associated with increased presentation and examination of cargo at container x-ray facilities.

See also the related revenue measure titled *A Safer Australia - cost recovery for x-ray facilities for shipping container inspections* below.

This measure affects outputs 1 and 2.

Australia’s Southern Ocean - surveillance and enforcement program

The Government will provide funding of \$10.2m in 2003–04 for the Australian Customs Service (\$9.5m for expenses excluding depreciation, \$0.6m for capital and \$0.1m for depreciation) to continue patrols of the Heard and McDonald Islands

Exclusive Economic Zone (EEZ). These patrols are aimed at the commercial and operational activities of firms engaged in illegal fishing, as well as protecting Australia's sovereign interests and environmental values in the region.

The program is currently under review to determine how successful the activities are in preventing illegal fishing and how they might be made more cost effective. The results of that review will be available prior to the 2004-05 Budget.

This measure affects outputs 2 and 3.

Melbourne Airport - additional quarantine infrastructure

The Government will re-allocate funding of \$7.7m in 2003-04 (\$3.9m from each of the Australian Customs Service and Department of Agriculture, Fisheries and Forestry – which incorporates the Australian Quarantine Inspection Service) to undertake infrastructure works at Melbourne Airport to facilitate increased quarantine intervention. This is part of the Government's \$600m package, announced in the 2001-02 Budget, in response to foot and mouth disease and other quarantine risks. This funding will complete the program of works at international gateway airports.

This affects outputs 1 and 2.

Passenger motor vehicle and automotive components - reduction in tariff rate

From 1 January 2010, the Government will reduce the tariff for passenger motor vehicles (PMVs) and automotive components to five per cent.

On 5 June 1997, the Government announced that tariff rates for PMVs and automotive components would be reduced from 15 per cent to 10 per cent, from 1 January 2005. Under this measure, tariffs will remain at 10 per cent until 31 December 2009.

The measure forms part of the post-2005 assistance package for the automotive industry, which provides \$4.2b over ten years to the industry through the Automotive Competitiveness and Investment Scheme. The package promotes production, investment, and research and development in new and innovative technologies and will foster an increasingly competitive and sustainable automotive industry in Australia.

See also the related expense measure titled *Automotive assistance package post-2005* in the Industry, Tourism and Resources portfolio.

This will affect administered cash transferred to consolidated revenue.

Singapore-Australia Free Trade Agreement - reduced tariffs

On 17 February 2003, the Governments of Australia and Singapore signed the Singapore-Australia Free Trade Agreement (SAFTA). The agreement is expected to come into force in July 2003. As part of the comprehensive agreement, both nations

have agreed to eliminate tariffs on each other's goods, resulting in a reduction in tariff revenue collected.

The SAFTA builds on Australia's strong economic partnership with Singapore and will provide significant benefits to the Australian economy. In addition to eliminating tariffs on goods, the SAFTA establishes a more open, predictable and transparent framework for bilateral trade across a wide range of areas. In particular, Australian service suppliers and investors in sectors such as legal, financial, professional, telecommunications, education and environmental services will be the main beneficiaries.

In addition, the SAFTA is consistent with Australia's Asia-Pacific Economic Cooperation commitment to broader trade and economic reform objectives and is a positive initiative to advance the Bogor goals of free and open trade and investment.

Further details may be found in the Minister for Trade's Press Release of 17 February 2003.

This affects administered cash transferred to consolidated revenue.

Chemical paraquat dichloride - removal of import duty

The Government will remove, with effect from 1 April 2003, the five per cent import duty on the chemical paraquat dichloride with the addition of an emetic. The emetic is a safety agent that induces vomiting if swallowed.

Currently, there is duty-free treatment of paraquat dichloride with safety features such as an anti-dusting, colouring or stenching agent, whereas paraquat dichloride with an emetic attracts a duty rate of five per cent.

This measure will align the tariff treatment of paraquat dichloride with an emetic with the tariff treatment of the chemical with the addition of other safety features.

This affects administered cash transferred to consolidated revenue.

A Safer Australia - cost recovery for x-ray facilities for shipping container inspections

To improve the security of cargo entering Australia, shipping containers moving through Australian ports will be subject to greater security including more x-ray testing. The Import Processing Charge (IPC), payable by industry to recover Customs cargo processing costs, will be increased (by \$14.35 per consignment) to partially fund the movement and presentation of cargo through x-ray examination facilities at ports in Sydney, Melbourne and Brisbane, (and Fremantle when the x-ray examination facility becomes operational).

