Members Questions on Notice
JCPAA Hearing 28 April 2005

1. How many, and which ports, in Australia and which containers are unloaded direct for sea?

   Please see Additional Questions on Notice - Container Selection - Question 6

2. What is the updated percentage rate of priority one containers unpacked in each region?

   From 1 July 2004 to 30 April 2005 Melbourne unpacked 93% of priority one containers, Sydney unpacked 93%, Brisbane unpacked 90% and Fremantle unpacked 97%.

3. Could we have a breakdown of the prohibited items?

   See the answer to question 4

4. Could you provide to the committee information on the other areas of contra band, or illegal or non-declared matters, whether that be weapons, explosives or other such things?

The table below shows the breakdown of prohibited items found from 1 July 2004 to 30 April 2005.

Find Reason	Find Sub-Reason	Melbourne	Sydney	Brisbane	Fremantle	Total
Compliance	Revenue	27	20	43	5	
	Intellectual Property	24	9	28	0	
	Total	51	29	71	5	156
Quarantine		1	6	31	7	
	Total	1	6	31	7	45
Prohibited Items	Firearms	4	1	6	1	
	Wildlife	1	0	6	0	
	Weapons	3	0	11	0	
	Other	7	3	10	14	
	Total	15	4	33	15	67
Drugs		1	2	1	0	
	Total	1	5	1	0	7
Positive finds		68	44	136	27	275

5. Have the target selection officers all been trained now? Including any data on the retention/turnover of target selection officers.

    The current focus of training for target selection officers is in changes required to use the Integrated Cargo System (ICS). The Exports component of the ICS went live in October 2004, and the larger and more complex imports components are scheduled to go live in the second half of 2005. All targeting officers will have received training on the ICS before they make use of the system. This training includes refresher training in general targeting processes.

    Further, follow-on training packages in aspects of targeting are under development. They will be delivered once ICS training is complete and the system is bedded down.

    Customs has a policy of giving staff exposure to different areas as this provides officers with cross-functional skills that enables them to bring more operational experience to functions such as targeting.

    Customs does not keep detailed data on turnover and retention in individual positions. Information from the relevant areas suggests that while there is some turnover of staff due to promotions and the need to expose officers to different areas to develop cross-functional skills, the area maintains a core number of staff with three to four years experience.

6. Could you provide us with a list of the people who are on the standing committee that looks at targeting and profiling? That is the numbers and the positions that they occupy.

    Currently there is a standing panel of experts comprising members of the Profiling and Alerts Section in Central Office and the Profiles and Alerts Sections within each of the regions who look at targeting and profiling issues from a combined regional and national level. The panel is also dealing with issues surrounding the ICS Imports implementation.

    Attendees at the Panel Meetings can vary but the usual attendees are:

    - Managers, Profiling and Alerts Sections within the regions (or nominees) (7)

    - Director, Profiling and Alerts, Central Office (1)

- Manager, Profiling and Alerts, Central Office (1)

- Senior Analysts, Profiling and Alerts, Central Office (various)

- Representatives from Cargo Systems Support areas (dealing with the new system implementation) (various)

- Representatives from other areas as required (various)

Additional Questions on Notice – Customs

Audit Report No. 16, 2004-05, *Container Examination Facilities (Australian Customs Service)*

Target Selection

Container Selection

1. **How were the targets for number of container examiners determined?**

    The inspection targets for each of the container examination facilities (CEFs) was modelled on the perceived risks, the capacity of the X-ray technology and associated logistic requirements. Using this data and, in consultation with Government on an appropriate level of inspection, Customs originally determined an inspection target of 106,000 TEU (80,000) containers per annum.

    In July 2004, the Government announced a range of enhanced maritime security initiatives. This included additional funding in order to increase throughput by 25 per cent to 133,000 TEU (100,000 containers) per annum.

2. **The ANAO found that none of the regions had selected enough containers to enable them to meet examination targets. (see Table 2.1, p. 39 of the Audit report) Why had the regions not selected enough containers?**

    The complexity of industry logistics processes, particularly, the frequency of interruptions to deliveries lead to selections being scaled back to reduce the pressure on containers incurring storage charges. As Customs became more familiar with the logistics arrangements, steps were put in place to ensure throughput targets were achieved.

