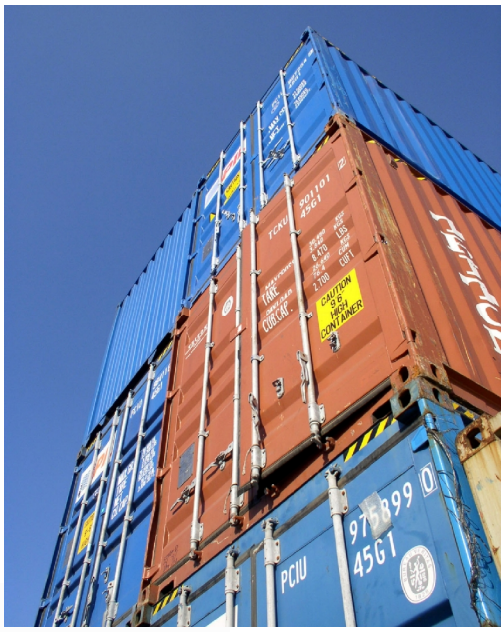
FINAL REPORT

Assurance and Advisory
Business Services



ERNST & YOUNG

Quality In Everything We Do

Australian Quarantine and Inspection Service

Review of Quarantine Border Security Strategies and Policies

August 2007

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EXECUTIVE SUMMARY

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1. Executive Summary

1.1 Purpose

Ernst & Young has been engaged by the Australian Quarantine and Inspection Service (AQIS) to undertake an independent review of the cost efficiency and effectiveness of quarantine border security strategies and policies (the Review). The Review has a particular focus on the cost efficiency and effectiveness of enhanced quarantine arrangements at the border resulting from the following Government initiatives:

- Increased Quarantine Intervention (IQI) – funding to strengthen border agencies in their work to counter threats from exotic pests and diseases, by enhanced quarantine intervention at the border ($209.2 million over four years, 2001/02 to 2004/05);
- Nairn Response Funding – funding for border processing activities and the continuation of the Quarantine Awareness Campaign and the Quarantine and Exports Advisory Council (QEAC) as recommended in Australian Quarantine – A shared responsibility (the Nairn Review) ($21.372 million over five years, 2000/01 to 2004/05);
- Quarantine Border Security (QBS) – funding to maintain the enhanced level of quarantine screening announced in 2001 (IQI) in response to emerging quarantine risks and threats ($266.1 million over four years, 2005/06 to 2008/09); and
- Avian Influenza (AI) –funding to continue enhanced border controls to prevent the entry of AI into Australia. The funding responds to the ongoing avian influenza threat and will concentrate on preventative measures at airports and in northern Australia ($50.1 million over six years, 2003/04 to 2008/09).

This Review assesses the operations of AQIS's quarantine border programs (and related Australia Customs Service (Customs) functions) and analyses performance to assess their appropriateness, effectiveness and efficiency in implementing Government policies, assesses financial performance against other similar organisations and contains recommendations for consideration by AQIS and Customs.

1.2 Scope

This Review of quarantine border security strategies and policies considered the following AQIS programs:

- Import Clearance Program;
- Airports Program;
- Seaports Program;
- International Mail Program;
- Northern Australia Quarantine Strategy (NAQS) Program; and
- Detector Dogs Program.

It also considered Customs quarantine functions.

1.3 Review Approach

Our approach involved:

- Research and comparison with similar Australian Government service delivery agencies and private sector organisations;
- Comparison with independent data sources and international benchmarks;
- Discussion with key stakeholders at program, regional and national office level within AQIS;
- Consideration of Australian National Audit Office (ANAO) audits, Joint Committee of Public Accounts and Audit (JCPAA) reviews and other independent reviews;
- Observation of AQIS and Customs border and quarantine activities including visits to the regional operating centres; and
- Review of relevant documentation as provided by AQIS and Customs.

The key observations and recommendations included in this Review are based upon the information listed above.

1.4 High Level Conclusion

AQIS quarantine border programs operate in a complex and dynamic environment and are subject to performance targets mandated by Government. The programs have experienced significant growth in the volumes of passengers, vessels and commodities arriving in Australia. There has also been an increase in the quarantine risk facing Australia. More passengers, vessels and commodities arrive or are being sourced from countries that present a higher level of quarantine risk, and a wide variety of commodities which pose a higher quarantine risk are being imported. Combined with these events is the fact that AQIS also faces ongoing increases in operating costs including from wage rises, increased supplier expenses and increased technology costs.

Ernst & Young analysis indicates that AQIS has implemented the Government's quarantine border security policies, delivered improved results against performance targets and has actively and effectively managed the costs of delivering these services, whilst remaining within comparable benchmarks. Customs works closely with AQIS and has contributed to the overall achievements of quarantine border activities.

The table below summarises our findings against the Terms of Reference and provides a cross reference to the relevant sections of the report.

Assessment Criteria	Summary of Analysis	Chapter
Appropriateness	▪ Quarantine border Program objectives of both AQIS and Customs support Whole-of-Government priorities and Program resources were assessed as being appropriately aligned with Program objectives.	3
Effectiveness	▪ AQIS Programs have achieved the Government mandated intervention and effectiveness targets during the period 2001/02 to 2005/06. ▪ Cost effectiveness of Programs was assessed by comparing key Program costs with other Commonwealth agencies, global best practice and industry. Programs were found to be cost effective: – AQIS base salary compares favourably with other organisations; – Average cost per employee compares favourably with benchmark organisations; and – Major overhead cost contributors of finance, human resources and information technology are within the range of international benchmarks and compare favourably with comparable Government agencies. ▪ No overlap between Programs and other Australian Government or State programs was identified. ▪ AQIS Program performance information adequately records performance against Government objectives (that, is intervention and effectiveness targets). ▪ Subject to the above finding, future performance measures were considered appropriate with the exception of the NAQS Program. The NAQS and Detector Dog Programs are the only Programs with no Government mandated intervention and effectiveness targets, however, the Detector Dog Program contributes to the achievement of mandated performance targets in other Programs. The Program has however developed a new set of indicators and has been reporting against these since January 2007.	3
Efficiency	▪ Intervention and effectiveness targets have been met since their introduction in 2001/02. Intervention targets were all met by August 2002. Achievement of effectiveness targets took longer, however they have now all been met. ▪ Customs and AQIS work closely together. During our site visit to regional operations we consistently observed a high degree of cooperation across the areas examined. The co-location and simultaneous inspection of items by AQIS and Customs has resulted in a decrease in time delays and enables prompt processing of incoming passengers and commodities. ▪ Efficiencies have been derived from AQIS's close links with industry, particularly for those Programs that are mostly cost recovered. AQIS cost recovery arrangements are reasonable and have been audited by the ANAO. ▪ The current balance between cost recovery and budget funding should be reviewed in regard to the International Mail Program with opportunity to increase the level of cost recovery. ▪ Administrative costs are increasing at a faster rate than the growth in FTEs. ▪ A number of barriers exist in terms of continuous improvements to efficiency including, but not limited to further targeted investment in technology and kennelling arrangements.	

Table 1.1 - Summary of Analysis

1.5 Recommendations

A number of opportunities for improvement have been identified in undertaking the Review. These are listed below.

Intervention Targets

Intervention and effectiveness targets were established in early 2001 based on the quarantine risk pathway which existed at that time. International trade pathways, and the volume of goods and people arriving in Australia each year through those pathways, have changed substantially since then. Quarantine interception rates on some pathways suggest that a review of intervention targets may be appropriate. This would allow AQIS to continue to effectively allocate quarantine intervention resources to achieve the most effective quarantine outcomes possible.

Recommendation 1

It is recommended that intervention targets be reviewed to investigate the opportunity to reduce intervention targets for low risk pathways, allowing more flexibility to focus resources on higher quarantine risk pathways.

High Volume Low Value (HVLV) Intervention

AQIS first achieved its intervention target for HVLV in August 2002, but since then, whilst coming close, has not achieved 100% intervention. This is due to the fact that HVLV items arrive in a number of depots around the country, often only in small volumes, and it is difficult to cost effectively resource all these depots. This mainly occurs in NSW – 74% of HVLV arrives in NSW. Whilst NSW has not met the Government target of 100%, it has generally achieved intervention in the high 90's range.

Effectiveness targets for HVLV have been met each year since the introduction of the IQI.

Seizure rates for HVLV are low (0.04% in 2005/06 - refer Chapter 3.3.4) indicating that HVLV items may represent low quarantine risk.

Recommendation 2

The low level of seizable quarantine material identified in HVLV consignments suggests that this is a relatively low quarantine risk pathway. In light of six years of data, it may be appropriate for AQIS to further investigate this issue, with a view to possible reductions in the intervention rate required for HVLV items. This may allow resources to be re-deployed to other higher quarantine risk pathways.

International Mail – Intervention

The greatest rates of seizures per volume of mail are predominately in parcel size and EMS mail. The percentage of higher risk items found in letter class mail is comparatively lower than the other classes of mail. Whilst the seizure rate for letter class, other articles and registered mail is consistently less than 0.10%, the seizure rate for parcels has reached as high as 0.55%. Seizure rates for letter class have not exceeded 0.0069% at a national level, representing a comparatively low frequency of seizures. However, quarantine material seized in letters often includes seeds which are a high quarantine risk.

Recommendation 3

The International Mail Program is required to maintain a 100% intervention rate for all classes of mail, which reduces the discretion of AQIS to direct resources to higher risk categories. The low frequency of seizure for letter class suggest that a review of the intervention target for this class of mail may be warranted.

Import Clearance Program Sea Container Effectiveness

June 2006 was the first time that AQIS achieved the 96% effectiveness target on a national basis. Prior to this AQIS has steadily improved its effectiveness and intervention targets have been consistently met since 2001/02.

Recommendation 4

The majority of sea containers are received in NSW and Victoria. Whilst NSW receives a major share of import volumes, Victoria has received slightly more sea container volumes. Victoria has always reached effectiveness of 93% and has reached the 96% target more frequently than NSW. Whilst this may be due to infrastructure limitations at ports, it is recommended that further work be undertaken to explore the variance.

International Mail Program – Western Australia Mail Centre Effectiveness

Since 2001/02 Western Australia has generally achieved the Government's effectiveness target of 96%. However, since July 2005 the region has experienced variations and inconsistent levels of effectiveness, dropping to 30% in January 2006.

Recommendation 5

Consideration should be given to reviewing procedures in the Perth Mail Centre to identify the causes of the variations in effectiveness results since July 2005 and implementing corrective action.

Seaports Program Overtime

Overtime expenses for the Seaports Program in 2005/06 was 14% of total employee costs – the highest of all quarantine border Programs and higher than benchmarked agencies.

There are 59 ports around Australia, some in remote locations. The intervention target for vessel inspections is 100% with 87% effectiveness for passenger inspections (higher risk).

The Seaports Program has established baseline staffing levels to match the workflow arising from vessel inspections. Often vessels arrive in ports outside business hours and staff are required to inspect 100% of these. Depending on weather conditions, there can be delays in the planned arrival time of vessels. Nationally 80% of Seaports Program staff time is devoted to vessel inspections and all these factors contribute to the use of overtime. The level of overtime is a direct result of the number of vessels arriving to Australia. Industry accepts this as a cost of business and AQIS costs are recovered. AQIS should continue to monitor overtime costs to ensure that trends are consistent with vessel numbers.

International Mail – Brisbane Mail Centre Overtime

For 2005/06, overtime expenditure in Brisbane Mail Centre totalled $138,346, at $15,852 per FTE. AQIS has a significant argument for the Brisbane Mail Centre to consider adding an additional FTE or part time employee.

Recommendation 6

AQIS should review overtime expenditure at the Brisbane Mail Centre.

Standard Penalty Rates

The time taken to record, calculate, pay and manage variable penalty payments could be reduced by moving to a system of standard annual rates. Whilst moving to a standard annual penalty rate presents some risk because it must be paid for an entire year (even if the quarantine work is only seasonal) it may be a viable option for those programs where workflow is relatively stable and constant during a year. This concept is applied in the Airports Program. AQIS is currently exploring opportunities to introduce annualised rates, which may reduce administrative time and costs required to maintain a penalty payment system.

Recommendation 7

Where appropriate, regular workloads exist, DAFF and AQIS should continue to explore the option of moving to a system of standard annual rates for those programs where such an annualised approach might produce a saving in administration costs. This may present opportunities for administrative efficiencies through the reduced need for filling out time sheets and calculating penalty amounts. Payroll processing will have fewer variables and may be simpler. However, it is recognised that annualised allowances will only be an option in limited circumstances.

Penalty Rates for Dog Teams

Penalty rates for dog teams for the International Mail and Import Clearance Programs are based on a set amount of 20%, which is an estimation of the percentage of penalty rate payments that will be paid out for the year. This 20% has been a set rate used since 2003/04. The estimated amounts per FTE are then adjusted to the total amount to be paid by the Program in relation to penalty payments.

This figure was arrived at by analysing the shift payments over several financial periods. Analysis of the International Mail Program revealed that for 2005/06, the amount of penalty rates as a percentage of base salary totalled approximately 17%, whilst the Import Clearance Program paid out only 3% of base salary in penalty payments. It may therefore be appropriate to review the detector dog cost allocation model to ensure that the penalty rate allocation process remains effective.

Recommendation 8

AQIS should consider reviewing the costs allocation methodology used to attribute overtime within the Detector Dog Program to continue to provide assurance over the costs allocation accuracy.

Trends over Time in the Ratio of Administrative to Program Costs

Overhead costs per FTE have increased by 42% from 2001/02 (approximately $13,600 per FTE) to 2005/06 (approximately $19,499 per FTE). The majority of these overhead costs (69% in 2005/06) represent costs allocated by DAFF for services managed at a departmental level (e.g. management services, IT equipment, property, forms management, etc).

The rate of growth of overhead costs exceeds the rate of growth of FTEs for the period 2001/02 to 2005/06.

Recommendation 9

It is recommended that the rate of increasing overhead expenditure be examined, with a view to developing strategies to contain the amount of overheads to levels that are sustainable for AQIS going forward.

International Mail Program Cost Recovery

Prior to 2001/02, the International Mail Program was 100% cost recovered from Australia Post. With the introduction of IQI funding in 2001/02, cost recovery dropped to 18%.

Government Budget funding has not increased over time for the Program and with increased mail volumes predicted, the time required to process mail in order to meet intervention targets will increase and cause delays in the delivery of mail. Increased cost recovery will return the program to a more fully cost recovered basis, consistent with its historical funding arrangements, and ensuring it aligns with cost recovery arrangements for private sector couriers such as TNT, DHL, FedEx and UPS.

Recommendation 10

AQIS should re-assess the level of cost recovery in the International Mail Program.

Performance Information

The NAQS Program carries out a number of border inspection activities associated with the movement of people and goods into and between the Torres Strait and the mainland. The Program has historically reported the efficiency of these activities, that is, information on inspections and seizures. The Program does not have mandated intervention or effectiveness targets under the QBS measure. A large component of work undertaken by the Program – monitoring for quarantine risks facing northern Australia – is undertaken through a program of scientific surveys. Reporting accurately on the effectiveness and efficiency of this type of quantitative surveillance is challenging.

The NAQS Program has recently received additional funding for QBS, AI and Illegal Foreign Fishing Vessel (IFFV) initiatives. Specific performance targets have been provided for the AI and IFFV initiatives.

Recommendation 11

A meaningful and complete set of performance indicators for the NAQS Program should be developed, and the work which has been undertaken to develop a more robust set of performance measures for the program should be implemented as soon as possible.

Investment in Technology

A number of programs rely significantly on technology such as x-ray machines. Capabilities are constantly changing and it is necessary to invest appropriately to ensure that the most efficient and effective resources, technology and processes are available in keeping with the changing trade and passenger movement environment. Programs do not receive any funding specifically for the research and investigation of new technologies and practices.

Recommendation 12

It is recommended that funding be made available to enable research to be undertaken to ensure the most effective use of resources. For example, this could include exploration of available technologies for internal inspection of air and sea containers, possibly in partnership with industry and other border agencies.

Kennelling Arrangements

The NSW kennel for the Detector Dog teams is located at Eastern Creek, a considerable distance from the International Airport and Clyde Mail Centre. This means that staff and dogs must travel between the kennel and the Airport and Mail Centre with handlers being required to collect dogs each morning prior to shifts, and return the dogs each afternoon, leading to costs being incurred in time spent travelling between the kennelling facility and the border operations locations.

Recommendation 13

As part of the Detector Dog Program's assessment of the location of future kennelling facilities, it is important that the program continue to give consideration to factors external to the leasing cost of the facility. These should continue to include associated costs affected by the location of kennelling facilities, such as vehicle costs and penalty payments paid daily to dog handlers to transport dogs each day from kennels to work facilities.

Rostering Arrangements

We compared rostering arrangements for various programs between regions, and found them to be generally appropriate and effective. However, in two cases, inconsistent shift arrangements were identified that may provide opportunity to realise further operating efficiencies.

In relation to external sea cargo container inspection arrangements in the Import Clearance Program, there are variations between regions in the ratios between AQIS staff and contractors. There may also be an opportunity to address differences in staffing categories for similar functions between the different locations. For example, in the Airports program, Western Australia uses more junior staff and simpler roster systems which has resulted in lower costs. There are also differences between rostering of Sydney and Melbourne staff categories in the Airports Program for what appear to be similar functions. It would therefore be appropriate for AQIS to check these specific rosters during its next regular review of rostering.

Recommendation 14

AQIS should continue to regularly review rostering arrangements across each of the programs with a view to ensuring continued efficiency of the administration support and cost of staffing arrangements.

1.6 Structure of the Report

The report is presented in the following order:

- Executive Summary;
- Background:
  - The Importance of Quarantine;
  - Responsibility for Quarantine;
  - AQIS Quarantine Program Responsibilities;
  - Recent Reviews;
  - Organisational Structure;
  - Partnerships with Industry and Government Agencies;
  - Summary of Government Funding;
- Key Quarantine Border Programs;
  - Summary Assessment against Terms of Reference;
  - Appropriateness;
  - Effectiveness;
  - Efficiency;
- Import Clearance Program;
- Airports Program;
- International Mail Program;
- Seaports Program;
- Northern Australia Quarantine Strategy Program;
- Detector Dog Program; and
- Customs IQI Functions.

For each of the AQIS quarantine border Programs and Customs quarantine functions, the chapters contain the following (where relevant):

- Background Information;
- Achievement against Objectives;
- Overlap with other Programs;
- Industry Involvement;
- Cost Effectiveness; and

- Sustainability of Revenue Base.

Recommendations are highlighted throughout the report.

This Review predominantly focuses on AQIS activities but, where possible, includes Customs information. As *Quarantine Border Security* funding represents approximately 5% of Customs funding and Customs does not have mandated quarantine performance measures, Customs quarantine activities are integrated with other, wider Customs border operations. This means that in some instances Customs data on quarantine functions was not available to the same level of detail as for AQIS. Where possible, we have incorporated Customs information in the assessment against the Terms of Reference.

1.7 Completion of the Terms of Reference

The detailed Terms of Reference can be found at Attachment A. The table below provides a cross-reference to the sections of the report in which the high-level categories of the Terms of Reference have been addressed:

Terms of Reference	Report Section
Appropriateness	Section 3
Effectiveness	Section 3
Efficiency	Section 3
Recommendations	Throughout the report

Table 1.2 – Completion of Terms of Reference

BACKGROUND

Contents

2. Background

2.1 The Importance of Quarantine

As an island continent, Australia has a special environment that is relatively free from harmful pests and diseases that can affect plants, animals and people. Quarantine policies and border operations aim to address risks that may threaten this status. To this end, AQIS provides quarantine inspection for international passengers, cargo, mail, animals, plants, and animal and plant products arriving in Australia. Quarantine controls at Australia's borders minimise the risk of incursion by exotic pests and diseases and reduces the risk to Australia's agricultural industries and environment.

2.2 Responsibility for Quarantine

Responsibility for quarantine rests with the Department of Agriculture, Fisheries and Forestry (DAFF), largely in three areas:

- Quarantine policy and Import Risk Assessments (IRAs) are managed by Biosecurity Australia under its Department's Output 4 – Market access and biosecurity;
- Post border issues such as incursions and outbreaks are managed by Product Integrity, Animal and Plant Health (PIAPH) under Output 5 – Product integrity, animal (including aquatic animal) and plant health; and
- Quarantine operations are managed by AQIS under Output 6 – Quarantine and Export Services.

The objective of Output 6 is to reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services.

Since responsibility for quarantine rests with AQIS, any matters of quarantine interest identified by Customs are referred to AQIS. Customs does not perform quarantine activities. Customs performs specific Customs border protection activities as an integrated process within its border security responsibility.

2.3 AQIS Quarantine Program Responsibilities

The table below details key responsibilities of each of the quarantine border Programs undertaken by AQIS that are addressed in this Review:

Program	Description
Import Clearance	Responsible for: ▪ Assessing and managing the quarantine risks associated with imported cargo (including containers and packaging); ▪ Facilitating the efficient movement of cargo, in accordance with legislative and policy guidelines; and ▪ Ensuring that all cargo entering Australia via air and sea is assessed and cleared for quarantine and human health purposes. The Program is also responsible for: assessing and issuing import permits for live animals, biological products, foodstuffs, horticultural products, grain, seed and nursery stock products, and agricultural products; and providing technical advice to stakeholders, AQIS staff and the general public on the importation of these commodities.
Airports	Responsible for the quarantine clearance of incoming aircraft and passengers and their baggage at international airports. The Program uses risk management techniques to identify and appropriately deal with items carried by incoming passengers that could threaten animal, plant or human health or harm Australia's environment.
International Mail	Responsible for quarantine clearance of all mail arriving in Australia from overseas. The Program uses a range of detection and interception methods, including x-ray technology and Detector Dogs.
Seaports	Responsible for the quarantine clearance of all vessels and incoming sea passengers and their baggage. Seaports Program officers ensure that all vessels arriving in Australia comply with International Health Regulations and that all quarantine risks associated with the vessels (including ballast water) are appropriately managed to prevent the introduction of pests and diseases of quarantine significance. Program staff also undertake vector monitoring activities at seaports across Australia.
NAQS	Responsible for managing the risk to Australia from pests, weeds and diseases that may enter through non-commercial or natural means from countries to the north of Australia including East Timor, Indonesia and Papua New Guinea. This is achieved by: ▪ combining border activities, scientific surveys and monitoring, and public awareness activities; ▪ collaborating with neighbouring countries on quarantine activities of mutual benefit; and ▪ working with northern Australian communities to detect quarantine risk material.
Detector Dogs	Responsible for maintaining detector dog teams that are suitably trained and equipped to assist each of the above quarantine border Programs by performing intervention procedures.

Table 2.1: Program Responsibilities

2.4 Recent Reviews

Since 1996, several reviews and incidents have influenced the direction of the quarantine function:

- The 1996 Quarantine Review *Australian Quarantine – A Shared Responsibility* (the Nairn Review);
- The Australian National Audit Office (ANAO) Report 10, 2000/01, *AQIS Cost-Recovery Systems*;
- The ANAO Report 47, 2000/01, *Managing for Quarantine Effectiveness*;
- The ANAO Report 17, 2003/04, *AQIS Cost-Recovery Systems Follow-Up Audit*;
- The ANAO Report 19, 2005/06, *Managing for Quarantine Effectiveness-Follow-Up*; and
- The 2004 Ernst & Young *Review of Lapsing Quarantine Funding*.

Where relevant, reference to these reviews is made in this report.

2.5 AQIS Organisational Structure

AQIS Programs are grouped as follows:

- Food Exports;
- Public Awareness;
- Technical Standards;
- Animal Programs;
- Compliance;
- Plant Programs;
- Cargo Management and Shipping;
- Border; and
- Executive Secretariat.

The following diagram provides an overview of AQIS's organisation structure.

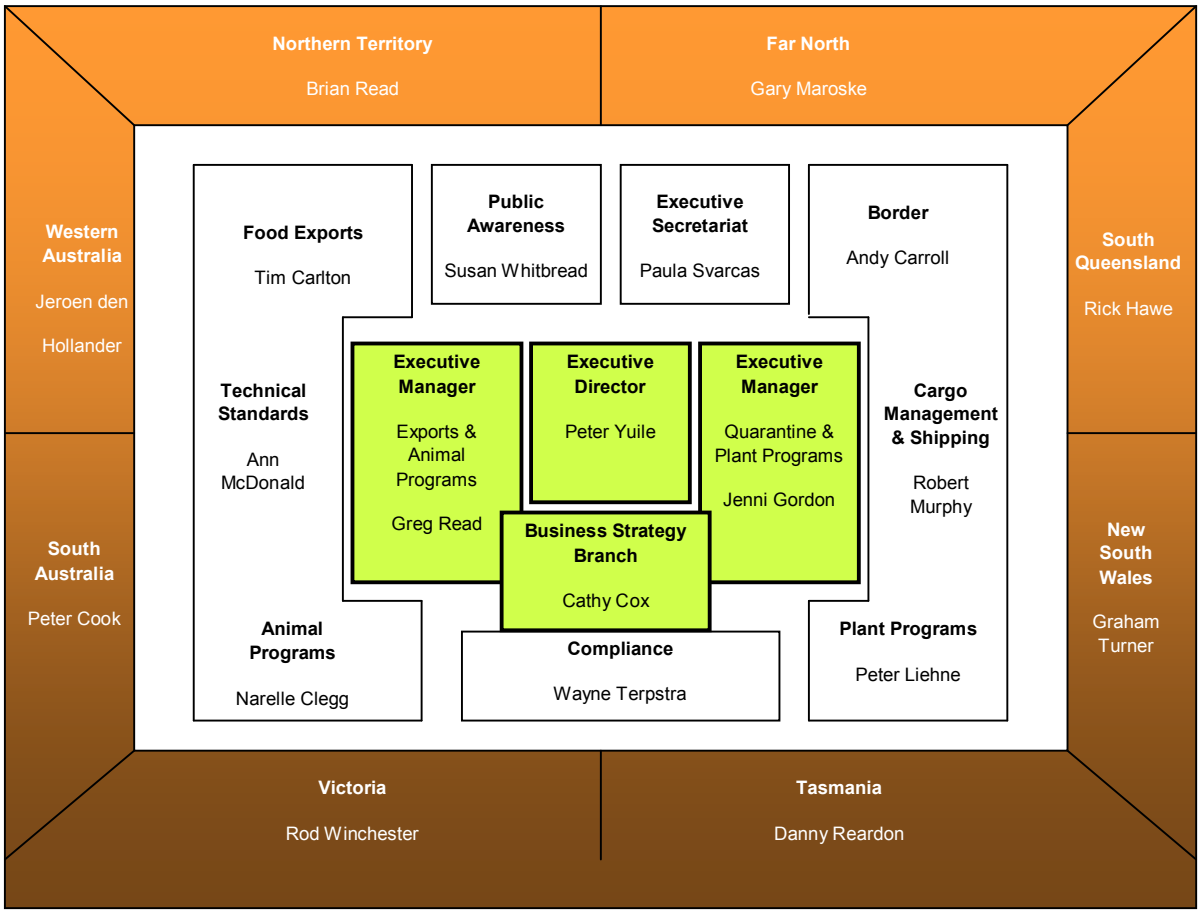


Figure 2.1: Organisational Structure

AQIS employs approximately 2,786 FTEs, of which 1,769 were employed at 30 June 2006 in the six quarantine border Programs that are part of this Review.

FTEs are allocated to the six Quarantine Border Programs analysed in this report as shown below. The figures represent the actual FTEs for 2001/02 to 2005/06, the budgeted FTEs for 2006/07, while 2007/08 to 2008/09 represent projected budget FTEs based on expected activity volume.

	2001/02 Actual FTE	2002/03 Actual FTE	2003/04 Actual FTE	2004/05 Actual FTE	2005/06 Actual FTE	2006/07 Budget FTE	2007/08 Budget FTE	2008/09 Budget FTE
Import Clearance	615.2	643.8	727.6	794.4	797.6	840.5	840.2	840.2
Airports	550.9	584.0	536.1	603.7	593.5	621.0	621.0	621.0
International Mail	115.4	143.9	143.2	136.3	141.5	149.3	150.4	150.4
Seaports	78.1	79.5	71.6	79.7	86.4	90.5	86.4	86.4
NAQS	66.2	66.1	61.3	58.1	57.7	72.6	73.1	73.1
Detector Dogs	63.1	86.6	83.5	84.7	92.1	102.8	103.3	103.3
Total	**1,488.9**	**1,603.9**	**1,623.3**	**1,756.9**	**1,768.8**	**1,876.7**	**1,874.4**	**1,874.4**

Table 2.2: Summary of Program FTEs

FTE within the Programs listed above represent approximately 63% of total AQIS FTE. The Program with the largest FTE number is the Import Clearance Program. Employee numbers have been steadily increasing each year to 2006/07, decrease very slightly in 2007/08 and should remain stable to 2008/09.

2.6 Partnerships with Industry and Government Agencies

AQIS interacts with a range of Australian Government and State Government agencies, industry participants and the public. An important partner in border activities is Customs, who works closely with other Government agencies in helping to detect and deter unlawful movement of goods and people across the border. All quarantine border Programs work closely with Customs in some capacity and the cooperation between AQIS and Customs was observed during our site visits.

Other Government agencies involved in border activities include the Australian Federal Police (AFP), Department of Immigration and Citizenship (DIAC), the Department of the Environment and Heritage (DEH), DFAT and the Department of Health and Ageing (DoHA).

Australian Government policy is that wherever possible the cost of providing services to industry should be recovered from the users of those services. AQIS maintains close contact with industry clients through industry consultative committees (ICCs), ensuring efficient and effective service delivery. ICCs are instrumental in developing effective operational responses to Government policy for AQIS import and export Programs.

Further details of partnerships with industry and Government for each of the quarantine border Programs are provided in Chapters 4 to 9.

2.7 Summary of Government Funding

2.7.1 Current Funding Arrangements

AQIS quarantine border Programs receive the majority of their revenue through appropriations from Government and cost recovery. The table below illustrates the split between revenues received from Government, revenue cost recovered and other forms of revenue for the six quarantine border Programs.

Source of Revenue	2000/01 Actual $'M	2001/02 Actual $'M	2002/03 Actual $'M	2003/04 Actual $'M	2004/05 Actual $'M	2005/06 Actual $'M	2006/07 Budget $'M	2007/08 Budget $'M	2008/09 Budget $'M	2009/10 Budget $'M
Revenue from Government	5.5	67.9	76.8	81.2	91.8	95.2	100.8	101.3	101.3	101.3
Cost Recovered	45.5	66.8	79.2	96.6	96.1	113.1	117.5	117.6	117.6	117.6
Other Revenue	0.2	2.3	5.2	6.3	12.2	4.3	4.7	4.5	4.5	4.5
TOTAL	**51.1**	**137.1**	**161.2**	**184.1**	**200.1**	**212.5**	**223.0**	**223.4**	**223.4**	**223.4**

Table 2.3 - Combined Programs Sources of Revenue ($ Million) for Quarantine Border Programs

The Government has provided separate injections of additional funding for quarantine services, through the following initiatives:

- Continuation of Nairn funding;
- Increased Quarantine Intervention (IQI);
- NAQS Program;
- Avian Influenza activities;
- Quarantine Border Security (QBS); and
- Illegal Foreign Fishing Vessels (IFFVs.)

The table below provides a detailed breakdown of total funding for each of the six Programs, including funding for the specific Government initiatives listed above.

Source of Funding	2000/01 Actual $M	2001/02 Actual $M	2002/03 Actual $M	2003/04 Actual $M	2004/05 Actual $M	2005/06 Actual $M	2006/07 Budget $M	2007/08 Budget $M	2008/09 Budget $M	2009/10 Budget $M
Import Clearance										
Base - Budget Funded	0.5	0.1	0.3	0.7	0.7	0.6	0.4	0.6	0.6	0.6
Base – Cost Recovered	36.7	40.7	48.9	65.0	73.1	80.2	84.1	84.0	84.0	84.0
Nairn Funding	-	-	-	-	-	-	-	-	-	-
IQI - Budget Funded	2.6	0.4	-	-	-	-	-	-	-	-
IQI - Cost Recovered	-	16.0	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
AI	-	-	-	-	-	-	-	-	-	-
QBS	-	-	-	-	-	-	-	-	-	-
IFFVs	-	-	-	-	-	-	-	-	-	-

Source of Funding	2000/01 Actual $M	2001/02 Actual $M	2002/03 Actual $M	2003/04 Actual $M	2004/05 Actual $M	2005/06 Actual $M	2006/07 Budget $M	2007/08 Budget $M	2008/09 Budget $M	2009/10 Budget $M
Import Clearance	**39.8**	**57.2**	**65.8**	**82.3**	**90.4**	**97.4**	**101.1**	**101.2**	**101.2**	**101.2**
Airports										
Base - Budget Funded	17.8	19.4	19.1	21.5	25.0	26.2	24.7	24.6	24.3	24.3
Base – Cost Recovered	0.8	0.9	1.7	1.3	1.4	1.6	1.4	1.4	1.4	1.4
Nairn Funding	3.3	3.3	3.3	3.3	3.3	-	-	-	-	-
IQI - Budget Funded	3.2	30.1	37.6	37.6	37.6	-	-	-	-	-
AI	-	-	-	1.6	4.8	4.2	9.2	9.4	9.7	-
QBS	-	-	-	-	-	40.9	40.9	40.9	40.9	-
Total Airports	**25.1**	**53.7**	**61.7**	**65.3**	**72.1**	**72.9**	**76.2**	**76.3**	**76.3**	**25.7**
International Mail										
Base - Budget Funded	-	0.2	-	0.2	0.1	0.8	0.8	1.0	1.0	1.0
Base – Cost Recovered	2.5	2.2	2.8	3.6	3.1	3.6	4.1	4.0	4.0	4.0
Nairn Funding	-	-	-	-	-	-	-	-	-	-
IQI - Budget Funded	0.4	7.7	12.9	12.2	13.6	-	-	-	-	-
QBS	-	-	-	-	-	14.3	14.3	14.3	14.3	-
IFFVs	-	-	-	-	-	-	-	-	-	-
Total International Mail	**2.9**	**10.1**	**15.7**	**16.0**	**16.8**	**18.7**	**19.2**	**19.3**	**19.3**	**5.0**
Seaports										
Base - Budget Funded	0.3	0.2	0.4	0.6	0.9	1.0	1.1	1.1	0.9	0.9
Base - Cost Recovered	4.9	6.1	7.3	8.6	8.7	10.1	10.1	10.1	10.1	10.1
Nairn Funding	-	-	-	-	-	-	-	-	-	-
IQI - Budget Funded	0.4	-	-	-	-	-	-	-	-	-
IQI - Cost Recovered	-	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
AI	-	-	-	0.1	0.2	0.2	0.2	0.2	0.2	-
IFFVs	-	-	-	-	-	0.2	0.2	0.2	0.4	0.4
Total Seaports	**5.6**	**7.6**	**9.2**	**10.8**	**11.3**	**13.0**	**13.1**	**13.1**	**13.1**	**12.9**
NAQS										
Base - Budget Funded	2.9	3.0	3.3	3.4	3.9	4.3	4.5	4.5	4.5	4.5
Base - Cost Recovered	0.2	1.9	2.1	2.1	0.4	0.3	0.3	0.3	0.3	0.3
IQI - Budget Funded	-	0.4	0.4	0.4	0.4	-	-	-	-	-
IQI - Cost Recovered	-	-	-	-	-	-	-	-	-	-
Additional NAQS	3.1	3.1	3.0	3.0	3.5	4.5	-	-	-	-
AI	-	-	-	0.4	0.6	0.5	1.5	1.5	1.5	-
QBS	-	-	-	-	-	-	4.5	4.5	4.5	-
IFFVs	-	-	-	-	-	0.4	2.0	2.0	2.0	-
Total NAQS	**6.2**	**8.4**	**8.8**	**9.3**	**8.8**	**10.0**	**12.8**	**12.8**	**12.8**	**6.8**

Source of Funding	2000/01 Actual $M	2001/02 Actual $M	2002/03 Actual $M	2003/04 Actual $M	2004/05 Actual $M	2005/06 Actual $M	2006/07 Budget $M	2007/08 Budget $M	2008/09 Budget $M	2009/10 Budget $M
AQIS										
Base - Budget Funded	38.0	61.8	68.6	79.6	86.6	89.5	81.0	84.1	83.3	83.3
Base - Cost Recovered	129.7	115.4	118.0	135.4	144.7	158.5	168.1	171.2	171.1	171.1
Nairn Funding	5.3	5.3	5.3	5.3	5.3	-	-	-	-	-
IQI - Budget Funded	5.6	41.3	55.3	51.6	55.4	-	-	-	-	-
IQI - Cost Recovered	-	17.2	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0
AI	-	-	-	2.1	6.2	5.6	11.7	12.0	12.5	-
QBS	-	-	-	-	-	63.0	67.7	67.7	67.7	-
IFFVs	-	-	-	-	-	.05	2.7	2.8	2.8	2.9
Total AQIS	**178.6**	**241.0**	**265.2**	**292.0**	**316.2**	**335.1**	**349.2**	**355.8**	**355.4**	**275.3**

Table 2.4 - Funding Source

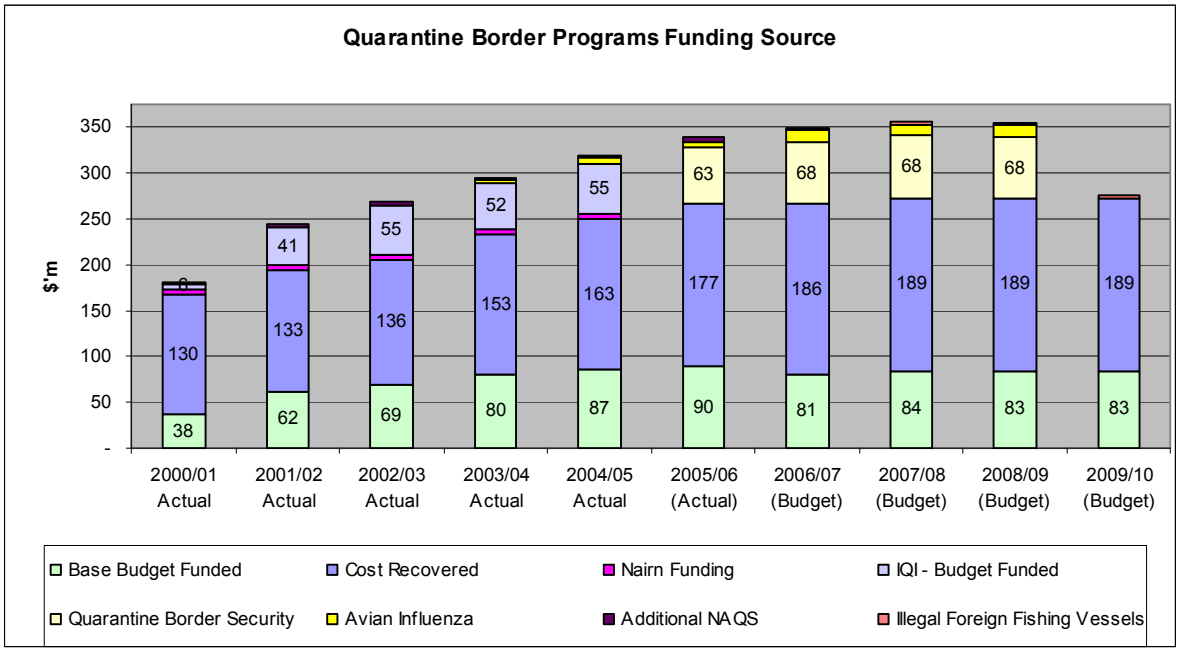


Figure 2.2: AQIS Funding Summary

The following commentary provides a description of each of the above Budget funded initiatives.

Nairn Funding

In the May 2001 Budget, the Government provided for continuation of funding for a range of quarantine activities originally introduced in 1997/98 in response to the Nairn Review. This funding was allocated to four Business Units within DAFF as follows:

- AQIS - for border quarantine activities and the continuation of the Quarantine Awareness Campaign and the Quarantine and Exports Advisory Council (QEAC);

- PIAPH – for the continuation of the Office of the Chief Plant Protection Officer and for Aquatic Health activities;
- BA – for the continuation of the Import Risk Assessment (IRA) Program; and
- Australian Bureau of Agricultural and Resource Economics (ABARE) – for independent studies on economic impacts of risk analysis.

The Nairn funding measure lapsed in 2004/05 and equivalent funding has been included in the QBS funding as has the PIAPH funding ($2.229 million each year for 2005/06 to 2008/09). The table below details the split of Nairn Funding between Business Units.

DAFF Business Unit	2001/02 $m	2002/03 $m	2003/04 $m	2004/05 $m	Total $M
AQIS	5.343	5.343	5.343	5.343	21.372
Product Integrity, Animal and Plant Health	2.229	2.229	2.229	2.229	8.916
Biosecurity Australia	6.032	6.032	6.032	6.032	24.128
ABARE	0.200	0.200	0.200	0.200	0.800
Total	**13.804**	**13.804**	**13.804**	**13.804**	**55.216**

Table 2.5 – Nairn Funding by DAFF Business Unit

Increased Quarantine Intervention

In the May 2001 Budget, the Government announced IQI – a $596.4 million package to strengthen border agencies in their work to counter threats from exotic pests and diseases, by intensifying controls over the entry of people and goods into Australia.