The increased IPC which took effect on 1 May 2003 is estimated to yield additional revenue of \$56m over four years (including \$7.1m in 2002-03).

See also the related expense measure titled *A Safer Australia - increased use of x-ray facilities for shipping container inspections* above.

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 2003-04).

The total price of Customs’ outputs increased by \$58.663m in 2003-04 (excluding capital use charge). The main reasons for the increase relate to funding for increased use of container x-ray facilities (\$16.300m) affecting outputs 1 and 2, funding for a surveillance and enforcement programme to provide for the protection of Australia’s Southern Ocean waters and resources (\$9.600m) affecting outputs 2 and 3, and implementation of a fraudulent travel document detection system (\$2.250m) affecting outputs 1 and 2. Funding also increased from cost recovery for trade related services (\$3.016m) affecting output 4 and supplementation for increased superannuation contribution rates (\$5.934m) affecting all outputs. Several budget measures from 2002-03 and 2001-02 also increased the price of outputs in 2003-04 (\$22.309m). There was also an increase in sales of goods and services (\$0.512m) and resources received free of charge (\$2.592m) offset by a reduction in revenue from government from a transfer to Transport and Regional Services portfolio (\$3.850m) affecting outputs 1 and 2.

OUTCOME 1 — RESOURCING

Table 2.1.1 shows how the 2003-04 Budget appropriations translate to total resourcing for Customs for outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

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

	Estimated actual 2002–03 (\$'000)	Budget Estimate 2003–04 (\$'000)
ADMINISTERED APPROPRIATIONS		
World Customs Organisation contribution	265	280
Total administered appropriations	265	280
DEPARTMENTAL APPROPRIATIONS		
Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	255,203	277,198
Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements	91,002	92,893
Output 3: Civil maritime surveillance and response	89,534	98,733
Output 4: Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	104,642	110,645
Output 5: Anti-dumping and countervailing administration	7,219	7,367
Total revenue from government (appropriations) contributing to price of departmental outputs	547,600	586,836
Revenue from other sources		
Output 1: Facilitation of the legitimate movement of goods across the border, while intercepting prohibited and restricted imports and exports	3,725	3,320
Output 2: Facilitation of the legitimate movement of people across the border, while identifying illegal movements	1,234	1,205
Output 3: Civil Maritime Surveillance and Response	180,848	184,072
Output 4: Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export statistics	39,124	38,961
Output 5: Anti-dumping and countervailing administration	93	70
Total revenue from other sources	225,024	227,628
Total price of departmental outputs (Total revenue from government and other sources)	772,624	814,464
from Special Accounts (estimated payments from Special Account balances)		
Other Trust Monies Reserve - s20 FMA Act 1997	533	883
TradeGate Fees Reserve – s20 FMA Act 1997	9,844	10,549
Security Deposits Reserve – s20 FMA Act 1997	5,314	8,570
Industry Related System Development Fund – s20 FMA Act 1997	-	32
ACS Air Express Courier Deposits Reserve – s20 FMA Act 1997	10,966	9,534
Services for Other Govt & Non Govt Bodies – s20 FMA Act 1997	-	-
Total Departmental Special Account outflows	26,657	29,568
Total estimated resourcing for outcome 1 (Total price of outputs and administered expenses)	772,889	814,744
Average Staffing Level	4,827	4,685

Note 1. Flows into Special Accounts are also shown in the receipts column of the Special Accounts table in Table 1.5.

Note 2. Special Account outflows are shown in the payments column of the Special Account table in Table 1.5.