    All regions are now meeting or exceeding agreed targets. From 1 July 2004 to April 2005 the CEFs have inspected 101.8% of their inspection targets.

    Customs is continuing to review the number of containers targeted to ensure there is sufficient throughput, while not contributing to unnecessary delays in the release of containers.

What procedures have ACS implemented to increase the number of container selections?

Since the ANAO Audit, additional resources have been given to assist in the selection of targets for the CEFs. These resources have been distributed through the CEF examination areas themselves as well as within the analyst and target selection officers' areas. Additionally, staff have been made aware of the importance of selecting "sufficient" containers to ensure that CEF inspection targets are achieved.

3.   **The audit stated that the ANAO was unable to determine the success rate of examinations, due to the inconsistent nature of results being recorded at CEFs. How could recording be more streamlined? (Paragraph 2.16)**

The development of the new EXAMS 2 system will enable the recording of positive finds to be more streamlined. In consultation with the relevant Customs areas, business rules are being developed to define what constitutes a positive find. These business rules will ensure the results are recorded in a consistent manner.

4.   **What is the role of the tactical analyst in supporting the Target Selection Officer at CEFs? (Paragraph 2.17)**

Selection for examination is a multi-stage process. A consignment may be initially selected on broad parameters, but these selections are then usually researched to provide guidance on the most appropriate level of examination or, in some cases, to check if there is a need for examination at all.

Tactical analysts can also be responsible for translating intelligence into profiles, providing intelligence support as required throughout the examination and in the event of a find, and reviewing results.

5.   **What is the status of implementation of the Integrated Cargo System? (Paragraph 2.21)**

The Integrated Cargo System (ICS) is a part of the Cargo Management Re-engineering project, which comprises two systems:
   –   The Integrated Cargo System, which replaces approximately 61 existing separate IT applications as well

as associated reporting and processing procedures with a single integrated IT system for the movement and clearance of cargo

— A new internet-based communications facility (corporate gateway) known as the Customs Connect Facility (CCF), which connects users via the internet to Customs.

Together these systems provide the Government, Customs and industry with one of the most advanced eBusiness environments for the management of cargo and for the collection of Customs and related revenues.

ICS and CCF remove the need for a paper-based system with all forms being completed on-line. However the option of paper-based transactions will remain available for specific purposes, for example import and export declarations mainly for one-off users.

The ICS comprises a number of modules, viz. exports, cargo reporting, import clearance and cargo risk assessment.

Exports and Cargo Risk Assessment

This functionality was turned on in September 2004. Cutover to the new exports system occurred at 3 am (EST) on 6 October 2004. This date was agreed with key stakeholders, including software developers, on 13 May 2004.

Import Clearance and Cargo Reporting

Imports functionality has been undergoing industry testing since November 2004.

Customs has visited many software developers, who develop EDI systems to report to Customs, and industry groups to work through issues. These sessions have been beneficial, using the ICS to run through scenarios to assist users with the business processes associated with imports. Customs meets regularly with software developers.

Customs and industry associations are working closely together to plan support for the imports rollout. High-level training (including information sessions for software developers) on new elements of the imports system commenced in September 2004. Comprehensive import workshops, including training on all elements commenced in late February 2005. Currently there are over 5,000 people registered for these training sessions. Training of Customs staff has commenced.

The Ministerial Roundtable on 5 May with industry representatives pressed for a final cutover to the new system in early October (rather than the third week in August). Consequently, the Minister for Justice and Customs wrote to the Prime Minister seeking his agreement to any legislative changes necessary.

On 24 May 2005, the Minister for Justice and Customs issued a press release announcing the Government's decision in response to industry's request stating that:

- The Government will provide for an extension to the transition phase for the ICS in response to industry concerns that insufficient time was available for the system's introduction
- The imports component of the ICS will be available for use by 19 July 2005 under existing legislation, but industry will not be required to report in ICS until just before cut-over time
- However, if after further industry consultation in June 2005, Customs and industry believe that more time is needed, legislation will be introduced into Parliament during the Spring sittings to extend the transition period.

What changes will the Integrated Cargo System bring to the cargo processing system?

CMR will provide Customs with:
- A more modern and streamlined cargo system
- Increased border security by ensuring the movement of goods across Australia's borders is as risk-free as possible by enabling Customs to make early risk assessments
- More efficient and effective use of technology
- Better quality and more timely information allowing legitimate cargo to flow with minimal impediment.