IQI funding was allocated to four agencies. While DAFF and Customs received the majority of funds to implement the enhanced quarantine intervention, the Department of Communication, Information Technology and the Arts (DoCITA) and Department of Transport and Regional Services (DoTARS) also received capital funding to provide Australia Post and airports with resources for new infrastructure at international airports and international mail centres.

The table below details the amount of IQI funding received by DAFF, Customs, DoCITA and DoTARS from 2000/01 to 2004/05. From 2005/06, IQI funding was rolled into QBS funding.

Agency	2000/01 $m	2001/02 $m	2002/03 $m	2003/04 $m	2004/05 $m	Total $M
DAFF	6.369*	61.893	73.473	69.623	73.473	278.462
Customs	0	60.470	56.541	55.591	62.510	235.112
DoCITA	0	20.000	13.200	8.000	8.200	49.400
DoTARS	0	19.400	0	7.700	0	27.100
Total IQI Funding	**6.369**	**161.763**	**143.214**	**140.914**	**144.183**	**590.074**

* To fund extra measures introduced in February 2001 due to the UK and European FMD outbreaks.

Table 2.6 – IQI Funding by Agency

IQI funding supported the following policy aims:

- ***International Airports*** – At least 81% of arriving international air passengers were to have their baggage inspected or x-rayed, with a number of new Detector Dog teams in support;
- ***International Air Cargo*** - All aircraft containers were to be externally inspected;
- ***Seaports*** - 100% of ships, passengers and baggage arriving from overseas were to be inspected;
- ***Sea Cargo Containers*** - All containers were to be inspected; and
- ***International Mail Exchanges*** - All articles arriving by post were to be inspected by x-ray or Detector Dog.

Passenger Movement Charge

The passenger movement charge (previously called the Departure Tax) is levied under the *Passenger Movement Charge Act 1978* and collected under the *Passenger Movement Charge Collection Act 1978*. It is a charge levied on passengers leaving Australia for an overseas destination and is collected by airlines and shipping companies as part of their ticketing arrangements.

The passenger movement charge was introduced in January 1995. In 2001 the charge was increased by $8 and is now $38 per passenger.

Revenues from the charge are paid into the Consolidated Revenue Fund.

Additional NAQS Funding

NAQS was established in 1989 to protect Australia's animal, plant and human health and the environment by identifying and evaluating the unique quarantine risks facing northern Australia. The Program has been mainly budget funded since inception and in 2000/01 received an additional $20.2 million from 2000/01 to 2005/06. From 2006/07, additional NAQS funding was rolled into QBS funding.

Agency	2000/01 $m	2001/02 $m	2002/03 $m	2003/04 $m	2004/05 $m	2005/06 $m	Total $M
DAFF	3.1	3.1	3.0	3.0	3.5	4.5	20.2

Table 2.7 – Additional NAQS Funding

Quarantine Border Security (QBS) Funding

QBS funding was a continuation and consolidation of the following earlier measures:

- Nairn funding, relating to the Airports Program;
- IQI funding; and
- Additional NAQS funding.

For the four years from 2005/06, $266.1 million was allocated to these Programs for AQIS and $250 million for Customs.

Agency	2005/06 $m	2006/07 $m	2007/08 $m	2008/09 $m	Total $m
DAFF	63.0	67.7	67.7	67.7	266.1
Customs	62.5	62.5	62.5	62.5	250.0
Total	**125.5**	**130.2**	**130.2**	**130.2**	**516.1**

Table 2.8 – Quarantine Border Security Funding by Agency

Avian Influenza (AI) Funding

In the 2003/04 Budget, the Government provided $8.3 million over 18 months (2003/04 and 2004/05) to AQIS for enhanced quarantine risk management measures to reduce the risk of AI (bird flu) to Australia. This funding provided for inspection of passengers and baggage from AI affected countries until 30 June 2005. Additional awareness campaigns are being conducted at Australian airports through the wider media. Surveillance has increased in northern Australia and offshore. Funding was renewed for a further year, at a level of $5.6 million in the 2005/06 Budget. As AI spread across the world, the Government further extended funding in the 2006/07 Budget, with AQIS now having received $41.8 million over four years (2005/06 to 2008/09) for the NAQS and Airports Programs.

Agency	2003/04 $m	2004/05 $m	2005/06 $m	2006/07 $m	2007/08 $m	2008/09 $m	Total $m
AQIS	2.1	6.2	5.6	11.7	12.0	12.5	50.1

Table 2.9 – Avian Influenza Funding

Illegal Foreign Fishing Vessels (IFFV)

In the 2006/07 Budget, Customs, the Australian Fisheries Management Authority, AQIS, DAFF, Department of Defence, DIAC, the Great Barrier Reef Marine Park Authority, the Attorney-General's Department, the AFP and the Commonwealth Director of Public Prosecutions were provided with the resources to increase the number of IFFVs that are apprehended each year.

Seized IFFVs pose significant quarantine risks and $10.2 million over four years has been provided to AQIS to address these quarantine risks. The majority of this funding is for the NAQS Program ($8.4 million) and the Seaports Program ($1.8 million).

KEY QUARATINE BORDER PROGRAMS

Contents

3. Key Quarantine Border Programs

3.1 Summary Assessment against Terms of Reference

The following section addresses each of the key categories of the Terms of Reference – appropriateness, effectiveness and efficiency. The detailed Terms of Reference can be found at Appendix A.

A summary of our assessment criteria, assessment result and reference to the relevant section of the report is provided in the table below.

TOR	Assessment Criteria	Result	Report Ref.
Appropriateness	▪ Programs and their objectives consistent with Whole-of-Government priorities	Programs are appropriate	3.2
Effectiveness	▪ Cost Effectiveness ▪ Achievement against Government objectives ▪ Any overlap between Programs and other Australian Government or State Programs ▪ Adequacy of Program's performance information ▪ Appropriate future performance measures	Programs are effective	3.3
Efficiency	▪ Extent to which Programs have been implemented on time ▪ Extent to which integrated delivery of Programs has resulted in efficiencies ▪ Efficiencies deriving from industry involvement, including the appropriateness of cost recovery arrangements ▪ Balance between cost recovery and budget ▪ Trends over time in the ratio of administrative to Program costs ▪ Any barriers to continuous improvements in efficiency	Programs are efficient	3.4

Table 3.1 Appropriateness, Effectiveness and Efficiency

Whilst our overall findings are that quarantine border Programs are appropriate, effective and efficient, a number of opportunities for improvement have been identified in undertaking this review. Our recommendations are detailed throughout the report.

3.2 Appropriateness

The following section of the report assesses the appropriateness of the six quarantine border Programs considered in this Review.

Appropriateness, for the purposes of this Review, is the assessment of the extent to which Programs and their objectives are consistent with other relevant Whole-of-Government priorities.

A summary of our findings is provided in the table below.

	Import Clearance	Airports	International Mail	Seaports	NAQS	Detector Dogs
Whole-of-Government priority	Protect Australia from harmful pests and diseases affecting plants, animals and people					
Objectives of Quarantine Border Programs in line with Whole-of-Government priority?	✓	✓	✓	✓	✓	✓

Table 3.2 Appropriateness

The section of the report below describes relevant Whole-of-Government priorities and is followed by a brief description of each of the AQIS quarantine border Programs and their objectives.

3.2.1 Whole-of-Government Priorities

Minimising risks to Australia's pests and disease free status is an Australian Export priority. Quarantine border security policies and border operations aim to address risks that threaten this status.

Responsibility for quarantine rests with DAFF, under its Output 6 – Quarantine and Export Services.

The Government's priorities for this Output are to:

- maintain Australia's quarantine integrity through border control arrangements and post-entry plant and animal quarantine;
- raise awareness of quarantine requirements and promote compliance with those requirements by Australians and by overseas visitors and traders;
- work in partnership with stakeholders to deliver a high level of service to industry and other external clients, and support the international trade regulatory framework to maintain Australia's animal, plant and human health status and export market access; and
- implement and administer strict quarantine controls at Australia's borders to minimise the risk of exotic pest and disease incursions, and respond to potential quarantine threats.

Six quarantine border Programs in AQIS contribute to Output 6 and achieve these Government priorities. They are the Import Clearance, Airports, International Mail, Seaports, NAQS and Detector Dog Programs.

3.2.2 Program Description

A brief description of each of the AQIS quarantine border Programs is provided below. Further detail can be found in Chapters 4 – 9.

- Import Clearance Program – undertakes the assessment and management of quarantine risk associated with imported goods and commodities arriving in Australia, by sea and air.
- Airports Program – ensures the effective quarantine clearance of incoming aircraft and passengers and their baggage at international airports.
- International Mail Program – undertakes quarantine clearance of all mail arriving in Australia to detect and take action on items of quarantine concern.
- Seaports Program - ensures efficient and effective quarantine clearance of international vessels, associated crew, passengers and their baggage at international seaports.
- NAQS – was developed in response to the unique quarantine risks facing northern Australia. This strategy implements measures for the early detection of targeted pests and diseases and manages quarantine aspects of border movements through the Torres Strait.
- Detector Dogs – detector dogs support the delivery of the Import Clearance, Airports, International Mail and Seaports Programs.

3.2.3 Program Objectives

The Government introduced two types of performance targets to measure the success of the IQI funding introduced in 2001/02. These are intervention and effectiveness targets.

- Intervention refers to the application of a specified set of quarantine activities to determine the status of goods of quarantine interest. Intervention takes place at a quarantine intervention point. The rate of intervention is measured as the proportion of relevant goods or vessels subjected to intervention.
- Effectiveness refers to the success rate of the intervention procedure used by AQIS in inspecting items – that is, the ability of the intervention to successfully detect items of quarantine concern.

Targets were set for aspects of operations of the Import Clearance, Airports, International Mail and Seaports Programs. The NAQS and Detector Dog Programs are the only Programs with no Government mandated intervention and effectiveness targets, however, the Detector Dog Program contributes to the achievement of targets in other Programs.

Intervention and effectiveness targets, together with a description of what activities are involved and where this occurs for each of the Programs (excluding NAQS) is provided in the table below.

IQI Program	Description of Activity	Intervention Target	Effectiveness Target
Airports – Passengers	▪ X-ray or physical inspection of incoming passengers, crew and their baggage ▪ Conducted at international airports upon arrival into Australia	81%	Higher Risk: 87% Risk: 50%
Import Clearance – Air Containers	▪ Physical inspection of the external surface of all air cargo containers ▪ Conducted at airports as air cargo containers are unloaded from the aircraft	100%	96%
Import Clearance – Sea Containers	▪ Physical inspection of the external surface of all shipping containers ▪ Performed prior to the sea cargo containers leaving the wharf areas on trucks or trains	100%	96%
Import Clearance – High Volume Low Value (HVLV air cargo)	▪ HVLV air cargo is carried by a small number of Express Carriers ▪ Inspection regime involves x-ray examination of all HVLV AIR CARGO items at on-site x-ray facilities at the four major international air courier companies	100%	96%
International Mail	▪ X-ray or detector dog inspection of mail items ▪ Inspections occur at Australia Post mail centres that process arriving international mail	100%	Higher risk: 96% Risk: 50%
Seaports – Vessel Inspection	▪ Physical inspection of vessels ▪ Inspection occurs at proclaimed first port of entry when vessel is docked as close to arrival time as practical	100%	96%
Seaports – Passengers	▪ Inspection regime involves x-ray, physical or detector dog examination ▪ Inspection occurs at proclaimed first port of entry when vessel is docked	100%	Higher Risk: 87% Risk: 50%

Table 3.3 - IQI Intervention and Effectiveness Targets

* Please note that Customs refers to HVLV as 'Reportable Documents'. For the purposes of this Review, these terms will be used interchangeably.

Intervention indicators identify and measure the percentage of items approaching the border that have been subject to some form of quarantine inspection. It is important to note that 'items' refer to different things for each Program, i.e. for the Airports Program, items refer to passengers and baggage, whilst in the International Mail Program, items refer to international mail articles.

The level of intervention is reported in percentage terms, calculated as the total number of items AQIS undertakes quarantine intervention on divided by the total number of items approaching the border. For example, for the International Mail Program, intervention is calculated by the total number of mail articles inspected by AQIS, as a percentage of the total volume of mail articles entering International Mail Centres.

Effectiveness indicators measure the success rate of the intervention procedure used by AQIS in inspecting items. There are a number of established steps in calculating and reporting on effectiveness levels by AQIS. Details of the calculation methodology can be found in Appendix B.

For the International Mail, Airports, and Seaports passenger Programs, effectiveness targets are required to be reported separately against two separate Government effectiveness targets, 'Higher Risk' and 'Risk'. These two categories are reported separately by AQIS, and are based on the type of quarantine item that has been seized or leaked at the border.

Those items that, if released, would cause the most serious quarantine consequence are classified as 'Higher Risk'. Other items that would cause a significant, but lower quarantine consequence, are classified and reported as 'Risk'.

Examples of Higher Risk material include oranges, fresh pig meat and viable seeds. Risk material includes dried plant material, tinned food and processed nuts.

AQIS regularly refines its listing of Higher Risk and Risk items. This ensures that AQIS produces an appropriate and effective listing of priority risk material.

The ANAO has reviewed in detail the calculations used by AQIS for reporting on intervention and effectiveness and has found the calculation methodology to be generally robust. [1]

It is important to note that the intervention and effectiveness target rates were determined by Government. The Government's decision was informed by experience and advice from the border agencies as to risk and what might be achievable, as well as considering the ANAO's findings, contained in Audit Report No. 47 of 2000/01 *Managing for Quarantine Effectiveness*.

Intervention and effectiveness targets for quarantine activities have not been specified for Customs IQI related functions and are not tracked by Customs as Customs does not undertake quarantine inspection nor make quarantine seizures.

[1] *Managing for Quarantine Effectiveness – Follow-Up,* ANAO, 2005/06.

3.3 Effectiveness

The following section of the report assesses the effectiveness of the six AQIS quarantine border security Programs considered in this Review. Effectiveness refers to the adequacy of Programs to produce the intended result / meet Program objectives.

The following assessment criteria are addressed in this section of the report as per the Terms of Reference:

1. Cost effectiveness of the Programs;
2. Program achievements against Government objectives;
3. Any overlap between the Programs and other Australian Government or State Programs;
4. Adequacy of Programs' performance information; and
5. Appropriate future performance measures.

The table below summarises our assessment of effectiveness and provides reference to the relevant section in this chapter that provides the data to support our assessment.

Based in the results of our analysis, we have assessed the AQIS quarantine border Programs as effective.

Effectiveness Assessment	Reference	Import Clearance	Airports	International Mail	Seaports	NAQS	Detector Dogs
1. Cost Effectiveness	3.3.1	✓	✓	✓	✓	✓	✓
2. Achievement against Government objectives	3.3.2	✓	✓	✓	✓	✓	✓
3. No overlap between Program and other Australian Government or State programs	3.3.3	✓	✓	✓	✓	✓	✓
4. Adequacy of performance information	3.3.4	✓	✓	✓	✓	✓	✓
5. Appropriate future performance measures	3.3.5	✓	✓	✓	✓	*	✓

* The NAQS Program does not have intervention and effectiveness targets and in the past has gauged performance against previous years. Work has already been undertaken by NAQS to ensure adequate performance information is collected and reported from January 2007

Table 3.4 – Effectiveness Assessment

3.3.1 Cost Effectiveness

Assessment Criteria

In analysing the effectiveness of the six quarantine border Programs, we have considered:

- Overview of current costs;
- Cost trends since 2000/01 to projected 2009/10 and details of cost drivers;
- Reasonableness of AQIS's border Program key cost elements, including benchmarking with other organisations, particularly Customs; and
- Sustainability of the budget.

Comparing AQIS's financial performance with other organisations is the primary indicator as to the reasonableness of the AQIS quarantine border Programs. As with all benchmarking, it is important to acknowledge the limitations of any conclusions that can be drawn directly from the analysis. AQIS is a unique organisation and many factors, including different functions, activities and processes, accounting and budgeting practices, varying governance and organisational structures and different stages of organisational development can all affect benchmarking results. Where possible, we have sourced benchmarking comparisons from Customs, other Australian Government agencies and internationally. Benchmarking analyses can be applied to identify exceptional or unusual data or to highlight potential areas of concern.

Customs is the agency with functions most similar to AQIS as the two agencies often work in the same locations, investigate the same items (although for different purposes) and have a close working relationship. Both AQIS and Customs have responsibilities in relation to incoming air passengers, importation of goods, shipping and sea passengers and international mail.

Additionally, Customs operates a detector dog unit, with features similar to AQIS's Detector Dogs.

Summary of Key Findings on Cost Effectiveness

Overall, quarantine border Programs were found to be cost effective.

The table below summarises our key findings and is followed by supporting analysis.

Summary of Key Findings on Cost Effectiveness
▪ AQIS quarantine border Programs represented 66% of total AQIS expenditure in 2005/06.
▪ Key quarantine border Program costs are employee expenses, overheads and temporary and contract staff (79% of total quarantine border Program costs).
▪ Total quarantine border Program expenditure has increased by 56% in 2001/02 to 2005/06 and is expected to continue to increase by a further 8% during 2005/06 to 2009/10.
▪ AQIS quarantine border Program costs per FTE appear reasonable when benchmarked with Customs and other Australian Government agencies.
▪ Total border program costs have increased each year since 2001/02 at a rate greater than the annual increase in base budget funding.

Overview of Current Costs

The six quarantine border Programs considered as part of this Review represent a large portion of AQIS's total expenditure. Total expenditure for AQIS in 2005/06 was $335.1 million and of this, $212.5 million was incurred by the Import Clearance, Airports, International Mail, Seaports, NAQS and Detector Dog Programs, as illustrated below.

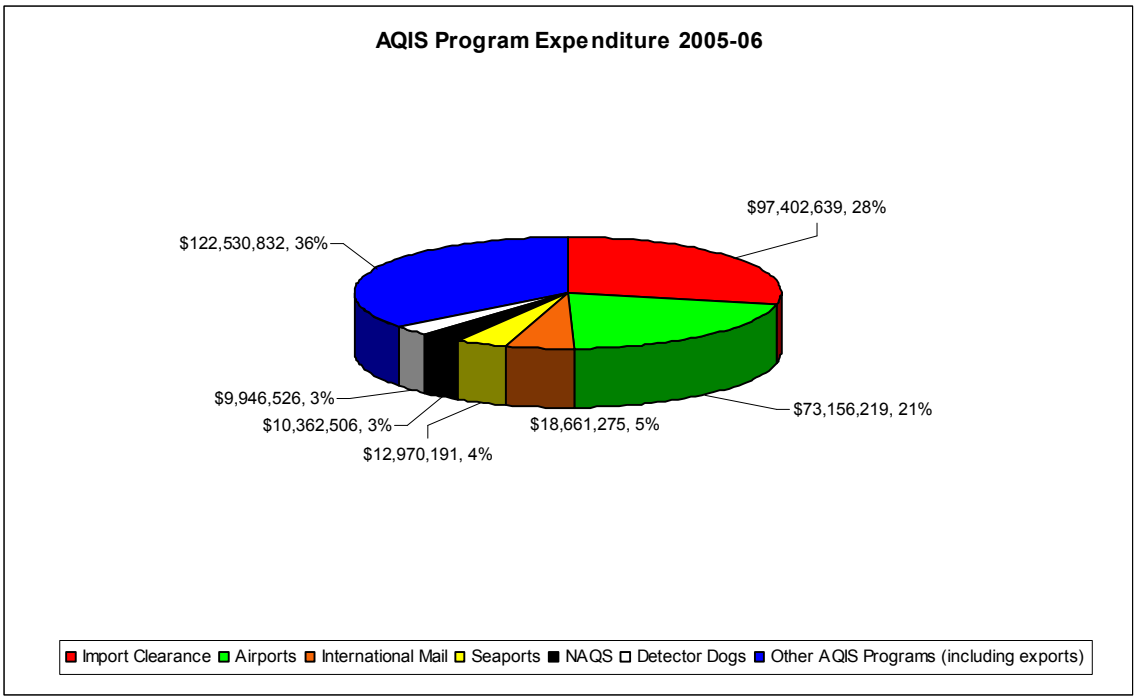


Figure 3.1: AQIS Program Expenditure

Key cost components of the quarantine border Programs are:

- Employee expenses ($125 million (59%) of total quarantine border Program costs in 2005/06);
- Overhead costs ($34 million (16%) of total quarantine border Program costs in 2005/06); and
- Temporary and contract staff ($10.8 million (5%) of total quarantine border Program costs in 2005/06).

These three components account for 80% of total quarantine border Program expenditure.

Table 3.5 below illustrates the key program costs for 2005/06 for each Program.

Expenditure Category	Total $'000 *	% of Total Expenditure	Import Clearance $'000	Airports $'000	International Mail $'000	Seaports $'000	NAQS $'000	Detector Dogs $'000
Total Expenditure	$212,533	100%	$97,403	$73,156	$18,661	$12,970	$10,363	$9,947
Employee	$124,924	59%	$54,849	$47,353	$10,694	$6,995	$5,034	$7,075
Overheads	$34,249	16%	$16,925	$8,959	$2,271	$2,230	$1,865	$1,492
Temporary & Contractor Staff	$10,824	5%	$5,505	$4,894	$212	$194	$95	$455

Table 3.5 – Key Cost Components

* Please note that the 'Total' column does not agree to the sum of the six border Programs detailed in the table above, as Detector Dog costs are already included in the Import Clearance, Airports, International Mail, Seaports and NAQS Programs.

Cost Trends

Total expenditure on the six quarantine border Programs has increased by 57% from 2001/02 to 2005/06 and is expected to continue to increase in the years from 2005/06 to 2009/10 by a further 14%.

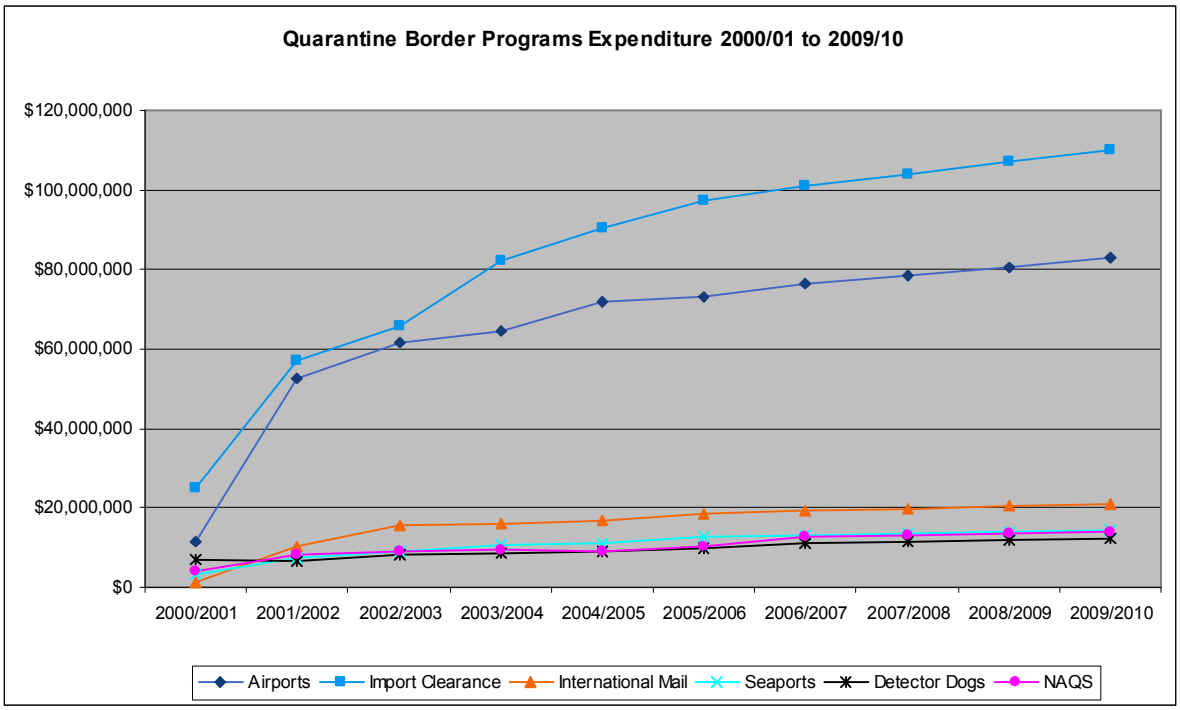


Figure 3.2 - Expenditure on Quarantine Programs

Note that 2000/01 to 2005/06 represents actual costs, 2006/07 budgeted costs and 2007/08 to 2009/10 projected costs. Costs beyond 2006/07 are based on historical cost increase data and on known future increases, such as Certified Agreement increases.

The table below summarises the expenditure from 2000/01 to 2009/10 for each of the Programs in descending order of materiality.

	2000/01 $'000 Actual	2001/02 $'000 Actual	2002/03 $'000 Actual	2003/04 $'000 Actual	2004/05 $'000 Actual	2005/06 $'000 Actual	2006/07 $'000 Budget	2007/08 $'000 Budget	2008/09 $'000 Budget	2009/10 $'000 Budget
Import Clearance	25,077	57,218	65,831	82,302	90,405	97,403	101,135	104,055	107,088	110,236
Airports	11,435	52,548	61,608	64,703	71,861	73,156	76,272	78,421	80,654	82,974
International Mail	1,320	10,093	15,749	15,990	16,791	18,661	19,426	19,909	20,409	20,930
Seaports	3,179	7,564	9,169	10,793	11,327	12,970	13,079	13,452	13,839	14,240
NAQS	4,243	8,388	8,896	9,499	8,932	10,363	12,825	13,147	13,480	13,826
Detector Dogs	7,082	6,461	8,083	8,459	9,226	9,947	11,064	11,432	11,814	12,211
Total	**45,253**	**135,810**	**161,254**	**183,286**	**199,316**	**212,553**	**222,737**	**228,938**	**235,470**	**242,206**

Table 3.6 - Program Expenditure 2000/01 to 2009/10

Increase in expenditure for each border Program to 2009/10 can be attributed to a number of factors including:

- Increasing volumes of commodities, passengers, vessel and mail
- Increasing movement of commodities, passengers and mail from higher quarantine risk countries; and
- Evolution of international transportation modes, for example the introduction of the Airbus A380 which has greater passenger capacity (555 passengers compared with around 450 in Boeing 747 aircrafts) will increase the number of passengers required to pass through existing passenger channels as individual flights arrive.

In addition to the above factors, there are a number of cost drivers that impact all of the Programs. The primary cost drivers of AQIS operations are:

- Personnel;
  - Employee numbers and salary levels
  - Employee rostering approaches
  - Changing workforce profile,
- Operational Practices;
  - Service delivery standards set for all aspects of service delivery - the AQIS Service Charter states that passengers arriving in Australia on an international flight with a fully declared item subject to quarantine inspection should expect to be through quarantine formalities within 30 minutes of being directed by an AQIS officer. With greater volumes of passengers arriving in shorter timeframes, AQIS will need to increase resources if they are to continue to meet the standards set in the Service Charter; and

  - Cost recovery process – cost recovery generated 54% of AQIS quarantine border Program total revenue in 2005/06. As with any cost recovery scheme, the process of cost recovery means administrative costs are incurred for billing, accounts receivable and debtor control; and

- Technology;
  - Information system infrastructure, software design and security. Program specific software systems underpin operational activities and administration. Appropriate functionality and useability of these systems is essential for Programs to operate effectively and efficiently. This involves maintaining current systems, redeveloping systems with changes in the operating environment, trialling new systems, keeping abreast of currently available and new technology, and training staff in new systems. This requires significant ongoing investment.

Further discussion of the impact of these factors on each of the quarantine border Programs is provided in Chapters 4 – 9.

Reasonableness of AQIS Quarantine Border Program Cost per FTE and Key Program Cost Elements

The following section assesses the reasonableness of AQIS quarantine border Program total cost per FTE, followed by an assessment on the reasonableness of key cost elements (employee, overhead and contractor expenses).

Total Cost per FTE

Table 3.7 below details total AQIS cost per FTE, total border Program cost per FTE and cost per FTE for a number of Australian Government agencies for 2005/06.

	Total AQIS	Total AQIS quarantine border Programs	DAFF *	Customs *	DIAC *	AFP *
Total Cost ($'000)	$333,954	$212,553	$555,667	$808,889 **	$1,136,594	$909,270
FTE	2,786	1,769	3,964	5,160	6,473	5,567
Cost per FTE ($'000)	$120	$120	$140	$157	$176	$163

Table 3.7 – Cost per FTE for AQIS, Quarantine Border Programs, DAFF, Customs, DIAC and AFP 2005/06

* Sourced from 2005/06 Annual reports

** Customs total excludes Resources Received Free of Charge (RRFOC) and Coastal Surveillance contract payments

Average AQIS quarantine border Program cost per FTE is at the lower end of benchmarked agencies.

In addition to comparison with these agencies, information was provided by Customs as to the total cost of their IQI activities. The table below compares Customs cost per FTE for those involved in IQI functions with AQIS quarantine border Programs cost per FTE for the years 2001/02 to 2005/06. Customs was unable to provide projected costs for the out years 2006/07 to 2009/10.

	2001/02	2002/03	2003/04	2004/05	2005/06
Customs IQI Costs ($'000)	$53,600	$47,700	$52,563	$62,329	$66,649
FTE	416.4	466.2	475.0	480.9	573.8
Customs IQI Cost per FTE ($'000)	$129	$102	$110	$130	$116
AQIS Border Programs Cost ($'000)	$135,811	$161,254	$183,286	$199,316	$212,553
FTE	1,488.9	1,603.9	1,623.3	1,756.9	1,768.7
AQIS Border Program Cost per FTE ($'000)	$91	$101	$113	$113	$120

AQIS data sourced from AQIS, Customs data provided by Customs

Table 3.8 – Cost per FTE for Customs IQI and AQIS Quarantine Border Programs

AQIS quarantine border Program costs per FTE have been steadily increasing during 2001/02 to 2005/06 and detailed discussion on the drivers of the cost increase is included within each of the Program chapters under sections titled 'Cost Effectiveness'.

The Customs cost per FTE for IQI activities has fluctuated from $129,000 per FTE in 2001/02 to $116,000 per FTE in 2005/06. There was a decrease in cost between 2001/02 to 2002/03, but since then costs have increased to 2004/05 with a substantial increase in that year. A number of factors that caused the increase in employee costs in 2004/05 include:

- Overtime costs - Customs conducted a reduced level of recruitment activity during 2003/04 and operated throughout the 2004/05 financial year with an increased reliance on overtime for the completion of normal tasks. The increased overtime payments to staff increased the average cost per FTE significantly;
- Recruitment costs - Customs therefore conducted a great deal of recruitment activity throughout 2004/05 and subsequently incurred substantially more recruitment costs throughout 2004/05 than in prior years. This increased expenditure is reflected in the higher cost per FTE;
- Leave Entitlement Adjustment - at the request of the ANAO Customs was required to include on-costs within its Provision for Long Service Leave. On-costs had not been included within the Provision in prior years and this increased the leave expenses for 2004/05 considerably;
- Superannuation costs - the cost of superannuation is imposed upon Customs for both the CSS and PSS. The contributions required for 2004/05 increased markedly when compared to 2003/04 and this has increased the average salary cost. In addition to this the superannuation board began to identify salary increases for super purposes of greater than 20% and required additional payments from Customs to compensate for these adjustments to salaries. These increases generally resulted from the movement of non-shift employees to a shift work environment and resulted in a one-off adjustment payment of $660,000 in 2004/05; and

- Overhead costs: Property operating costs (POE) increased substantially against the prior year caused in part by an increase in compliance FTE. The additional property costs associated with the move of the NSW region to the new Customs building located at the Sydney International building also impacted on these expenses.

A table detailing the movement in expenses by category is included below.

Customs	2003/04	2004/05	Increase	% Increase
Salaries	$20,666,505	$22,336,172	$1,669,667	8%
Overtime	$889,710	$1,458,276	$568,566	64%
LSL	$720,347	$951,058	$230,711	32%
Superannuation	$4,025,932	$4,835,237	$809,305	20%
Recruitment	$49,956	$355,323	$305,367	611%
POE	$2,108,002	$3,084,580	$976,578	46%

Table 3.9 – Customs Increase in Costs 2003/04 to 2004/05

Employee Expenses

Employee expenses include employee remuneration (including base salary, allowances, penalties and overtime), leave entitlements, other employee on-costs, redundancies and separation, staff training and development, and superannuation and represent the largest component of Program costs (59%).

The following have been analysed to assess the reasonableness of employee expenses:

- Percentage employee expenses as a proportion of total expenditure;
- Employee expenses per FTE;
- Base salary;
- Workforce structure;
- Allowances;
- Penalties;
- Overtime; and
- Rostering practices.

Key findings of our assessment as to the reasonableness of AQIS employee expenses are provided in the table below.

Summary

Summary of our benchmarking analysis of the key employee expenses components are provided below with supporting data provided in sections following:

- Employee expenses represent a higher percentage of total agency costs compared to other agencies including Customs, AFP and DIAC, highlighting AQIS reliance on manual processes to undertake interventions compared with Customs, AFP and DIAC who rely on IT systems;
- Average employee expenses per FTE for AQIS quarantine border programs fall within the range of benchmarked agencies;
- AQIS has less SES and Group 1 (APS 2 – 5) staff but more Group 2 (APS 6) and Group 3 (EL1 and EL2) staff than Customs (as % of total workforce);
- AQIS base salaries compare favourably with other agencies;
- Whilst overtime and allowances paid to AQIS staff are a higher percentage of total employee expenses than those paid to Customs staff, penalties are significantly lower.

Employee Expense Elements and Percentage Employee Expenses of Overall Program Expenditure

The table below details the major cost components within Employee Expenses for each of the six quarantine border Programs for 2005/06.

2005/06	Total of all Programs $'000	% of Total Employee Expenses
Base Salary	$74,567	60%
Superannuation	$15,607	12%
Allowances	$9,552	8%
Leave Entitlements	$7,777	6%
Overtime	$5,782	5%
Other Employee On Costs	$4,332	3%
Penalties	$2,663	2%
Staff Training & Development	$843	1%
Other	$3,801	3%
Total Employee Expenses	**$124,924**	**100%**

Table 3.10 – Employee Expenses for AQIS Quarantine Border Programs 2005/06

Employee expenses represent a major component (60% in 2005/06) of total Program expenditure. Comparison of employee expenses as a proportion of total expenses with other agencies for 2005/06 is provided in the table below.

Employee Cost	DAFF	All AQIS	AQIS Quarantine Border Programs	Customs*	DIAC	AFP
Employee Expenses as Proportion of Overall Expenditure	58%	64%	59%	51%	40%	53%

Table 3.11 – Comparison of employee expenses as a proportion of total expenses per Agency 2005/06

* Excludes RRFOC and Coastal Surveillance contract payments

Note however that categories of expenses included within employee costs will not be the same for all agencies. For example, AQIS includes staff training and development in the employee expenses whilst Customs does not (note that AQIS staff training and development is not material – in 2005/06 it represented 0.4% of total quarantine border Program expenditure).

Table 3.11 above shows that Customs, DIAC and AFP all rely more heavily on IT systems than AQIS quarantine border Programs. The AQIS Programs rely mainly on trained staff and manual intervention systems to undertake their activities, whilst Customs for example, has made significant investment in its IT systems such as the Cargo Management Re-engineering system that impact on the amount of required manual intervention.

Employee Expenses per FTE

Comparison of AQIS employee expense per FTE for 2005/06 with other Government agencies is provided below:

Employee Cost	DAFF	All AQIS	AQIS Quarantine Border Programs	Customs	DIAC	AFP
Total Employee Expenses ($'000)	$324,256	$215,972	$124,924	$412,676	$457,924	$482,158
FTEs	3,964	2,786	1,761	5,160	6,473	5,567
Employee Expenses per FTE ($'000)	$82	$78	$71	$80	$71	$87

Table 3.12 – Employee Costs for Australian Government Agencies

Source: 2005/06 Annual reports and financial data provided from the AQIS financial system. Employee Expenses per FTE calculated by dividing total employee costs by average staffing levels

Employee expense per FTE for AQIS quarantine border Programs is lower than all agencies and equivalent to DIAC. In addition, comparison of total AQIS quarantine border program costs with Customs IQI activity costs for 2001/02 to 2005/06 reveals that AQIS costs are lower, as shown below:

	2001/02	2002/03	2003/04	2004/05	2005/06
Customs IQI Employee Costs ($'000)	*	*	$35,991	$40,404	$45,428
FTE	416.4	466.2	475.0	480.9	573.8
Customs IQI Employee Cost per FTE ($'000)	N/A	N/A	$76	$84	$79
AQIS Border Programs Employee Cost ($'000)	$79,115	$93,839	$110,806	$120,683	$124,924
FTE	1,488.9	1,603.9	1,623.3	1,756.9	1,768.7
AQIS Border Program Employee Cost per FTE ($'000)	$53	$59	$68	$69	$71

* This data is not available from Customs.

Table 3.13 – Customs versus AQIS Employee Cost per FTE

Explanation of the variance of employee costs can be attributed to base salary ranges, the structure of the workforce and the amount of allowances, overtime and penalties paid to staff. In addition rostering practices can have significant impact on overtime and penalty costs. These are further analysed below.

Base Salary

Equivalent mid points for base level salaries have been benchmarked against a number of other agencies. These agencies include:

- Other border operational agencies – Customs, Australian Federal Police (AFP) and Department of Immigration and Citizenship (DIAC); and
- A selection of other Commonwealth service delivery agencies - Australian Taxation Office (ATO), Child Support Agency (CSA) and Centrelink.

The figure below illustrates how AQIS pay scales compare to the high and low points of this group of Agencies.

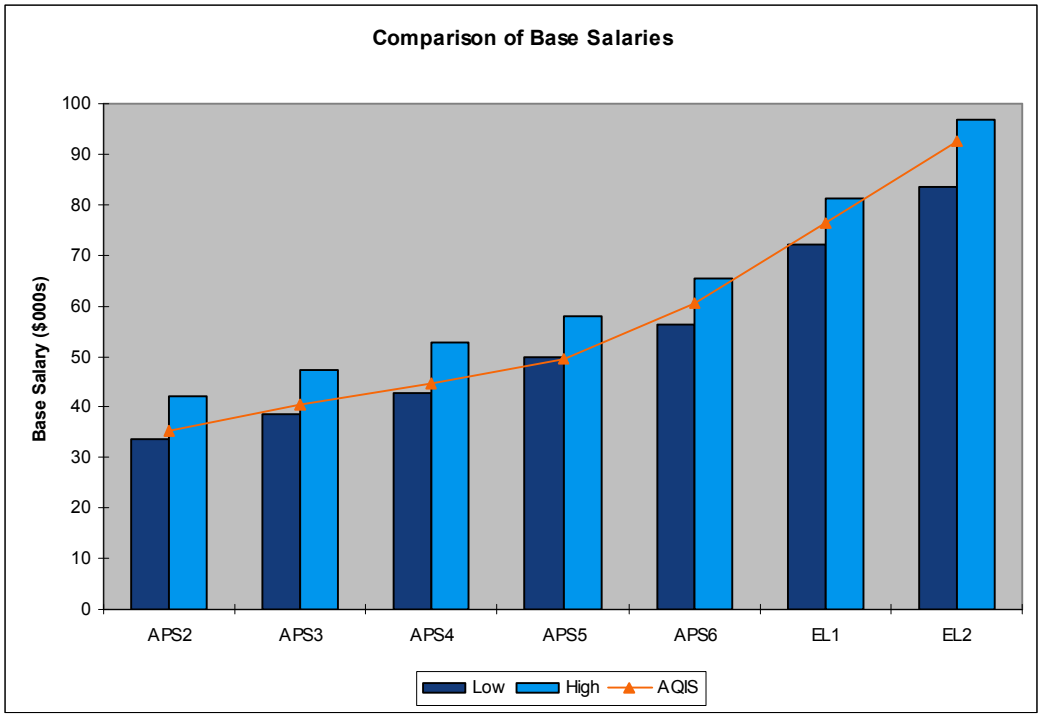


Figure 3.3 – Comparison of Base Salaries

AQIS pay scales compare favourably with other agencies, particularly for the APS2 to APS5 levels. AQIS pay for APS6 to EL2, whilst still falling within the benchmarked agencies leans towards the agencies with higher rates.

The table below shows base salary ranges for AQIS and Customs officers and equivalent classification levels.

Group	AQIS Staffing Levels		Customs Staffing Levels	
Group 1	Band 1 (APS 2)	$34,050 - $36,410	Customs Trainee	$34,399 – $38,893
	Band 1 (APS 3)	$39,874 – 441,344	Customs Officer (Level 1)	$39,753 - $49,875
	Band 1 (APS 4)	$43,571 - $45,834	Senior Customs Officer (Level 2)	$49,875 - $58,596
	Band 1 (APS 5)	$47,329 - $51,390		
Group 2	Band 2 (APS 6)	$53,138 – $65,496	Customs Supervisor (Level 3)	$58,596 - $69,958
Group 3	Band 3 (EL1)	$73,562 - $76,266	Customs Manager (Level 4)	$75,670 - $87,592
	Band 3 (EL2)	$85,614 - $101,318	Customs Director (Level 5)	$87,592 - $105,504

Table 3.14 – Base Salaries for AQIS and Customs

Base salary levels have also been benchmarked with P&O Australia (particularly for comparison to Seaports officers) and AQIS levels appear favourable. Refer to Chapter 7 for details.