Note 3. The Special Account estimates are by way of note only.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

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*

PERFORMANCE INFORMATION FOR OUTCOME 1

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 conducted by the National Marine Unit in relation 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 taxes

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;
- compliance activity associated with these taxes; and
- administration of 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: 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	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
Trends in number of detection’s and/or seizures of other prohibited imports and exports	
Undetected vessels subsequently found to have breached the Australian border	
Raise revenue	
Significant revenues collected (Including Customs Duty, GST collected and Passenger Movement Charge)	Forecast: \$7,994 million (net of GST deferred)

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 <i>Quality</i> 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)	97% Air cargo automation 99.7% Sea cargo automation 99.7%	
	Rates of appeal against decisions where the original decision by Customs is over-turned	*	
	<i>Quantity</i> Number of imported air waybills reported	Forecast 4,400,000	
	Number of imported sea cargo manifest lines reported	Forecast 1,570,000	
	Number of export entries lodged	Forecast 1,310,000	
	Interception of prohibited/restricted goods <i>Quality</i> 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 and exports	*	
	Price: \$280.518 million		
	Output 2 Facilitation of the legitimate movement of people across the border, while identifying illegal movements	Facilitate legitimate movement of people <i>Quality</i> 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	95% 90%
	<i>Quantity</i> Number of international passengers	Arrivals 9,180,000 Departures 9,120,000	
	Number of international crew	Arrivals 780,000 Departures 795,000	
	Prevent illegal movements across the border <i>Quality</i> Number of air passenger referrals to Immigration and Health	* *	
Price \$94.098 million			

Performance Information for Agency Outputs		
Output Group	Quality/Quantity	Target/Forecast
Output 3 Civil maritime surveillance and response	<i>Quality</i> Number of apprehensions of Suspect Illegal Entry Vessels (SIEVs) Number of apprehensions of Foreign Fishing Vessels (FFVs) Number of suspect unlawful non-citizens (SUNCs) intercepted by sea (including ship's crew)	* *
	<i>Quantity</i> Aerial surveillance coverage Square nautical miles patrolled Coastwatch sorties flown	148,000,000 *
	Aerial Surveillance Flying Hours RAAF P3 Orion hours	21,145 hours 250 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	1,800/annum 2,400
	Price: \$282.805 million	
Output 4 Administration of Customs duty and indirect taxes, other border-related revenue collections, and import/export taxes	Collection of revenue <i>Quality</i> 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	COMPILE, EDIFICE, EXIT/ICS System and TAPIN 99% 10 - 15 1 - 5
	<i>Quantity</i> Significant revenues collected (Including Customs Duty, GST collected and Passenger Movement Charge) Number of customs import entries lodged	Forecast \$7,994 million (net of GST deferred) Forecast Electronic 2,975,000 Forecast Manual 19,000
	Number of drawback applications Number of refund application	Forecast 10,000 – 12,000 Forecast 27,000
	Number of air cargo screened free consignments Major duty concessions: Tariff Concession System Cheese and Curd Quota	Forecast 1,710,000 Forecast \$440-\$480 million Forecast \$9-\$11 million

Performance Information for Agency Outputs		
Output Group	Quality/Quantity	Target/Forecast
	<p>Revenue compliance verification</p> <p><i>Quality</i> Revenue and compliance assurance activity: Imports – Total Customs value subject to compliance activity as a proportion of total Customs value reported. Exports – Total FOB subject to compliance activity as a proportion of total FOB reported</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 unaquitted export clearance numbers at the end of each month</p> <p>Number of fraud/evasion cases adopted for prosecution</p> <p><i>Quantity</i> Revenue adjustments Recoveries Refunds</p> <p>Number of fraud/evasion cases adopted for investigation</p> <p>Price \$149.606 million</p>	<p>^</p> <p>^</p> <p>Drawbacks 90% Refunds 100%</p> <p>100%</p> <p>3,000</p> <p>18 - 25</p> <p>*</p> <p>*</p> <p>55 - 75</p>
<p>Output 5 Anti-dumping and countervailing administration</p>	<p><i>Quality</i> Proportion of anti-dumping/countervailing cases and reviews completed within 155 days</p> <p>Cases Reviews</p> <p><i>Quantity</i> Number of anti-dumping/countervailing cases Carried forward from 2002–03 Initiated Withdrawn/terminated Concluded (approved by Minister) Carries forward to 2004–05</p> <p>Number of antidumping/countervailing reviews Carried forward from 2002–03 Initiated Withdrawn/terminated Concluded (approved by Minister) Carries forward to 2004–05</p> <p>Appeals to Federal Court</p> <p>Price: \$7.437 million</p>	<p>100%</p> <p>100%</p> <p>100%</p> <p>#</p> <p>#</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.