CMR will provide industry with:
- A more modern and streamlined cargo system
- The ability to track cargo movements more efficiently.

CMR will create a flexible electronic business environment to enhance the efficiency of Customs services to importers and exporters.

When fully operational the systems features will provide:
- Communication options. Industry clients will have choice

as to how they report to Customs including the ability to report directly over the internet

- Enhanced security for all electronic transactions with Customs
- New functionality that will greatly improve the ability of both Customs and industry to track and monitor cargo movements while at the same time facilitating early status and early clearance for reported cargo
- Sophisticated profiling and targeting features that will improve Customs ability to protect Australia's borders whilst providing for rapid clearance of low risk cargo
- Improved control over all goods intended for export, for example a new requirement for 'gate reporting' of exports
- Improved peripheral services that will reduce or simplify current industry practices. Examples include the introduction of:
  - New payment options including autopay and BPay
  - A diagnostic facility that is available to industry with greatly enhanced status checking features.

6. **How many, and which ports in Australia are containers unloaded direct from sea?**

There are 19 ports across Australia that receives imported containerised cargo. They are Melbourne, Sydney, Brisbane, Fremantle, Adelaide, Darwin, Townsville, Cairns, Launceston, Hobart, Burnie, Rockhampton, Newcastle, Port Kembla, Dampier, Port Pirie, Gladstone, Port Hedland, and Portland.

There are 54 other ports around Australia that may receive containerised cargo but do not receive containers on a regular basis.
They are:
Abbot Point, Albany, Ardrossan Wallaro, Ballina, Bowen, Broome, Bundaberg, Bunbury, Cape Cuvier, Cape Flattery, Carnarvon, Coffs Harbour, Devonport, Eden, Esperance, Exmouth, Geelong, Geraldton, Gove, Grafton, Grassy, Groote Eylandt, Hay Point, Innisfail, Karumba, Klein Point, Kwinana, Lord Howe Island, Lucinda, Mackay, Mourilyan, Naracoopa, Port Augusta, Port Bonython, Port Giles, Port Lincoln, Port Stanvac, Port Walcott, Quintell Beach, Skardon River, Southport, Spring Bay, Stanley, Thevenard, Thursday Island, Trial Bay, Wallaroo, Weipa, Welshpool, Westernport, Whyalla, Wyndham, Yamba and Yampi Sound.

7 **Do Target Selection Officers in all regions now have access to the one-day training package on the new container x-ray facility? (Paragraph 2.23)**

The one-day CEF training package has been delivered to the Target Selection Officers in Victoria. Planning is underway to deliver the training package to the other regions shortly.

Training and Communication

8. **What progress has been made to implement regular meetings between image analysts and Target Selection Officers to enable the open exchange of information and feedback?**

Customs has ensured that all regions give Target Selection Officers more exposure to the facilities. This includes periods of working at the CEFs to ensure familiarity with image analysis and examination techniques. Regular meetings, at least weekly, now take place between targeting and examination staff in all regions.

9. **Can you describe the data that is entered into the EXAMS system?**

EXAMS system records the following data:
* **Consignment Data** eg Container type, Container Number, Air Waybill, Bill of Lading, Marks and numbers, number of packages, Goods descriptions.
* **Transport info** eg Vessel and Voyage, Airline and flight number.
* **Targeting information** eg Target Selection Criteria, Targeting reason, Profile numbers.
* **Consignment routing information** eg Port of Loading, Destination, Discharge, Exam Port.
* **Task and Tool information** i.e. what examination tasks were conducted and what tools were used to assist in the task including the times taken and people involved.
* **Finds and outcomes** i.e. what was found (and which task resulted in the find), how much was found, what was done with the find i.e. held, transferred (to another agency eg AFP or AQIS) or released. EXAMS also has the ability to generate standard Customs forms for detaining and/or seizing goods under various legislations administered by Customs.

Has the EXAMS 2 system been implemented yet? If so, has the quality and completeness of data being entered improved?

EXAMS 2 system will be deployed in mid-June 2005. User Testing and Training in the system shows that the application is more user friendly than EXAMS 1B. It assists data capture and enforces data quality by using standard formats for various data elements and limiting the number of free-text/optional fields.