Workforce Structure

The configuration of staff levels impacts on the average base salary per FTE. The following graph illustrates the FTE profile across the total AQIS and Customs staffing between 2001/02 and 2005/06. This is followed by Table 3.15 which shows FTE numbers by Group.

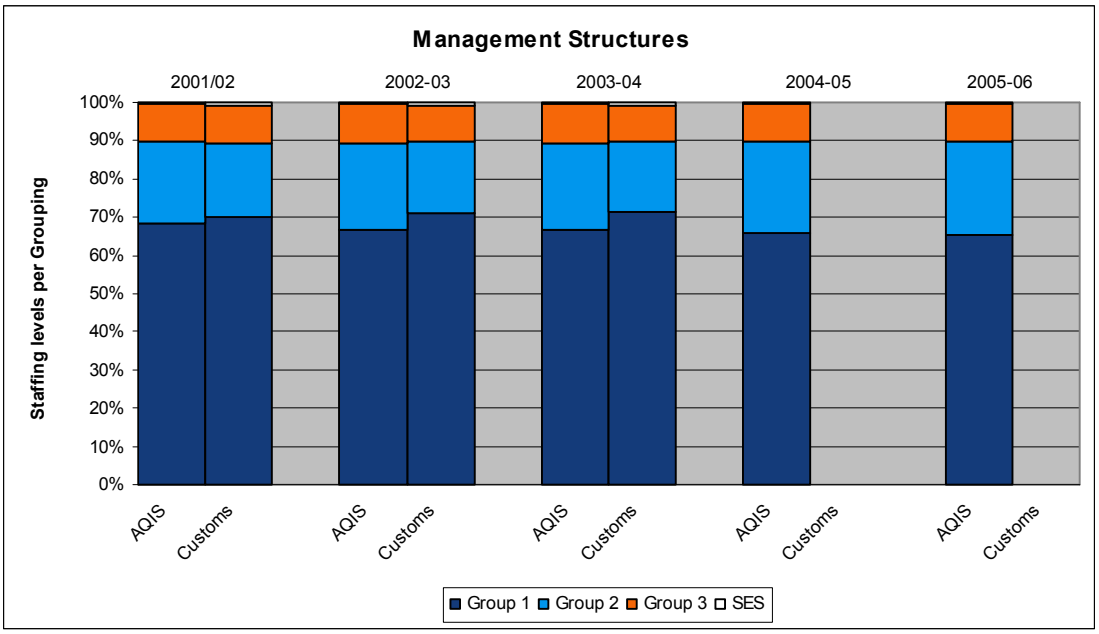


Figure 3.4 – Change in Management Structure of AQIS and Customs

Source: AQIS Finance System, as per "FTE data by level" folder. Customs data as provided by Customs.

Group		2001/02	2002/03	2003/04	2004/05	2005/06	% of 2005/06 Total
AQIS	Group 1*	1,172	1,234	1,380	1,488	1,495	65.5%
	Group 2	369	422	476	535	550	24.1%
	Group 3	164	183	211	222	226	9.9%
	SES	11	12	10	11	11	0.5%
Customs	Group 1**	3,207	3,399	3,365	3,363	3,712	71.9%
	Group 2	824	866	848	835	917	17.8%
	Group 3	416	439	440	449	489	9.5%
	SES	33	35	37	39	42	0.8%

* AQIS Group 1 includes Graduates and Cadets

** Customs Group 1 includes Aboriginal Cadets, Customs Trainees and Customs Graduate Trainees

Table 3.15 – FTE by Group for AQIS and Customs

The data above shows that Customs has slightly more SES staff and 6.4% more Group 1 staff (the lower salary range) than AQIS. AQIS, in 2005/06 has higher percentages of Group 2 and 3 staff.

Allowances

Allowances for AQIS quarantine border Programs are high in comparison to Customs due primarily to the following factors:

- Airports allowance that is paid in lieu of shift penalties;
- Allowances paid to remotely located staff , such as NAQS Program staff, in recognition of the unique operating conditions in which they work – wide geographical spread and remote locations; and
- Detector Dog Program staff located at the Airports and receive the Airport allowance.

Table 3.16 below details allowances as a percentage of total employee costs for Customs and AQIS.

Allowances	2001/02	2002/03	2003/04	2004/05	2005/06
Total AQIS	4.72%	5.15%	5.23%	5.32%	5.33%
AQIS Quarantine Border Programs	7.78%	8.03%	7.55%	7.63%	7.81%
Total Customs	*	*	3.10%	3.44%	3.53%
Customs IQI	*	*	1.46%	1.44%	1.46%

* Data not available from Customs

Table 3.16 –Percentage of Allowance Costs of Total Employee Costs for AQIS and Customs

AQIS allowances are higher than Customs. Analysis of allowances for each of the six quarantine border programs however shows that the Import Clearance, International Mail and Seaports Programs are more in line with that of Customs allowances, as shown below.

Program	2001/02	2002/03	2003/04	2004/05	2005/06
Import Clearance	1.69%	1.82%	1.71%	1.58%	1.68%
Airports	15.39%	16.14%	16.07%	16.53%	16.58%
International Mail	1.03%	0.67%	0.38%	0.62%	0.72%
Seaports	2.73%	2.51%	3.49%	3.81%	3.89%
NAQS	11.20%	10.12%	11.22%	7.61%	12.77%
Detector Dogs	13.92%	13.78%	13.15%	13.03%	9.62%

Table 3.17 – Percentage Allowances of total Employee Costs per Program

Overtime

AQIS quarantine border Programs have higher overtime expenses as a percentage of total employee expenses than Customs. This is primarily due to:

- Increased volumes of commodities being imported into Australia;
- High volumes of incoming international mail, particularly around Christmas;
- Higher volumes of vessels arriving in Western Australia due to high levels of resource trade;
- Higher volumes of passengers arriving in southern Queensland and NSW; and
- Operating environment – weather conditions can impact on arrival of vessels and vessels arrive in ports outside standard operating hours.

Table 3.18 below demonstrates overtime costs as a percentage of total employee costs for Customs and AQIS.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Total AQIS	5.13%	5.46%	5.48%	4.62%	5.05%	4.79%
AQIS Quarantine Border Programs	3.85%	5.41%	5.30%	4.32%	4.59%	4.63%
Total Customs	3.43%	3.31%	3.19%	2.15%	3.10%	3.20%
Customs IQI	*	*	*	2.48%	3.61%	3.75%

* Data not available from Customs

Table 3.18 – Change in Overtime Costs for AQIS and Customs

The figure below illustrates the change in overtime expenses from 2000/01 to 2005/06 for Customs and AQIS.

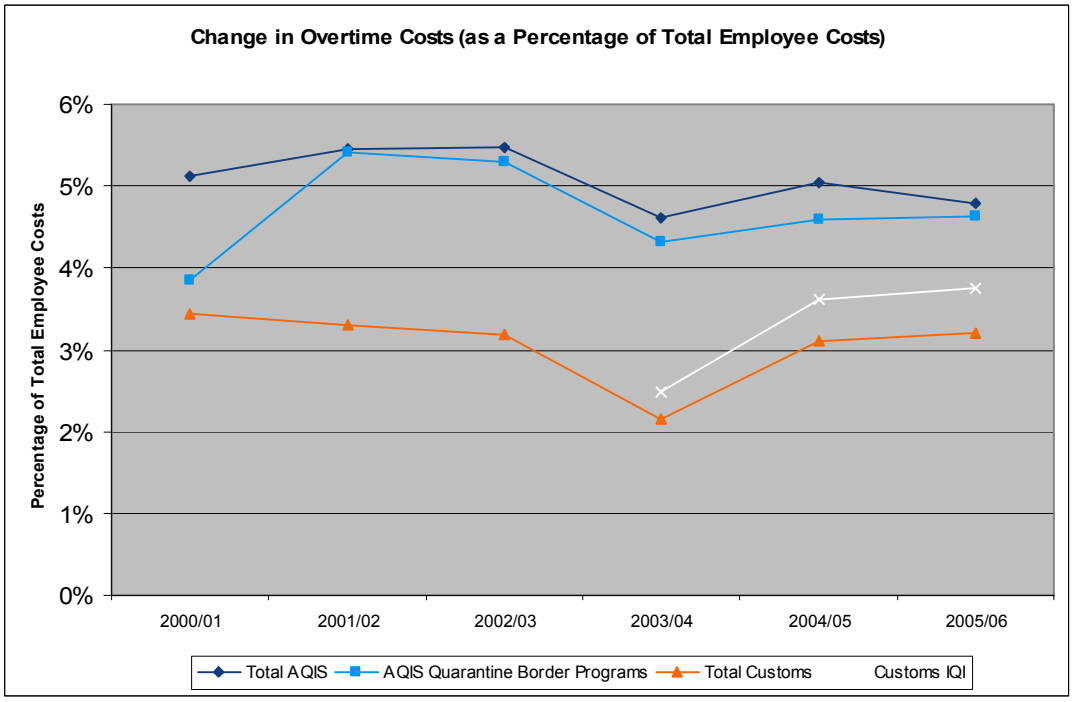


Figure 3.5 Trends in overtime expenditure – Customs and AQIS

Total AQIS and Customs have similar trends with respect to overtime costs. Overtime costs have decreased in 2003/04 across all agencies and Programs, mainly due to the impact of 11 September 2001, and the SARS epidemic, which resulted in decreased numbers of international travellers. Since then overtime has been increasing with a slight increase in the 2004/05 and 2005/06 years as volumes of passengers and commodities increase.

Of the six quarantine border Programs, Seaports, International Mail and Import Clearance have a higher percentage of overtime to total employee expenditure, as shown in Table 3.19 below.

Program	2001/02	2002/03	2003/04	2004/05	2005/06
Import Clearance	3.55%	4.05%	3.44%	3.38%	4.13%
Airports	6.61%	6.16%	4.88%	5.16%	3.58%
International Mail	4.69%	4.83%	3.65%	4.61%	7.44%
Seaports	12.53%	11.70%	10.83%	13.07%	13.80%
NAQS	4.79%	2.35%	1.28%	1.24%	1.25%
Detector Dogs	1.14%	1.00%	0.64%	0.83%	1.14%

Table 3.19 – Percentage Overtime Costs of Total Employee Costs per Program

Explanation of the higher overtime incurred by the Seaports, International Mail and Import Clearance are discussed further in Chapters 4, 6 and 7.

Penalties

AQIS penalty costs overall are low. The main reason is the Airports Allowance which is paid to Airports staff in lieu of penalties and staff working at Airports account for approximately 35% of all AQIS quarantine border Program staff. Other key findings include:

- Penalty rates paid by AQIS are consistent with other Agencies and industry.
- Those Programs with higher penalty costs (in comparison to all quarantine border Programs) include the International Mail and Detector Dog Programs. This is primarily due to increased volumes of mail that enters Australia through the New South Wales and Victoria mail centres, requiring increased staff time to perform their functions
- Penalty costs for the International Mail Program (where the Airport Allowance is not paid) and the Detector Dog Program (where only a percentage of staff work at airports) appear reasonable when compared against Customs penalty costs as a percentage of employee costs.

The following table details penalty costs as a percentage of employee costs for total AQIS, total of AQIS quarantine border Programs, the International Mail Program, Detector Dog Program total Customs and Customs IQI functions.

Penalty Cost	2001/02	2002/03	2003/04	2004/05	2005/06
Total AQIS	1.84%	2.01%	1.91%	1.92%	1.92%
AQIS Quarantine Border Programs	2.40%	2.60%	2.31%	2.20%	2.13%
International Mail	8.39%	10.11%	10.69%	10.44%	10.02%
Detector Dogs	2.53%	3.78%	4.89%	4.37%	6.47%
Customs	6.80%	7.11%	7.40%	6.82%	6.98%
Customs IQI	*	*	12.73%	12.17%	13.04%

* Data not available from Customs

Table 3.20 – Percentage Penalty Costs of Total Employee Expenses for AQIS and Customs

It can be seen from Table 3.20 that AQIS penalty costs are significantly lower than Customs.

In order to assess penalty rate expenditure, analysis was conducted on similar agencies and industry penalty payments from certified/collective agreements:

Category	AQIS	DIAC	Customs	TNT	DHL	Australia Post
Monday to Friday (Ordinary Duty performed on a shift)	15% (between 6:30pm and 6:30am)	15% (between 6.00pm and 6.30am)	15% (between 6.00pm and 6.00am)	-	-	15% (between 6.00pm and 6.30am)
Monday to Friday (Ordinary hours worked continuously for a period exceeding 4 weeks on a shift)	30% (between 6:30pm and 6:30am	30% (between 6.00pm and 8.00am)	-	-	-	30% (between 9.00pm and 6.30am)
Saturday (ordinary duty)	50%	50%	50%	50%	50%	50%
Sunday (ordinary duty)	100%	100%	100%	100%	100%	100%
Public Holiday (ordinary duty)	150%	150%	150%	150%	150%	150%

Table 3.21 - Analysis on Certified Agreement

Comparison of the penalty rates for the organisations listed above show that AQIS penalty rates are also consistent with those organisations.

Rostering Practices

Given the 24 hour 7 day a week operating environment of most of the AQIS quarantine border Programs, the way in which staff are rostered plays a vital role in ensuring cost effectiveness. Analysis has been undertaken on the rostering practices used in each of the Programs.

Where possible, AQIS rosters staff during standard operating hours, has increased its part-time work force particularly in the Airports Program and has introduced initiatives such as the Peak Period Plan (PPP) to manage peak passenger arrival times encountered on AM shifts at Airports. Further detail of rostering for Programs can be found in the Program chapters 4 – 9. Our analysis indicated that significant focus had been applied to roster resources in a cost effective manner.

Overhead Costs

The following section identifies the overhead costs incurred by AQIS and compares these costs with Customs, other Commonwealth agencies and international organisations where appropriate. For the purposes of comparison with these organisations, overhead costs have been analysed in the major categories of Human Resource Management (HRM), IT and Finance costs.

Our analysis indicates that AQIS quarantine border Program expenditure on HRM overhead costs, IT overhead costs and finance overhead costs compares favourably with Customs, other Australian Government agencies and international organisations.

Source of Benchmarking Data

The Commonwealth agency data used in this benchmarking study has been sourced from a combination of publicly available documents, and previous benchmarking studies.

The international organisations data and metrics for the finance and HR overhead activities have been sourced from the Open Standards Benchmarking Collaborative (OSBC) - a comprehensive database of over 1800 public and private sector organisations from around the world. The IT data and metrics have been sourced from Computer Economics' study of 2006/07 IT spending, staffing, and technology trends. This study covers 184 organisations from private sector and Local, State, and Federal Government organisations in the United States and Canada.

The breadth and depth of these sample populations mean that they are meaningful comparisons for AQIS data. Both of these benchmarking studies represent global trends and are designed to be indicative rather than prescriptive. The effect of time on these figures has not been considered as overhead costs as a proportion of total costs remain relatively consistent over time. The benchmarks of Australian Government agencies A, B and C were drawn from a 2000/01 study, whilst agencies D, E and F were drawn from a 2002/03 study.

Details of expense items included in the AQIS overhead amounts can be found at Appendix G. It should be noted that expense items included in HRM, Finance and IT overhead categories for AQIS and Customs differ. Results are indicative only.

Overhead Cost Categories

Human Resource Management Overhead Costs

When compared with other agencies including Customs, AQIS HRM overhead costs appear reasonable.

HRM overhead costs for AQIS quarantine border Programs in 2005/06 were $3.7 million. This represents 1.7% of total costs and compares with the 2005/06 benchmark expenditure figure for Customs of 2.2%.

HRM overhead costs for 2005/06 amounted to $2,204 per employee compared to the benchmark expenditure figure at Customs of $4,419 per employee in 2005/06.

AQIS quarantine border Program HRM costs include a corporate allocation, ComSuper maintenance, HR support services, recruitment services and workplace strategy. Customs HRM costs include staff transfer costs, organisation compensation costs, trainee costs and other HRM related costs.

The following chart compares HR overhead costs per FTE across the quarantine border Programs with four Australian Government agencies (including Customs) and to a global benchmark.

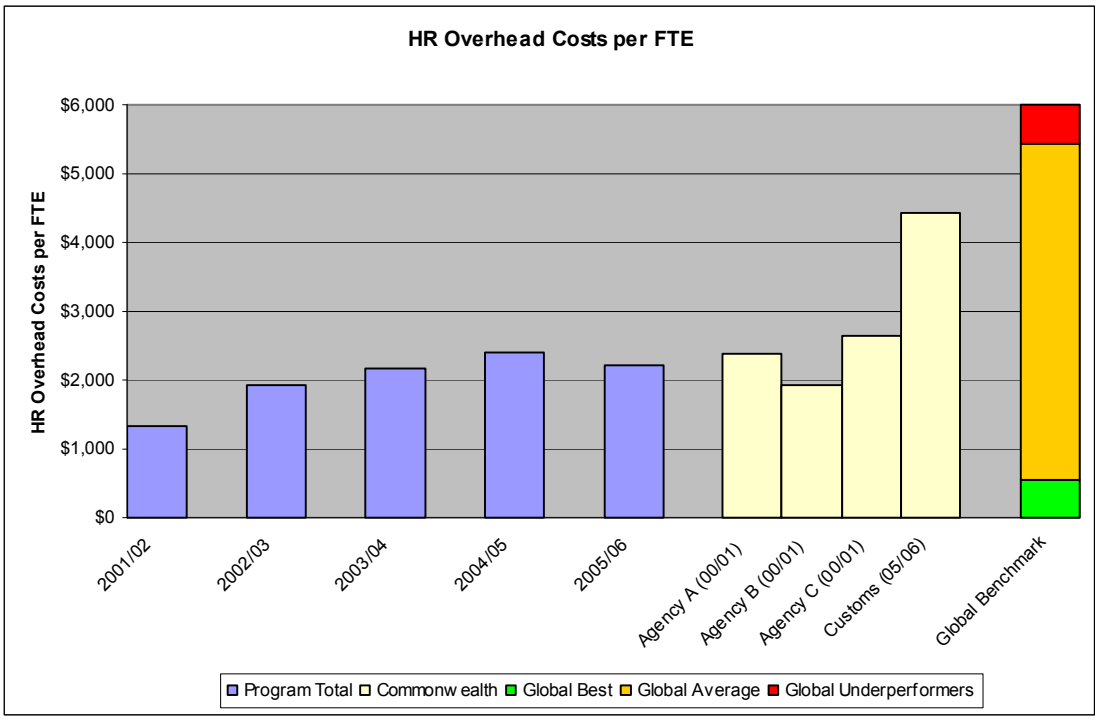


Figure 3.6 –HR Overhead Costs per FTE for Australian Government Agencies

The above chart shows that quarantine border Program HR overhead costs per FTE are comparable to the benchmarked Australian Government agencies, and are at average global practice levels. There is an upward trend towards 2004/05, and then a decrease in 2005/06. From the standard Australian Government approach of measuring HR costs by FTEs, AQIS quarantine border Program HR overhead costs appear to be appropriate when compared to other Australian Government agencies, and to the global benchmark.

Information Technology Overhead Costs

The IT overhead costs for AQIS quarantine border Programs in 2005/06 were $9 million. This represents 4.2% of total costs, and compares to the benchmarked expenditure figure of 9% at Customs in 2005/06.

The total IT overhead costs per FTE for AQIS quarantine border Programs in 2005/06 was $5,366, compared to the 2005/06 benchmark expenditure figure at Customs of $18,412 per employee. As discussed above, this difference can be mainly attributed to the degree to which Customs utilises technology in their operations.

As expected, Customs has higher IT overhead costs both as a percentage of total expenditure, and per FTE. This is primarily due to the IT-intensive nature of Customs' work for both import and export functions, together with its high level of IT investment over the last few years.

In addition, it should also be noted that AQIS makes use of Customs IT systems for specific AQIS purposes and this results in lower AQIS IT costs.

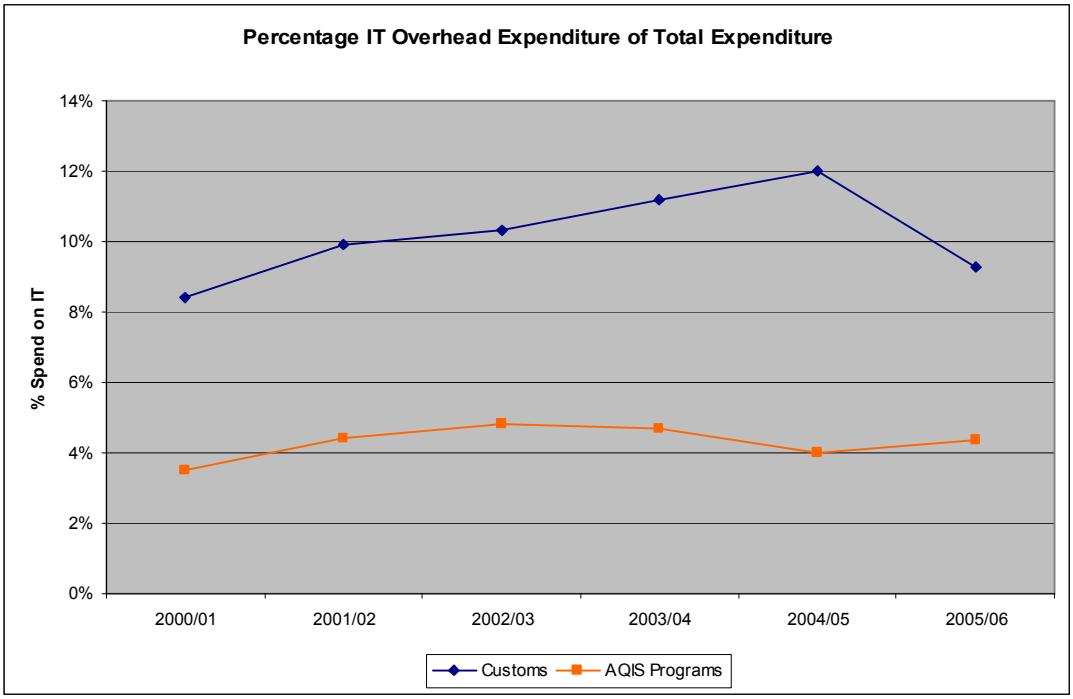


Figure 3.7 – Change in Spend on IT Overhead Costs for AQIS and Customs

The above graph shows that Customs has spent more on IT overhead costs than AQIS quarantine border Programs over time. Customs relies on IT more than AQIS in its export and import functions and has recently invested in the large-scale capital IT Cargo Management Re-engineering IT project.

The following two charts compare IT overhead costs across the quarantine border Programs with Customs and with a global benchmark. Data for the same Commonwealth agencies previously compared were not available for these IT benchmarks, so three other agencies have been used. It should be noted that Agencies D and F have highly complex and extensive IT systems. Figure 3.8 below considers IT overhead costs per FTE, and Figure 3.9 considers IT overhead costs as a percentage of total expenditure.

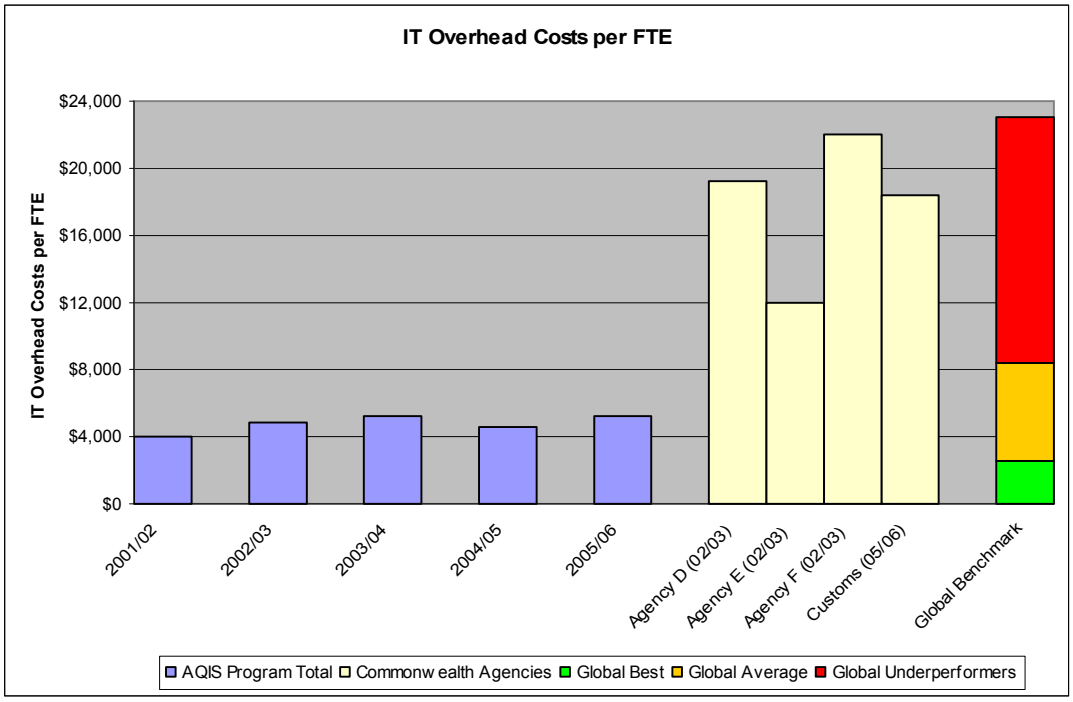


Figure 3.8 – IT Overhead Costs per FTE for Australian Government Agencies

The above chart shows that AQIS quarantine border Program IT overhead costs per FTE are comparable with average global practice. In addition, they are considerably below the IT overhead costs of the benchmarked Australian Government agencies, as well as Customs. The quarantine border Program IT overhead costs per FTE are stable over time. This suggests that there are relatively low IT maintenance costs at AQIS, with limited IT capital investment over the period.

The chart below illustrates IT overhead costs as a percentage of total expenditure.

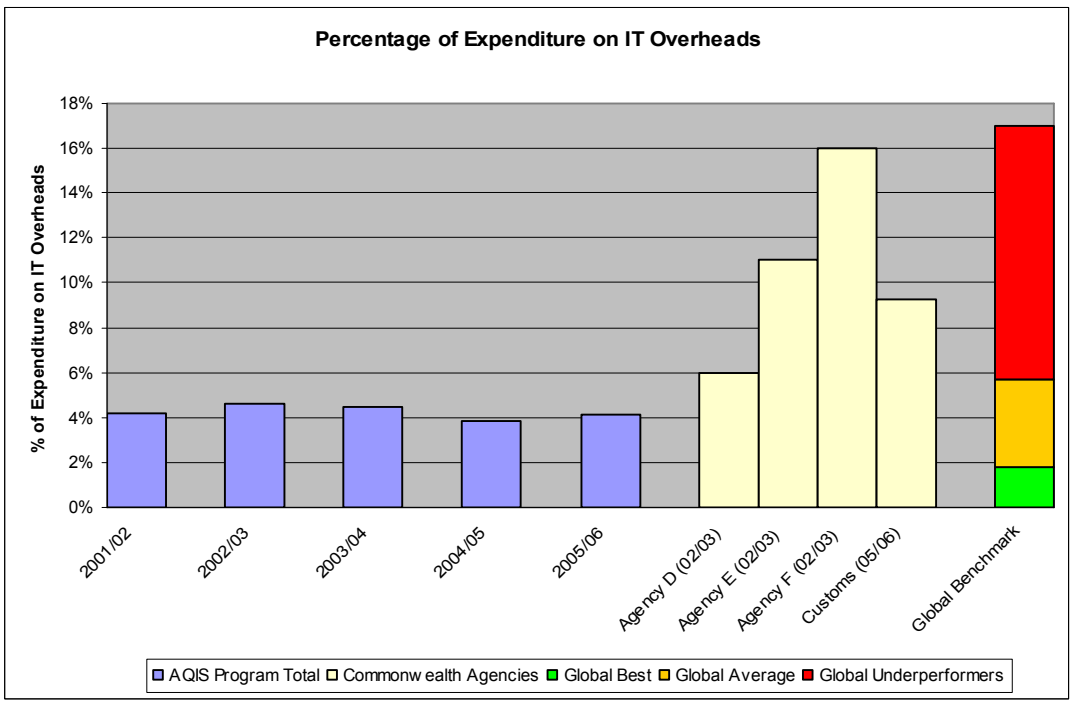


Figure 3.9 – IT Overhead Costs for Australian Government Agencies

As a percentage of total expenditure, quarantine border Program IT overhead costs are still within the global average for this metric. The results of this metric reflect the same results as the previous IT overheads benchmark - the AQIS quarantine border Program IT overhead costs are less than other Australian Government agencies and Customs.

Finance Function Overhead Costs

The following two charts compare Finance overhead costs across the quarantine border Programs with four Commonwealth agencies (including Customs) benchmarks. The first chart considers Finance overhead costs per FTE, and the second chart considers Finance overhead costs as a percentage of total expenditure.

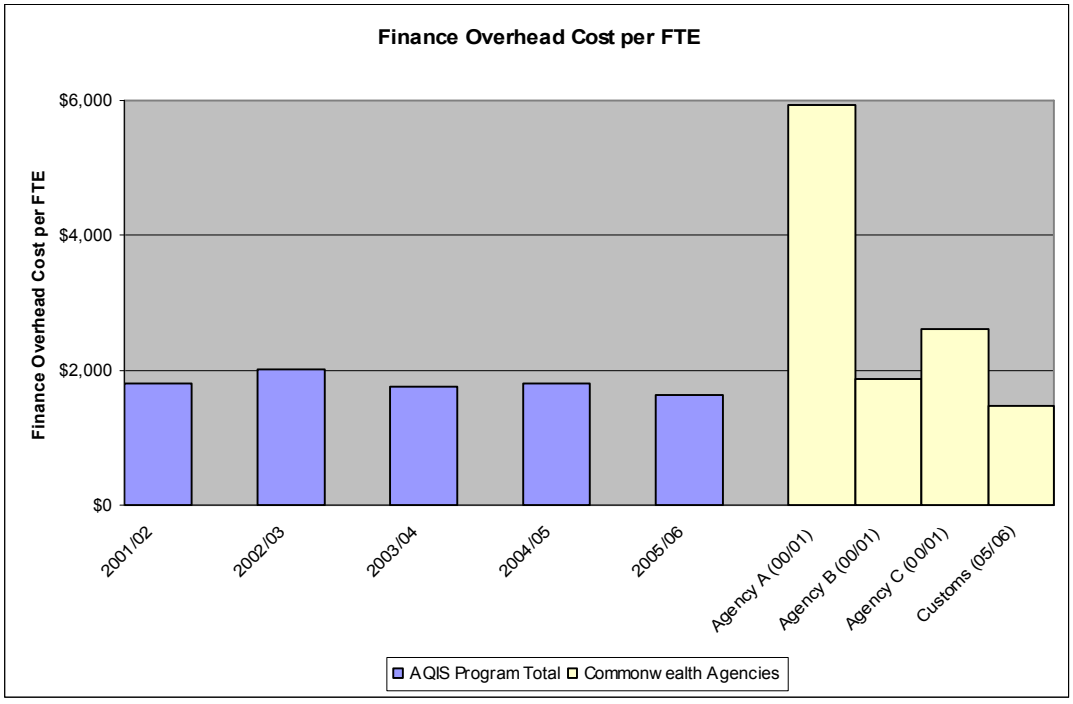


Figure 3.10 – Finance Overhead Costs per FTE for Australian Government Agencies

The above chart illustrates that the Finance overhead costs of the AQIS quarantine border Programs per FTE are comparable to the Australian Government agencies in the benchmark. In addition, there is a downward trend in the costs over the last four years. There was no global benchmark available to compare to this metric.

Cost Allocation Method

Cost allocation methods for assigning overhead costs to programs vary depending on the type of overhead costs. However the approach to allocation is consistent across both Budget funded and cost recovered programs, indicating that there is little scope for cross-subsidisation between programs. Our findings are consistent with the opinion of the ANAO of the cost recovery practices of AQIS in its reports:

- ANAO Audit Report No.10 2000/01, *AQIS Cost-Recovery Systems*; and
- ANAO Audit Report No.17 2003/04, *AQIS Cost-Recovery Systems Follow-Up Audit*.

In addition, where AQIS costs are incurred on cost recovery activities (such as the Import Clearance Program) and partly cost recovered (Seaports and Detector Dog Programs), these charges are subject to scrutiny by industry. This means AQIS costs must be transparent and justifiable, and processes must be efficient to avoid unnecessary costs.

Sustainability of Budget

Summary
Total border program costs have increased each year since 2001/02 at a rate greater than the annual increase in base budget funding. With the increased volumes of passengers, vessels and commodities arriving in Australia since 2001/02 and predicted to continue from higher risk countries, AQIS needs to manage these costs within funding limitations without adversely affecting performance.

The table below details total revenue for each Program and the amount that is Budget funded and cost recovered and total expenditure for 2005/06 and net position. This shows a negative net position for Airports, NAQS and Detector Dogs.

2005/06	Total of all Quarantine Border Programs $'000	Import Clearance $'000	Airports $'000	International Mail $'000	Seaports $'000	NAQS $'000	Detector Dogs $'000
Revenue – Budget Funded	$99,435	$1,046	$71,460	$15,248	$1,604	$9,975	$101
Revenue – Cost Recovered	$113,076	$96,356	$1,403	$3,413	$11,367	$34	$503
Total Revenue	$212,511	$97,403	$72,864	$18,661	$12,970	$10,010	$604
Total Expenditure	$212,553	$97,403	$73,156	$18,661	$12,970	$10,363	$9,947
Net Position	($41)	$0	($293)	$0	$0	($353)	($9,342)

Table 3.22 – Financial Performance

Figure 3.11 below illustrates the trend in costs and revenue. Of interest is the higher rate of growth in cost recovered revenue versus Government revenue and the much higher growth rate in expenses.

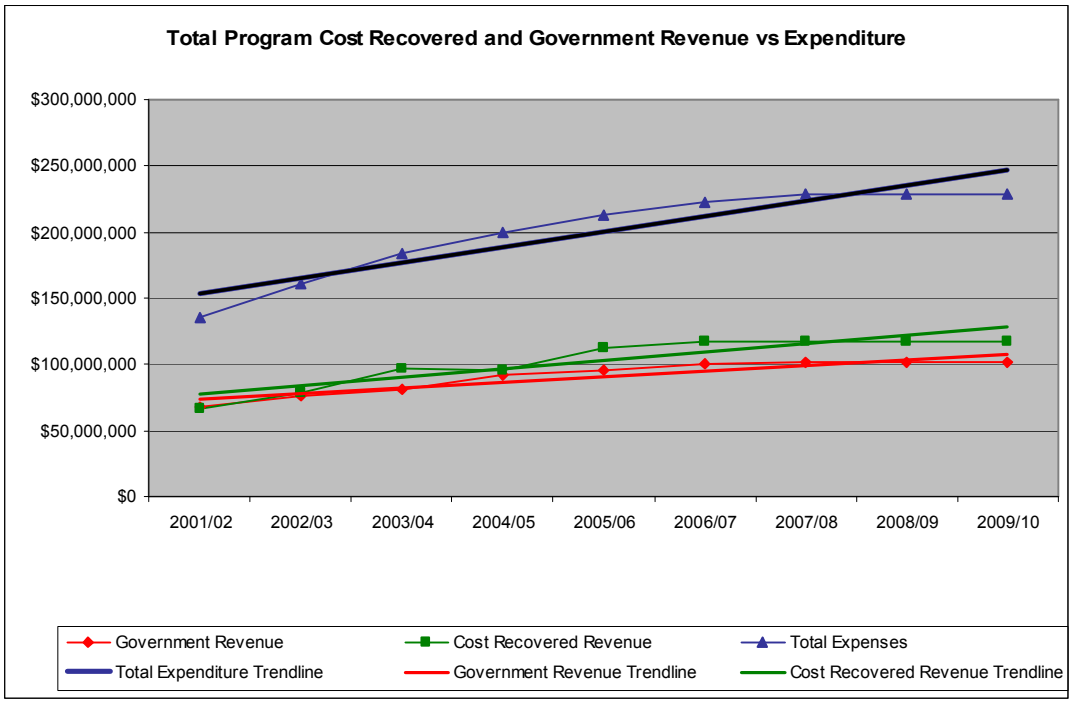


Figure 3.11 – Border Programs Funding vs. Program Total Expenditure

3.3.2 Achievement against Government Objectives

The following section provides details of whether quarantine border Programs have achieved their Government objectives - that is their intervention and effectiveness targets.

Summary

The Import Clearance, Airports, International Mail and Seaports Programs have met their intervention and effectiveness targets during the period 2001/02 to 2005/06.

Tables 3.23 and 3.24 below detail Program performance against intervention and effectiveness targets with minimum and maximum achievements during the period 2001/02 to 2005/06.

Effectiveness											
Program	Target	2001/02		2002/03		2003/04		2004/05		2005/06	
		Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Airports – Passengers	81%	61	96	86	95	87	93	88	93	84	92
Import Clearance – Air Containers	100%	86	100	84	96	90	96	93	96	91	95
Import Clearance – Sea Containers	100%	100	100	100	100	100	100	100	100	100	100
Import Clearance – HVLV AIR CARGO	100%	76	94	84	100	91	96	91	99	93	99
International Mail	100%	37	100	100	100	100	100	100	100	100	100
Seaports – Vessel Inspection	100%	100	100	100	100	100	100	95	100	99	100
Seaports – Day tripping Passengers	100%	n/a	n/a	n/a	n/a	100	100	100	100	100	100
Seaports – Disembarking Passengers	100%	n/a	n/a	100	100	100	100	100	100	100	100

Table 3.23 – Intervention Measures

The above table shows that all Programs have met their intervention targets since the introduction of IQI in 2001/02.

Of particular note is Import Clearance – Air Containers and HVLV AIR CARGO cargo, whilst being close to achieving the target, have not reached the 100% target since June and September 2002 respectively. Further detail of these two pathways is provided in Chapter 4.

The table below shows effectiveness performance against targets for 2001/02 to 2005/06.

Effectiveness											
Program	Target	2001/02		2002/03		2003/04		2004/05		2005/06	
		Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
Airports – Passengers	Higher Risk: 87%	52	78	78	83	79	84	86	93	86	91
	Risk: 50%	33	55	41	54	59	66	68	78	74	81
Import Clearance – Air Containers	96%	98	100	67	100	100	100	76	100	74	92
Import Clearance – Sea Containers	96%	82	87	71	79	77	92	90	92	91	96
Import Clearance – HVLV AIR CARGO	96%	94	100	100	100	96	100	88	100	96	100
International Mail	Higher Risk: 96%	51	91	25	88	48	100	40	100	60	95
	Risk: 50%	44	76	36	81	50	91	55	94	58	90
Seaports – Vessel Inspection	96%	85	100	86	99	91	100	79	94	77	87
Seaports – Day Tripping Passengers	Higher Risk: 87%	n/a	n/a	n/a	n/a	100	100	100	100	84	100
	Risk: 50%	n/a	n/a	n/a	n/a	100	100	100	100	44	100
Seaports – Disembarking Passengers	Higher Risk: 87%	n/a	n/a	n/a	n/a	82	100	62	92	83	96
	Risk: 50%	85	100	40	77	55	73	68	100	91	98

Table 3.24 – Effectiveness Measures

Effectiveness targets have been met during the period 2002/03 to 2005/06. More detail of when targets were first met is contained in Section 6.1 - Extent to Which Programs have been Implemented on Time. The table above shows that it has generally taken longer time to reach effectiveness targets than intervention targets, however they have now all been met.

3.3.3 Overlap between Programs and other Australian Government or State Programs

Summary

No overlap or duplication of Programs and other Australian Government or State Program was evidenced. However the Australian Government is currently delivering the surveillance and monitoring function of the NAQS Program in northern Australia which is a post-border activity and the responsibility of State Government.

Whilst the Australian Government is responsible for all pre-border and border activities to do with protecting Australia from harmful diseases and pests, State Government is generally responsible for post-border activities.

A number of Whole-of-Government forums and committees have been established to monitor that no duplication exists between State and Commonwealth Governments.

These events, combined with the unique conditions of northern Australia (emerging diseases and movement of people and goods from higher risk neighbouring countries) present a real threat to Australia.

The northern area of Australia poses a number of special quarantine problems not shared with the more southerly regions. The Nairn and Muirhead review (1995) highlighted the need for the NAQS Program to boost surveillance and forecasting capacity in northern Australia and recommended that the Commonwealth, rather than the States and Territories, continues to deliver NAQS because of the benefits of greater consistency in service delivery through effective national coordination.

Whilst pre-border (often international) and border (under the Treaty provisions) activities remain within the jurisdiction of the Commonwealth Government, it could be argued that post-border activities (surveillance and monitoring) are the responsibility of the states. Consideration would need to be given to identify the benefits and costs of devolving these responsibilities and what impact this would have on the Program and the protection of northern Australia.