^ Customs is implementing the Commercial Assurance Program in 2003–04. As a result performance cannot be forecast through any reliable method. Actual figures will be provided in the Annual Report.

EVALUATIONS

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

Section 3: Budgeted financial statements

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

Departmental

Statement of Financial Performance

The agency is budgeting for an expected loss in 2002–03 of \$3.9m. This mainly relates to accounting treatment of Unauthorised Boat Arrivals funding. Revenue for this was received in 2001–02 but was not expensed until 2002–03.

Australian Customs Service

Total revenue is estimated to be \$814.464m in 2003–04, an increase of \$58.7m from 2002–03. (Excluding capital use charge). The increase is primarily the result of:

- the funding impact of new measures in 2003–04: increased use of container x-ray facilities (\$16.3m), surveillance and enforcement program to provide for the protection of Australia's Southern Ocean waters and resources (\$9.6m) and fraudulent travel document detection systems (\$2.25m). Off-setting these increases is a transfer to Transport and Regional Services Portfolio (\$3.85m).
- other approved new funding in 2003–04: cost recovery for trade related services (\$3.016m) and supplementation for superannuation rate increases (\$5.934m).
- the funding impact of past budget measures and decisions (\$22.3m).
- previously agreed inter-agency increases to sales of goods and services (S31 agreements) and resources received free of charge (\$3.1m).

Total expenses is estimated to be \$814.464m in 2003–04. The increase is primarily the result of expense impacts of the points listed above.

Statement of Financial Position

The agency's net asset position for 2003–04 is estimated to be \$172.484m. This will be an increase of \$20.5m from 2002–03. The increase will be primarily attributable to equity injections for the marine vessels finance lease (\$3.872m), purchase of container x-ray machines (\$4.800m), purchase of pallet x-ray machines (\$1.200m), purchases associated with improved data access for border control agencies (\$9.300m), purchases associated with fraudulent document detection systems (\$0.750m) and purchases associated with the surveillance and enforcement programme to provide for the protection of Australia's Southern Ocean waters and resources (\$0.567m).

The above increase in assets is off-set by an increase in accrued employee entitlements (\$7.379m) mainly due to re-assessment of liabilities by the Commonwealth Actuary.

Administered

Budgeted Revenue and Expenses

The agency will administer the collection of an estimated \$5.651b in gross Customs duty in 2003–04. This is an increase of \$294.811m from 2002–03 and is based on the continued strong performance of the Australian economy where imports are expected to grow at a rate similar to 2002–03 and the Australian dollar maintains a strong rate against the US dollar. In addition, the agency will administer collection of an estimated \$422.956m in other revenue. The bulk of this revenue is comprised of revenue from the Passenger Movement Charge (PMC) collected from international travellers and cost recovery related services. The cost recovery estimate for 2003–04 is an increase of approximately \$18.0m from 2002–03 and is primarily the result of increased revenue from related budget measure: 'increased use of container x-ray facilities' (\$16.3m).

The agency will receive administered appropriation of \$0.280m in 2003–04 to pay for Australia’s contribution to the World Customs Organisation. In addition, \$301.0m will be made available in 2003–04 for the agency through special appropriations to pay for Customs Duty refunds and drawbacks.

Overall, the agency will pay an estimated \$6.074b in revenue to the Consolidated Revenue fund for 2003–04.

Budgeted Assets and Liabilities

Total net administered assets are expected to be \$64.857m in 2002–03. The total net administered assets estimated for 2003–04 is not expected to change from the final position in 2002–03.

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

		Estimated Actual 2002–03 \$'000	Budget Estimate 2003–04 \$'000	Forward Estimate 2004–05 \$'000	Forward Estimate 2005–06 \$'000	Forward Estimate 2006–07 \$'000
	Note					
REVENUE						
Revenues from ordinary activities						
Revenues from government	1	547,600	586,836	610,703	628,281	613,811
Goods and services	2	70,523	71,035	72,426	73,843	73,843
Interest	3	500	-	-	-	-
Other	4	154,001	156,593	159,232	161,920	161,920
Revenues from ordinary activities		772,624	814,464	842,361	864,044	849,574
EXPENSES						
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	5	313,874	326,472	331,398	347,080	347,776
Suppliers	6	413,706	452,832	474,638	480,489	465,361
Depreciation and amortisation		31,172	34,565	36,041	36,437	36,437
Net losses from assets sold		87	-	-	-	-
Expenses from ordinary activities (excluding borrowing costs expense)		758,839	813,869	842,077	864,006	849,574
Borrowing costs expense		885	595	284	38	-
Operating surplus or deficit from ordinary activities		12,900	-	-	-	-
Gain or loss on extraordinary items		-	-	-	-	-
Correction of fundamental error		-	-	-	-	-
Net surplus or deficit		12,900	-	-	-	-
Capital use charge		16,800	-	-	-	-
Net surplus or deficit after CUCe	7	(3,900)	-	-	-	-