EXAMS 2 also improves capture of client data as the client data will be shared by ICS and EXAMS.

10. **What has been done to implement nationally consistent logistical coordination plans?**

Customs has developed a national logistics framework, which includes specific parameters for the logistics process. Each region has developed regional plans utilising the national framework to ensure a consistent approach to logistics. The regional plans have been implemented in all regions.

Target Development

1. **The Western Australian Customs office undertook a systematic analysis of sea cargo containers discharged into Fremantle prior to the installation of the CEF (paragraph 3.11)**

This was done as an analytic exercise under the name of Project Gilmore.

What were the benefits of the Fremantle port's assessment of its containers prior to the installation of the CEF?

Fremantle has a different cargo and shipping profile to the east coast ports, and Customs therefore saw advantage in conducting a detailed analysis of importing patterns. This has allowed informed target selection on local patterns of cargo origin and movement, so allowing better identification of risk.

Why did the other regions not undertake a similar review?

The other ports with container examination facilities all handle considerably greater volumes than Fremantle and, moreover, are all connected in that cargo destined for one is frequently landed at another. Customs does not therefore see value in replicating this

analysis in the same level of detail for each of these ports, as this would require significant resources and be of less utility than Project Gilmore. When planning the facilities, Customs undertook considerable analysis of the nature of trade at the major ports, which was provided to all regions. In line with the ANAO recommendation, Customs will be updating this on a regular basis.

What would be the benefits for all ports in undertaking a review such as that carried out by the WA office?

There would not be great benefits in all ports undertaking a similar review to WA as the other ports have significantly greater volumes of cargo and the review would quickly become dated.

Regions have been provided with data models to assist them to work on similar lines. For example, significant work has been done to extract and identify the top 100 importers in each region for further research and in preparation for ICS implementation. This process is on-going within regions and is actively assisted by Central Office.

2. **Has Customs now undertaken a review of sea cargo imports and exports discharged into the NSW, Victoria and Queensland regions, as recommended by the ANAO? (Paragraph 3.15)**

A national project is currently underway to support match evaluation and profile development with reference material regarding patterns of trade. This will be complemented by some specific work undertaken in each of the regions, the work will be subject of a program of regular review.

3. **Why are 'country of origin' profiles the most commonly quoted reason for the selection of targets yet it is the method which has the lowest success rate? (Paragraph 3.34)**

Target selection is a multi-layered process. Country of origin is one of the broad parameters used to capture a group of consignments for further consideration, but consignments are not finally selected for examination for this reason alone. As the indicators used are various, and change as risks and patterns of legal and illegal trade change, Customs does not see value in using resources to record in detail all the reasons for each selection. It does do analysis on the indicators associated with finds.

The relationship between country of origin as a reason and success is therefore somewhat misleading.

If so, what has this panel found in terms of the true risk ratings for major countries?

Each region and the panel has considered a formal assessment of country of origin issues and developed extending criteria to adapt the ratings for particular regional patterns of trade. This is an ongoing process. Customs would prefer not to disclose the risk ratings applied to particular countries for operational reasons.

Intervention Processes

1. **What is the average time taken to perform physical examinations (especially a 'full unpack')? (Paragraph 4.5)**

   The average time taken to perform a physical examination is:
   * Partial unpack – 22 minutes
   * Partial repack – 24 minutes
   * Full unpack – 54 minutes
   * Full repack – 64 minutes

   What is the success rate of a positive find during a 'full unpack'?

   Between 1 July 2004 and 30 April 2005, there were a total of 275 positive finds. Of these, 119 resulted from full container unpacks. Of these positive finds, 56 were compliance; 22 quarantine; 35 prohibited items and 6 drug related finds.

2. **Have processes been put in place to ensure that ALL priority one containers are examined?**

   Yes, for the period 1 July 2004 to 30 April 2005, 93% of all high priority containers were examined. Customs believes that this is an appropriate examination rate for these containers because all containers are x-rayed and the only reason for not examining high priority containers is a very clear x-ray image that plainly indicates there are no concerns with the cargo in question.

   In these situations the Customs Officer analysing the x-ray image discusses the x-ray image with the relevant Intelligence Officer who makes the final decision on whether a physical examination is required.