3.3.4 Adequacy of Program's Performance Information

Intervention and effectiveness performance are the key mandatory reporting requirement for four of the quarantine border programs – Import Clearance, Airports, International Mail and Seaports. Other performance information is collected and reported internally. Discussion in the following section of the report focuses on the adequacy of the mandatory reporting requirements.

Summary

Intervention and effectiveness measures are the only mandatory reporting requirements of the Import Clearance, Airports, International Mail and Seaports Programs. Whilst these measures have been established based on advice from agencies as to risk, these measures do not allow comparison of the number of items seized across different entry pathways that indicates the proportion of material that is likely to be of quarantine concern and the 'riskiness' of particular seizures.

Whilst the intervention and effectiveness measures have been established based on advice from agencies (as well as ANAO findings) as to risk, these measures do not allow comparison of the seizure rate (number of items seized during an intervention) across different entry pathways. To compare the rate at which quarantine risk items are seized in different import pathways, it is necessary to compare 'seizure rates' or 'interception rates' as shown in the following table. These rates show the proportion of incoming material that is of quarantine concern.

It is important to note however that seizure rate data only indicates the likelihood of an item of quarantine concern arriving. It does not indicate the riskiness of particular seizures. It is possible to have a pathway with a low seizure rate but where the items seized are high risk, in which case higher quarantine intervention rates may be justified.

For example, in the table below it is noted that in 2005/06 there were 146 million mail articles entering Australia and of these items, 107,000 were seized, giving an interception rate of 0.07%. When compared with other interception rates, such as Sea Containers (external inspection) which has a failure rate of 23%, mail has a low interception risk. However, often seeds are found and seized in letter class mail and these are classified as high quarantine risk. This justifies the 100% intervention target for letter class mail.

Items With Material of Quarantine Concern, No's and %	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
HVLV AIR CARGO						
No. of HVLV Items Entering Australia	-	221,221	2,311,787	2,200,911	2,355,904	2,384,256
HVLV Items Seized	-	1,596	1,188	788	533	856
Seizure Rate	-	0.72%	0.05%	0.04%	0.02%	0.04%
Air Containers – External Inspection Only						
Air Containers Entering	-	292,653	362,130	429,400	387,160	385,676
Air Containers (Failing Inspection)		8,182	402	397	618	286
Seizure Rate		2.80%	0.11%	0.09%	0.16%	0.07%
Sea Containers – External Inspection Only						
No. of Sea Containers Entering	-	1,122,206	1,252,157	1,390,587	1,498,451	1,557,534
Sea Containers (Failing Inspection)	-	204,100	223,669	272,407	339,981	365,519
Seizure Rate	-	18.19%	17.86%	19.59%	22.69%	23.47%
Air Passengers						
No. of Passengers Entering	9,168,656	8,929,600	8,855,931	9,823,321	11,018,142	11,362,803
Air Passengers Seizures	264,351	427,193	388,621	396,552	426,330	415,786
Seizure Rate	2.88%	4.78%	4.39%	4.04%	3.87%	3.66%
International Mail						
No. of Mail Articles Entering	175,755,458	193,856,148	197,570,177	144,581,744	145,015,580	145,599,569
All Mail Seizures	65,717	224,250	84,577	100,491	92,483	107,423
Seizure Rate	0.04%	0.12%	0.04%	0.07%	0.06%	0.07%
Vessels						
No. of Vessels Entering	11,462	11,368	11,861	12,154	12,862	13,125
Vessels (Failing Inspection)	767	897	1,044	1,676	1,893	1,462
Seizure Rate	6.69%	7.89%	8.80%	13.79%	14.72%	11.14%
Sea Passengers						
No. of passengers entering	44,788	74,520	88,114	94,523	108,850	95,041
Sea Passengers seizures	-	-	-	2,213	10,604	12,800
Seizure Rate	-	-	-	2.34%	9.74%	13.47%

Table 3.25 – Seizure Rates

In relation to HVLV items, the table above indicates that the seizure rate in 2005/06 for HVLV was 0.04%, indicating that it is has a low interception rate.

For example, in relation to HVLV air cargo items, the table above indicates that the seizure rate in 2005/06 for HVLV air cargo was 0.04%, indicating that it is has a low interception rate. From the preceding sections detailing intervention and effectiveness rates, AQIS achieved the Government's 96% effectiveness target for HVLV air cargo items in 2005/06 and has largely done so since 2002/03. Intervention levels achieved were 99% for 2005/06, just below the target of 100%. HVLV air cargo items are generally considered to be low risk.

This analysis highlights that some of the high intervention targets could be reduced for low interception pathways, to allow resources to be focused on maximising quarantine effectiveness for high risk pathways. Some level of intervention will always be required to determine if the approach rate of quarantine items has increased, and thus warrants greater intervention.

Recommendation 1
It is recommended that intervention targets be reviewed to investigate the opportunity to reduce intervention targets for low risk pathways, allowing more flexibility to focus resources on higher quarantine risk pathways.

The NAQS Program does not have mandated intervention and effectiveness targets. However performance indicators have been developed and results regularly reported. The Program is encouraged to achieve consistent levels each year. Further detail of performance information is contained in Chapter 8.

The Program has proposed new intervention and effectiveness performance indicators, similar to other AQIS quarantine Programs, as shown in the table below.

Activity	Level of intervention	Effectiveness
Traditional movements	Inspections per officer (current method)	Effectiveness will be calculated using methods similar to other Border Programs.
Vessels	Inspections per officer (current method)	
Flights	Intervention calculation (as used in the Airports Program)	
Cargo	Intervention calculation (as used in the Mail Program)	

Table 3.26 – Intervention and Effectiveness Indicators

These indicators, which have been introduced in January 2007, will provide more specific targets for the Program to achieve, rather than reporting solely on activity levels achieved in comparison to past years.

3.3.5 Appropriate Future Performance Measures

The NAQS Program carries out a number of border inspection activities associated with the movement of people and goods into and between the Torres Strait and the mainland. The Program has historically reported the efficiency of these activities, that is, information on inspections and seizures. A large component of work undertaken by the Program – monitoring for quarantine risks facing northern Australia – is undertaken through a program of scientific surveys. Reporting accurately on the effectiveness and efficiency of this type of quantitative research is not possible.

Recommendation
A meaningful and complete set of performance indicators for the NAQS Program should be developed, and the work which has been undertaken to develop a more robust set of performance measures for the program should be implemented as soon as possible.

3.4 Efficiency

The following section of the report assesses the efficiency of the six quarantine border security Programs considered in this Review.

Efficiency refers to the ability to accomplish a task with a minimum expenditure of time and effort. Accordingly, in assessing efficiency, we have addressed the:

1. Extent to which Programs have been implemented on time;
2. Extent to which integrated delivery of the Programs (Customs and AQIS) has resulted in efficiencies;
3. Efficiencies deriving from industry involvement, including the appropriateness of cost recovery arrangements;
4. Balance between cost recovery and budget;
5. Trends over time in the ratio of administrative to Program costs; and
6. Any barriers to continuous improvements in efficiency.

The table below provides a summary of our analysis against the assessment criteria for each of the AQIS quarantine border Programs.

Efficiency	Reference	Import Clearance	Airports	International Mail	Seaports	NAQS	Detector Dogs
1. Programs been implemented on time?	3.4.1	✓	✓	✓	✓	✓	✓
2. Integrated delivery of the Programs has resulted in efficiencies?	3.4.2	✓	✓	✓	✓	✓	n/a
3. Any efficiencies deriving from industry involvement?	3.4.3	✓	✓	✓	✓	✓	n/a
4. Balance between cost recovery and budget?	3.4.5	✓	✓	×	✓	✓	✓
5. Favourable trends over time in the ratio of administrative to Program costs?	3.4.6	×	×	×	×	×	×
6. Barriers to continuous improvement in efficiency?	3.4.7	✓	✓	✓	✓	✓	✓

The review indicated achievement against most of the specified efficiency indicators, although some opportunities have also been identified to assist efficiency.

3.4.1 Extent to Which Programs have been Implemented on Time

Summary

The Import Clearance, Airports, International Mail and Seaports Programs have all reached their intervention and effectiveness targets by June 2006.

Since the introduction of IQI and intervention and effectiveness targets in the May 2001 Budget, intervention targets for all Programs were met by May 2002 and effectiveness targets for all Programs were met by June 2006.

The longer time required to meet effectiveness targets was expected due to the need to make changes to infrastructure at mail centres reflecting the IQI funding and Program specific factors such as fluctuations in passenger and mail volumes.

The following section details when Programs achieved their intervention and effectiveness targets and provides commentary on those Programs that achieved their effectiveness targets later.

The table below indicates the date when each Program first achieved its intervention and effectiveness target and shows that AQIS has now met both intervention and effectiveness targets.

Program	Intervention		Effectiveness	
	Target	Date Initially Achieved	Target	Date Initially Achieved
Airports – Passengers	81%	January 2002	**Higher Risk**: 87%	July 2004
			Risk: 50%	February 2002
Import Clearance – Air Containers	100%	September 2001	96%	February 2002
Import Clearance – Sea Containers	100%	July 2001	96%	June 2006
Import Clearance – HVLV AIR CARGO	100%	August 2002	96%	May 2002
International Mail	100%	March 2002	**Higher risk**: 96%	February 2004
			Risk: 50%	Apr-Jun 2002
Seaports – Vessel Inspection	100%	November 2001	96%	May 2003
Seaports – Passengers	100%	July 2001	**Higher Risk**: 87%	July 2003
			Risk: 50%	July 2003

Table 3.27 – Timeliness of Programs

The Government specified intervention and effectiveness targets following the introduction of IQI in the May 2001 Budget. Results were to be reported quarterly and by August 2002, all intervention targets had been met for each Program. Effectiveness targets took longer to be achieved.

The table above indicates that the effectiveness targets for external inspection of sea containers for the Import Clearance Program, higher risk Airport passengers and higher risk International Mail Programs were achieved in June 2006, July 2004 and February 2004 respectively. All other Programs first met their effectiveness targets within two years of the introduction of IQI.

As previous reviews by Ernst and Young and the ANAO have found , this is an effective and timely implementation of the Government's policy, especially as a large number of resources had to be deployed as a result of IQI – since May 2001, approximately 1,200 additional full-time staff have been employed, an additional 64 x-ray machines have been installed and 46 detector dog teams have been trained. There have also been major upgrades to quarantine facilities at mail centres, airports and seaports.

Additionally, a number of Program specific factors have impacted the ability of Programs to achieve their effectiveness targets in a shorter time frame. These have been highlighted in Chapters 4 – 9. In these circumstances, it is not unreasonable that is has taken some time to achieve all the targets.

3.4.2 Extent to which Integrated Delivery of the Programs (AQIS and Customs) has resulted in Efficiencies

Customs and AQIS work in an integrated manner at the various border entry points in Australia. In particular they have a strong working relationship dating back to preparations for the Sydney Olympics, which has continued to develop since the introduction of IQI.

This integration includes physical co-location such as at airports and at Australia Post facilities where Customs and AQIS work together. For example, inspection of HVLV air cargo / Reportable Documents is performed by Customs officers who identify and refer to AQIS items that they suspect may pose a quarantine risk. In addition, Customs officers' primary line of questioning passengers at airports includes examining International Passenger Cards (IPCs) for answers to questions on quarantine.

However, the extent to which efficiencies can be gained through integrated delivery are limited by international tariff code classifications. There is a hierarchical structure for describing all goods in trade for duty, quota, and statistical purposes. This structure is based upon the international Harmonized Commodity Description and Coding System (HS), administered by the World Customs Organization in Brussels. As these tariff codes are customs derived, quarantine border clearance systems use free text fields that further describe the quarantine aspects of the import to identify items of quarantine concern.

Summary

During our site visit to Sydney Airport, Clyde mail centre and Port Botany, we consistently observed a high degree of cooperation across the areas examined. The co-location and simultaneous inspection of items by AQIS and Customs has resulted in a decrease in the time delays and enables prompt processing for incoming passengers and commodities.

Details of how Customs and AQIS work together in the Import Clearance, Airports, International Mail, Seaports and NAQS Programs is provided in Chapters 4-9.

3.4.3 Efficiencies Deriving from Industry Involvement and Appropriateness of Cost Recovery Arrangements

There are a number of program specific industry consultative committees that have been established to communicate with industry and communications strategies have been developed and implemented.

Given the high level of cost recovery in the Import Clearance and Seaports Programs, there is an ongoing imperative for AQIS to continually seek efficiencies and improve processes in its operations. AQIS needs to continue to demonstrate its efficiency, be transparent in information provided to industry and accountable for its costs to industry. AQIS is accountable to industry through a number of industry consultative committees and receives feedback on its operations on an ongoing basis from industry partners.

The specific detail of efficiencies being realised by individual Programs is detailed in Chapters 4 – 9.

Appropriateness of Cost Recovery Arrangements

Given the accountability of cost recovery arrangements to industry and the reviews that have been undertaken of the arrangements by the ANAO, AQIS's cost recovery arrangements are considered appropriate.

The Australian Government's cost recovery policy requires agencies subject to the *Financial Management and Accountability Act 1997* to charge for goods and services that are provided to non-Government customers [2]. AQIS's implementation of this policy has included prohibiting cross-subsidisation between Programs, recognising that each cost-recovered Program must recoup its own costs as required by the ANAO.

Cost recovery at AQIS is managed in a devolved framework. This means that individual Program managers are responsible for developing budgets, establishing structures for fees and charges, monitoring Program performance and reporting Program outcomes to clients. Proposed budgets are presented to the AQIS Business and Finance Committee (ABFC) at the start of each financial year, and again after a mid-year review, for approval. Program performance is reported monthly to the AQIS Leadership and Governance Committee.

AQIS documents its cost-recovery policy in its annual Internal Budgeting Policy, which provides guidance to Programs on how to align fees and charges with the costs of activities and services to major client groups. Programs also consult with the relevant industry consultative committees on a regular basis throughout the year, to identify factors that may influence revenue and costs.

In the course of this Review, it was apparent that AQIS is keenly aware of cost-recovery principles and the need for transparency, accountability and efficiency of processes to minimise delays and costs to industry. AQIS is primarily accountable to industry participants through industry consultative committees where cost-recovery policy, fees and charges are routinely discussed.

It is AQIS's policy that cost-recovered Programs recover their costs in the year they are incurred. However, there is a tension between full recovery in one year and the need for price stability for AQIS clients. As the ANAO has recognised, in practice, it may not be possible to precisely match program cost recovery revenue with program expenditure in each year.

[2] Australian Government Cost Recovery Guidelines July 2005; Financial Management Guidance No.4.

The Import Clearance Program sets fees and charges in advance, which inevitably results in some over- and under-recoveries.

Any over-recovered funds are placed in industry reserve accounts to cover future funding shortfalls. Under-recoveries are managed using funds in these reserve accounts or by increasing fees in subsequent years. This process has been developed in consultation with industry and audited by the ANAO. When unbudgeted under or over-recoveries become evident, AQIS adjusts charges to ensure that costs are fully recovered over a set period of time.

The risks of over or under-recoveries are managed through a number of different mechanisms including:

- The preparation of the Program annual business plan, in which risk management strategies for the fee and charge-setting activities are identified (endorsed by the ALGC); and
- Monthly reporting to the ALGC, which receives individual Program reports including comprehensive financial analysis on the status of Program revenue and expenditure.

All DAFF cost-recovered fees are reviewed every two to three years, in accordance with the Department of Finance and Administration's *Cost Recovery Guidelines*. As part of this process, industry is consulted and a Cost Recovery Impact Statement is submitted to the Department of Finance and Administration.

ANAO Review

The ANAO has conducted two audits of AQIS's cost-recovery practices including:

- ANAO Audit Report No.10 2000/01, AQIS Cost-Recovery Systems; and
- ANAO Audit Report No.17 2003/04, AQIS Cost-Recovery Systems Follow-Up Audit.

In addition to these two audit reports, the Joint Committee of Public Accounts and Audit (JCPAA) conducted a public hearing on the first ANAO Audit Report, resulting in the release of JCPAA Report No.383, June 2001, *Review of Auditor-General's Reports 2000/01, First Quarter*.

In its follow-up audit the ANAO tested AQIS's cost-recovery systems for the:

- Accuracy of cost identification and attribution;
- Alignment of revenue from fees and charges with the costs of providing the associated services; and
- Transparency of cost-recovery Program performance.

The ANAO made the following observations and findings:

- AQIS has documented cost-recovery policies, its fees and charging guidelines are subject to regular review, and procedural documentation has been developed to guide staff in the budget development process;
- Employee costs represent a significant amount of overall Program costs, and AQIS has developed some initiatives to recognise this including implementing the Activity Cost Assessment scheme to measure, on a periodic basis, staff time attributed to Program activities as well as the Trial Pay Procedure, which seeks to provide greater assurance that staff costs have been allocated to the correct recoverable Program in AQIS's accounting system;

- AQIS enhanced its procedures to reduce the risk of over-recoveries, with all Programs now required to include strategies in their business plans that address risk management in fee and charge setting activities, and to report their performance against these plans to the ABFC. Furthermore, monthly reporting to the ABFC on the status of Program revenue and expenditure has been enhanced since the previous audit; and
- AQIS has directed considerable resources towards integrating and automating its cost-recovery systems, with the ANAO noting that the systems are robust and reliable, enabling a flow-through of accurate data.

Activities Cost Recovered

The table below describes those activities that are cost recovered for each Program and the percentage of total Program funding that was cost recovered in 2005/06.

Program	Activities Cost Recovered	Costs Recovered 2005/06 $'000	Budget Funded 2005/06 $'000	% Total Funding Cost Recovered 2005/06
Import Clearance	▪ Inspections ▪ Permit applications ▪ Overtime ▪ Quarantine premises ▪ Goods storage ▪ Plant and animal imports	$96,356	$630	99%
Airports	▪ Treatment services – fumigation, heat treatment, gamma radiation, and goods seized in transit ▪ Care and maintenance of passenger's goods ▪ Routine inspections at first approved landing place in Australia ▪ Overtime rates	$1,403	$69,347	2%
International Mail	▪ Treatment services – fumigation, heat treatment, gamma radiation, and goods seized in transit ▪ Annual amount of $3.2 million from Australia Post	$3,413	$14,611	18 %
Seaports	▪ Routine inspections of vessels ▪ Follow up inspection or any other services ▪ Provision of treatment services ▪ Overtime rates ▪ Other items billed to vessels such as staff travel for specific inspections	$11,367	$1,304	88%
NAQS	▪ Charges to travellers in the Torres Strait for treatment of quarantine items	$34	$9,202	0.34%
Detector Dogs	▪ Domestic screening from SA and WA Government	$503	$64	83%

Table 3.28 - Activities Cost Recovered

In most cases, industry is consulted on the type of activities to be cost recovered prior to cost recovery action being implemented.

3.4.4 Balance between Cost Recovery and Budget Funding

The following section identifies those Programs that are predominantly budget funded and those that are cost recovered and analyses the balance between cost recovery and budget. Details of what activities are cost recovered have been provided in the preceding chapter (Chapter 3.4.3).

The table below shows the percentage of total revenue which is cost recovered for the years 2000/01 to 2005/06 for each quarantine border Program.

Program	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Import Clearance	93%	97%	99%	99%	90%	99%
Airports	3%	1%	1%	2%	2%	2%
International Mail	100%	21%	18%	19%	18%	18%
Seaports	98%	92%	93%	84%	84%	88%
NAQS	38%	21%	22%	21%	2%	0%
Detector Dogs	34%	0%	0%	65%	91%	83%

Table 3.29 – Percentage of Total Funding Cost Recovered for 2005/06

In 2005/06, approximately 53% of total revenue for the six border programs was cost recovered. The Import Clearance, Seaports and Detector Dog Programs are predominantly cost recovered (99%, 88% and 83% of total revenue was cost recovered in 2005/06 respectively). The Airports, International Mail and NAQS Programs are predominantly budget funded with minimal cost recovery (2%, 18% and 0% of total revenue was cost recovered in 2005/06 respectively).

Of note is that prior to 2001, the International Mail Program was fully cost recovered. Since 2001, the cost recovery from Australia Post only represents a portion of expenditure by the Program. As shown below, the majority of funding comes from Government appropriations.

	2000/01 Actual $'000	2001/02 Actual $'000	2002/03 Actual $'000	2003/04 Actual $'000	2004/05 Actual $'000	2005/06 Actual $'000	2006/07 Budget $'000	2007/08 Budget $'000	2008/09 Budget $'000	2009/10 Budget $'000
Cost Recovered Revenue ($000)	2,196	2,071	2,777	3,110	3,089	3,413	4,018	3,985	3,985	3,985
Budget Funding ($'000)	0	7,906	12,255	11,683	13,263	14,611	14,600	14,732	14,732	14,732
Total Revenue ($000)	2,196	10,093	15,749	15,990	16,791	18,661	19,176	19,261	19,261	19,261
Cost Recovery as a % of Total Revenue	100%	21%	18%	19%	18%	18%	21%	21%	21%	21%
% Increase of Volume of Parcel and EMS Mail	n/a	n/a	n/a	n/a	n/a	n/a	3%	3%	3%	3%

Table 3.30 - Cost Recovery Analysis - International Mail Program

Government Budget funding has not increased over time and with increased volumes of parcels and EMS post predicted, the time required to process mail in order to meet intervention targets will increase and cause delays in the delivery of mail.

Recommendation
AQIS should re-assess the level of cost recovery in the International Mail Program and potentially increase the proportion of costs that are recovered from Australia Post. This will reduce the reliance on Government funding for quarantine operations in an area that is expected to experience increasing volumes of international mail and from sources that have a higher risk profile.

Cost recovery in the other quarantine border programs is considered to be appropriate.

3.4.5 Trends over Time in the Ratio of Administrative to Program Costs

AQIS has three broad categories of overhead costs outlined below.

- DAFF corporate costs – these reflect the allocation of management services and corporate policy overhead costs to Business Units within DAFF including AQIS. These costs are categorised according to the functional areas within Management Services (e.g. corporate finance, HR, accounts receivable, and accounts payable) and are allocated to Business Units via cost drivers that are determined by the DAFF Executive Management Team.
- DAFF pass through costs – these are corporate costs passed on by DAFF that can be directly attributed to Business Units such as AQIS. This category mainly includes outsourced charges such as IT equipment, property and legal expenses. Other corporate costs passed through are Comcare premiums, ComSuper maintenance, audit fees, copy shop and photocopiers, etc. AQIS can determine the extent to which it uses these services, but not the per use charge for the service (which is either obtained by service provider contracts arranged by DAFF or direct external cost).
- AQIS special category costs – these include AQIS specific overheads such as finance, HR, IT, regional managers and regional support that are allocated to Programs generally based on FTEs. This category of costs also includes technical and operational costs which are overheads relating to specific Programs, for example television campaign costs. The costs for these Programs are usually allocated by customised costs drivers that are negotiated by managers. It includes all of the overheads funded through the Budget measures under review in this report. Some AQIS overheads of a governance nature, or relating to export certification programs, are specifically funded through other budget measures which are outside the scope of this report.

AQIS is limited in its ability to control or influence the DAFF corporate costs or pass through costs. AQIS determines the basis on which these costs are further allocated to AQIS Programs. The graph below shows the trends in overhead costs during years 2000/01 to 2005/06 in relation to the number of FTEs employed in the six border Programs.

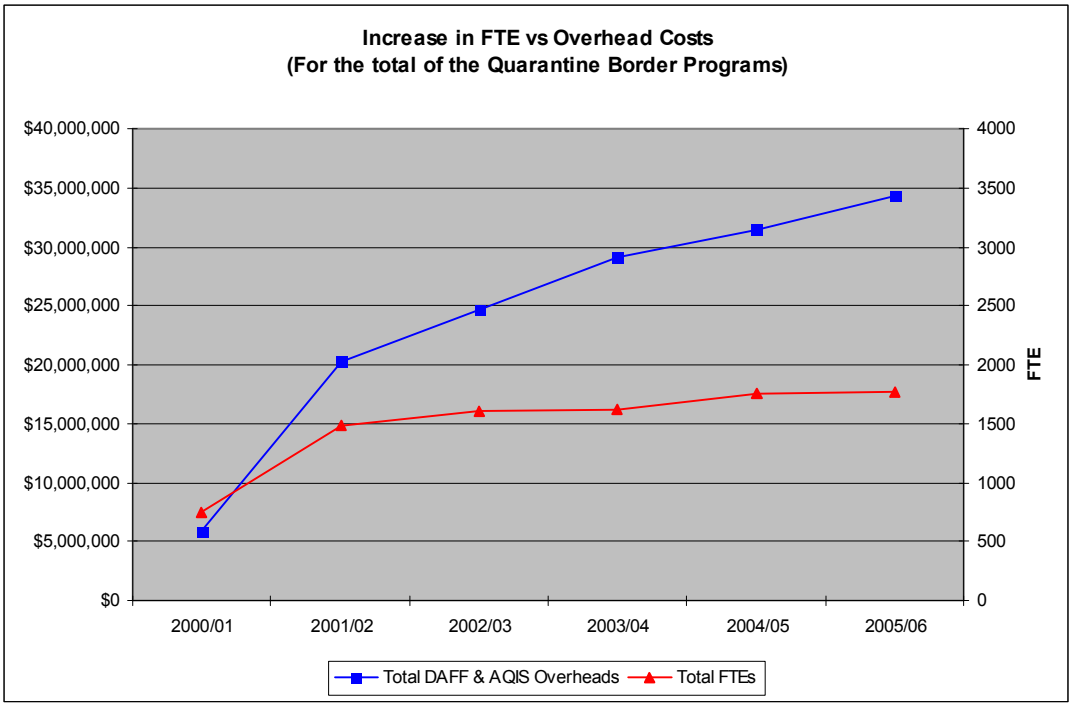


Figure 3.12 - Overhead Expenses and AQIS FTEs

Figure 3.12 above reflects the attribution of corporate overheads from DAFF and AQIS to the Programs and shows the trend against FTE numbers. Since 2000/01, the DAFF overheads and AQIS special category costs have increased in absolute terms but FTE levels have remained flat resulting in increased overhead allocations per FTE.

3.4.6 Barriers to Continuous Improvement in Efficiency

A number of barriers have been identified as areas where improvements can be made to increase the efficiency of the six border Programs.

Physical Infrastructure

All six border Programs operate within physical environments that are not owned or controlled by AQIS such as airports, mail centres, seaports and cargo handling facilities. AQIS has no direct control over the number of ports, their location or the facilities available. As a consequence, AQIS is required to operate a dispersed network that is significantly reliant on close cooperation with port owners.

Similarly, the ability of AQIS to efficiently intervene with 100% of arriving international mail has in the past been hampered by physical space and design limitations at those international mail centres that experience high volume loads. These facilities are owned and operated by Australia Post which received funding for infrastructure upgrades from Government. Whilst AQIS input was provided during design of the upgrades, the final decision rests with Australia Post. Delays in upgrading mail centres lead to capacity constraints on AQIS's operations by limiting the ability to process mail effectively and efficiently.

Kennelling Arrangements

The NSW kennel for the Detector Dog teams is located at Eastern Creek, a considerable distance from the International Airport and the Clyde Mail Centre. This means that staff and dogs must travel between the kennel and the Airport and Mail Centre with handlers being required to collect the dogs each morning prior to shifts, and return the dogs each afternoon. This means that staff costs are being incurred in time spent travelling between the kennelling facility and border operations locations.

Rostering Arrangements

When comparing rostering arrangements for various Programs between regions, inconsistent shift arrangements were identified that may provide opportunity to realise further operating efficiencies.

For example, in relation to external sea cargo container inspection arrangements in the Import Clearance Program, there are minor variations between regions in the ratio of AQIS staff to contractors. There may also be an opportunity to address differences in staffing categories for similar functions between the different locations. For example, in the Airports Program, Western Australia uses more junior staff and simpler roster systems which have resulted in lower costs. There are also differences between rostering of Sydney and Melbourne staff categories in the Airports Program for what appear to be similar functions.

Cost Pressures

The Review has highlighted a number of potential cost pressures, identified below, which AQIS will need to manage in future years.

- Renegotiation of Detector Dog kennel leases – a number of leases are due to expire shortly for the quarantine Detector Dog kennels in each region. These will need to be renegotiated, and are likely to cost more due to increases in property costs. Increases in Detector Dog costs will be passed onto clients. Unless revenue increases for each program to offset these cost increases, there will be either a reduction in the number of dog teams or a reduction of other types of resources for the Programs.

- DAFF Collective Agreement increases to employee base salaries – base salaries will increase by 4% on 1 July 2007 and 4% on 1 July 2008.
- Increase in departmental managed overhead costs – these costs have been increasing since 2001/02 and are expected to continue to increase.

Managing Peak Flows of Arriving Passengers

Available data indicates that volumes and peak flows of arriving passengers will increase in the future, placing greater pressure on AQIS officers to enable prompt facilitation of passengers. The pending introduction of the Airbus A380 and the roll out of the Customs Smartgate facilities are just two examples of external drivers that will place stress on AQIS's operations by increasing surges in passenger volumes. AQIS will need to manage these peak flows and maintain a 'surge capacity' to ensure quarantine outcomes continue to be met.

The availability of information to identify surges and the available supply of a flexible workforce (including part-time staff and contractors) will be essential to managing this quarantine border activity at airports.

Use of Pre-Border Intelligence and Associated Activities

The positive effect of awareness campaigns by AQIS is supported by the decreased incidence of undeclared seizures. The increasing trend of passenger compliance observed over the past few years helps to reduce quarantine risk to Australia. Efforts to advise passengers of quarantine risks and provide them with opportunities to declare items of quarantine concern at the border should continue, especially given the trends of increased passengers from countries of higher quarantine risk.

Despite the positive outcomes of the awareness-raising campaigns so far, there is a need to maintain the pre-border intelligence capacity. A good example of AQIS's activities in this area is AQIS's response to a recent initiative from an international airline to provide fresh fruit to its passengers on Australia-bound flights. Some passengers have preferred not to consume the fruit on the flight, but at a future time once they are in Australia. AQIS's quick recognition of the airline's practice has allowed it to target passengers from those flights, whilst looking for opportunities to change the airline's practice and deterring other airlines from initiating the practice.

Activities that can reduce the likelihood of an item of quarantine concern approaching the border before being intercepted by an AQIS officer reduces risk both directly, by stopping the item entering mainstream Australia, and indirectly, by providing an opportunity for AQIS officers to focus their attention on identifying and investigating non-compliant passengers. The continued availability of information for profiling purposes and publicity campaigns will be important factors in the achievement of the Government's quarantine targets.

Funding for Research into Improved Processes

The Airports Program relies significantly upon technology (such as x-ray machines) and processes (such as risk profiling) to conduct its activities. Technology capabilities are constantly improving and it is necessary to invest appropriately to ensure that the most efficient and effective resources are available. The Airports Program, as well as the other quarantine border Programs do not receive any funding specifically for the research and investigation of new technologies or practices.

Some level of seed funding each year would enable research to occur and keep pace with the changing nature of technology and processes. This will also enable costs to be deployed in a manner that optimises the performance for the costs incurred.

Intervention Rate

The 100% intervention rate required by Government for the International Mail Program across all classes of mail reduces AQIS discretion to re-direct resources from potential low risk activities to lower volume but higher risk categories of mail. However, the type of intervention used (x-ray, detector dog, manual search) is adjusted according to perceived risk.

An additional factor is the need to constantly maintain properly trained and skilled resources. This means that the skills of staff, x-ray operators and Detector Dogs are not able to be quickly acquired by an unskilled workforce that might only be engaged in peak volume periods.

IMPORT CLEARANCE

Contents

4. Import Clearance Program

4.1 Background to the Program

The key objective of the Import Clearance Program is to manage the quarantine risks of imported cargo in accordance with legislative and policy guidelines.

The variety of commodities being imported and modes of entry means that the Import Clearance Program is required to manage quarantine risks that may enter Australia through a significant number of diverse pathways. Quarantine risks potentially reside with the goods themselves or the packaging, but can also be affected by the mode of transport and the country of origin of the goods.

The following section provides a snapshot of the Import Clearance Program and details key activities, financial and FTE resources.

Import Clearance Program Snapshot	
Key Activities	▪ Involves the assessment and management of quarantine risks associated with the full range of imported goods and commodities arriving in Australia, whether by sea or air, through a variety of modes of entry and operational sites around the country ▪ Key activities undertaken by import clearance staff include: – permit / entry management – cargo risk management – treatments and inspections and ▪ Import Clearance Program staff operate in multiple sites in all states and territories. ▪ There has been an increase of 40% in the tonnage of goods imported into Australia from 1994/95 to 2003/04 (64.2 million tonnes in 2003/04). In 2006/07 an estimated 1.7 million sea cargo containers will arrive in Australia and almost 400,000 air cargo containers. Containerised imports are expected to continue to increase by 5.2% a year from 2006/07 to 2024/25 (as measured in twenty foot equivalent unit containers (TEUs)). ▪ There are increasing volumes of imports from countries of potentially higher quarantine risks including China, Malaysia, Indonesia, Vietnam and Papua New Guinea. In 2003/04 South East Asia was the biggest importer of goods to Australia in respect of weight.
Financial	▪ $97.4M actual revenue in 2005/06 comprising: – $96.4M in cost recovered revenue – $0.63M Departmental Appropriation ▪ Total expenditure in 2005/06 was $97.4m comprising: – 56% employee expenses ($54.8m) – 19% overhead costs ($18.9m) – 25% other expenses ($23.7m)
FTE	▪ 798 FTEs in 2005/06 ▪ Majority of FTE are located in NSW (29%), Victoria (21%) and South Queensland (18%). ▪ Substantial growth in total FTE numbers between 2001/02 and 2005/06 of almost 30% due to increased volumes of imports and higher quarantine risks.

Table 4.1 - Import Clearance Program Snapshot

4.1.1 Outcomes

The Import Clearance Program contributes to Output 6 for DAFF, which has as its objective 'to reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services' by addressing risks associated with imported goods.

4.1.2 Priorities and Objectives

Under IQI, Government sought to achieve significantly enhanced quarantine intervention on three key pathways in the Import Clearance Program:

- the external surfaces of sea cargo containers;
- the external surfaces of air cargo containers; and
- imports of HVLV air cargo goods.

The Government established key intervention and effectiveness targets for the Import Clearance Program for each of these three areas as shown in the table below.

Import Clearance Program	Intervention	Effectiveness
	Target	Target
Sea Cargo Container External Inspections	100%	96%
Air Cargo Container External Inspections	100%	96%
HVLV Air Cargo Inspections	100%	96%

Table 4.2 - Government IQI Targets for the Import Clearance Program

Sea Cargo Containers

The Government requires a physical inspection of the external surfaces of 100% of all sea cargo containers (with a 96% target for effectiveness). The inspection is performed prior to the sea cargo containers leaving the ports on trucks or trains.

Air Cargo Containers

The Government requires a physical inspection of the external surfaces of 100% of all air cargo containers (with a 96% target for effectiveness). The air cargo container inspection is conducted at the airport as the air cargo containers are unloaded from the aircraft.

High-Volume Low-Value

The Government requires that 100% of HVLV air cargo be subject to quarantine intervention (with a 96% target for effectiveness). HVLV is a term commonly used by Customs authorities, referring to a particular class of air cargo under the *Customs Act 1901* that comprises commercial documents, compact discs, or papers or books with a commercial value of less than $250 with a collectible Customs amount of less than $50.

The inspection regime involves x-ray examination of all HVLV air cargo items via on-site x-ray facilities at the four major international air courier companies. A mobile inspection unit may also be sent to smaller service providers for on-site inspections where appropriate.

4.1.3 Key Issues

The Import Clearance Program is currently facing a number of key challenges.

Increasing Import Volumes

The Import Clearance Program has witnessed considerable growth in import volumes. In 2003/04, Australia's total international trade in commodities was 623.1 million tonnes, of which 64.5 million tonnes was import trade.[1]

Australia's imports are dominated by heavy and low-value bulk commodities. International shipping has remained the main mode of transporting imports, and is reflected in the weight of imports entering Australia via sea. Sea trade accounted for 99.9% of Australia's total trade in weight in 2003/04.[2] The figure below outlines weight of sea freight entering Australia from 1994/95 to 2003/04.

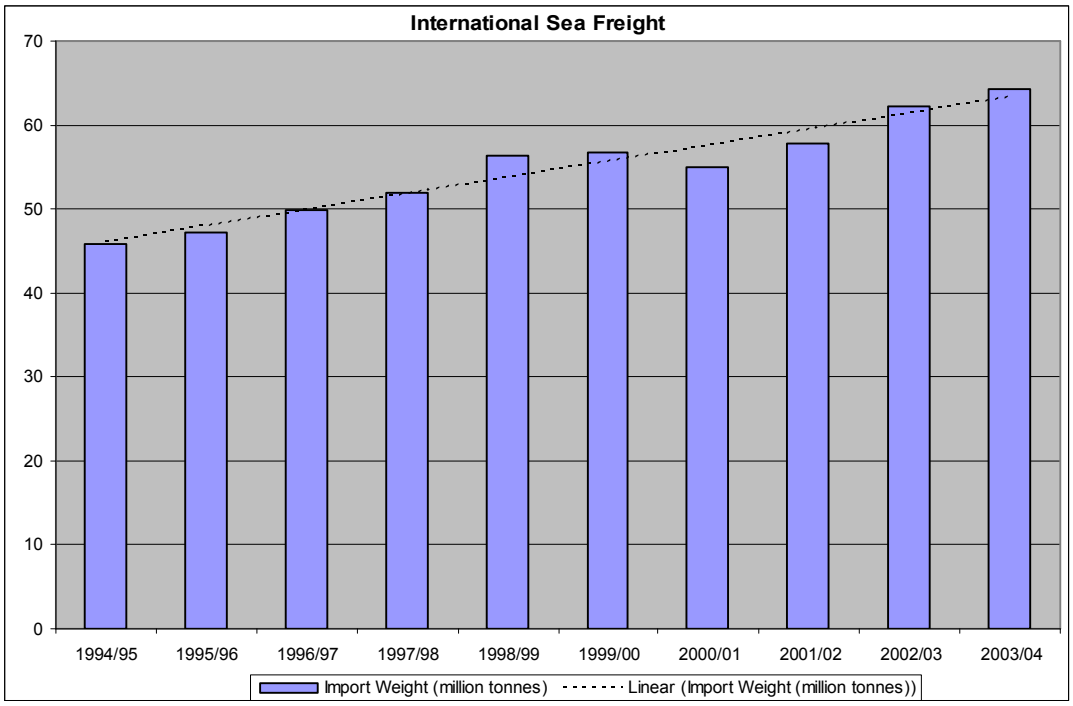


Figure 4.1 – Imported Sea Freight by Weight

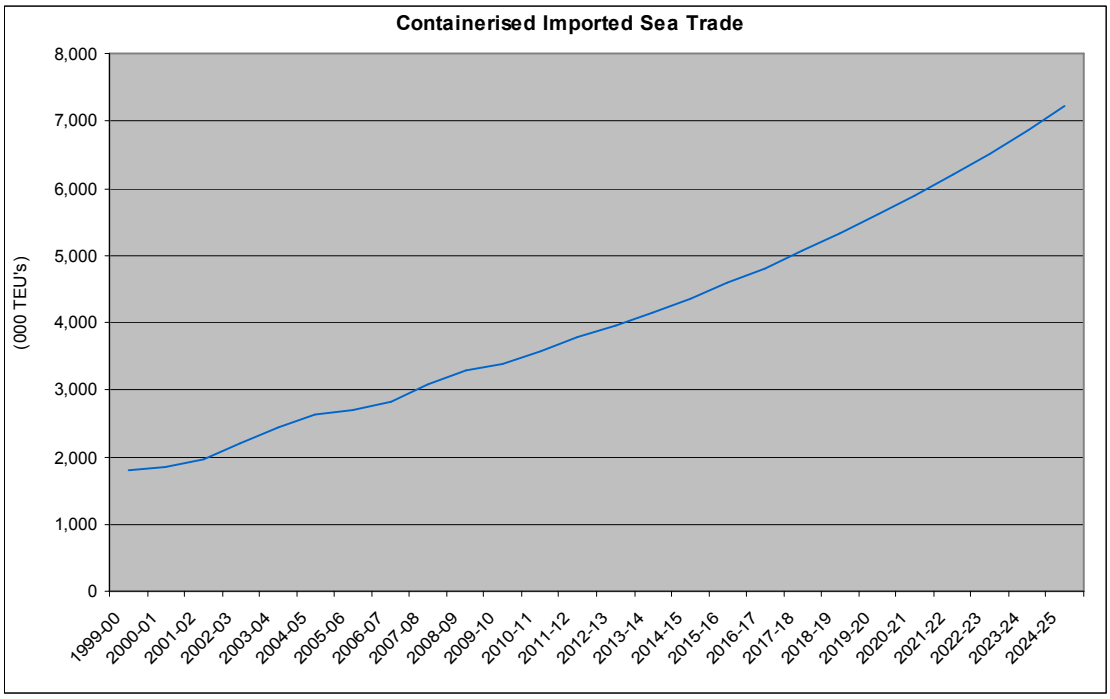
The linear trend identifies that from 1994/95 to 2003/04, there has been an increase of 40% in the tonnage of goods imported into Australia. In 2003/04 the total weight of imported sea freight totalled 64.2 million tonnes.