*The Capital use Charge will be discontinued from 1 July 2003.

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

		Estimated Actual 2002-03 \$'000	Budget Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000
ASSETS						
Financial assets						
Cash		20,890	27,134	28,179	28,683	28,683
Receivables		12,976	12,970	12,970	12,970	12,970
Total financial assets		33,866	40,104	41,149	41,653	41,653
Non-financial assets						
Land and buildings		42,173	42,800	42,750	42,489	42,489
Infrastructure, plant and equipment	8	98,781	99,291	103,776	109,576	115,576
Inventories		1,194	1,194	1,194	1,194	1,194
Intangibles	9	53,553	63,819	68,819	68,819	68,819
Other	10	47,875	53,253	47,253	41,253	35,253
Total non-financial assets		243,576	260,357	263,792	263,331	263,331
Total assets		277,442	300,461	304,941	304,984	304,984
LIABILITIES						
Debt						
Leases		12,770	7,928	2,775	-	-
Total debt		12,770	7,928	2,775	-	-
Provisions and payables						
Employees	11	97,224	104,603	106,398	106,398	106,398
Suppliers		14,924	14,917	14,917	14,917	14,917
Other		529	529	529	529	529
Total provisions and payables		112,677	120,049	121,844	121,844	121,844
Total liabilities		125,447	127,977	124,619	121,844	121,844
EQUITY						
Capital	12	103,659	124,148	131,986	134,803	134,803
Reserves		19,702	19,702	19,702	19,702	19,702
Accumulated surpluses or deficits		28,634	28,634	28,634	28,635	28,635
Total equity		151,995	172,484	180,322	183,140	183,140
Liabilities and equity		277,442	300,461	304,941	304,984	304,984

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

	Estimated Actual 2002-03 \$'000	Budget Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	569,995	586,836	610,703	628,281	630,111
Sales of goods and services	63,815	71,041	72,426	73,843	73,843
Interest	500	-	-	-	-
GST Refunds	24,123	15,600	15,900	16,188	16,192
Total cash received	658,433	673,477	699,029	718,312	720,146
Cash used					
Employees	307,067	319,093	329,603	347,080	347,776
Suppliers	290,994	312,618	331,767	334,972	336,110
Total cash used	598,061	631,711	661,370	682,052	683,886
Net cash from operating activities	60,372	41,766	37,659	36,260	36,260
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	1,948	-	-	-	-
Total cash received	1,948	-	-	-	-
Cash used					
Purchase of property, plant and equipment	77,130	51,169	39,299	35,798	36,260
Total cash used	77,130	51,169	39,299	35,798	36,260
Net cash from investing activities	(75,182)	(51,169)	(39,299)	(35,798)	(36,260)
FINANCIAL ACTIVITIES					
Cash received					
Capital injection	37,449	20,489	7,838	2,817	-
Total cash received	37,449	20,489	7,838	2,817	-
Cash used					
Repayments of debt	4,553	4,842	5,153	2,775	-
Capital use and dividends paid	15,914	-	-	-	-
Total cash used	20,467	4,842	5,153	2,775	-
Net cash from financing activities	16,982	15,647	2,685	42	-
Net increase in cash held	2,172	6,244	1,045	504	-
Cash at the beginning of the reporting period	18,718	20,890	27,134	28,179	28,683
Cash at the end of the reporting period	20,890	27,134	28,179	28,683	28,683