   If not, have the percentages of priority one examined containers (especially in Brisbane and Melbourne) increased since the audit?

there are no concerns with the cargo in question.

In these situations the Customs Officer analysing the x-ray image discusses the x-ray image with the relevant Intelligence Officer who makes the final decision on whether a physical examination is required.

If not, have the percentages of priority one examined containers (especially in Brisbane and Melbourne) increased since the audit?

Yes, the percentage of priority one containers examined at all facilities has increased significantly. From July 1 2004 to 30 April 2005 Melbourne and Sydney each unpacked 93 percent of priority one containers. Brisbane and Fremantle unpacked 90 percent and 97 percent respectively. Nationally, 93 percent of all high priority containers were physically examined.

Why does Sydney have such a low percentage of overall physical examinations compared to the other regions? (see Table 4.1, p. 61)

The lower percentage of physical examinations, as calculated by the ANAO was due to a range of issues including the ramp up of operations, peaks and troughs in container arrivals and staffing issues. Sydney also experienced a range of operational issues affecting the functioning of Port Botany such as capital works and significant port congestion.

3. **What has been done to resolve data integrity issues in the EXAMS system?**

A number of measures are being put into place to resolve data integrity issues and to improve data quality in EXAMS. Some of these are:
* EXAMS helpdesk is monitoring the examination data, through ad-hoc reporting capability and identifying any inaccuracies /inconsistencies and requesting the business area to correct the errors or explain the deviations from normal practice eg monitoring the number of Open examinations at any given time; looking for potential duplicates in client data etc.

* One officer in Tasmania has been identified as an EXAMS Data Quality team member (the team will be working with the EXAMS helpdesk). All members of the data quality team will continuously monitor EXAMS data, using either the data extraction routines developed by the EXAMS helpdesk or their own, and highlight any potential errors / inconsistencies. Depending on the nature and

extent of the error, the data quality team / EXAMS helpdesk will either rectify the error or will request the business area to rectify it.

* EXAMS 2 system will interface with ICS so the data entry into EXAMS will simplified.

* EXAMS 2 records a workgroup against each task, thus making the data extraction/reporting reporting easier.

* EXAMS 2 system has fully integrated on-line help. The on-line help also incorporates business/process rules.

Have any new search parameters or business rules been enacted to enable reconciliation of data from regional EXAMS reports with data created by the Corporate Research Environment in Central Office?

During the ANAO audit the ANAO found that each region recorded data in their own (user developed application) databases and when the data from these regional databases was compared to the national EXAMS system the data was not reconcilable.

Business rules are being developed to ensure consistent recording of information in the new EXAMS 2 system. Once the reporting arrangements for the EXAMS 2 system have been finalised, it is proposed that all other regional databases will no longer be used.

What training is in place to ensure that staff enter accurate and consistent data in the EXAMS system? (Paragraph 4.27)

EXAMS 2 has a separate training environment which is a replica of the production environment. Each region has some experienced users who have participated in Train the Trainer courses in EXAMS 2 and have also been involved with the development and testing of the EXAMS 2 application. Each new user is required to be trained in EXAMS 2 using the Training environment under the guidance of an experienced trainer. The supervisor of the new user then has to confirm that the user has been appropriately trained in the use of the system, before the new user is given access to enter date into the EXAMS (Production) system.

It is also planned to setup an E-Learning environment for EXAMS 2, where users would be able to get training at their own pace. The environment will have capabilities to monitor the progress of the trainees and their level of knowledge.

4. **Is there now a method in place to ensure that positive finds are recorded consistently in the EXAMS system, not just the local CEFs databases? (Paragraph 4.21)**

A number of improvements have been incorporated into the new EXAMS 2 system to facilitate the more consistent capture of positive finds data.

A set of business rules is currently being developed to assist in the consistent capture of positive finds data across all CEFs. These rules are being included in the On-line help (and E-Learning environment).

Has an attempt been made to complete the incomplete records in the EXAMS system? (Paragraph 4.26)

The EXAMS helpdesk is actively monitoring the incomplete records and completing the open records and/or asking the user areas to complete them.

5. **Can you inform the Committee of progress in the national EXAMS data quality assurance strategy? (Paragraph 4.31)**

The EXAMS helpdesk is monitoring the examination data entered into EXAMS. Through ad-hoc reporting capability it is identifying any inaccuracies /inconsistencies and requesting the business area to correct the errors or explain the deviations from normal practice.