The following graph shows forecast sea trade from 1999/00 to 2024/25 for containerised sea cargo. Standard shipping containers are specified by the International Standards Organisation as 20 feet

[1] Department of Transport and Regional Services, *Container and Ship Movements through Australian Ports, 2004-05 to 2024-25, Working Paper 65* (2006).

[2] Department of Transport and Regional Services, *Container and Ship Movements through Australian Ports, 2004-05 to 2024-25, Working Paper 65* (2006).

long by 8.5 feet square. These are the standard units for measuring container through-put. One standard container is one twenty-foot equivalent unit (TEU).



Source: Department of Transport and Regional Services, Container and Ship Movements through Australian Ports, 2004-05 to 2024-25, Working Paper 65 (2006)

Figure 4.2 - Imported Sea Container Cargo by Weight

The graph identifies that containerised imports are expected to increase by 5.2% a year from 2006/07 to 7.2 million TEUs in 2024/25, an increase of 4.4 million TEUs.

Implications for AQIS

The increasing volumes of imports have significant implications for AQIS. Greater volumes of imports affect all aspects of the Program, from the permit and entry management process through to the increased numbers of quarantine risk assessments to be conducted and the increased numbers of physical inspections required.

The increased volumes of imports directly impact AQIS because of increased workload required to maintain mandatory 100% intervention on the external surfaces of sea cargo containers, external surfaces of air cargo containers and HVLV air cargo. The following graph demonstrates the unit growth in these sources from 2000/01 and future projections to 2009/10.

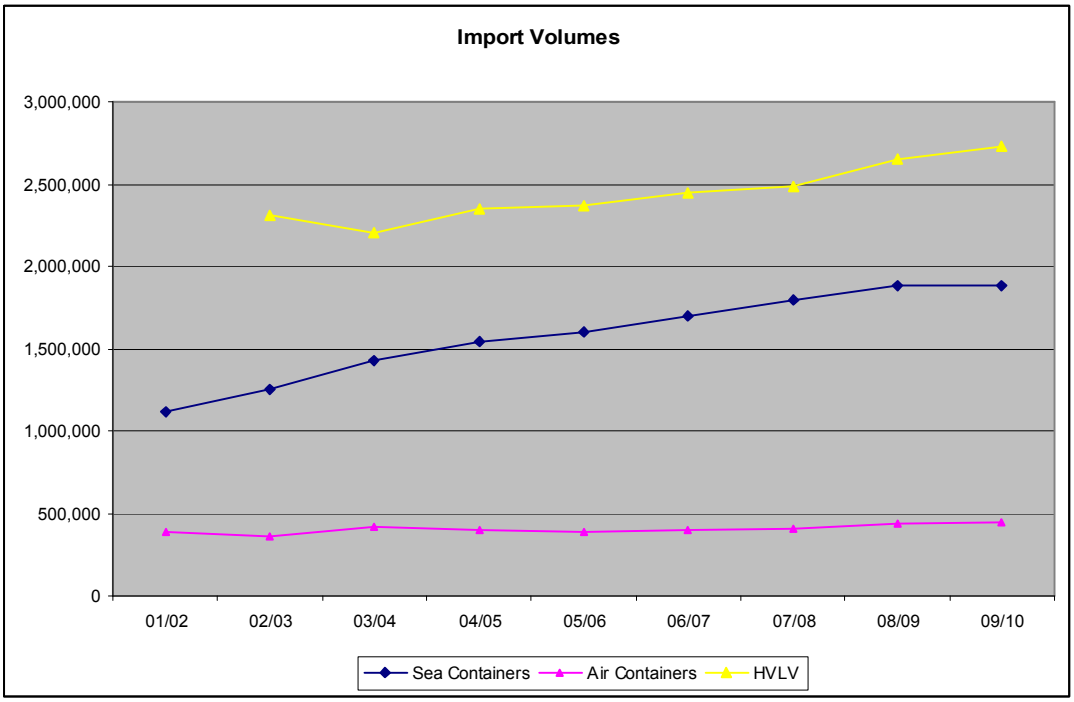


Figure 4.3 - Imported Cargo Traffic Volumes

The table demonstrates that the number of sea cargo containers has increased in all years since 2001/02 and in 2005/06 was 43% higher than 2001/02. Over this period there has been some minor variability in air cargo container traffic and HVLV AIR CARGO items, although both of these modes of entry are forecast to grow in future years.

Increasing volumes of imports present commodity based quarantine risk and increasing volumes of sea cargo present non-commodity risk. Commodity risks are posed by the commodity or good itself and are affected by its size and volume. Non-commodity risks are posed by a consignment's packaging which may include paper or plastic wrapping of the goods, wood crating and dunnage and its transportation container, for example, sea cargo container or air cargo container.

Increasing Volumes of Imports from Countries of Potentially Higher Quarantine Risk

In an environment of increasing international trade, the Import Clearance Program is required to meet the challenges of increasing volumes of higher risk imports. Through its risk management processes AQIS has identified a number of pests that represent a significant risk to Australia. Some of these pests are located in some of Australia's largest and fastest-growing trading partners.

Some examples of the potential pests include:

- the Giant African Snail;
- the Asian Gypsy Moth;
- the Asian Longhorn Beetle;
- the Khapra Beetle;
- Fruit flies, including the Papaya fruit fly, the Melon fly and Mediterranean fruit fly; and
- Erect Tar Vine.

Through the use of risk profiling, AQIS has identified countries and goods through which these pests may enter. South East Asian countries, as well as other Asian countries and Torres Strait and Pacific Island countries represent sources for these pests. The growth in imports from these potentially higher risk countries is displayed below.

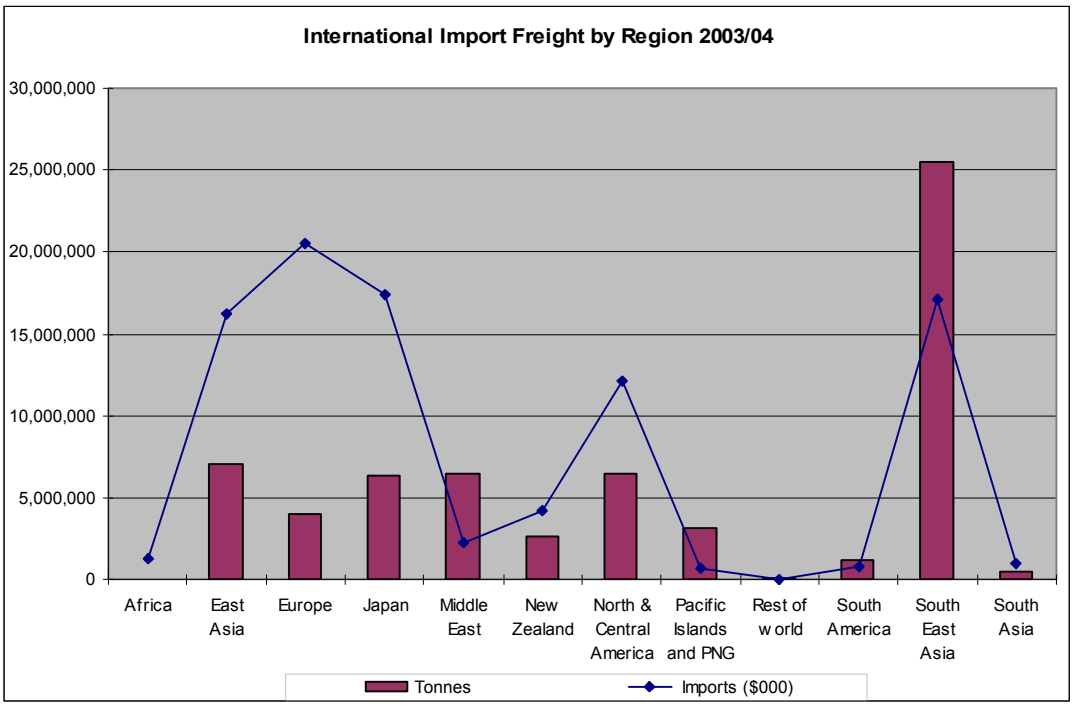


Figure 4.4 – International Import Freight 2003/04 (000's)[3]

The chart above identifies a regional breakdown of the tonnage and value of import freight entering Australia during 2003/04. While Europe is the largest importer of goods in terms of dollar value, followed by South East Asia and East Asia, South East Asia represents the biggest importer of goods in respect of weight, importing approximately 25,500 tonnes of freight during 2003/04. Imports from Asia are considered higher quarantine risk.

Interaction with Industry Operators

Effective quarantine operations in the import clearance area depend in large part on AQIS maintaining a cooperative relationship with industry, including importers, infrastructure owners/operators, and logistics and transport operators.

The majority of Import Clearance interventions occur on sites operated by industry. To facilitate an orderly flow of imported goods, there needs to be an effective working relationship between AQIS, owners and operators of port infrastructure and logistics and transport operators. This effective working relationship is essential to maintain quarantine integrity, achieve timeliness of inspection and minimise time required for storage and transportation of imports.

[3] ABS, *International Cargo Statistics, Unpublished* (2004)

4.1.4 Stakeholders

Key stakeholders for the Import Clearance Program include:

- Australian Government agencies – Customs maintains a similar operational regime to the AQIS Import Clearance Program. DEH, DFAT and DoHA may, from time to time, have some input into particular aspects of the Program's operations;
- Government bodies –Food Standards of Australia and New Zealand (FSANZ), the Industry Working Group on Quarantine (IWGQ) and the Australian Pesticides and Veterinary Medicines Authority (APVMA);
- State and Territory Governments;
- Australian barrier clearance, logistics and importing industry groups and associations – these groups are important facilitators of international trade into and out of Australia. Examples include the Customs Brokers and Forwarders Council of Australia (CBFCA); and
- International groups and equivalent foreign authorities – in an effort to reduce the risks associated with imported cargo prior to its physical arrival in Australia, AQIS has developed compliance and co-regulation arrangements with offshore industries and foreign regulatory authorities. These arrangements involve AQIS's consultation and cooperation with foreign regulatory authorities, with a view to cooperatively developing robust inspection regimes for particular commodities.

4.1.5 Staffing

The Import Clearance Program is the largest border protection Program in AQIS. In 2005/06 the Program had an average staffing level of 798 FTEs, spread across the National and regional offices. The regional breakdown is shown below. The table contains average actual FTEs from 2001/02 to 2005/06, with budgeted figures to 2009/10.

Region	2001/ 02 Budget FTE	2002/ 03 Budget FTE	2003/ 04 Actual FTE	2004/ 05 Actual FTE	2005/ 06 Actual FTE	2006/ 07 Budget FTE	2007/ 08 Budget FTE	2008/ 09 Budget FTE	2009/ 10 Budget FTE
ACT	77.04	78.49	103.57	112.25	107.17	126.16	123.64	123.64	123.64
NSW	176.76	189.22	226.41	227.89	227.95	237.80	238.65	238.65	238.65
Vic	144.39	144.43	159.75	164.51	167.90	177.49	178.13	178.13	178.13
Sth Qld	101.88	111.54	128.84	141.89	146.54	152.14	152.14	152.14	152.14
WA	55.00	62.15	47.81	77.49	74.10	72.13	72.15	72.15	72.15
SA	27.90	26.82	30.17	31.46	35.54	36.54	35.57	35.57	35.57
FNQld	16.15	16.08	17.44	18.90	16.81	18.00	18.00	18.00	18.00
NT	7.05	6.10	4.60	9.52	11.12	11.25	11.38	11.38	11.38
Tas	8.99	8.99	8.99	10.49	10.49	8.99	10.49	10.49	10.49
Total	**615.15**	**643.82**	**727.58**	**794.39**	**797.59**	**840.50**	**840.15**	**840.15**	**840.15**

Table 4.3 – Regional FTE Breakdown

The table demonstrates substantial growth in total FTE numbers between 2001/02 and 2005/06 of almost 30%. This is primarily a result of additional FTEs required in light of the increased volumes of imports and higher quarantine risks required to be managed by the Program. Budgeted FTEs are expected to increase by 5.4% from 2005/06 to 2009/10.

The graph below demonstrates the breakdown of FTE numbers across states and territories in 2005/06. The FTE allocation across the regions clearly identifies New South Wales, South Queensland and Victoria as the regions receiving the bulk of imported cargo. A significant proportion of staff are also situated in the ACT (13% of Program staff), which is a reflection of key activities undertaken in the ACT such as import permits processing, entry management and Program management and administration.

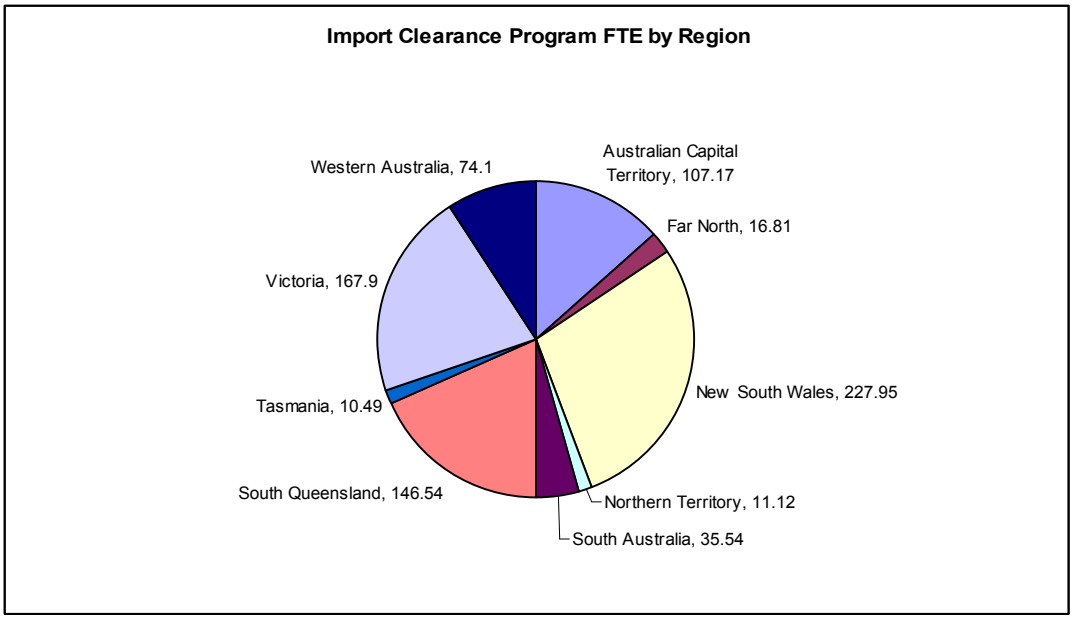


Figure 4.5 - Import Clearance Program Staffing (FTE 2005/06)

Use of Contractors

The use of contractors provides a method of flexible resourcing for the Import Clearance Program, allowing improved cost efficiency. In 2005/06 the Program incurred expenditure of approximately $5.5 million for temporary and contract staff (5.65% of overall expenditure). Contractor expenditure is primarily incurred on contract staff who assist in the inspection and cleaning of the external surfaces of sea cargo containers. Under the supervision and direction of AQIS officers, contractors inspect the external surfaces of containers and may undertake some light cleaning of container surfaces. Heavier contamination is dealt with by private sector providers at specialised container washing facilities. The use of contractors to undertake these simple inspection (and cleaning) activities represents an effective use of AQIS resources, as it redirects AQIS officers to activities requiring more skill and knowledge of broader quarantine outcomes.

4.1.6 Import Clearance Program Activities

To manage quarantine activities associated with imported goods, the Import Clearance Program's activities and roles fall in the following broad functions:

- permit / entry management;
- cargo risk management;
- treatments and inspections; and
- program management.

These are further described below.

Permit / Entry Management

The permit / entry management process involves the collection and management of quarantine and importation documentation for consignments arriving in Australia. All shipments of imported cargo, whether by sea or air, require import documentation, with information such as the type of good, its volume and value, its country of origin and destination in Australia. This data is captured in the Customs Integrated Cargo Management (ICS) system and the AQIS Information Management System (AIMS). This information is used by AQIS for the purpose of assessing quarantine risks and verifying that shipments meet the conditions set out in Import permits.

This function is undertaken in all states and territories. Key activities include:

- issuing import permits;
- developing import conditions;
- application assessment and processing;
- maintaining the AQIS Information Management System (AIMS);
- entry processing of import documents, including managing the receipt of this information through electronic means as well as physical 'front counter' presence at regional sites;
- processing payments received from importers and associated debt management activities; and
- liaising with stakeholders and responding to enquiries.

Whilst some commodities have been assessed as posing a significant risk and are not allowed into Australia, the importation of other products may be allowed subject to certain quarantine conditions. Importers need to obtain an Import Permit from AQIS before they are allowed to import these commodities. Information on the import requirements associated with the importation of particular goods is available to the public through the ICON database on the AQIS website.

Where necessary, a permit may be obtained through submitting an *Application for Permit to Import Quarantine Material* to AQIS. AQIS assesses the application, and may decide to grant a permit subject to any conditions deemed necessary for safe importation, use and disposal of those products.

Cargo Risk Management

A number of key activities fall under the cargo risk management function, which may be broadly split into two key areas:

- screening of incoming imports for quarantine risks; and
- reporting on performance against Government-mandated quarantine intervention and effectiveness targets for sea cargo containers, air cargo containers and HVLV air cargo.

These functions are undertaken in all states and territories.

Screening for Quarantine Risks

Cargo risk management involves screening incoming cargo for quarantine risks, primarily through the import documentation collected and collated by AQIS. Through the use of profiling, officers are able to identify those arrivals that warrant further attention or inspection. In determining its quarantine intervention activities, AQIS considers both commodity and non-commodity risks.

AQIS reviews a range of commercial and government documents during document screening processes. These documents may include commercial invoices, treatment certificates, government

health and Phytosanitary certificates, manufacturer's statements and shipping documentation. Electronic screening involves establishing and maintaining profiles within Customs and AQIS systems which highlight those consignments that pose a quarantine risk.

If an import declaration pings an AQIS profile, a quarantine entry is created in the AQIS Import Management System (AIMS). Importers or their agents are required to come to an AQIS front counter to have their documents assessed by an AQIS officer. The officer requires evidence of documentation prior to making an assessment to either release the goods or put the goods into quarantine for treatment or inspection.

Government Mandated Intervention

As mentioned previously, this involves inspection of the surfaces of 100% of sea cargo containers, inspection of the surfaces of 100% of air cargo containers and intervention of 100% of HVLV air cargo.

Inspections and Treatments

Goods arriving in Australia are inspected by AQIS on arrival for items of quarantine interest. AQIS activities under this function are targeted at quarantine risks, including both commodity risks and non-commodity risks.

Process

Inspection regimes vary according to the nature of the good or commodity, its country of origin and destination in Australia.

Once containers arrive in Australia they can be further transported within Australia via road on trucks or rail. For those containers leaving wharfs by road some of the inspection activities undertaken by AQIS are:

- inspections of container loads;
- less-than-container loads – inspections of shipments that constitute less than a full container;
- tailgate inspections – inspections of container loads with a destination in regional Australia; and
- Giant African Snail inspections – inspections of shipments from countries with Giant African Snails.

There are also specific inspection regimes applicable to particular commodities, for example, break bulk goods, machinery, timber, personal effects, fresh produce, fertilizer, grain, live animals, live fish and nursery stock.

The second key component of this function is the activity associated with the treatment of quarantine risks. Following the detection of items of quarantine interest through any of the above processes, AQIS will offer the importer the option of re-exporting the goods or undertaking treatment to manage identified quarantine risks. AQIS does not undertake this treatment itself, but issues a direction to the importer to undertake the treatment through an accredited provider and monitors that appropriate action occurs to manage any quarantine risks.

Appendix C details the process of internal and external container inspections.

4.2 Achievement against Objectives

The operational objectives of the Import Clearance Program are to meet the Government mandated intervention and effectiveness targets. This is discussed below.

Intervention and Effectiveness

The table below shows the performance of the Import Clearance Program against Government intervention and effectiveness targets during the period 2001/02 to 2005/06 (minimum and maximum achievements).

		Target	2001/02		2002/03		2003/04		2004/05		2005/06	
			Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Intervention	Import Clearance – Air Containers	100%	86	100	84	96	90	96	93	96	91	95
	Import Clearance – Sea Containers	100%	100	100	100	100	100	100	100	100	100	100
	Import Clearance – HVLV air cargo	100%	76	94	84	100	91	96	91	99	93	99
Effectiveness	Import Clearance – Air Containers	96%	98	100	67	100	100	100	76	100	74	92
	Import Clearance – Sea Containers	96%	82	87	71	79	77	92	90	92	91	96
	Import Clearance – HVLV air cargo	96%	94	100	100	100	96	100	88	100	96	100

Table 4.4 - Import Clearance Performance against Intervention and Effectiveness Targets

The above table shows that at various times, the Import Clearance Program has met its intervention and effectiveness targets since introduction of IQI in 2001/02.

Of particular note is the intervention performance for Air Containers and HVLV air cargo which, whilst being close to achieving the target, have not reached the 100% target since 2001/02 and 2002/03 respectively.

In addition, the above table highlights that the effectiveness target of 96% for external inspection of sea containers was achieved in June 2006. Further discussion is provided below.

Air Containers

Air cargo container intervention is facilitated through a physical inspection by AQIS officers of the external surfaces of air cargo containers following their arrival at airports. The following graph demonstrates AQIS's performance against the Government's external air cargo container intervention target of 100% at a national level since 2001/02 to 2005/06. The target has not been met since June 2002.

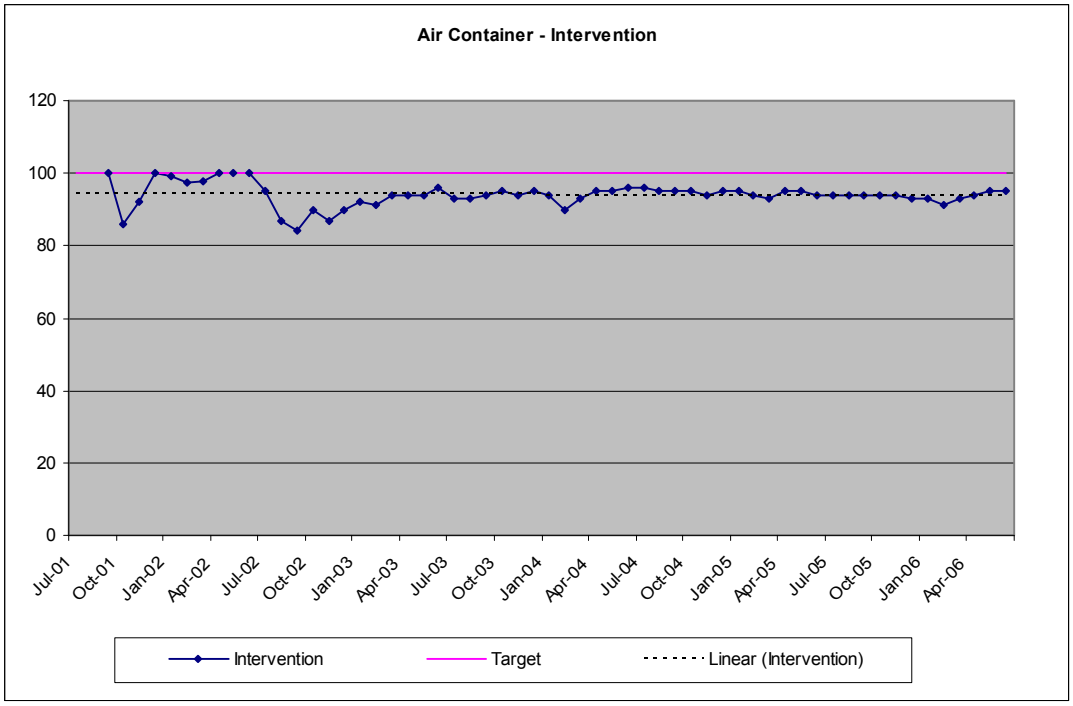


Figure 4. 6 - Air Container Intervention

AQIS's performance against the Government's target reflects the difficulties associated with ensuring AQIS officers meet all incoming aircraft carrying air cargo containers. A small number of air cargo containers arrive at locations or times where it is difficult to conduct inspections, and so on occasions intervention is below 100%.

New South Wales, Far North Queensland and South Queensland have seen fluctuations in their achievements over the years. Intervention results in these regions are impacted by the large volumes entering these locations, with approximately 55% of total containers to Australia in 2005/06 arriving in NSW airports. In addition, there are infrastructure limitations at some air cargo facilities.

Other regional analysis revealed that Western Australia, South Australia and the Northern Territory have consistently achieved 100% since July 2003, and Victoria first achieved the Government's target in October 2005 and has generally maintained it since then with minor slippage to 99%.

Whilst intervention targets have not been consistently met, this data should be analysed in conjunction with the effectiveness rates for this pathway. Effectiveness targets have been met for four out of the five years since the introduction of IQI as shown in Figure 4.7 below.

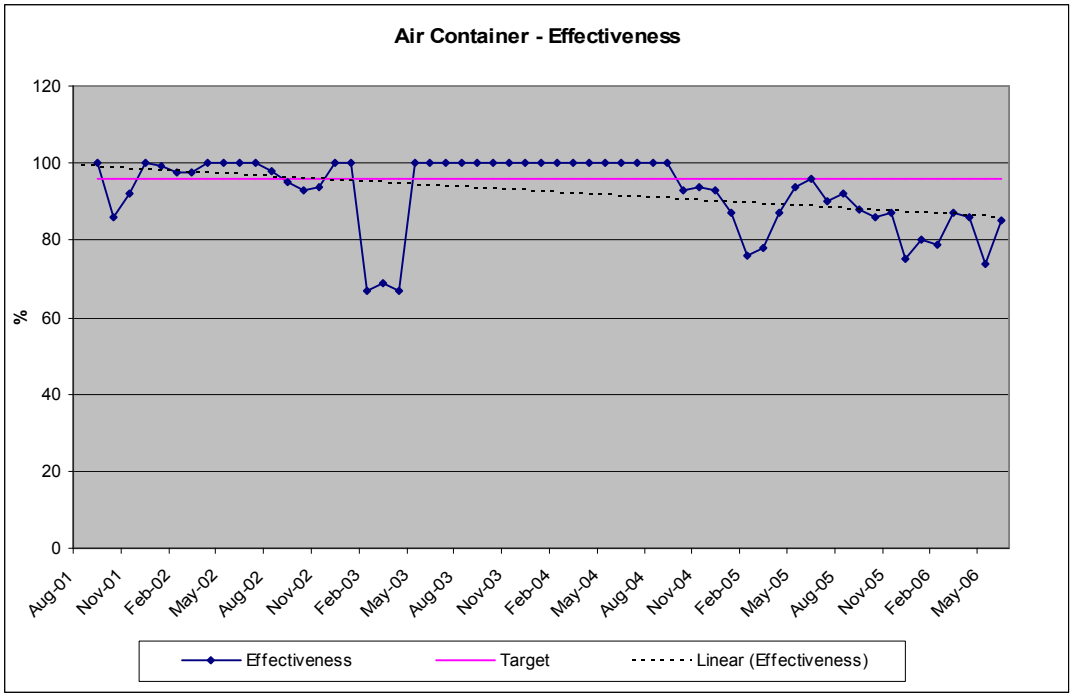


Figure 4.7 - Air Cargo Container Effectiveness

In addition, seizure rates for air containers are low indicating that these items represent low quarantine risk (0.07% in 2005/06 - refer Chapter 3.3.4). This is due to the fact that most air containers stay within the airport environment which has less contact with soil and potential contaminants (compared to those containers being moved around Australia).

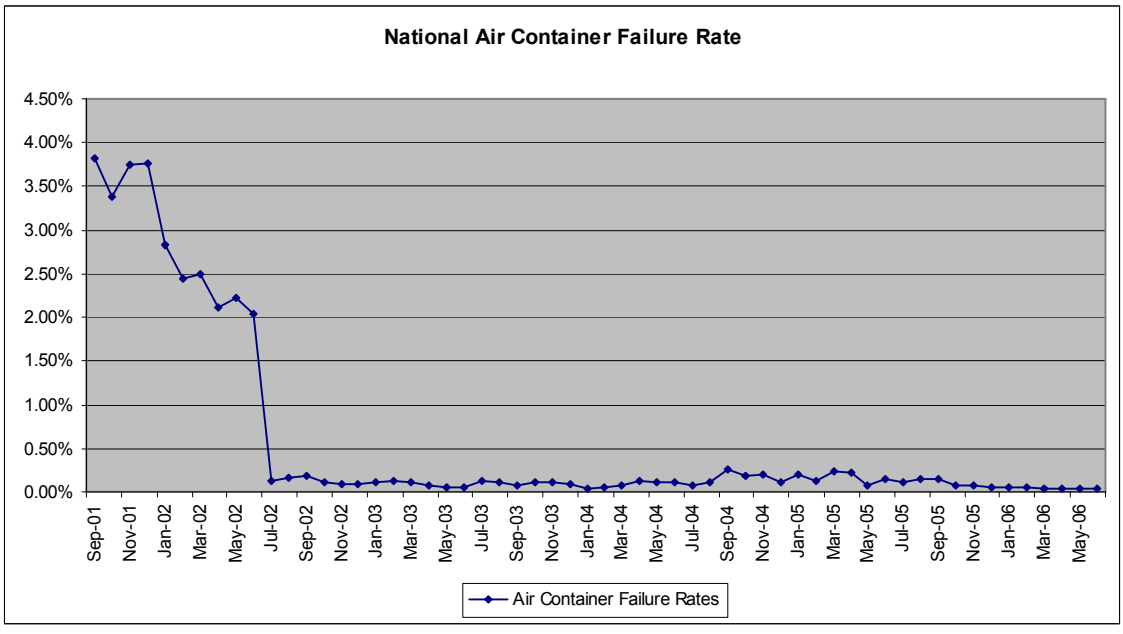


Figure 4.8 - Air Cargo Container Inspection Results

The low rate of quarantine contamination identified on the external surfaces of air cargo containers suggests that this is a relatively low risk pathway. It may be appropriate for AQIS to further investigate this issue, with a view to possible reductions in the intervention rate required for air cargo containers. This may allow resources to be deployed to other, higher risk pathways.

Sea Cargo Containers

June 2006 was the first time that AQIS achieved the 96% effectiveness target on a national basis. Prior to this AQIS has steadily improved its effectiveness. Intervention targets have been consistently met since 2001/02.

The following graph demonstrates AQIS's achievements against the Government's external sea cargo container effectiveness target of 96% at a national level.

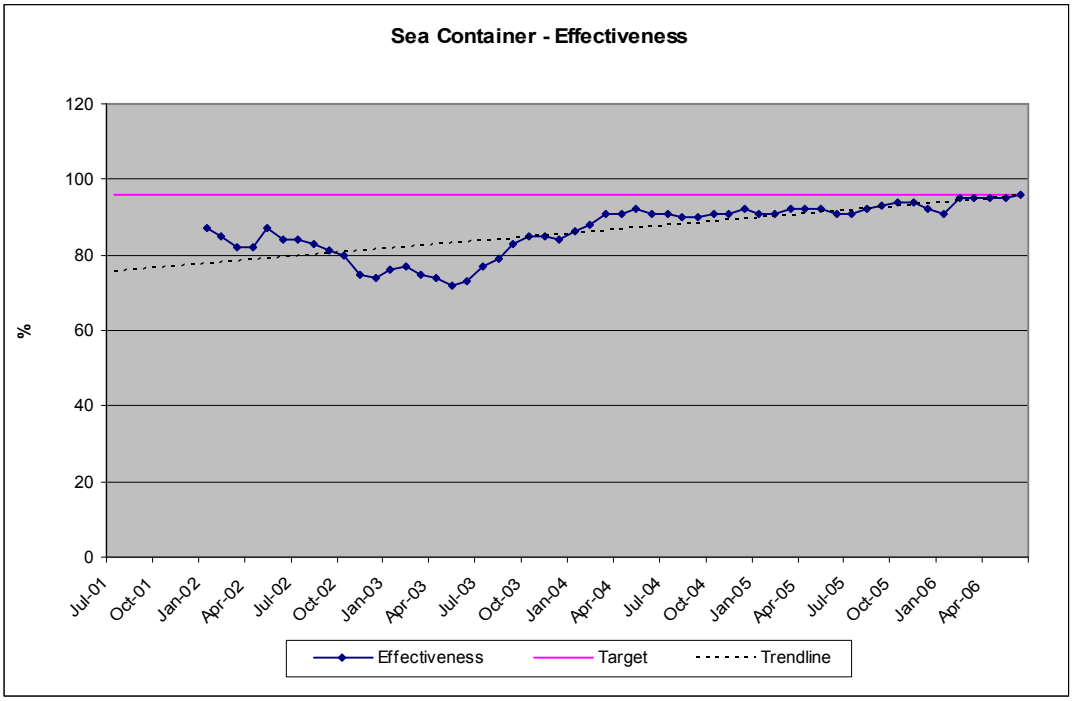


Figure 4.9 – Sea Cargo Container Effectiveness

Intervention for the purpose of external sea cargo container inspections is via a visual inspection for evidence of contamination. This is performed by contractors working under the direction of AQIS officers positioned at the exit gates of port facilities. Visual inspection of the top surface of the sea cargo container is facilitated by the use of video cameras. Sea cargo containers on flat bed trucks cannot have their bottom surfaces inspected.

AQIS rosters staff on sea cargo container inspection duty according to the ports' operating hours. In the larger ports this is a 24 hour operation.

Variability in the effectiveness level reflects the difficulties associated with developing and implementing effective national inspection procedures. In 2005/06, 23% of sea containers were found to have some actionable contamination (also known as 'failure rate'), either low level contamination which can be cleaned off at the gate by a contractor, or high level contamination which is sent to a Quarantine Approved Premises (QAP) for cleaning. This percentage has been increasing as shown in Figure 4.10.

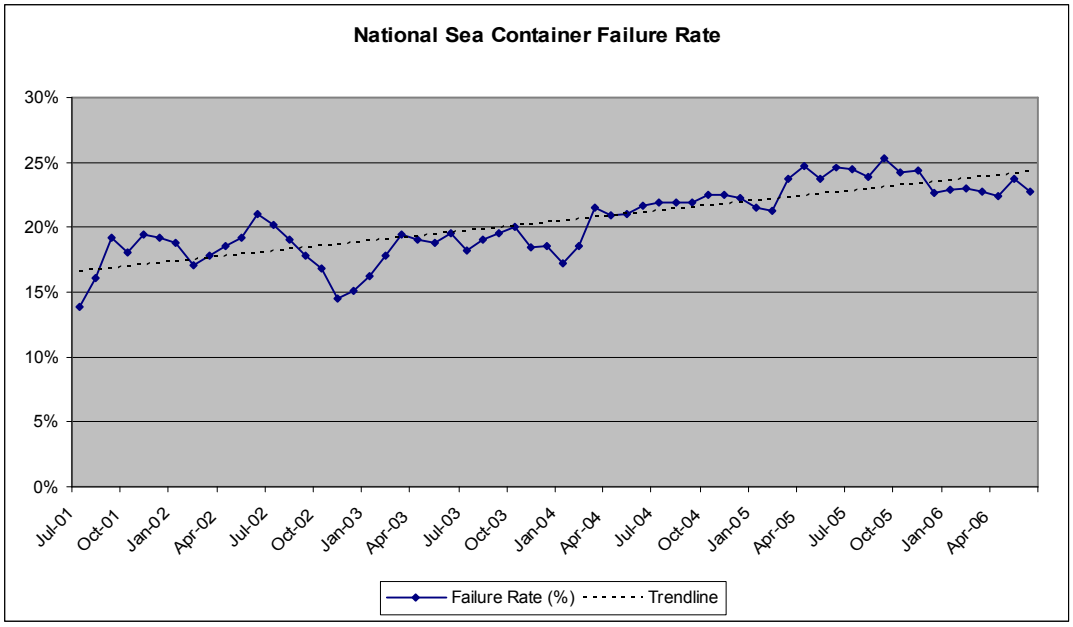


Figure 4.10 - Cargo Container Inspection Results

The proportion of containers sent for cleaning has been nationally stable at between 2% and 3% as a rolling three month average since July 2003, and has actively been managed downwards from 4.7% in July 2002.

Effectiveness levels have also been lower than the target due to the use of flatbed trucks, whereby sea container bottoms are not entirely visible and require lifting of a container for 100% visibility. Lifting of containers at the gate is usually not practical, and the expense currently would far exceed the cost of sending for washing. This issue combined with the low volume of end-point survey data has a large negative impact statistically on the effectiveness result (refer Appendix B for description on how effectiveness is calculated).

Regional Analysis

- South Australia has consistently met the Government's target since December 2002, maintaining 100% effectiveness in every month since then.
- Western Australia has consistently met the Government's target since June 2004.
- Victoria has generally achieved the target since April 2004, with minor monthly slippage (but always above 93%). Victoria achieved between 93% and 95% between March and May 2006.
- South Queensland achieved the Government's target in March and April 2006, but there has been considerable variation in effectiveness, from as low as 49% to 57% between March and July 2003. South Queensland results have similarly trended upwards and in late 2005/06 were close to the Government's target levels.
- New South Wales has similarly not met the Government's target, although it has recently achieved between 91% and 94% in the period from February to June 2006. This is explained by the high volume of imports.

The following table demonstrates the volumes of sea cargo containers received in Australian ports since 2001/02, illustrating the major share of imports that New South Wales receives.

Region	2001/02	2002/03	2003/04	2004/05	2005/06
NSW	350,820	422,508	462,980	494,655	504,141
Vic	414,700	463,203	507,200	559,635	577,798
SQld	171,679	173,839	216,878	255,170	262,797
FNQld	6,636	2,476	2,084	1,295	2,362
NT	0	1,189	1,643	2,651	2,472
WA	124,541	133,009	138,813	123,186	133,761
SA	47,359	50,267	54,133	53,729	64,174
Tas	6,471	5,666	6,856	8,130	10,029
National	1,122,206	1,252,157	1,390,587	1,498,451	1,557,534

Table 4.5 - Sea Cargo Container Volumes

Recommendation
The majority of sea containers are received in NSW and Victoria. Whilst NSW receives a major share of import volumes, Victoria has received slightly more sea container volumes. Victoria has always reached effectiveness of 93% and has reached the 96% target more frequently than NSW. Whilst this may be due to infrastructure limitations at ports, it is recommended that further work be undertaken to explore the variance.

HVLV Air Cargo

The following graph demonstrates AQIS's national performance against the Government's HVLV air cargo intervention target of 100%.

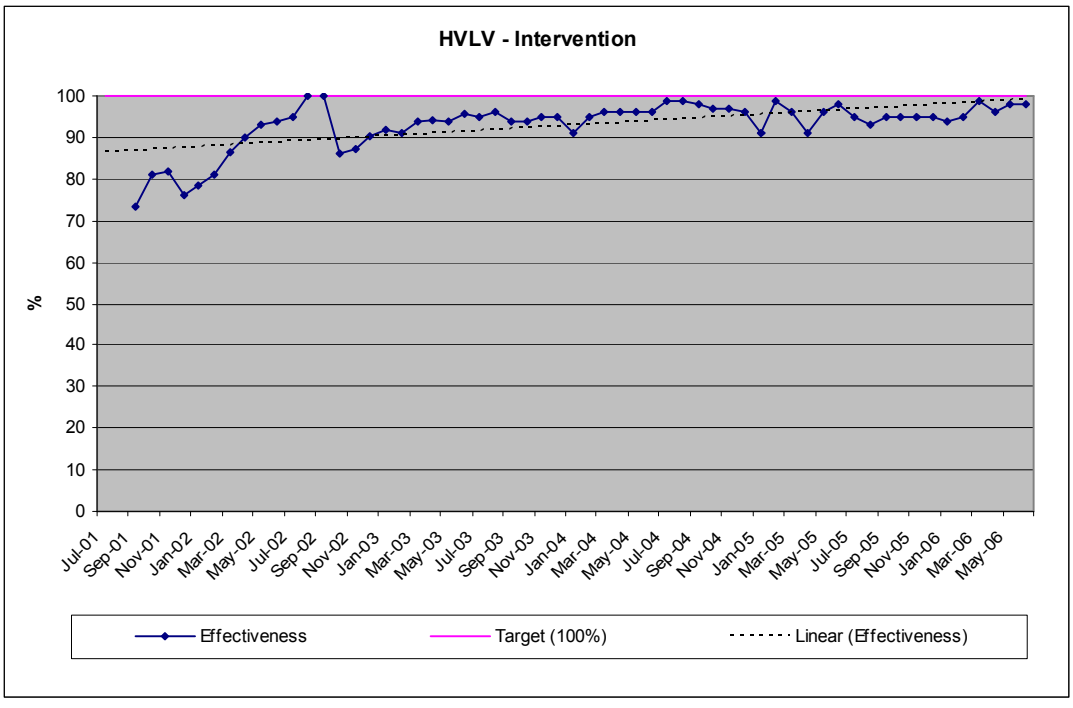


Figure 4.11 – HVLV Air Cargo Intervention

AQIS first achieved its intervention target in August 2002, but since then, whilst coming close, has not achieved 100% intervention. This is due to the fact that HVLV air cargo items arrive in a number of depots around the country, often only in small volumes, and it is difficult to cost effectively resource all these depots. This mainly occurs in NSW – 74% of HVLV air cargo arrives in New South Wales. Whilst New South Wales has not met the Government target of 100%, it has consistently achieved intervention in the high 90's range.