Table 3.4: Departmental Capital Budget Statement

	Estimate d Actual 2002-03 \$'000	Budget Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	19,071	20,489	7,838	2,817	-
Represented by:					
Purchase of non-financial assets	14,950	16,617	4,200	-	-
Other	4,121	3,872	3,638	2,817	-
Total	19,071	20,489	7,838	2,817	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations	14,950	16,617	4,200	-	-
Funded internally by departmental resources	62,180	30,723	35,099	35 798	36 260
Total	77,130	47,340	39,299	35 798	36 260

Table 3.5: Departmental Non-financial Assets — Summary of Movement (Budget year 2003–04)

	Land	Buildings	Total land and buildings	Other Infrastructure Plant and Equipment	Total infrastructure plant and equipment	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of year	3,787	38,386	42,173	98,781	98,781	53,553	-	194,507
Additions	-	6,883	6,883	21,566	21,566	18,891	-	47,340
Disposals	-	-	-	(1,372)	(1,372)	-	-	(1,372)
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	6,256	6,256	19,684	19,684	8,625	-	34,565
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	3,787	39,013	42,800	99,291	99,291	63,819	-	205,910
Total additions								
Self funded	-	6,883	6,883	14,249	14,249	9,591	-	30,723
Appropriations	-	-	-	7,317	7,317	9,300	-	16,617
Total	-	6,883	6,883	21,566	21,566	18,891	-	47,340

Table 3.6: Schedule of Budgeted Revenues and Expenses Administered on behalf of Government for the period ended 30 June

	Estimated Actual 2002-03 \$'000	Budget Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000
REVENUES					
Customs Duty	5,060,000	5,350,000	5,350,000	5,390,000	5,450,000
Taxes, fees and fines	405,402	422,956	439,206	455,995	455,388
Total revenues administered on behalf of the Government	5,465,402	5,772,956	5,789,206	5,845,995	5,905,388
EXPENSES					
Suppliers	-	-	-	-	-
Other	265	280	280	280	280
Total expenses administered on behalf of the Government	265	280	280	280	280
Extraordinary items	-	-	-	-	-

Table 3.7: Schedule of Budgeted Assets and Liabilities Administered on behalf of Government as at 30 June

	Estimated Actual 2002-03 \$'000	Budget Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000
ASSETS					
Financial assets					
Cash					
Receivables	90,485	90,485	90,485	90,485	90,485
Total financial assets	90,485	90,485	90,485	90,485	90,485
Non-financial assets					
Inventories	450	450	450	450	450
Total non-financial assets	450	450	450	450	450
Total assets administered on behalf of the Government	90,935	90,935	90,935	90,935	90,935
LIABILITIES					
Payables					
Other payables	26,078	26,078	26,078	26,078	26,078
Total payables	26,078	26,078	26,078	26,078	26,078
Total liabilities administered on behalf of the Government	26,078	26,078	26,078	26,078	26,078

Table 3.8: Schedule of Budgeted Administered Cash Flows for the period ended 30 June

	Estimate d Actual 2002-03 \$'000	Budget Estimate 2003-04 \$'000	Forward Estimate 2004-05 \$'000	Forward Estimate 2005-06 \$'000	Forward Estimate 2006-07 \$'000
OPERATING ACTIVITIES					
Cash received					
Customs Duty	5,060,528	5,350,000	5,350,000	5,390,000	5,450,000
Taxes, fees and fines	405,402	422,956	439,206	455,995	471,688
Cash from Official Public Account	296,419	301,245	306,172	311,202	311,811
Total cash received	5,762,349	6,074,201	6,095,378	6,157,197	6,233,499
Cash used					
Suppliers	265	280	280	280	280
Other	-	-	-	-	-
Cash to Official Public Account	5,761,556	6,073,921	6,095,098	6,156,917	6,233,219
Total cash used	5,761,821	6,074,201	6,095,378	6,157,197	6,233,499
Net cash from operating activities	528	-	-	-	-
Net increase in cash held	528	-	-	-	-
Cash at the beginning of the reporting period	(528)	-	-	-	-
Cash at the end of the reporting period	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

DEPARTMENTAL

Budgeted Statement of Financial Performance

1. *Revenues from Government*

The 2003-04 appropriation revenue from government of \$586.836m is an increase of \$39.236m from the previous year of \$547.600m. The increase is the result of funding from new measures (\$25.933m) offset by a reduction in appropriation from a transfer to another agency (\$3.850m). (Refer to Table 1.2 - Summary of Measures). In addition, the agency secured agreement for funding increases for cost recovery for trade related services and supplementation for increased superannuation contribution rates (\$8.950m). Other funding increases from past budget measures and decisions make up the balance of the increase (\$8.203m). The changes between the forward years are primarily the result of parameter updates applied over the various budget rounds.