As noted in question 3 an officer in Tasmania has been identified as an EXAMS Data Quality team member and will be working with the EXAMS helpdesk. All members of the data quality team will continuously monitor EXAMS data, using either the data extraction routines developed by the EXAMS helpdesk or their own, and highlighting any potential errors / inconsistencies.

6. **Can you inform the Committee of progress in implementing a central image library? (Paragraph 4.49)**

Currently the images and the facts relating to the image are shared by Customs X-ray training officers via a group mailbox. The data collected from the mailbox has been incorporated into an image library.

7. **Is there a specific budget line for post-implementation evaluation of x-ray and CEF facilities with a view to clarifying the cost benefit of inspection for each priority category and thereby determining whether current practices should be expanded, reduced or redirected?**

A lapsing program review of CEF funding is scheduled to be undertaken in 2005/06. Customs is currently developing more robust reporting arrangements for CEF finds, which would facilitate this type of analysis.

If not, why?

Facilities Operation

1. **What are factors that would cause a physical inspection of a container to be cancelled? (see Table 5.1, p. 75)**

Table 5.1 on page 75 of the Report refers to inspection (X-ray) targets for each CEF.

The following are some of the more common reasons for cancellation of inspection targets:
   * Duplicate records
   * Manifest cancelled
   * Incorrect manifest details
   * Container discharged in another port
   * Cancel request by another region
   * Further research shows initial risk judgement misplaced.

In some circumstances Customs may cancel a physical examination of a container after the X-ray inspection. This will only occur if the X-ray image is very clear and plainly indicates there are no concerns with the cargo in question.

In these situations the Customs Officer analysing the x-ray image discusses the x-ray image with the relevant Intelligence Officer who makes the final decision on whether a physical examination is required.

2. **What plans have been implemented to achieve weekly throughput targets? (Paragraph 5.13)**

A national logistic framework has been developed and, in consultation with the logistic service providers, CEF regional logistic plans have

been developed and implemented. The plans facilitate the logistics flow and enables each CEF to achieve the weekly throughput target.

3. **What is the impact on general logistics around the wharves where CEFs are located? (Paragraph 5.17)**

Since the first CEF commenced operations in November 2002 to the end of March 2005, Customs has X-rayed more than 205,300 TEU (146,500 containers).

While Customs is continually seeking to minimize the impact the CEFs have on the logistics at the waterfront, the increase in container inspections and examinations have resulted in some importers experiencing delays in accessing their cargo.

Customs has arrangements with its logistic providers to deliver containers to the CEFs with at least 24 hours free storage time remaining. Excluding late reported cargo, more than 94% of all containers inspected at the CEFs were delivered to the CEF with at least 24 hours of storage time remaining. Two percent of cargo was delivered with no free storage time remaining.

Where this occurs the relevant party is asked to consider waiving any storage charges incurred.

Has the introduction of the CEFs markedly reduced the rate of containers being processed on the wharves?

Customs does not process or examine containers on the wharves.

What is the average time take from when containers are selected for inspection to when they are returned to the wharf?

Containers are selected for inspection when the manifest is provided to Customs, which could be several days before the cargo arrives at the port.

Customs does not maintain information on the average time taken from when containers are selected to when they are returned to the wharf.
Customs records show that the majority of containers exit the CEF within at least two hours of arriving. If a container is unpacked for a physical examination it may stay up to 24 hours.

4. **What percentage of containers are kept longer than 3 days, after which the storage charge begins to apply? (Paragraph 5.29)**

No containers stay longer than three days at the CEFs, however when cargo is delivered to the CEF with less than one day storage time remaining, and the container needs to be physically examined, the cargo may be held past the free three days storage time allocated to the importer by the stevedores.

Since October 2004 and excluding any late reported cargo, less than 2% of containers were provided to the CEFs with no free storage time remaining.

5. **Has Customs implemented logistics plans in accordance with Recommendation 7? (Paragraph 5.48)**

Yes. Logistic plans have been implemented in all regions.

Has this improved the physical segregation of containers as agreed in the contracts of service providers? (Paragraph 5.41)

Improved physical segregation of containers will be incorporated in the review of the current contracts. The review is underway and will be completed in June 2005.