The following table demonstrates the volumes of HVLV air cargo arriving in Australia by region since 2001/02 and percentage increase.

Region	2001/02 *	2002/03	2003/04	2004/05	2005/06	% Increase 2002/03 to 2005/06
NSW	164,571	1,736,746	1,630,946	1,772,838	1,756,341	967%
Vic	29,683	321,796	310,904	313,451	317,949	971%
SQld	13,682	125,810	129,259	122,768	127,938	835%
FNQld	824	9,041	7,385	6,953	7,583	820%
NT	12,242	0	0	0	1,486	-88%
WA	219	106,250	104,500	119,066	138,973	63358%
SA	0	12,144	17,907	20,828	33,986	N/A
National	**221,221**	**2,311,787**	**2,200,901**	**2,355,904**	**2,384,256**	**978%**

Table 4.6 - HVLV Air Cargo Volumes

* 2001/02 HVLV air cargo figure relates to 'bags' of HVLV air cargo as opposed to items.

South Australia, Western Australia, Far North Queensland and South Queensland have all achieved the Government's target. With the exception of South Australia, which consistently achieved 100%, other states have seen isolated instances of drops in intervention results in occasional months.

Victoria first achieved the Government's target in May 2005, consistently achieving the target since January 2006 (with some minor slippage).

As with air container intervention, the above performance of HVLV air cargo intervention needs to be assessed in conjunction with effectiveness. Effectiveness targets for HVLV air cargo have been met each year since the introduction of the IQI as illustrated below.

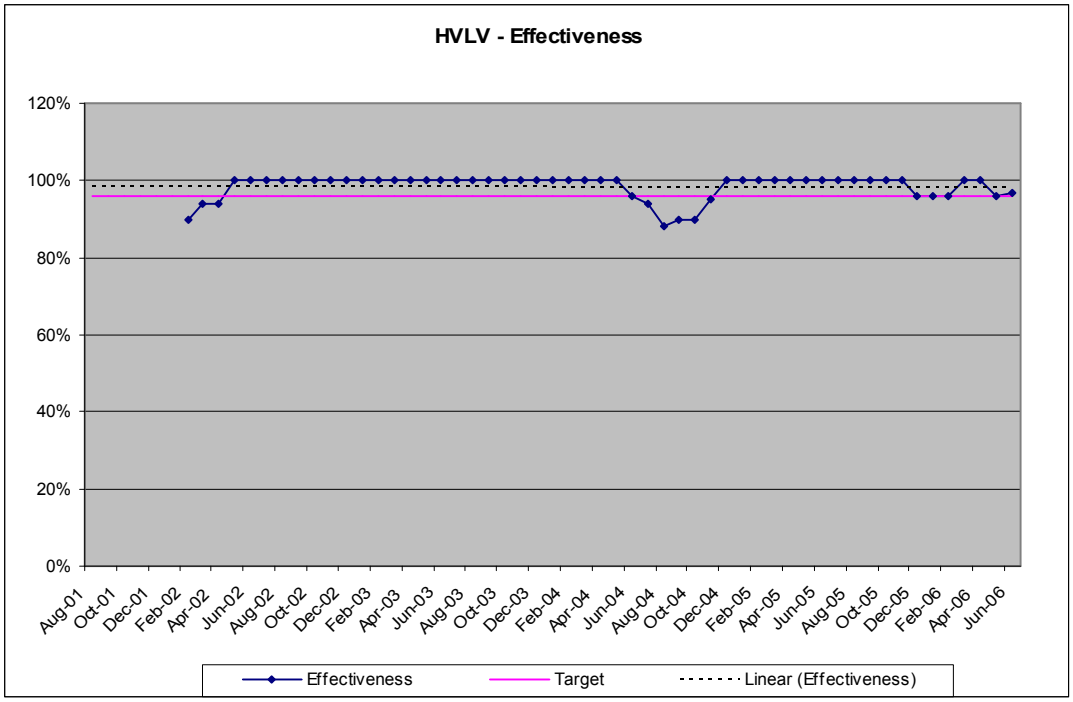


Figure 4.12 – HVLV Air Cargo Effectiveness

Seizure rates for HVLV air cargo are low (0.04% in 2005/06 - refer Chapter 3.3.4) indicating that HVLV air cargo items may represent low quarantine risk. The following graph demonstrates the proportion of HVLV air cargo items that are identified by the inspection process as having seizable quarantine material. The graph shows that since July 2002, there have been low levels of HVLV air cargo identified as having seizable quarantine material.

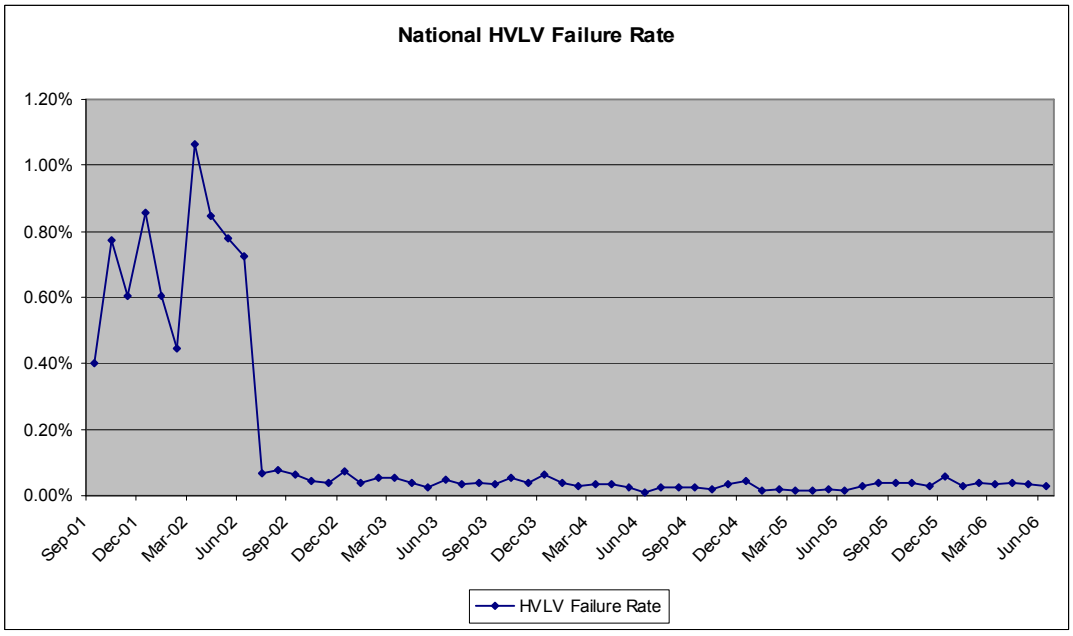


Figure 4.13 – HVLV Air Cargo Inspection Results

Recommendation
AQIS should continue to regularly review rostering arrangements across each of the Programs with a view to ensuring continued efficiency of the administration support and cost of staffing arrangements.

4.3 Overlap with Other Programs

4.3.1 Australian Customs Service

The Import Clearance Program works closely with Customs in relation to the management of incoming cargo, although AQIS and Customs have specific roles in relation to their respective outputs, requiring specialised training and processes.

Integrated Cargo System

There is cooperation between the agencies with respect to the information systems used to manage incoming cargo, primarily the Customs Integrated Cargo System (ICS). Following a number of years planning, the ICS was released in October 2005 to replace the existing Customs IT systems for export and import reporting. It was envisioned to be an end-to-end solution that facilitated an overall increase in efficiency and effectiveness of import and export business processes.

Customs officers and external organisations access the ICS through the Customs Connect Facility. Additionally, there are on-line interfaces with external agencies including the ABS, ATO and AQIS, to facilitate inter-governmental interactions for their respective outcomes.

Following the release of the ICS, it is evident that a high degree of cooperation continues between the agencies. AQIS has access to, and is reliant on, the information contained in the ICS for profiling and activity levels. Furthermore, the implementation of the ICS provided opportunities for assisting AQIS in its quarantine duties including:

- Allowing for enhancements to AQIS's existing electronic systems for profiling, screening and processing of imports of quarantine concern; and
- Enabling better targeting of goods of quarantine interest.

HVLV Air Cargo Inspections

Intervention of HVLV air cargo is a joint exercise between AQIS and Customs to inspect every package for items of quarantine and customs concern. AQIS is notified of all HVLV air cargo imports via the Customs Air Cargo Automation system. AQIS and Customs teams jointly carry out screening of HVLV air cargo using x-ray units. A generic training package has also been developed jointly by Customs and AQIS for the use of x-ray equipment for all border Programs.

4.3.2 AusAID

AQIS has sought to strengthen its pre-border quarantine activities through a series of different initiatives, including the Australian Fumigation Accreditation Scheme (AFAS) and Ethylene Oxide Treatment (ETO).

The AFAS was created to address the issues of offshore methyl bromide fumigations, primarily the targeting of regions and countries with the highest rates of methyl bromide fumigation failures. Through AusAID and the International Agricultural Cooperation Program, AFAS is currently funded to give overseas agencies the capacity to train and accredit fumigators and inspectors in methyl bromide fumigation to AQIS standards, and to register and manage companies and the provision of certification to AQIS. Similarly, the ETO scheme sets standards and certification arrangements that facilitate imports into Australia.

4.4 Industry Involvement

The Import Clearance Program is heavily reliant on its partnerships with industry participants and other regulatory authorities including importers, owners and operators of port infrastructure, and logistics and transport operators. These partnerships allow AQIS to effectively achieve Program outcomes, whilst ensuring costs and other impacts on importers are kept to a minimum.

There is a strong incentive for industry to work closely with AQIS in processing imports. Compliance with AQIS's requirements reduces the extent of quarantine intervention required, thereby reducing the cost to importers.

In the course of our site visits we noted AQIS's presence at operational sites including port facilities, and international courier companies. We observed productive, working relationships at all operational sites visited.

Accountability to Industry

Given the almost wholly cost-recovered nature of the Import Clearance Program, industry expects AQIS to continually seek efficiencies and improved processes in its operations. AQIS must demonstrate its efficiency to industry and be transparent and accountable for how it spends revenue raised from industry. AQIS is accountable to industry through a number of industry consultative committees and receives feedback on its operations on an ongoing basis from industry partners.

This 'healthy tension' between the achievement of quarantine outcomes and the need to facilitate incoming cargo where possible is an ongoing challenge for the Program, placing a focus on how AQIS manages its resources, procedures and risk.

Industry consultation and a cooperative partnership with industry manifests through the relationships fostered with the peak industry consultative committee known as the AQIS / Industry Cargo Consultative Committee (AICCC).

The AQIS / Industry Cargo Consultative Committee

The AICCC is the principal advisory forum for AQIS and the cargo handling / importing industry to consult on all issues arising from the management of the Import Clearance Program and Seaports Program. The objective of the AICCC is to provide AQIS and industry with a consultative forum, enabling AQIS to improve the efficiency and effectiveness of its quarantine controls, and wherever possible, to coordinate the functions of relevant parties to avoid duplication and facilitate the seamless flow of vessels through ports and cargo through Australian seaports and airports.

The AICCC:

- Acts as the peak industry consultative group between AQIS and the cargo handling/importing industry on all operational, policy, efficiency and strategic issues;
- Considers and provides advice to AQIS on matters relevant to the cargo handling/importing industry; and
- Ensures that it acts as an effective conduit for information exchange between the cargo handling/importing industry and AQIS.

To maintain industry consultation and cooperation, the Import Clearance Program has developed the AICCC Communications Strategy, which facilitates increased awareness and understanding of quarantine-related matters amongst industry. The strategy enables AQIS to continue to improve its understanding of the needs and challenges of industry in meeting quarantine import conditions, through a systematic strategy of consultation and cooperation.

AQIS has also developed partnerships with industry with respect to the following key areas:

- Quarantine Approved Premises (QAPs);
- Compliance Agreements; and
- Onshore Fumigation Strategy.

Quarantine Approved Premises

QAPs are premises that are approved by AQIS for the performance of specified quarantine activities. There are approximately 2,200 QAPs around Australia. There are many different classes depending on the type of imported goods and the type of activities that will be undertaken on the goods at the QAP. Some examples of the classes of QAPs are sea and air freight depots, post-entry plant quarantine glasshouses, laboratories and quarantine waste disposal facilities.

The Import Clearance quarantine regime relies on the use of QAPs to alleviate quarantine pressures at seaports and airports. The use of QAPs means that goods do not spend unnecessary additional time located at wharves and airports while relevant quarantine action is being undertaken.

AQIS developed criteria that premises must meet in order to obtain and maintain approval as a QAP. These criteria include both structural and procedural requirements. AQIS ensures that QAPs continue to meet their QAP responsibilities through conducting both scheduled and unannounced audits, as well as general surveillance activities.

Compliance Agreements

Compliance Agreements are agreements between AQIS and an individual company or business, whereby the company or business agrees to perform certain quarantine-related functions. Approximately 1,300 companies or businesses have entered into agreements, examples of which are in the following schemes:

- Broker Accreditation Scheme – for electronic clearance of quarantine concerns through brokers' assessment of consignment packing documentation;
- Automatic Entry Processing for Commodities – for electronic clearance by brokers of quarantine concerns associated with specific low risk commodities; and
- Empty Container Scheme – for the inspection and cleaning of empty sea cargo containers.

AQIS ensures that industry participants are able to meet the requirements of their relevant Compliance Agreement by training their staff in the requirements of the specific scheme. AQIS ensures that partners continue to meet their responsibilities through ongoing compliance activities such as monitoring and review.

Onshore Fumigation Strategy

As part of the treatment regime of imported cargo with a quarantine risk, AQIS may order a shipment of cargo to undergo fumigation. AQIS currently accepts certificates for fumigation treatments performed in Australia when:

- The company performing the fumigation is a signatory to an AQIS Onshore Fumigation Compliance Agreement; or
- A fumigation carried out by a provider not under a Compliance Agreement is monitored by an AQIS officer.

This initiative is implementing robust, auditable onshore quarantine fumigation arrangements that will result in reduced fumigation failures and mitigate the need for repeat fumigations.

4.5 Cost Recovery

Almost all of the Import Clearance Program is cost recovered from industry. In 2005/06, $96.4 million in Program funds were recovered from industry with an additional $1 million funded by Government (for the costs of Government business, such as Ministerial briefings, correspondence and related activity).

The following table provides an indication of the split between cost-recovered and government revenue for the Import Clearance Program since 2000/01

	2000/01 Actual $'000	2001/02 Actual $'000	2002/03 Actual $'000	2003/04 Actual $'000	2004/05 Actual $'000	2005/06 Actual $'000	2006/ 07 Budget $'000	2007/ 08 Budget $'000	2008/ 09 Budget $'000	2009/ 10 Budget $'000
Revenue From Government	2,617	450	251	655	720	630	440	594	594	594
Cost-Recovered Revenue	36,118	55,707	65,140	81,172	81,403	96,356	100,054	100,199	100,199	100,199
Other Revenue	2	1,061	440	475	8,281	417	640	448	448	448
Total Revenue	**38,737**	**57,218**	**65,831**	**82,302**	**90,405**	**97,403**	**101,135**	**101,241**	**101,241**	**101,241**
% Cost Recovered	93%	97%	99%	99%	90%	99%	99%	99%	99%	99%

Table 4.7 - Breakdown of Funding by Type

The Import Clearance Program collects its fees and charges across four separate revenue streams:

Entry Management

Activities in this revenue stream are associated with AQIS's clearance of all commercial cargo, and imported food. The costs of providing services in this stream are recovered through the application of entry processing fees, lodgement fees, AQIS Entry fees, quarantine approved premises (QAP) fees and the Compliance Agreement processing fee.

Permit Issuing

Includes the receipt, evaluation and issuing of all permits on specified goods as well as the implementation of quarantine policy in the form of import permit conditions. Permit fees include application and assessment fees. Categories of permit fees reflect the complexity of assessing the permit application.

Risk Management

This revenue stream is split between air and sea activities and includes addressing quarantine concerns of a non-commodity nature. Some examples are risk profiling of cargo and imported food, inspection of air and sea cargo containers, surveillance activities and screening and inspection of Import Declarations (IDs) and Self Assessed Clearance (SAC) declarations. The charges for these activities are collected via AQIS Entry fees and container fees.

Treatments and Inspections

Includes staff engaged in providing physical inspection of cargo and imported goods. Treatments and inspections include fee for service charges, unit charges for tailgates and fumigations, timber charges, shift and overtime service.

All fees imposed by the Import Clearance Program are chargeable to the importer, owner or agent of the importer or owner.

The Import Clearance Program consults with the AICCC on a regular basis throughout the year, to identify factors that may influence revenue and costs.

4.6 Cost Effectiveness

In analysing the effectiveness of the Import Clearance Program, we have considered the following:

- Reasonableness of the Import Clearance Program key cost elements, including benchmarking with other organisations, particularly Customs; and
- Sustainability of the budget.

4.6.1 Reasonableness of Key Cost Elements

The table below details the key cost elements of the Import Clearance Program since 2000/01 and budget projections to 2009/10.

	2000/ 01 Actual $'000	2001/ 02 Actual $'000	2002/ 03 Actual $'000	2003/ 04 Actual $'000	2004/ 05 Actual $'000	2005/ 06 Actual $'000	2006/ 07 Budget $'000	2007/ 08 Budget $'000	2008/ 09 Budget $'000	2009/ 10 Budget $'000
Total Expenses	**25,077**	**57,218**	**65,831**	**82,302**	**90,405**	**97,403**	**101,135**	**104,055**	**107,088**	**110,236**
Employee Expenses	20,489	32,694	37,415	48,364	53,314	54,849	60,797	63,229	65,758	68,388
Overhead Expenses	3,963	11,099	12,584	15,856	17,116	18,925	18,162	18,515	18,878	19,251
Technical & Operational Programs	0	3,331	4,286	4,406	6,813	7,602	8,022	8,022	8,022	8,022
IT & Comms *	2,034	3,949	3,415	3,765	3,994	5,082	4,133	4,257	4,385	4,516
Temporary & Contractor Staff	590	2,330	3,591	4,670	5,509	5,505	4,810	4,810	4,810	4,810

Table 4.8 – Key Cost Elements ($000)

* This amount includes some costs already included in overhead expenses (pass through costs)

Key cost elements for the Import Clearance Program are employee expenses, overhead costs, technical and operational program costs, IT and communications costs, and temporary and contract staff costs (90% in 2005/06).

The table demonstrates the substantial growth in Import Clearance Program expenditure since 2000/01. This expenditure is almost all fully cost-recovered from industry. The increase in Program expenditure is primarily a reflection of:

- the increasing volumes of imports into Australia (refer Chapter 4.1); and
- increased quarantine intervention resulting from Government's IQI initiative.

Summary of our findings on the reasonableness of the Import Clearance Programs costs are provided below followed by detailed analysis.

Summary

- Import Clearance cost per FTE compares favourably with related Customs IQI functions.
- As a proportion of total Program expenditure, employee expenditure has remained relatively stable since 2001/02, tracking between 57% and 61%. This has been maintained against a backdrop of improving performance against all of the Government's IQI targets, whilst dealing with increased volumes of imports indicating that the Import Clearance Program is 'achieving more with less'.
- Employee expenses per FTE for the Import Clearance Program compare favourably with benchmarked agencies.
- Base salary, superannuation, leave entitlements, allowances and penalties paid to Import Clearance employees compare favourably with benchmarks.
- Percentage of overtime expense of total employee expenditure is slightly higher than that paid for relevant Customs IQI functions. This is predominantly due to the increase in import volumes and it should also be noted that this is able to be cost recovered from industry.

The reasonableness of overhead costs has been discussed in Chapter 3 of the report.

Import Clearance Program Cost per FTE

The table below compares AQIS Import Clearance Program cost per FTE with the equivalent Customs IQI function (Cargo function) cost per FTE.

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS Import Clearance Program Cost per FTE	$93	$102	$113	$114	$122
Customs Cargo Cost per FTE	$162	$124	$119	$142	$131

Table 4.9 - Customs IQI Cargo Costs per FTE versus AQIS Import Clearance Costs per FTE

The Customs cargo function relates to Customs utilising access to the Integrated Cargo System (ICS) to identify goods of interest to AQIS and the referral of animal or plant products of quarantine interest detected during Customs inspection of aircraft and ships.

The AQIS cost per FTE in the table above compares favourably with other agencies benchmarked in Table 3.8 in Chapter 3 of the report (range of $140,000 to $199,000 per FTE), as well as against Customs Cargo Cost per FTE.

Employee Expenses

The major employee expense categories are provided below:

Employee Expense	2005/06 Expenditure $'000	% of Total Employee Expenditure
Base Salary	$35,172	64%
Superannuation	$7,320	13%
Allowances	$927	2%
Leave Entitlements	$3,649	7%
Overtime	$2,264	4%
Other Employee On-Costs	$1,785	3%
Penalties	$1,076	2%
Staff Training and Development	$446	1%
Other	$2,210	4%
Total Employee Expenditure	**$54,849**	**100%**

Table 4.10 - Employee Expense Categories

Employee expenses represent 56% of total Program expenditure.

Employee expense per FTE and employee expenditure as a percentage of total Program expenditure during 2001/02 to 2009/10 is provided in the table below, as well as Customs total IQI functions employee cost per FTE (separate employee costs for Customs Cargo function FTEs was not available at the time of writing this report).

	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Budget	2008/09 Budget	2009/10 Budget
Employee Expenditure ($'000)	$32,694	$37,415	$48,364	$53,314	$54,849	$60,797	$63,229	$65,758	$68,388
FTEs	615.2	643.8	727.6	794.4	797.6	840.5	840.2	840.2	840.2
Employee Expense per FTE ($'000)	$53	$58	$66	$67	$69	$72	$75	$78	$81
Employee Expense as % of Total Program Exp	57%	57%	59%	59%	56%	60%	61%	63%	66%
Customs total IQI Employee Cost per FTE ($'000)	n/a	n/a	$76	$84	$79	n/a	n/a	n/a	n/a

Table 4.11 - Employee Expenditure as a Proportion of Program Expenditure

AQIS FTEs have increased by 30% during 2001/02 to 2005/06 and are expected to increase by a further 5% to 2009/10. Similarly employee expense per FTE has increased by 30% during 2001/02 to 2005/06. The cost per FTE compares favourably with Customs IQI functions and with other agencies benchmarked ($71,000 to $87,000 per FTE as per Table 3.11 in Chapter 3).

This stability of employee expenditure has been maintained against a backdrop of improving performance against all of the Government's IQI targets, whilst dealing with increased volumes of imports. This indicates that the Import Clearance Program is 'achieving more with less', i.e. continuously improving its processes to meet Government's targets, while ensuring its largest expenditure category is effectively managed.

Base Salary

Base salary levels of AQIS staff are comparable with those agencies benchmarked in Chapter 3 of the report. In addition to this analysis, the table below shows the percentage change in base salary, FTE and base salary per FTE.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Base Salary ($000s)	14,071	21,982	24,705	30,483	33,972	35,172	40,859	42,493	44,193	45,961
Base Salary % Change		56%	12%	23%	11%	4%	16%	4%	4%	4%
FTEs	391.1	615.2	643.8	727.6	794.4	797.6	840.5	840.2	840.2	840.2
FTE % Change		57%	5%	13%	8%	0.4%	3%	0%	0%	0%
Base Salary per FTE ($'000)	36	36	38	42	43	44	49	51	53	55
Base Salary per FTE % Change		0%	7%	9%	2%	3%	10%	4%	4%	4%

Table 4.12 - Base Salary Expenditure

Base salary expenditure has been increasing at a similar rate to the change in FTEs. The change in FTE numbers are driven by changes in the level of import activity which is the key driver of quarantine workload for the program. Base salary per FTE has also been increasing with significant increases 2003/04 and 2006/07. This is due to a combination of changes in FTE levels as illustrated below and regular Certified Agreement wage increases (for example, there was a 4% increase in 2006/07). The graph below demonstrates the shifting FTE profile of the Import Clearance Program.

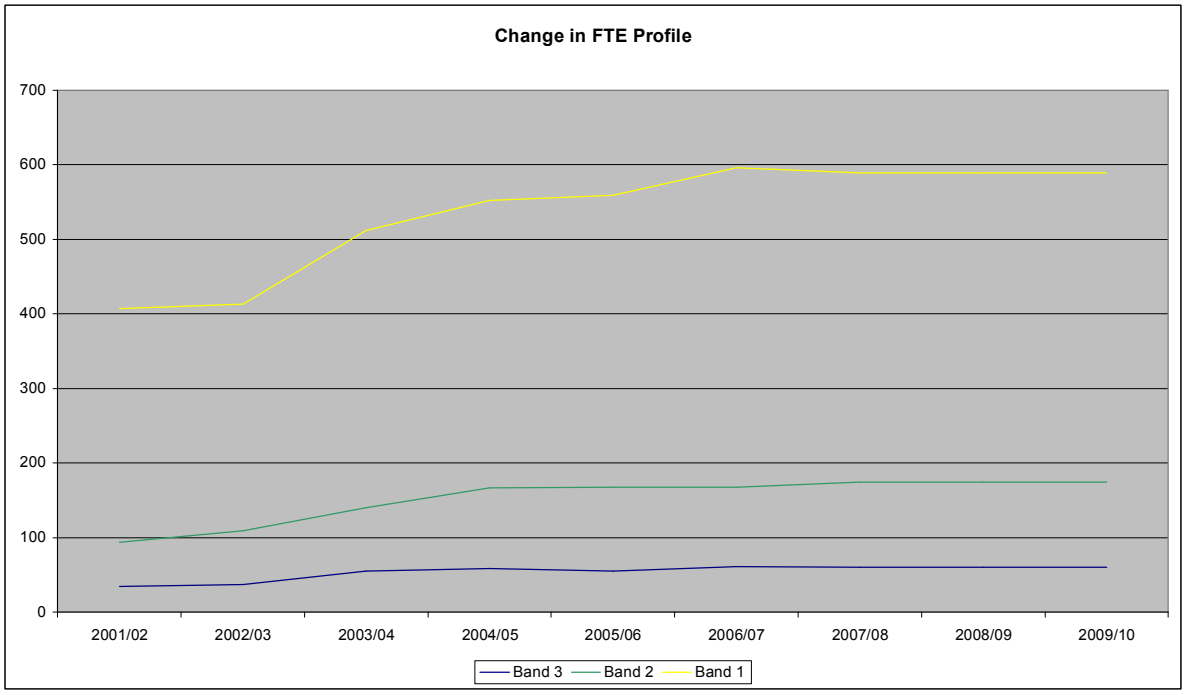


Figure 4.14 – Change in FTE Profile

The table below shows the FTE levels per band.

	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Band 1	407.25	413.38	511.78	551.78	558.59	595.98	589.1	589.1	589.1
Band 2	93.2	109.64	140.19	167.07	167.74	167.37	174.37	174.37	174.37
Band 3	34.61	37.22	55.37	58.62	55.21	61.16	59.99	59.99	59.99

Table 4.13 - FTEs per Band

The above data indicates that:

- During the period 2001/02 to 2005/06 there has been a bigger increase in Band 2 and Band 3 employees than in Band 1 employees that has resulted in an increase in average base salary cost per FTE (37% increase in Band 1, 80% increase in Band 2 and 60% increase in Band 3 employees).
- The increase in base salary per FTE of 7% in 2002/03 is predominantly due to an increase in Band 2 employees (18% from 2001/02); and
- The increase in base salary per FTE of 10% in 2006/07 is predominantly due to an increase in Band 3 employees (11% from 2005/06).

Superannuation Expense

In 2005/06 superannuation represented 13% of total employee expenses.

Comparison of this percentage with other Australian Government agencies reveals that the Import Clearance Program falls within the benchmarked range (12% of total employee expenses in 2005/06 for AFP to 15% for Customs).

Leave Entitlement Expense

Leave entitlement expense for the Import Clearance Program represented 7% of total employee expenditure in 2005/06. This compares favourably with leave entitlement percentage of total employee expenses for Customs in 2005/06 of 8%.

Allowance Expense

Allowances represent only 2% of total Import Clearance Program employee expenses. Table 4.14 below demonstrates allowances as a percentage of total employee costs for Customs IQI function and total Customs and shows that allowances appear reasonable for the Import Clearance Program.

Allowances	2001/02	2002/03	2003/04	2004/05	2005/06
Import Clearance Program	1.69%	1.82%	1.71%	1.58%	1.69%
Total Customs	*	*	*	3.44%	3.53%
Customs IQI	*	*	1.46%	1.44%	1.46%

Table 4.14 - Percentage of Allowance Costs of Total Employee Costs for AQIS and Customs

* Data not available from Customs

Penalties Expenses

Penalties also represent a small proportion of employee expenses (2%) for the Import Clearance Program. Comparison of penalties with Customs as per the table below indicates that Import Clearance penalties are low.

Penalties	2001/02	2002/03	2003/04	2004/05	2005/06
Import Clearance	2.18%	2.48%	1.95%	2.13%	1.96%
Customs	6.80%	7.11%	7.40%	6.82%	6.98%
Customs IQI	*	*	12.73%	12.17%	13.04%

Table 4.15 - Percentage of Penalty Costs of Total Employee Costs for AQIS and Customs

* Data not available from Customs

This is explained by the Import Clearance Program not being quite as 'demand driven' by schedules. The significant majority of Program activities are conducted in ordinary business hours.

Whilst the Program remains flexible to industry needs and timetables, there is an incentive for industry not to demand AQIS's services outside core hours. These costs will be fully cost-recovered from the affected importer, with higher fees to reflect increased costs to AQIS to provide services outside standard business hours.

Overtime Expense

Overtime expenses represented 4% of total employee costs for the Import Clearance Program in 2005/06. Percentage overtime of total employee expenditure for the Import Clearance Program was slightly higher than that for Customs in 2005/06.

	2001/02	2002/03	2003/04	2004/05	2005/06
Import Clearance	3.55%	4.05%	3.44%	3.38%	4.13%
Total Customs	3.31%	3.19%	2.15%	3.10%	3.20%
Customs IQI	*	*	2.48%	3.61%	3.75%

Table 4.16 - Percentage of Overtime Costs of Total Employee Costs for AQIS and Customs

* Data not available from Customs

Analysis of Import Clearance Program overtime costs by region is provided below.

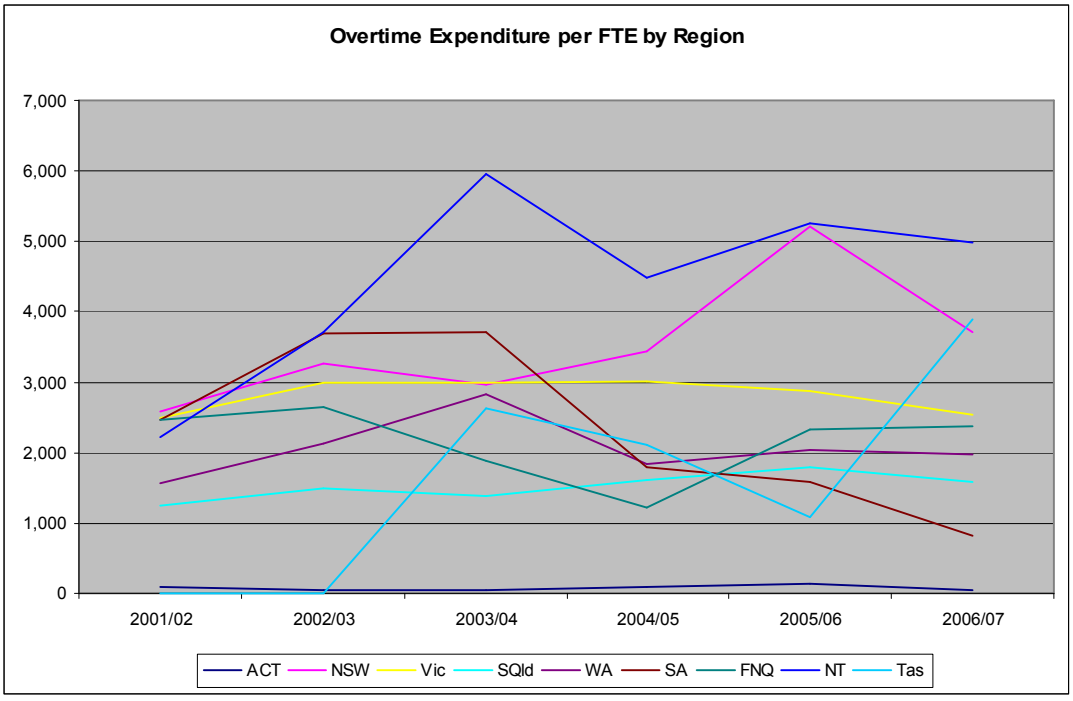


Figure 4.15 – Import Clearance Overtime Expenses per FTE ($) by Region

The graph demonstrates that there has been some variability in the regions' management of overtime expenditure across the different years. Victoria and South Queensland have maintained this expenditure at a comparable level over the years, whilst the other regions have witnessed varying degrees of fluctuations in actual amounts.

In 2005/06, following years of regular growth New South Wales saw a significant increase in overtime expenditure. (This accounts for the rise in overtime expenditure experienced by the Program in 2005/06, due to the higher proportion of FTEs in New South Wales). This is forecast to reduce to approximately $3,800 (3.4% of total employee expenses) for 2006/07 as additional FTEs are brought on. This increase in 2005/06 is due to increased volumes of air cargo container and sea cargo container imports requiring clearance.

Higher overtime costs per FTE for NT have been incurred as officers are often provided to conduct offshore inspections. These offshore inspections are conducted at the request of industry. The cargo inspected can consist of large drilling or mining machinery and vehicles and/or military equipment for returning soldiers. AQIS officers travel overseas to undertake inspections and to supervise any necessary cleaning. The benefits in providing these services offshore are less quarantine risk material entering Australia and fewer delays at the border. Officers will regularly work overtime to fit in with local industry working hours, and when officers are overseas additional overtime is required to cope with domestic demand as there are fewer FTEs available. Industry funds the full costs of these arrangements, under the cost recovery/user pays framework.

Rostering Arrangements

How staff are rostered impacts on cost per employee. An analysis of rostering arrangements across the regions has confirmed that the majority of staff perform their duties in core hours (6:30 AM to 6:00 PM) from Monday to Friday. The rosters indicate, to varying degrees of detail, the activities and associated start and finish times for the shifts. It is generally only in relation to air cargo container and sea cargo container inspections, where staff are required to work outside core hours in response to traffic demands.

However, in all states and territories where air cargo container and sea cargo container inspections are conducted outside core hours, the rosters demonstrate that the regions have developed staggered rosters. Whilst a certain number of staff will be employed to meet demands outside core hours, the majority of staff are clearly employed in core business hours. The rosters confirm that the regions have, on the whole, demonstrated a cost-effective means of ensuring quarantine outcomes continue to be met through appropriate, cost effective staffing arrangements.

Detailed analysis of the rosters indicates that the larger regional offices, New South Wales, South Queensland and Victoria, appear to have more shifts attracting penalties, to meet the higher demand for services in relation to air cargo container inspections and sea cargo container inspections.

Shift arrangements for the external sea cargo container inspection regime vary considerably from port to port. For example, we note:

- Western Australia's AM shift identifies two AQIS officers and one contractor, whilst the PM shift identified one AQIS officer and one contractor;
- Victoria's day shifts identify 5.5 FTE AQIS officers and two contractors (night shifts identify one AQIS officer and one contractor); and
- in the course of a visit to Port Botany in Sydney we noticed two AQIS officers and three contractors working concurrently during a morning shift.

Recommendation

AQIS should continue to look for further opportunities to review rostering arrangements across each of the programs with a view to ensuring continued efficiency of the administration support and cost of staffing arrangements.

Technical and Operational Programs

AQIS Technical and Operational Costs represent 8% of overall Program expenditure in 2005/06. These costs are similar to overheads but relate to specific operations of AQIS such as animal and plant analysis and detector dog overheads. The costs for these overheads are usually allocated by customised cost drivers agreed with each AQIS Program.

The following table identifies key Technical and Operational costs for the Import Clearance Program.

	2000/ 01 Actual	2001/ 02 Actual	2002 / 03 Actual	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Total ($000s)	**0**	**3,331**	**4,286**	**4,406**	**6,813**	**7,602**	**8,022**	**8,250**	**8,250**	**8,250**
Key cost components:										
Software Solutions	-	0	0	0	1,538	1,879	1,866	1,866	1,866	1,866
Detector Dogs	-	979	938	359	369	364	408	408	408	408
Operational Science	-	996	1,010	1,125	1,402	1,424	1,523	1,523	1,523	1,523
TV Campaign	-	0	336	564	747	754	700	700	700	700

Table 4.17 - Key Technical and Operation Expenses for Import Clearance Program

Analysis of each of these cost items did not highlight any unusual or inexplicable variations of fluctuations. Also, they show a consistent trend as a percentage of total Program expenditure.

Software Solutions

Since 2004/05, significant expenditure has been incurred representing the cost of systems maintenance and IT support. Previously, this expenditure item was a corporate overhead expense.

Detector Dogs

Detector dogs are used in the Import Clearance Program for the screening of HVLV air cargo. In 2005/06 detector dogs' expenditure amounted to $364,325 (0.37% of total Program expenditure). In 2006/07 expenditure on detector dogs is budgeted at $408,385.

The dogs are only used in New South Wales, South Queensland, Victoria and Western Australia, and are used to determine the effectiveness of the x-ray intervention. Post inspection validation involves detector dogs periodically attending an air courier depot, where they run over a proportion of HVLV air cargo that has been cleared through the x-ray.

In 2001/02 and 2002/03 the dogs were used more extensively in the clearing of HVLV air cargo, with expenditure amounting to more than $900,000. This has since been reduced through greater use of x-ray technology and the recognition of its effectiveness.

Operational Science

Expenditure on operational science is another key element of Import Clearance Program expenditure. This reflects the need for AQIS field officers to seek advice and guidance on pests and diseases detected in the course of conducting physical inspections of incoming goods. Qualified scientists and entomologists are employed by AQIS to perform tests on material found in the course of inspections.

The costs of the Operational Science Program are associated with the ongoing operations and maintenance of scientific facilities and the provision of diagnostic testing services and technical support which is essential for the effective operation of the Import Clearance Program.

TV Campaign

Providing information and raising public awareness is an important aspect of improving compliance with quarantine laws. It represents a quarantine risk management strategy that seeks to educate people on the importance of quarantine and the risks involved. Raising awareness of quarantine aims to reduce the rate at which quarantine risk material approaches the border, and can represent a cost-effective means of achieving Program outcomes.

Contractor Expenditure

Contractor expenditure represented 6% of total Import Clearance Program expenditure in 2005/06.

Contractor expenditure is primarily associated with the use of contractors supplied by a major labour hire firm to inspect the external surfaces of sea cargo containers. Contractors are used to perform container inspections under the supervision of AQIS officers. In the course of an ECIR inspection, contractors will conduct an examination of the external surfaces of the sea cargo container and may, in the case of low-level of contamination, undertake remedial cleaning of the container surface. AQIS officer/s will be present to address legal and technical issues as they arise and provide direction to the contractors.

This arrangement represents a cost-effective mechanism by which AQIS achieves the Government's mandatory intervention and effectiveness targets for external sea cargo container inspections under the Increased Quarantine Intervention (IQI) initiative. The use of contractors means that AQIS officers are not unnecessarily undertaking menial tasks of inspecting and cleaning external container surfaces, producing a saving to overall Program expenditure.

Contractor Hourly Rates

From March 2006 the hourly rate payable under the agreement with the major labour hire firm is $29.48 ($32.17 for a supervisor). The use of external contractors was subject to a tender process in 2004, and hourly rates were negotiated as part of that process.

As part of the review we identified a basic range of hourly rates for the hire of unskilled workers. The rates varied between states and territories, but were all in a range of $25.00 per hour to $35.00 per hour (GST inclusive).

The rates that AQIS has negotiated with the major labour hire firm compare favourably to these external sources. Examples of comparable contractor hourly rates for unskilled labourers are as follows:

- Sydney $16.50 to $17.85 per hour – no further details (Company A)
- Sydney $17.50 + 30% + GST = $25 per hour (Company B)
- Brisbane $27.00 per hour + GST = $29.70 (Company C)
- Melbourne $32.00 per hour + GST = $35.20 (Company D)
- Melbourne $35.00 per hour non union, $47.90 union – no further details (Company E)
- Perth $30.00 per hour + GST = $33.00 per hour (Company F)

IT and Communications Expenses

Information Technology and Communications expenditure represents 5% of total expenditure for the Import Clearance Program in 2005/06. This percentage compared with Customs IQI functions is still low (Customs expenditure on IT in 2005/06 was 10% of total expenditure for Customs IQI functions).

IT and Communications expenditure is integral to the operations of the Import Clearance Program, which relies on the effective operation of a number of information systems. The primary information management system is the AQIS Import Management System (AIMS). AIMS and its subsystems provide the central repository for processing and reporting of import entry data of quarantine concern. AIMS currently processes approximately 1,300 to 1,400 quarantine entries per day for commercial imports entering Australia.

Interacting with AIMS are a number of additional information systems including:

- ICON / Permits Database (Import Conditions Database);
- the Self-Assessed Clearances (SAC) Database;
- Unaccompanied Personal Effects (UPE) Database;
- Co-Regulation System; and
- Quarantine Premises Register (QPR).