2. *Sales of Goods and Services*

Sales of goods and services is based primarily on the service level agreements with ATO and DIMIA. Further estimates of section 31 revenue are made based on last financial year's actual results.

3 *Interest*

Following cessation of the government's Agency Banking Incentive Scheme (ABIS), estimates for 2003-04 and the forward years will be nil.

4 *Other*

Other comprises revenue received free of charge from the Department of Defence. Estimates are agreed with Defence and have a notional parameter increase applied across the forward years.

5 *Employee Expenses*

Employee expenses are estimated to be \$326.472m in 2003-04. This is an increase of \$12.598m from 2002-03. The increase is attributable to a small increase in employee numbers from the measure for the surveillance and enforcement programme to provide for the protection of Australia's Southern Ocean waters and resources and increases from the current certified agreement increment effects. The increases across the forward years can be attributable to wage index parameter adjustments and the effects of the agency certified agreement increases.

6 *Supplier Expenses*

Supplier expenses are estimated to be \$452.832m in 2003-04. This is an increase of \$39.126m from 2002-03. The increase can be primarily attributed to the impact of new budget measures. Off-setting these increases are a reduction for the measure: "Transfer of funds to Transport and Regional services portfolio" and cessation of the operating lease for a charter vessel. The increases to supplier expenses across the forward years can be primarily attributable to parameter adjustments.

7 *Net surplus or deficit*

The estimated loss in 2002-03 is \$3.900m. This mainly relates to accounting treatment of Unauthorised Boat Arrivals funding. Revenue for this was received in 2001-02 but was not expensed until 2002-03.

Budgeted Statement of Financial Position

8 *Infrastructure, plant and equipment*

Refer to Department Non-Financial Assets - Summary of Movement (Table 3.5). The agency will receive \$7.317m in equity injections for infrastructure and equipment acquisitions relating to several measures from 2003-04 and 2002-03. The acquisitions will be mainly related to x-ray technology from measures for the container examination facilities and pallet x-ray units. A small component relates to infrastructure and equipment associated with the surveillance and enforcement programme for the protection of Australia's Southern Ocean waters and resources.

9 *Intangibles*

Refer to Department Non-Financial Assets – Summary of Movement (Table 3.5). The agency will receive \$9.300m in equity injections for intangibles acquisitions relating to several measures from 2002–03. In line with undertakings discussed in the agency overview on page 1, 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. As such, the net carrying value of intangibles has been increased to reflect the expected assetisation of several work in progress IT projects in 2003–04.

10 *Other Non-Financial assets*

Other Non-Financial assets comprises an estimate for prepayments and an estimate for work in progress. The increase of \$5.378m in 2003–04 relates to work in progress which has been increased in line with continued IT related projects undertaken by the agency.

11 *Employee provisions*

Employee provisions are estimated to increase by \$7.379m in 2003–04. The increase is mainly due to re-assessment of liabilities by the Commonwealth Actuary.

12 *Capital*

Refer to Departmental Capital Budget Statement (Table 3.4). The agency will receive equity injections in 2003–04 for the marine vessels finance lease, purchase of container x-ray machines, purchase of pallet x-ray machines, purchases associated with improved data access for border control agencies, purchases associated with fraudulent document detection readers and purchases associated with the surveillance and enforcement programme to provide for the protection of Australia's Southern Ocean waters and resources (\$20.489m).

Section 4: Purchaser/Provider and Cost Recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

Cross Agency Overview

The Australian Customs Service currently has two purchaser/provider arrangements in place. In both cases, another agency is purchasing services provided by Customs.

The first purchaser/provider arrangement is with the Department of Immigration, Multicultural and Indigenous Affairs (DIMIA). Customs and DIMIA have a Service Level Agreement (SLA) whereby DIMIA will pay Customs \$27.06m in 2003-04 to assist Customs meeting contract costs for civil maritime surveillance services.