Some IT expenditure was also incurred by the Program through the release of the Customs Integrated Cargo System (ICS) in 2004. AQIS is necessarily required to interact with the Customs system as part of its Import Clearance operations, and accordingly, incurred substantial expenditure to ensure compatibility of its systems. Together, these information systems explain the significant Program expenditure incurred on information technology and communications.

ICON Redevelopment Project (Import Clearance Program) – Profit and Loss

The ICON database provides access to information about Australian import conditions for more than 20,000 plant, animal, microbial, mineral and human commodities. It is used by importers to identify quarantine prerequisites and determine if a commodity intended for import requires a quarantine permit and/or treatment. ICON is immediately updated when changes are made to import requirements providing the most up to date information to importers.

The ICON Redevelopment Project will be handled within the Import Clearance Program and aims to provide AQIS and Industry with an improved knowledge base of quarantine import conditions accessible through decision-support software.

	2007/08	2008/09	2009/10	2010/11
Cost ($ million)	6.15	6.15	6.15	6.15

Table 4.18 – ICON Redevelopment Project Costs

These costs are current estimates only.

The ICON database redevelopment project will be implemented through a competitive tender process. As this project will be developed using capital funding the majority of the project costs will not appear in AQIS profit and loss statements until the project is finalised and the system begins to be depreciated. The project is currently anticipated to be completed by 31 December 2010. However this is only an initial indicative schedule as the project is still in its planning stages.

4.7 Sustainability of Budget

The table below shows the breakdown of revenue and total expenditure for Key Quarantine Border Programs & Import Clearance across the period 2001/02 to 2005/06.

Import Clearance	2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000
Revenue – Budget Funded	$1,510	$691	$1,130	$9,001	$1,046
Revenue – Cost Recovered	$55,707	$65,140	$81,172	$81,403	$96,356
Total Revenue	$57,218	$65,831	$82,302	$90,405	$97,403
Total Expenditure	$57,218	$65,831	$82,302	$90,405	$97,403
Net Position	$0	$0	$0	$0	$0

Table 4.19 – Revenue and Expenditure

The graph below illustrates the change in expenses and revenue (cost recovered and budget funded) during 2001/02 to projected 2009/10.

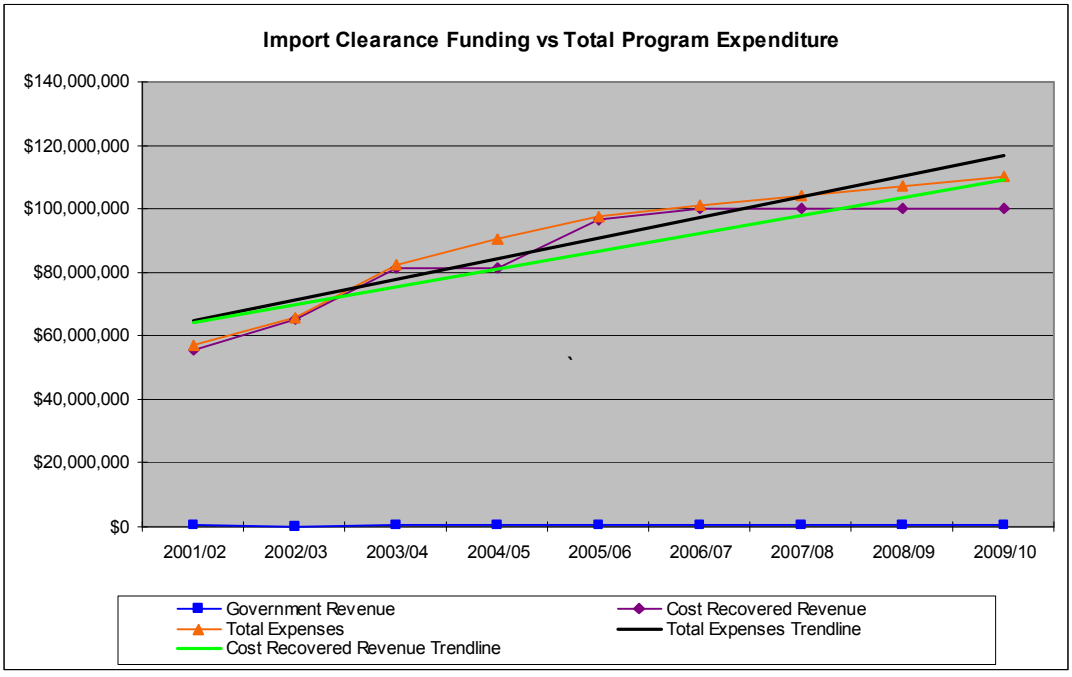


Figure 4.16 - Import Clearance Program Revenue versus Expense

Of note is the rate of increase in expenditure versus the rate of increase in cost recovered revenue, the major revenue source of the Program (99.5%). The rate of increase in expenses is greater than the rate of increase in cost recovered revenue. This could in part be due to the time lag in adjusting prices one year to the next. Budget funding has remained relatively stable during the period.

Whilst increasing Program costs reflect the higher volumes of imports into Australia, it is important to note AQIS's continuing improvements in the achievement of quarantine outcomes. As shown previously, the Import Clearance Program has, on the whole, been steadily improving its intervention and effectiveness levels across all of the Government IQI targets.

AIRPORTS

Contents

5. Airports Program

5.1 Background to the Program

The Airports Program is primarily responsible for ensuring the quarantine clearance of incoming aircraft and passengers and their baggage at international airports.

Airports Program staff use risk management techniques to identify and appropriately deal with quarantine risk items carried by incoming passengers that could threaten animal, plant or human health. This work is done in cooperation with the airline industry, other border agencies and the travelling community.

The following table provides a snapshot of the Airports Program and details key activities, financial and FTE resources.

Airports Program Snapshot	
Key Activities	▪ Key activities undertaken by airport staff include: – x-ray examination or physical inspection of incoming baggage – managing the arrival of passengers with symptoms of human diseases that can be quarantined – clearance of unscheduled international aircraft arrivals at other ports as required – conducting auditing and surveillance of aircraft waste treatment and disposal arrangements – monitoring airports for insect vectors of human disease such as malaria and dengue fever ▪ Operating from 8 key international airports proclaimed as first ports of entry under the *Quarantine Act 1908* (Adelaide, Brisbane, Coolangatta, Cairns, Darwin, Melbourne, Perth, Sydney) ▪ 80% of incoming passengers and crew arrive in Sydney, Brisbane or Melbourne ▪ 11,362,803 international air passengers arrived in Australia in 2005/06
Financial	▪ $72.9m Actual Revenue 2005/06 comprising: – $1.4m in cost recovered revenue – $71.5m Departmental Appropriation ▪ Total expenditure in 2005/06 was $73.2m comprising: – 65% employee expenses ($47.4m) – 12% overhead costs ($9m) – 23% other expenses ($16.8m)
FTE	▪ 593.5 FTEs in 2005/06 ▪ The majority of FTEs are located in New South Wales (38%), Victoria (19%) and South Queensland (17%) ▪ 43 FTE detector dog teams

Table 5.1 – Airports Program Snapshot

5.1.1 Outcomes

The Airports Program contributes to Output 6 of the Department of Agriculture, Fisheries and Forestry, which has as its objective 'to reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services'.

5.1.2 Priorities and Objectives

The Government introduced intervention and effectiveness targets for incoming international air passengers. These are provided below.

Airports Program	Intervention	Effectiveness
	Target	Target
Air Passengers	81%	Higher Risk: 87% Risk: 50%

Table 5.2 – Government IQI Targets for the Airports Program

5.1.3 Key Issues

The Airports Program is currently facing a number of key issues and challenges.

Increasing International Passenger Numbers

Between 2000/01 (before IQI funding) and 2005/06 incoming international passenger numbers grew by approximately 24% from 9.2 million to 11.4 million.

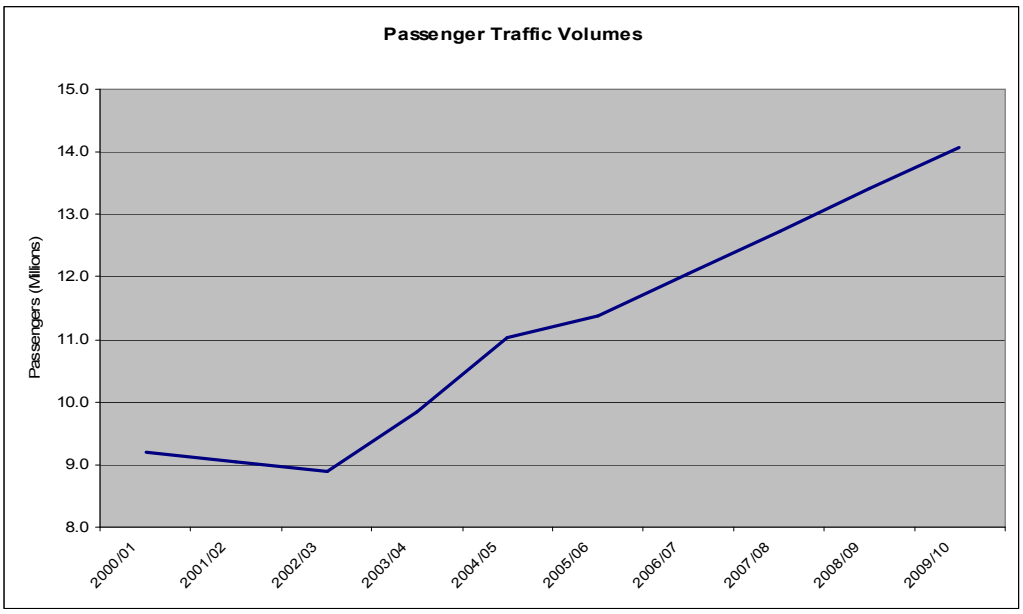


Figure 5.1 Increasing International Passenger Volumes [1] [2]

Following the downturn in arrivals in 2001/02 and 2002/03 (influenced by the impact of the 9/11 attacks and the SARS epidemic on airport industries) passenger traffic has steadily increased since 2002/03, with a large increase in traffic in 2003/04 and 2004/05 and continued growth forecast through to 2009/10.

By 2009/10, the number of incoming passengers is expected to be approximately 50% greater than 2000/01 figures. If the Government's current requirement of at least 81% quarantine intervention is maintained, the volume of quarantine interventions will need to increase in line with the growth in passenger numbers. This is likely to require a corresponding increase in resourcing commitments by AQIS.

Increasing Numbers of Passengers from Higher Quarantine Risk Locations

Tourism data indicates that there is an increased incidence of passengers arriving in Australia from higher quarantine risk countries (such as China and India), an increase in air travel by passengers without English speaking skills visiting Australia for the first time and an increase in the number of passengers from culturally diverse backgrounds.

These passengers represent a higher quarantine risk, as they may be unfamiliar with Australia's quarantine requirements and may inadvertently seek to bring prohibited quarantine material. In this respect, AQIS has recognised as a quarantine risk an increasing number of visitors from the growing middle classes of developing countries, who are visiting Australia for the first time.

[1] Projections provided by Tourism Futures International.

[2] Projections for 2004/05 – 2009/10 based on passengers per aircraft during 2000 – 2004 and include aircraft staff.

Additional Passenger Movements at Regional Airports

Maintaining effective and consistent operations across a broad geographic spread of locations catering to international flight arrivals is a challenge for the Airports Program. Whilst AQIS has maintained operations at international airports in capital cities for a number of years, recently the Program has been required to accommodate an increase in passenger numbers in the smaller, regional airports of Coolangatta and Cairns. Since 2000/01 the number of international passengers arriving at Coolangatta / Gold Coast has increased by more than 585%, compared to a total increase in international passengers of 24%.

Increasing operations in smaller regional airports requires additional recruitment and generates a need to scale up operations. As a further complication, the ad hoc operational requirements at regional airports, due to issues such as the relative infrequency of flights and hours of operations, make efficient resource management and rostering difficult. To meet its obligations and the Government's requirements, AQIS is required to maintain a presence at these airports for when international flights arrive. Problems arise when an international flight is overdue or when there are long periods of time between international flights as AQIS needs to pay its staff overtime or penalty rates for time they work beyond their rostered hours.

Greater Volumes of Passengers Arriving in Shorter Timeframes

An important factor affecting the ability of quarantine officers to carry out their duties is the rate of approach of passengers. Larger numbers of passengers presenting at the quarantine barrier in a set timeframe places pressure on AQIS officers to meet passengers' expectations of timely processing.

Customs is currently trialling a technology driven process that will help speed passenger movement through Customs border checks. This initiative is called Smartgate, and electronically captures a live image of a passenger's face using facial recognition and attempts to match this with the digital image stored in the passenger's ePassport. On a successful match, passengers will be cleared through the barrier without the need for interaction with a Customs officer.

Smartgate Series 1 is intended to be progressively rolled out to Australian airports commencing in 2007. The introduction of the Smartgate will reduce passenger interaction with Customs officers, thereby reducing passenger waiting times at the Customs barrier. This will allow passengers to flow straight through the Customs border control point to the quarantine control point. The time taken to conduct the quarantine intervention will not change, and this may place time pressure on AQIS staff to avoid unacceptable waiting periods for passengers, whilst still maintaining mandated intervention levels.

A second known factor that will influence the rate of approach is the introduction of the Airbus A380. When the Airbus A380 comes into operation it will become the largest passenger aircraft in the world. The A380 will seat 555 people and will surpass the Boeing 747 (passenger capacity of approximately 450) as the largest passenger aircraft. The greater capacity of the A380 will place pressure on airport infrastructure as increased passenger volumes will be required to pass through existing passenger channels as individual flights arrive.

Terminals will become busier and more pressure will be placed on AQIS staff to ensure government targets continue to be met, whilst continuing to maintain a satisfactory processing period for passengers.

5.1.4 Stakeholders

The Airports Program has a number of key stakeholders, including:

- International travellers – foreign visitors to Australia and returning Australian travellers are key stakeholders impacted by AQIS airport operations;
- Commonwealth border protection agencies – other Commonwealth agencies with responsibility for operations at the airport include Customs and Department of Immigration and Citizenship (DIAC);
- Airport Owners / Operators – AQIS operates in an environment that is heavily reliant on a good working relationship with private sector airport operators;
- Australian Tourism Industry – the broader tourism industry, which includes a multitude of different industry participants (both foreign and domestic), has a vested interest in ensuring that Australia's border operations are as efficient and unobtrusive as possible. Negative perceptions of Australia's border operations may be a deterrent for future international visitors; and
- AQIS Aviation Industry Consultative Committee (AAICC) and National Passenger Processing Committee (NPPC) – AQIS meets regularly with these Committees to receive feedback on its operations from industry representatives and other participants.

5.1.5 Staffing

The Airports Program is the second largest border protection program in AQIS. During 2005/06 the program had 593.5 FTEs spread across the national and regional offices.

The two figures below demonstrate that staffing levels at airports are largely a factor of arriving passenger volumes. New South Wales has the largest number of staff in Australia, followed by Victoria, South Queensland and Western Australia. Tasmania does not receive regular international flights, but AQIS staff situated in Tasmania may be required to perform duties under the Airports Program for ad hoc international flights. A comparatively small number of FTEs are located in Canberra, with responsibility for program management and policy development.

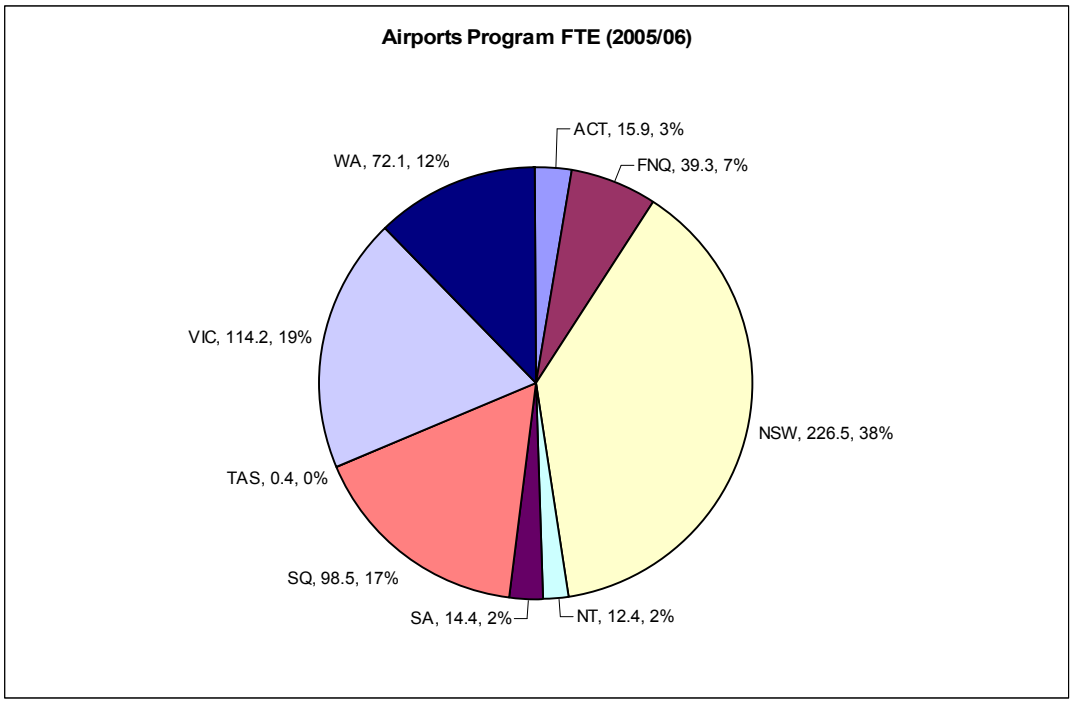


Figure 5.2 – Staffing by Regions

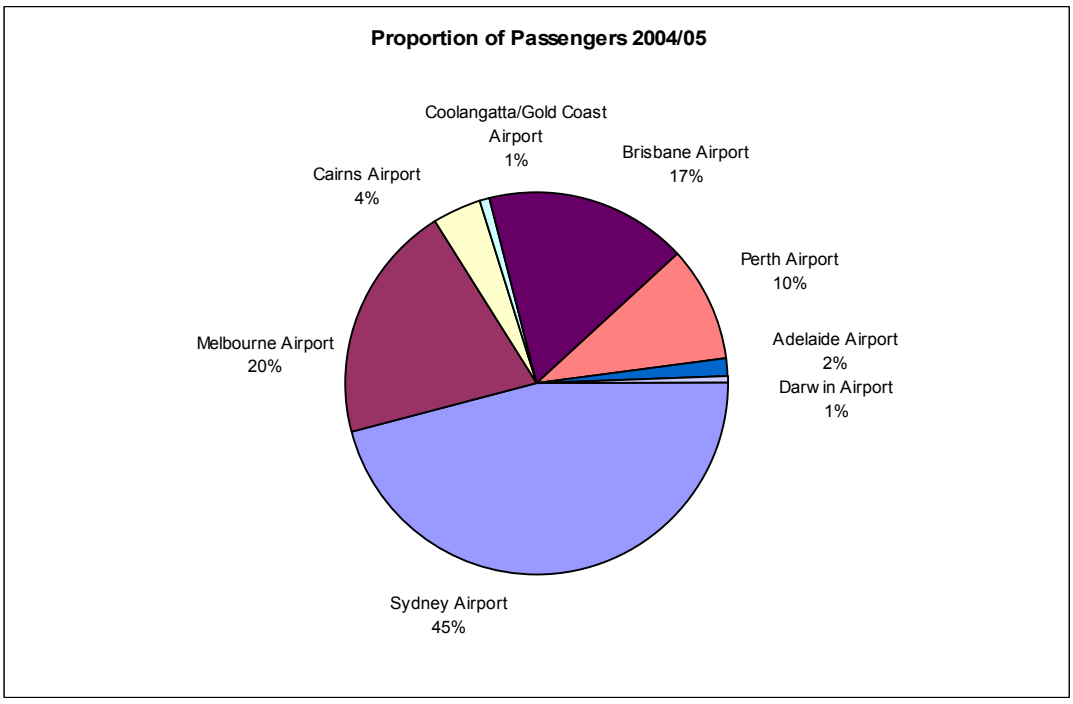


Figure 5.3 – Staffing by Regions

The figures above show that staffing levels for regions are commensurate with the proportion of passengers arriving. For example Sydney Airport had 45% of international passengers arriving in 2004/05 and consequently has the highest number of FTEs operating in the region (226.5 FTEs or 37% of total Airport Program FTEs).

5.1.6 Airports Program Activities

High Level Processes

The Airports Program's primary activity is the quarantine clearance of incoming passengers and their baggage at international airports. A high level process map can be found in Appendix E.

The Government's IQI target is that at least 81% of all incoming passengers and air crew are subject to quarantine intervention. Intervention is a combination of:

- x-ray examination of baggage; and/or
- physical inspection of incoming passengers' and crew baggage.

Although not all arriving passengers and crew will be subject to quarantine intervention, at a minimum they will be spoken to by an AQIS officer as part of risk profiling activity. Additionally, detector dogs regularly operate at airport baggage collection points to assist in the identification of items of quarantine interest.

Other responsibilities undertaken by Airports Program staff include:

- managing the arrival of passengers with symptoms of quarantinable human diseases;
- conducting auditing and surveillance of aircraft waste treatment and disposal arrangements; and
- monitoring airports for insect vectors of human disease such as malaria and dengue fever.

To support the program objectives, Airports Program staff also perform a number of additional activities including:

- recording of operational data at the barrier for analysis;
- ordering into quarantine for treatment, destruction or re-export goods that are prohibited or otherwise pose a quarantine threat;
- developing and delivering quarantine awareness publicity on Australia's quarantine laws to airlines and international passengers;
- initiating legal action for breaches of the *Quarantine Act 1908* and relevant regulations;
- participating in various regional, national and international forums to improve passenger clearance requirements as they relate to quarantine; and
- consideration of emerging technologies to assist in improving passenger facilitation while maintaining quarantine integrity.

Quarantine Infringement Notices

A Quarantine Infringement Notice (QIN) may be issued by quarantine officers to passengers for a breach of quarantine laws. The following graph shows the numbers of QINs issued to passengers from 2002 onwards.

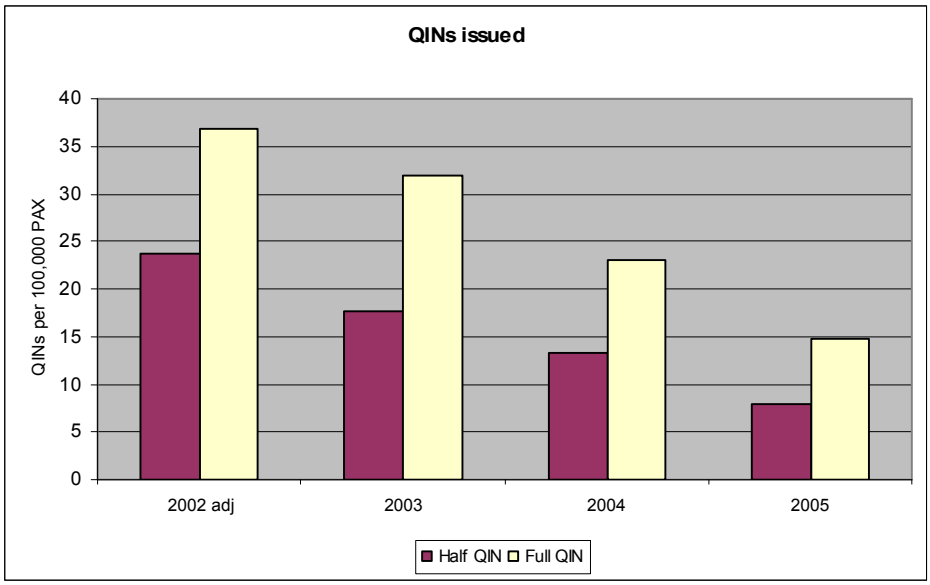


Figure 5.4 – QINs Issued National[3]

The number of full and half QINs issued as a proportion of incoming passengers has shown a clear and consistent decline since 2002. This result correlates with AQIS's efforts to more effectively promote quarantine compliance through initiatives such as marketing campaigns and cooperation with the airline industry.

QINs are usually issued in circumstances where passengers have not declared items of quarantine interest. In the event that the person committing the quarantine infringement does not pay the QIN fine, AQIS may take legal action in some cases. Legal costs incurred by AQIS in this event are borne by the Program. In 2005/06 these costs were $106,410 while any fines recovered were paid into Consolidated Revenue.

5.1.7 Area of Operations

Over 80% of all incoming passengers and crew arrive in Sydney, Brisbane or Melbourne. AQIS has staff permanently located in the following major capital city and regional international airports proclaimed as first ports of entry under the *Quarantine Act 1908*:

- Adelaide;
- Brisbane;
- Coolangatta;
- Cairns;
- Darwin;
- Melbourne;
- Perth; and
- Sydney.

Other staff are deployed when required to attend to unscheduled international aircraft arrivals at other airports. Program staff located in Canberra provide management and policy support to the Program.

[3] Figures for 2002 have been doubled based in 6 months of data.

5.2 Achievement against Objectives

The operational objectives of the Airports Program are to meet the Government mandated intervention and effectiveness targets.

Intervention and Effectiveness

The table below shows the performance of the Airports Program against Government intervention and effectiveness targets during the period 2001/02 and 2005/06 (minimum and maximum achievements).

	Target	2001/02		2002/03		2003/04		2004/05		2005/06	
		Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Intervention	81%	61	96	86	95	87	93	88	93	84	92
Higher Risk Effectiveness	87%	52	78	78	83	79	84	86	93	86	91
Risk Effectiveness	50%	33	55	41	54	59	66	68	78	74	81

Table 5.3 – Airports Program performance against intervention and effectiveness targets.

The above table shows that both intervention and effectiveness targets have been met within the first two years since the introduction of IQI in 2001/02.

Intervention

There is a seasonal decline in intervention levels that occurs during the Australian summer holidays between December and January. This coincides with increased passenger numbers and reflects a practical approach by AQIS of diverting passengers assessed as low risk through an overflow channel to enable a more thorough assessment of other potentially higher risk passengers.

AQIS utilises senior and experienced quarantine officers to undertake this marshalling role. The reduced intervention resulting from a diversion of lower risk passengers through the overflow channel does not appear to affect the overall effectiveness results which have shown an improved performance over the years. Our observations of operations at the Sydney International Airport were that this marshalling process was professionally managed and implemented.

Intervention trends are displayed on the graph below:

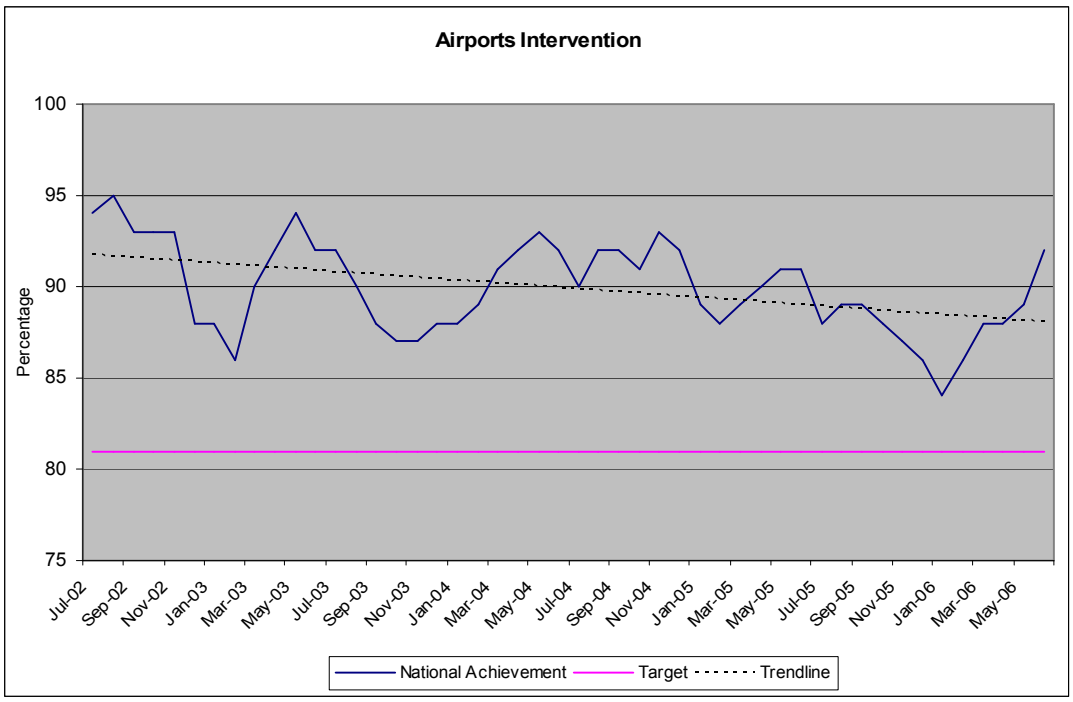


Figure 5.5 – Airport Intervention

Effectiveness

Of particular note is the Airports Program Higher Risk Effectiveness - whilst achieving effectiveness targets consistently for the last two years, since the introduction of IQI, this pathway did not achieve its target until 2004/05.

Effectiveness results can vary across time and regions for a number of reasons. These include:

- passenger compliance – passenger non-compliance consumes AQIS resources in identifying and managing the quarantine risks;
- item approach rate – a higher proportion of items approaching the border places strain on AQIS resources to effectively maintain its quarantine operations;
- inbound flight and passenger profile – past seizure data collected by AQIS identifies passengers and flights of higher quarantine risk. Flights from higher quarantine risk ports of origin, and increasing numbers of passengers posing a higher quarantine risk, increase the approach rate of items of quarantine concern. This increases the amount and complexity of work required in achieving quarantine clearance of passengers;
- AQIS resourcing – shortfalls in AQIS resources, whether through staff absences or technology breakdowns, impacts on quarantine operations at airports. This has the potential to impact on the effectiveness of quarantine border operations; and
- leakage survey sample size – a small sample size may be required because of low passenger numbers at smaller airports. The sample size can lead to fluctuations in the measured effectiveness result. However, trends in effectiveness will still be evident over the longer term.

The Airports Program has worked to increase its level of effectiveness and has consistently achieved the effectiveness target for passengers posing a higher quarantine risk for the last two years (2004/05 and 2005/06) as illustrated below.

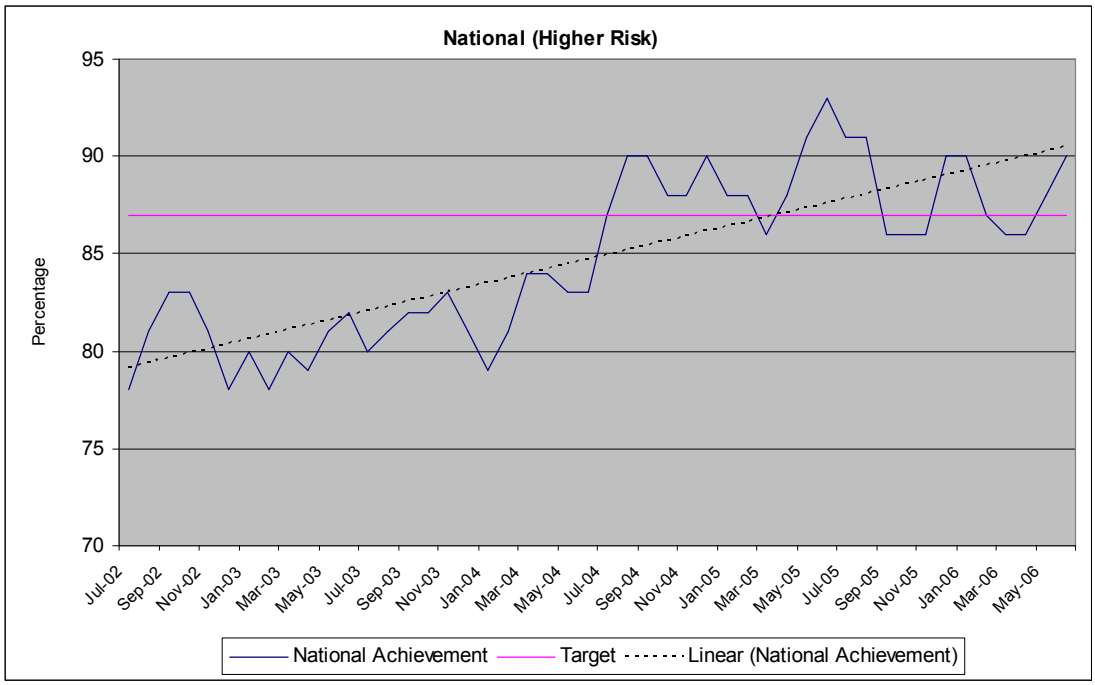


Figure 5.6 – Airport Effectiveness – Higher Risk National

The effectiveness target of 50% for 'risk' classed items was first achieved in September 2002. Since then, the month of December 2002 is the only occasion when the target has not been exceeded.

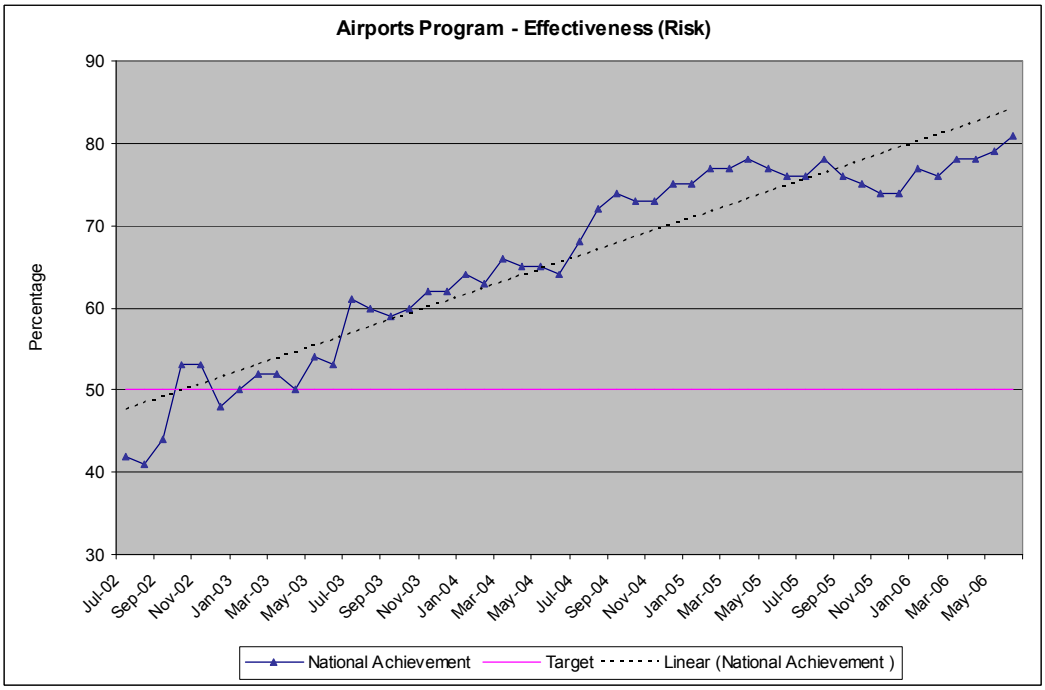


Figure 5.7 – Effectiveness (Risk) Performance National

Seizures

Underlying the effectiveness results, the overall seizure rate for quarantine risk items is showing a trend of general decline. The decline has been driven by a reduction in undeclared seizures and moderated by a slight increasing trend of declared seizures since July 2002 as illustrated in the figure below.

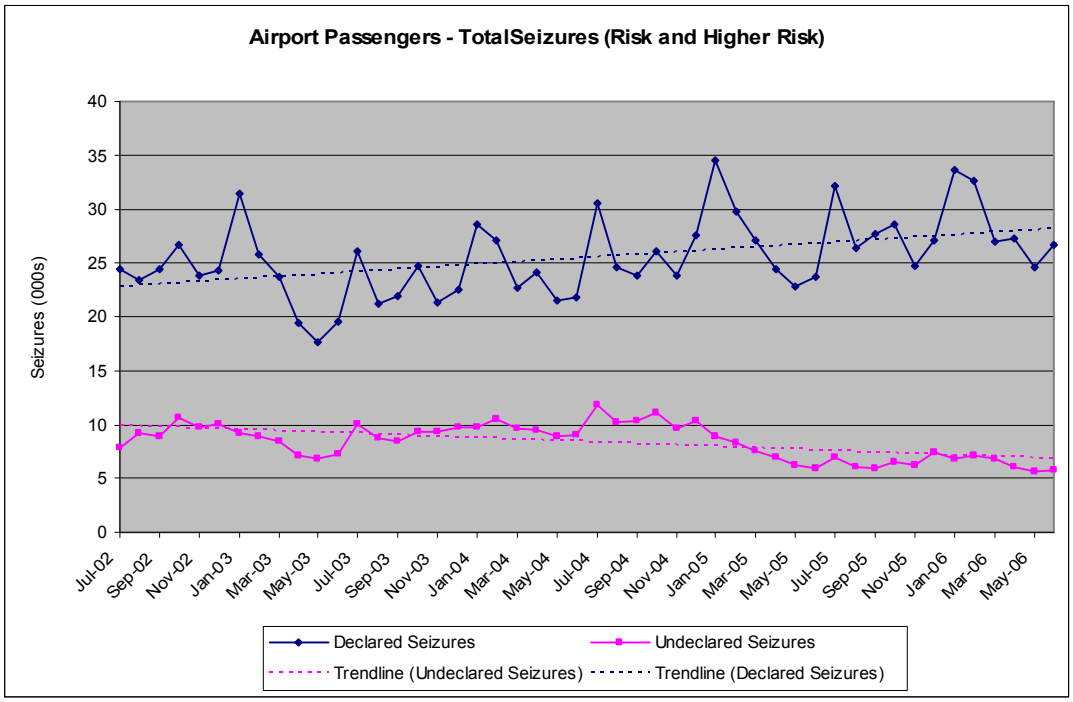


Figure 5.8 –Declared and Undeclared Seizures (Risk and Higher Risk Items)

This trend demonstrates the effectiveness of publicity and awareness raising campaigns undertaken by AQIS, at both a broader level in and outside Australia, and in the airports themselves. In each airport AQIS displays signage and offers passengers the use of amnesty bins which allow passengers to dump quarantinable material prior to arriving at the border.

Figure 5.9 and 5.10 below shows that whilst the trend of "higher risk" items seized (declared and undeclared) has increased over time from 2003/04, the number of "risk" items seized has decreased. Higher levels of effectiveness and increased overall seizures of higher quarantine risk items indicate that the activities of the Airports Program are improving the level of protection from quarantine risks.

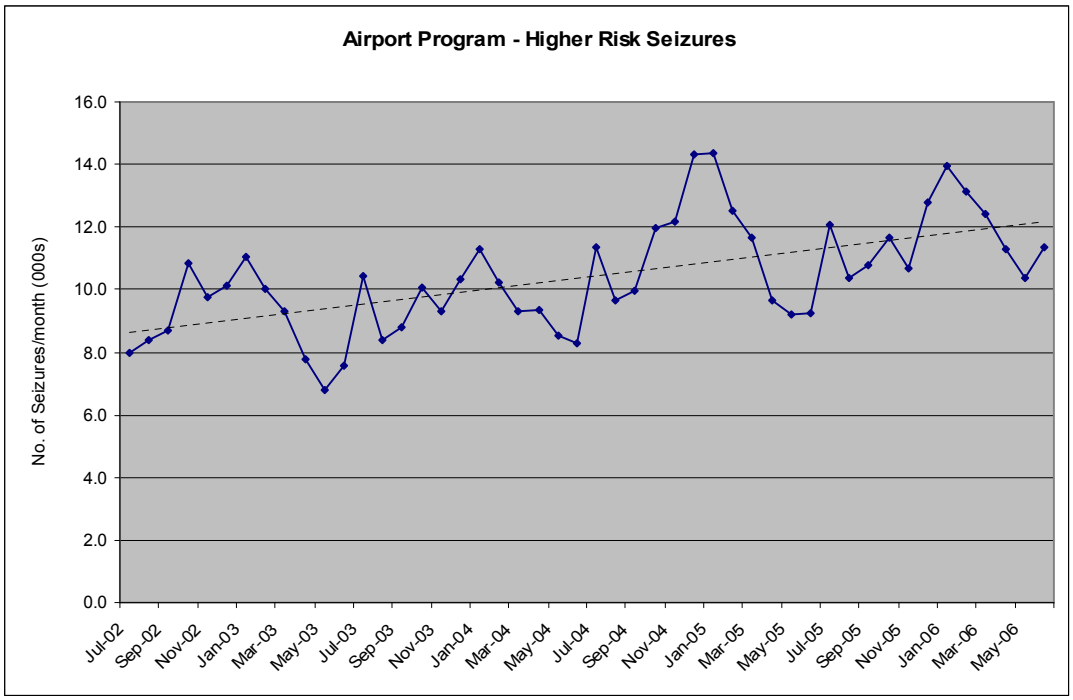


Figure 5.9 – Total Higher Risk Seizures National

The continuing improvement in effectiveness has occurred even as the number of passengers has increased. Figure 5.10 below shows that the number of seizures for quarantine Risk items has slightly decreased overtime.