The second purchaser/provider arrangement is with the Australian Taxation Office (ATO). Customs and the ATO have a Memorandum of Understanding (MOU) whereby the ATO will pay Customs \$37.0m in 2003-04 to fund resourcing relating to the operation of the new tax system, in particular the collection of GST related activities and the Tourist Refund Scheme (TRS). As part of the new tax system introduced in 1999, the Government included a scheme to repay tourists the GST expense incurred whilst in Australia.

Responsibility

Revenue from the SLA and the MOU Customs has with DIMIA and the ATO respectively, is reported against Sales of Goods and Services. This is audited annually by the Australian National Audit Office (ANAO).

As part of the MOU with the ATO, Customs must provide to the ATO a letter of comfort at the time of completing the annual financial statements. The letter of comfort contains assurances that Customs has correctly recorded all tax and GST related transactions in our ledger system and that there are no contingencies or commitments that will materially effect the ATO or administered financial statements.

Control arrangements

Department of Immigration and Multicultural and Indigenous Affairs

A Service Level Agreement (SLA) was entered into between the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and Customs for the provision of civil maritime surveillance services arising from the Prime Minister's Taskforce recommendations.

Australian Tax Office

Customs and the ATO collaborate to effectively administer Commonwealth indirect taxes. Indirect taxes include: the GST, excise, Wine Equalisation Tax (WET), Luxury Car Tax (LCT) and the Tourist Refund Scheme (TRS). The guidelines outlining Customs responsibilities, performance and accountability are in a Memorandum Of Understanding (MOU) between the two agencies.

Within the administration of the above taxes Customs is also responsible for performing compliance and auditing functions, collecting and supplying the ATO with tax data and maintaining public confidence in that administration.

Resourcing

There is no direct resourcing relating to the DIMIA SLA. Funding is put towards surveillance contract costs.

Customs can attribute \$37.0m across the country funded by the MOU with the ATO. All resources are deployed in each region and central office in the ACT.

Performance against outcomes of purchased outputs

Department of Immigration and Multicultural and Indigenous Affairs

The SLA between DIMIA and Customs sets out the performance measurement requirements including; percentage of completed strategic tasks, number of completed tactical tasks, DIMIA satisfaction with the timeliness of advice of Suspect Illegal Entrant Vessels contact and the level of responsiveness to DIMIA tactical and operational concerns.

Australian Tax Office

Customs performance in administering WET, GST, LCT and TRS is measured by the following: Year to date cost of administering WET, GST, LCT and TRS, number of transactions against previous years, value of transactions against previous years, and the year to date collection of penalties against previous years. The MOU between the ATO and Custom's formally recognises the importance both agencies attach to effective collaboration in the administration of Commonwealth revenue.

Customs provides a half yearly and yearly report to the ATO. The half yearly report outlines performance against measures and reconciliation of costs. The yearly report is based on Custom's audited statements.

COST RECOVERY ARRANGEMENTS

Summary of Cost Recovery Impact Statement

Customs Container Examination Initiative

Customs has introduced container x-ray technology into the Ports of Melbourne, Sydney and Brisbane. A similar facility is to be built later this year in Fremantle. These systems will allow Customs to increase sea cargo inspection rates to around 80,000 containers per year or around five percent of total loaded import containers across these ports. This increase is an element of heightened border protection under the Government's *Tough on Drugs* and *Protecting Our Borders* policies. The initiative is considered a 'Significant Cost Recovery Arrangement' requiring a Cost Recovery Impact Statement.

The *Customs Act 1901* (section 186) provides that the owners of cargo are responsible for the costs of presenting cargo to Customs for inspection, and that Customs can arrange for the provision of these services and charge owners. These costs were absorbed as overheads in the import process, and passed to the final consignee as a component of brokerage, stevedoring, transport and warehouse services.

Customs consulted widely with industry on new logistic arrangements and potential methods of cost recovery. The Government considered these cost recovery options and has agreed to increase the Import Processing Charge (IPC) levied on manual and electronic sea cargo entries to directly recover the logistics services relating to processing cargo from industry. The charges were increased on 1 May 2003.

Refer to page 326 under 'Measures affecting Outcome 1' for further details of cost recovery funding changes relating to container examination facilities. Details of the new container examination arrangements and cost recovery charges are also available on the Customs Internet site.