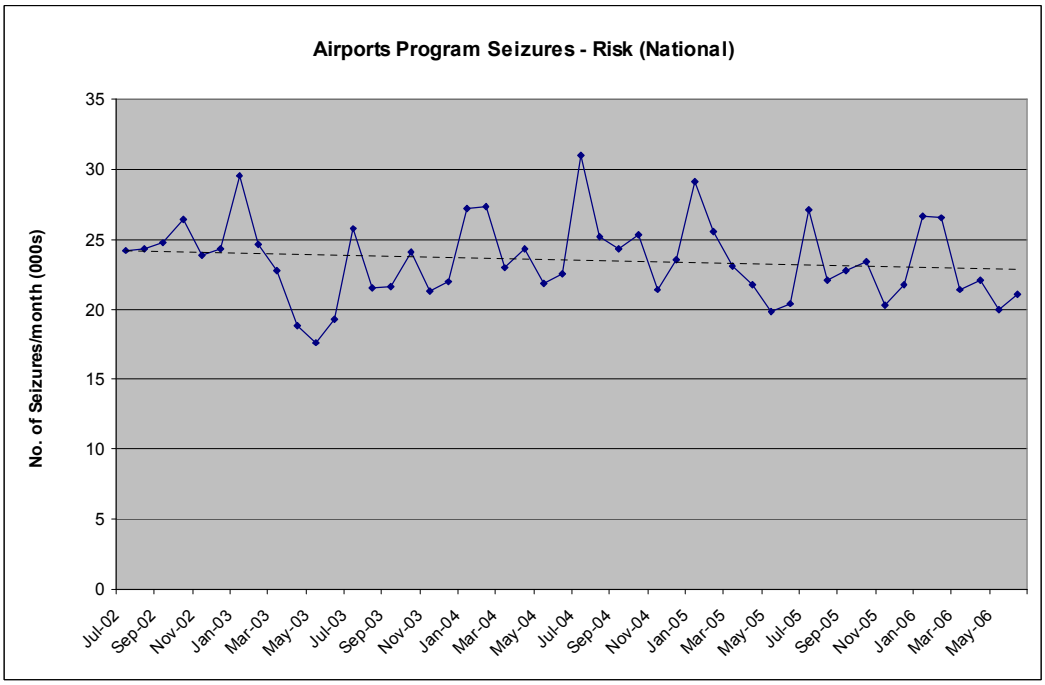


Figure 5.10 – Total Risk Seizures National

This conclusion is supported by data illustrated in Figure 5.11 for Risk items, showing that the proportion of undeclared seizures that are identified by AQIS is clearly decreasing.

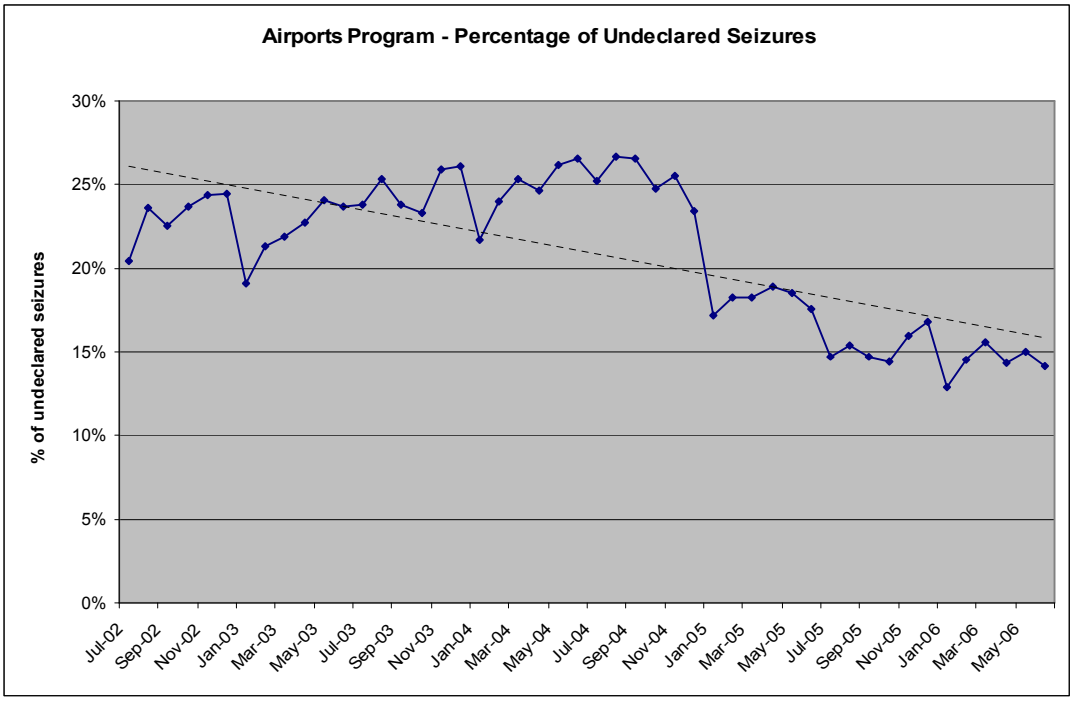


Figure 5.11 – Proportion of undeclared seizures (Risk) National

5.3 Overlap with Other Programs

Airports Program staff work closely with Customs staff at international airports to intervene with international passengers arriving in Australia. Incoming passengers' facilitation through Customs and AQIS border operations at international airports necessitates a high degree of cooperation from the agencies, although AQIS and Customs each have very specific roles unique to the outputs of their respective agencies.

Following their arrival in Australia, and after collecting their baggage, passengers may be subject to a number of border protection activities such as detector dog search, physical inspection or x-ray of baggage. Both Customs and AQIS conduct these activities, although each of the agencies' interventions are targeted towards identifying items specific to their operational objectives. AQIS performs the bulk of interventions with incoming passengers, with Customs using risk profiling and other techniques such as passenger observation to target its physical inspection and x-ray interventions.

Each agency's activities require specialised training and processes to identify items specific to their operational objectives that do not cross over with the other agency. A specific example is the use of detector dogs by the agencies. Detector dogs are owned and trained separately by each agency, and are trained specifically to identify items of concern for their agency. AQIS detector dogs are trained to detect a selection of scents associated with biological material, whilst Customs detector dogs are trained to detect drugs.

However, each agency will refer to the other agency any items of interest that are detected during an inspection of baggage or passengers.

Our observation of the AQIS and Customs procedures at Sydney International Airport showed staff performing their respective tasks in an integrated and co-operative manner. Operating procedures have been stable since 2002/03 and this is reflected in the sound working relationship between the two agencies at an operational level.

5.4 Industry Involvement

Compliance with quarantine requirements by incoming passengers is a key determinant of the success of border controls. The Airports Program facilitates passenger compliance by promoting awareness of quarantine obligations through public awareness campaigns during flights and at airports.

The Program also relies upon information from the airlines relating to incoming flights to assist with risk profiling and resourcing decisions.

5.5 Cost Effectiveness

In analysing the effectiveness of the Airports Program, we have considered the following:

- Reasonableness of the Airports Program key cost elements, including benchmarking with other organisations, particularly Customs; and
- Sustainability of the budget.

5.5.1 Reasonableness of Key Cost Elements

The table below details the key cost elements of the Airports Program since 2001/02 and budget projections to 2009/10.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Total Costs	**52,548**	**61,608**	**64,703**	**71,861**	**73,156**	**76,272**	**78,421**	**80,654**	**82,974**
Employee Expenses	32,062	38,439	41,900	46,667	47,353	49,796	51,788	53,860	56,014
Overhead Costs	5,666	7,282	7,874	8,797	8,959	7,769	7,903	8,041	8,182
Detector Dog	3,797	4,257	4,884	5,255	5,118	5,849	5,849	5,849	5,849
Temporary & Contractor Staff	5,901	4,957	4,091	4,836	4,894	5,013	5,013	5,013	5,013

Table 5.4 – Key Cost Elements ($000)

Key cost elements for the Airports Program are employee expenses, overhead costs, Detector Dogs, and temporary and contract staff (90% of total Program cost in 2005/06).

The Airports Program has experienced growth of 37% ($20.6 million) in expenditure between 2001/02 and 2005/06.

The effect of the increased expenditure is most apparent in the key international airports located in New South Wales, Victoria, South Queensland and Western Australia, which have the highest volumes of incoming passengers. This is demonstrated in the graph below. These four regions account for 82% of total expenditure by the Airports Program.

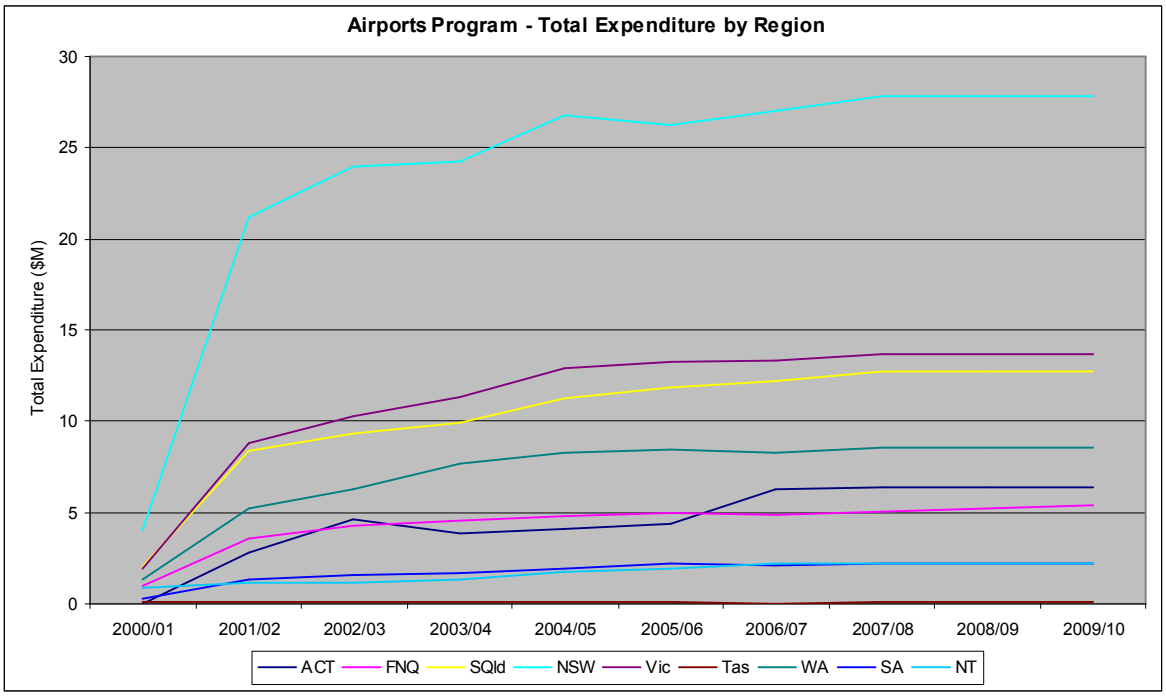


Figure 5.11 – Total Expenditure in Regions

Increase in expenditure is predominantly due to the increased volume of international passengers arriving in Australia.

Summary of our findings on the reasonableness of the Airports Program costs is provided below, followed by detailed analysis.

Summary

- Airport Program cost per FTE, whilst being higher than Customs total IQI functions in 2005/06, falls within the benchmark range of other agencies, and was less than Customs IQI functions in the previous year (2004/05)
- As a proportion of total Program expenditure, employee expenditure has remained relatively stable since 2001/02
- Employee expenses per FTE for the Airports Program compare favourably with benchmarked agencies
- Base salary, superannuation, leave entitlements and overtime paid to Airports staff compare favourably with benchmarks
- Allowances for the Airport Program are significantly higher than benchmarked agencies; however this is due to the Airports Allowance paid in lieu of penalties. Penalties, when compared with benchmarked agencies are low.

The reasonableness of overhead costs has been discussed in Chapter 3 of the report.

Airports Program Cost per FTE

The table below compares AQIS Airports Program cost per FTE with the total Customs IQI function cost for 2001/02 to 2005/06. (Data relating to Customs equivalent Airport Program – Passengers was not provided at the time of writing the report).

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS Airports Program Cost per FTE	$95	$105	$121	$119	$123
Customs Total IQI Cost per FTE	$129	$102	$110	$130	$116

Table 5.5 - Customs Total IQI Function Cost per FTE versus AQIS Airport Cost per FTE

The above table shows that AQIS Airports Program cost per FTE was higher than Customs in 2002/03, 2003/04 and 2005/06, and lower in 2001/02 and 2004/05.

Employee Expenses

The major employee expense categories are provided below:

Employee Expense	2005/06 Expenditure $'000	% of Total Employee Expenditure
Base Salary	$26,248	55%
Superannuation	$5,630	12%
Allowances	$7,848	17%
Leave Entitlements	$2,766	6%
Overtime	$1,694	4%
Other Employee On-Costs	$1,646	3%
Penalties	$489	1%
Staff Training and Development	$219	0%
Other	$814	2%
Total Employee Expenditure	**$47,353**	**100%**

Table 5.6 – Employee Expense Categories

Employee expenses for the 2005/06 period totalled $47,352,941, equating to 64.7% of the Airport Program's total expenditure.

Employee expense per FTE and employee expenditure as a percentage of total Program expenditure during 2001/02 to 2009/10 is provided in the table below, as well as Customs total IQI functions employee cost per FTE.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Employee Expenses ($000)	32,062	38,439	41,900	46,667	47,353	49,796	51,788	53,860	56,014
FTE Figures	550.9	584.0	536.1	603.7	593.5	621.0	621.0	621.0	621.0
Employee expense per FTE ($'000)	$58	$66	$78	$77	$80	$80	$83	$87	$90
Employee expenditure as a % of Expenditure	61%	62%	65%	65%	65%	65%	66%	67%	68%
Customs total IQI Employee Cost per FTE ($'000)	n/a	n/a	$76	$84	$79	n/a	n/a	n/a	n/a

Table 5.7 – Employee Expenditure

FTEs have increased by 8% during 2001/02 to 2005/06 and are expected to increase by 5% to 2009/10. Employee expense per FTE has increased by 38% during the same period, however, cost per employee is similar to Customs total IQI employee cost per FTE and other agencies benchmarked ($71,000 to $87,000 per FTE as per Table 3.12 in Chapter 3). Employee expense as a percentage of total Program expenditure has remained consistent since 2003/04.

The stability of employee expenditure in the Program has been maintained against a backdrop of improving performance against the Government's IQI targets, along with increasing volumes of passengers. This demonstrates the Airports Program is continuously improving its performance, whilst ensuring its primary expenditure category is effectively managed.

Base Salary

Base salary levels of AQIS staff are comparable with those agencies benchmarked in Chapter 3 of the report. In addition, the Airports Program base salary per FTE in 2005/06 ($44,227 per FTE) falls within the range of total Customs ($47,400 per FTE) and Customs IQI functions ($44,100 per FTE).

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Base Salary ($000s)	17,508	21,392	22,521	25,380	26,248	27,881	28,996	30,156	31,362
Base Salary per FTE ($'000)	32	37	42	42	44	45	47	49	51

Table 5.8 – Base Salary Expense

Superannuation

Superannuation represents 12% of the Airports Program total expenditure, totalling $5.6 million for the 2005/06 period. Comparison of this percentage with other Australian Government agencies reveals that the Airports Program falls within the range observed in these comparable agencies (12% of total employee expenses in 2005/06 for Australian Federal Police (AFP) to 15% for Customs).

Leave Entitlements

Leave entitlements for the Program represented 6% of total employee expenditure in 2005/06. This compares favourably with leave entitlement percentage of total employee expenses for Customs in 2005/06 of 8%.

Allowance Expense

Allowances represent a large proportion of the Airports Program employee expenditure (17% in 2005/06). The table below displays allowances as a percentage of total employee costs for Customs IQI function and the whole of Customs, and shows that allowances are higher for the Airports Program.

Allowances	2001/02	2002/03	2003/04	2004/05	2005/06
Airports Program	15.39%	16.14%	16.07%	16.53%	16.58%
Total Customs	*	*	*	3.44%	3.53%
Customs IQI	*	*	1.46%	1.44%	1.46%

* Data not available from Customs

Table 5.9 –Percentage of Allowance Costs of Total Employee Costs for AQIS and Customs

Airports have a higher percentage allowance due to the fact that they pay an Airport Allowance in lieu of shift penalties. (Penalties are low at 1% for the Airports Program in 2005/06). The Airport Allowance is payable to eligible staff under the terms of the DAFF Collective Agreement 2006-2009. The Agreement provides for an allowance of 36.5% to be paid to "employees working rostered, seven day shiftwork working at an international airport terminal for continuous periods in excess of four weeks who would otherwise be paid shift allowances for the full period of their rostered shifts".

The Airport Allowance represents a 36.5% composite allowance payable to Airports Program staff in lieu of shift penalties. Not all Airports Program staff meet the requirement of working seven day shiftwork for periods of four weeks or longer. As a result, some staff are ineligible for the allowance and the Program continues to incur expenditure associated with penalties.

The rationale for the Airport Allowance is to simplify rostering arrangements and administrative requirements for Program staff, by removing the need to incur administrative time and effort in managing employee penalty entitlements.

The Airport Allowance is an annualised allowance, and is therefore not without risks, primarily because once a staff member receives the allowance, they are eligible to receive it for at least a year. Payment of the allowance to Program officers needs to be carefully considered, with the primary consideration being whether it is cost-effective to pay the allowance in lieu of penalties. On balance, the allowance is appropriate for the Airports Program where there is a high degree of certainty in a regular, standardised operating environment. Knowing that staff will need to be rostered on to meet continuing incoming air passengers reduces the financial risks associated with providing the allowance to Program staff.

Penalties Expenses

Penalties also represent a small proportion of employee expenses (1%) for the Airports Program in 2005/06. Comparison of penalties with Customs as per the table below indicates that Airports' penalties are low.

Penalties	2001/02	2002/03	2003/04	2004/05	2005/06
Airports	2.11%	1.66%	1.39%	1.01%	1.03%
Customs	6.80%	7.11%	7.40%	6.82%	6.98%
Customs IQI	*	*	12.73%	12.17%	13.04%

* Data not available from Customs

Table 5.10 –Percentage of Penalty Costs of Total Employee Costs for AQIS and Customs

Analysis at the regional level shows that South Australia and Northern Territory both incur a high level of penalties in comparison to the other regions. This demonstrates the ineligibility of staff within those regions for the Airport Allowance. The hours of operation at these airports are such that it is not necessary to roster staff for 'seven day shiftwork for continuous periods in excess of four weeks'.

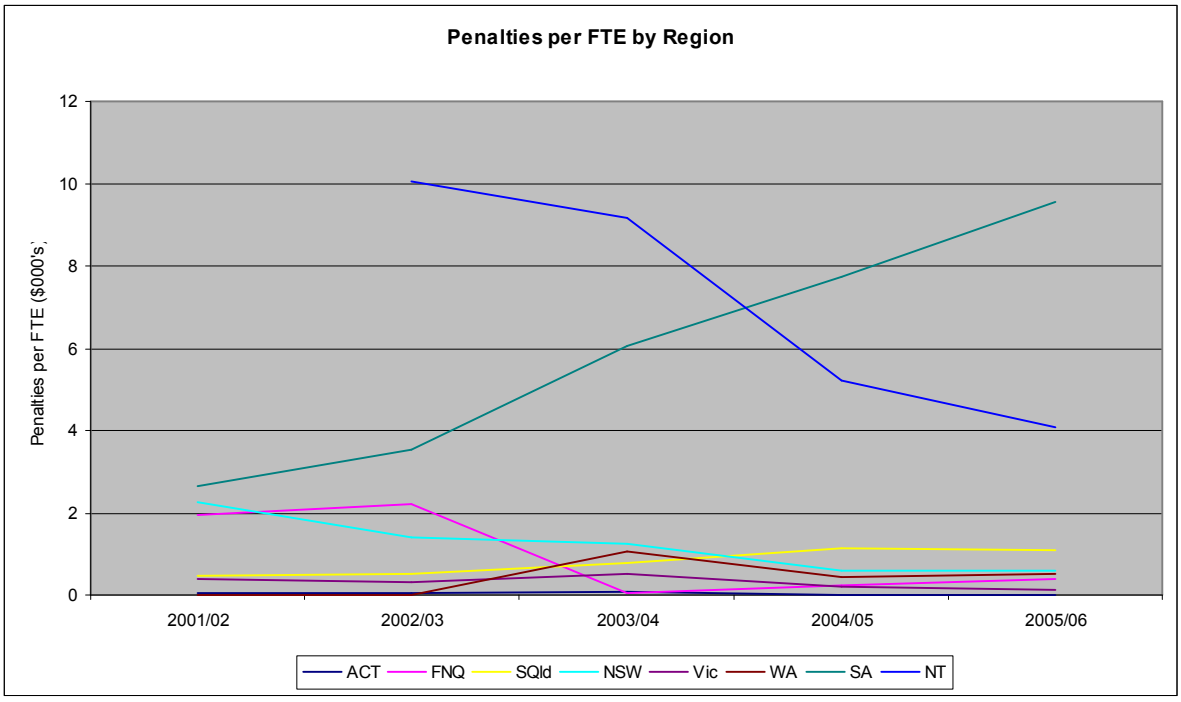


Figure 5.12 – Penalties per FTE by Region

A comparison of the Department of Agriculture, Fisheries and Forestry Collective Agreement 2006-2009 with employment agreements established by other organisations working in the airport precinct indicates that, with the exception of the Airport Allowance provisions, the penalty arrangements in place for AQIS staff are not significantly different from other industry participants.

Category	AQIS	DIMA	CUSTOMS	Qantas	Air New Zealand	Australian Airlines
Shift work penalties	15% (between 6:30pm and 6:30am), or 36.5% on Airport Allowance	15% (between 6.00pm and 6.30am)	15% (between 6.00pm and 6.00am)	15%-22.5% (for starts between 12am & 7am and ends between 6pm 8am)	15%-22.5% (for starts between 12am & 7am and ends between 7pm 8am)	15%-22.5% (for starts between 12am & 7am and ends between 7pm 8am)
Saturday (ordinary duty)	50%, or 36.5% on Airport Allowance	50%	50%	50%	$8.51 per shift	50%
Sunday (ordinary duty)	100%, or 36.5% on Airport Allowance	100%	100%	$8.51 per shift	$8.51 per shift	$8.51 per shift
Public Holiday (ordinary duty)	150%, or 36.5% on Airport Allowance	150%	150%	100%	$8.51 per shift	100%

Table 5.11 - Employment conditions comparison

Overtime Expense

Overtime expenses represented 4% of total employee costs for the Airports Program in 2005/06. During 2005/06, overtime, as a percentage of total employee expenditure, was higher in the AQIS Airports Program than in Customs overall. However, overtime as a proportion of employee expenses is slightly lower in the AQIS Airports Program than in the Customs IQI functions.

	2001/02	2002/03	2003/04	2004/05	2005/06
Airports	6.61%	6.16%	4.88%	5.16%	3.58%
Total Customs	3.31%	3.19%	2.15%	3.10%	3.20%
Customs IQI	*	*	2.48%	3.61%	3.75%

* Data not available from Customs

Table 5.12 –Percentage of Overtime Costs of Total Employee Costs for AQIS and Customs

Overtime expenses have been contained throughout the period and there has been a pattern of decreasing overtime payments, both in total and as a proportion of base salary, since 2001/02. This performance compares favourably with information obtained from Qantas where overtime rates for work in the airport average around 10% of base salary.

Rostering Arrangements

As a strategy to assist effectively managing overtime, AQIS has sought to employ part-time staff in the Airports Program and deploy those people at peak arrival periods for incoming flights / passengers. This reduces the likelihood of full-time staff being under-utilised, and allows AQIS to concentrate resources on crucial periods throughout the day.

The use of part time staff in this manner was noted during our visit to Sydney Airport. Based on an analysis of rosters for a typical day, the staffing profile of AQIS at Sydney Airport is shown below.

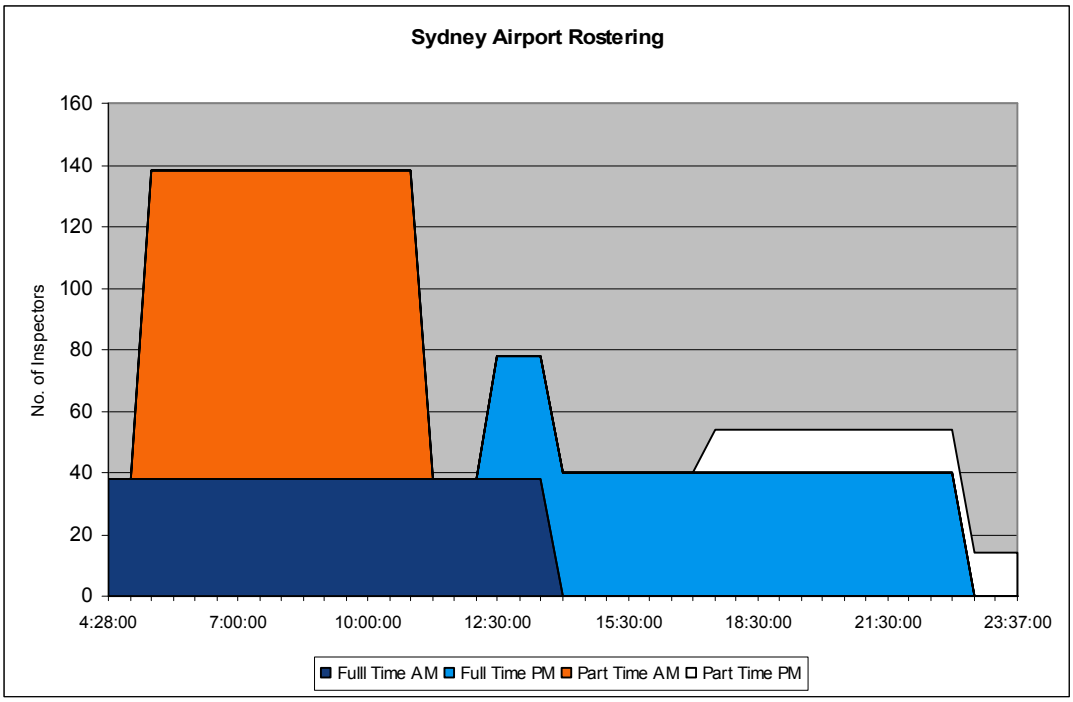


Figure 5.13 – Staffing profile at Sydney International Airport

This demonstrates the use of part-time employees to effectively cover resource requirements during the morning and evening arrival times. In the morning shift in particular, there are approximately two and a half times as many part-time staff employed as full time staff, to assist in processing the higher numbers of passengers arriving at that time.

Sydney airport currently has 147 part time inspectors available and 6 part time supervisors. The use of part-time staff was introduced during 2002/03 and has provided greater flexibility in rostering.

As a further measure to combat overtime, AQIS has recently implemented a Peak Period Plan (PPP) which primarily applies to peak arrival times encountered on AM shifts. The PPP is aimed at managing the peak flow of passengers during northern summer (6.00-10.00) and northern winter (7.00-11.00). The PPP involves:

- a Risk Assessment Officer (RAO) assessing the quarantine risk opposed by arriving passengers, identifying passengers with low-risk quarantine items, and asking questions about their baggage content and where they are arriving from. If no goods of quarantine concern are identified, the passenger is cleared for entry into Australia;
- identifying tour and sporting groups for separate facilitation to minimise impact on the flow of passengers; and
- additional staff undertaking 100% declarant inspections.

The implementation of the PPP is in response to increased passenger flow through airports. Continuing this planning for forecast increased passenger flow will be vital to prevent substantial waiting periods for passengers at terminals.

AQIS Detector Dogs

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Detector Dogs ($000s)	2,985	3,797	4,257	4,884	5,255	5,118	5,849	5,849	5,849	5,849
Total Dogs	28.0	44.5	44.2	44.4	42.85	42.85	n/a	n/a	n/a	n/a
Costs per Dog ($000s)	107	85	96	110	123	119	n/a	n/a	n/a	n/a
Total Expenditure ($000s)	24,953	52,548	61,608	64,703	71,861	73,156	76,272	78,421	80,654	82,974
Detector Dogs as a % of Total Expenditure	11.96%	7.23%	6.9%	7.5%	7.3%	7.0%	7.7%	7.5%	7.3%	7.0%

Table 5.13 –Detector Dog Costs

The table above outlines expenditure in relation to the use of AQIS detector dogs in the Program. With IQI funding, detector dog expenditure for the Program increased to approximately $3.8 million in 2001/02 with further increases over the next two years. In 2004/05 and 2005/06 expenditure stabilised at just above $5 million.

Costs per dog increased most significantly between 2002/03 and 2004/05 and appear to have stabilised in 2005/06. Numbers of detector dogs rose sharply between 2000/01 and 2001/02, but actually decreased between 2001/02 and 2005/06. This has contributed to an increased total cost without a corresponding increase in number of dog teams.

Analysis on airports seizure rates reveals detector dogs account for between 4% and 7.5% of total airport seizures. The graph below demonstrates detector dog seizures on a national basis between 2002/03 and 2005/06.

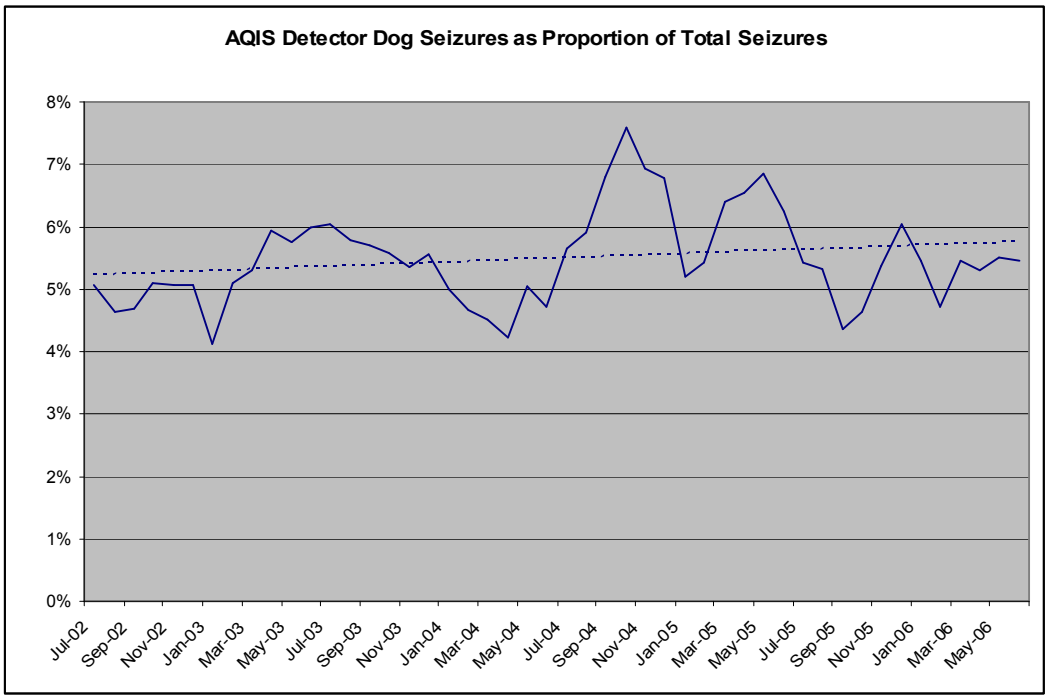


Figure 5.14 – Seizures by AQIS Detector Dog Teams

The graph shows that the proportion of total seizures achieved by detector dogs has been steadily increasing since 2002/03. Taken with the reduced number of detector dogs deployed in the Program, as outlined in the above table, this demonstrates the increasing effectiveness of the detector dog teams. It also demonstrates more effective rostering of detector dogs, in response to increasing passenger volumes and increased flight risk profile.

Variations in the seizure rate will be influenced by factors such as whether the full complement of detector dog teams has been deployed, as well as the effectiveness of AQIS risk profiling of incoming passengers.

The table presenting the total detector dog expenditure for the Program nationally by the total number of seizures is outlined below.

	2002/03	2003/04	2004/05	2005/06
AQIS - Detector Dogs	$4,256,636	$4,883,584	$5,254,774	$5,118,188
Seizures	19,363	20,145	22,741	21,792
Detector Dog Expenditure per seizure	$219.78	$242.42	$231.07	$234.87

Table 5.14 – AQIS Detector Dog Cost per Seizure National

Throughout 2002/03 to 2005/06, the cost per seizure has not varied significantly, ranging between $220 and $242, which reflects the changing costs of the Detector Dog Program.

Temporary and Contract Staff

Contractor expenses relate to the deployment of contractors from labour hire firms to assist incoming passengers lift their baggage on and off x-ray machines. Expenditure on contractors has stabilised in recent years to a level of 6.7% of total expenditure in 2005/06. This compares favourably with earlier years in which it has represented 11.23% (2001/02) and 8.0% (2002/03).

Due to infrastructure constraints that prevent entry of data at the time of seizure, contractor staff are also deployed at Sydney airport to enter seizure- related data into the MAPS database. This allows AQIS Sydney airport staff to focus on identifying quarantine items and maximise the effectiveness of their deployment.

From March 2006, the hourly rate for the contractors at Sydney Airport has been $32.38 ($35.10 for supervisors). These rates compare favourably with benchmarked contracting rates for unskilled labour. Similar analysis conducted for the Import Clearance Program showed a basic range of hourly rates for the hire of unskilled workers. The rates varied between states and territories, but all were in a range of $25.00 per hour to $35.00 per hour (GST inclusive). The rates agreed with Workforce International compare favourably, taking into consideration that AQIS is guaranteed a reliable, long-term supply of contracting labour.

5.6 Sustainability of Revenue Base

The table below shows the breakdown of revenue and total expenditure for the Airports Program across the period 2001/02 to 2005/06.

Airports	2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000
Revenue – Budget Funded	$53,425	$60,768	$64,216	$70,836	$71,460
Revenue – Cost Recovered	$302	$841	$1,108	$1,278	$1,403
Total Revenue	$53,727	$61,609	$65,324	$72,114	$72,864
Total Expenditure	$52,548	$61,608	$64,703	$71,861	$73,156
Net Position	$1,179	$1	$621	$253	($293)

Table 5.15 – Revenue and Expenditure

The graph below illustrates the change in expenses and revenue (cost recovered and budget funded) during 2001/02 to 2009/10.

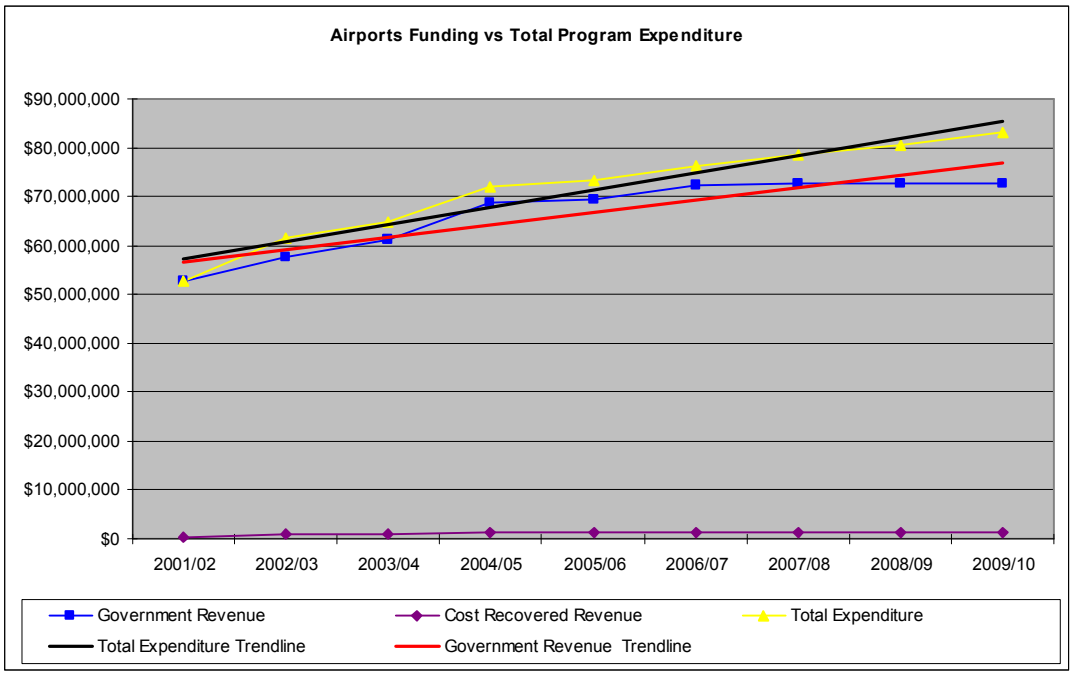


Figure 5.15 – Airports Program Revenue versus Expense

The majority of the Airport Program's revenue is Government funded (97% in 2005/06). Expenditure has increased by 39% during 2001/02 to 2005/06 whilst total revenue has increased by only 36% during the same period.

If this continues (as is predicted), AQIS will need to consider strategies to identify avenues for savings options or additional sources of revenue in order to continue to manage its financial performance into the future.

In addition to the increases in the major cost items of employee salaries and employee related costs, there are a number of other cost pressures expected to emerge in the future. These include overhead costs and increased costs such as rent and car park costs passed on from privately owned airport operators. As the Airports Program is almost entirely Budget funded, there is limited scope to increase revenue or pass on costs through cost recovery measures. These costs will all need to be managed in a period of increasing passenger volumes from countries of higher quarantine risk.

INTERNATIONAL MAIL

Contents

6. International Mail Program

6.1 Background to the Program

The International Mail Program undertakes quarantine clearance of international mail arriving in Australia. AQIS is represented in seven international mail centres throughout the country, and the program uses a range of detection and interception methods to undertake quarantine clearance of more than 145 million items of international mail sent to Australia each year.

International Mail Program Snapshot	
Key Activity	▪ The key activities undertaken by international mail staff include using a range of detection and interception methods to undertake quarantine clearance of international mail arriving in Australia. ▪ Operating from seven International Mail Centres (located in Melbourne, Adelaide, Darwin, Brisbane, Perth and two in Sydney). ▪ 145,599,569 articles of mail arrived in Australia in 2005/06 with Sydney and Melbourne mail centres accounting for 80% of incoming mail.
Financial	▪ $18.7m actual revenue in 2005/06 comprising: – $3.4m in cost recovered revenue – $14.6m Departmental Appropriation ▪ Total expenditure in 2005/06 was $18.7m comprising: – 57% employee expenses ($10.7m) – 12% overhead costs ($2.3m) – 31% supplier expenses ($7.5m)
FTE	▪ 141 FTEs in 2005/06 ▪ Majority of FTEs are located in NSW (58%), Victoria (21%) and the ACT (7%) ▪ 28.1 detector dog teams in 2005/06

Table 6.1 – International Mail Program Snapshot

6.1.1 Outcomes

Along with other quarantine border programs, the International Mail Program contributes to Output 6 of the Department of Agriculture, Fisheries and Forestry, which has as its objective 'to reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services.'

The International Mail Program contributes to Output 6 by ensuring all mail entering Australia is subject to quarantine intervention.

Additional supporting activities of the program include:

- identifying any breaches of the *Quarantine Act 1908*, relating to arriving international mail;
- investigating new mail intervention technology and the most effective application of current intervention technology and resources;
- ensuring that the activities of the International Mail Program comply with quarantine legislation; and
- educating international mail recipients and senders about Australia's quarantine requirements.

6.1.2 Priorities and Objectives

The International Mail Program received a significant increase in Government Budget funding through the Increased Quarantine Intervention (IQI) initiative, announced in the May 2001 Budget. With IQI funding for the International Mail Program, the Government sought to significantly enhance quarantine intervention for international mail pathways. The targets set by Government for the International Mail Program are shown in the table below.

IQI Initiative	Intervention	Effectiveness
International Mail Program	100%	96% Higher Quarantine Risk
		50% Quarantine Risk

Table 6.2 – Government IQI Targets for the International Mail Program

Many mail articles entering Australia contain goods of quarantine concern such as foodstuffs, plant material, seeds and animal products. Prohibited goods and quarantine pests are detected in mail seizures every year.

Identifying quarantine goods in such a large volume of mail is complex, and AQIS uses a combination of tools to manage this threat. Intervention techniques used in the Program are a combination of x-ray examination, physical inspection and/or quarantine detector dog inspection.

The Program is required to report separately against Government effectiveness targets for higher risk and risk quarantine items. Examples of higher risk quarantine items include fresh foods, plants and live animals, which are more likely to present a higher quarantine risk to Australia. Examples of risk quarantine items include dried fruit, processed food and wood.

6.1.3 Key Issues

The International Mail Program is currently facing a number of key challenges.

Increasing Volumes of Higher Quarantine Risk Mail

The volume of mail entering Australia is a significant cost driver for the program, given that 100% intervention must be maintained for all items of mail entering Australia.

Australia Post reports a continuing increase of approximately 5% per year in the amount of mail, by weight, arriving in Australia. The table below identifies past trends of and future projections for the number of individual mail items (by mail class) since 2000/01. The data in this table is derived by applying conversion factors to the weight and cargo clearance information on mail which Australia

Post declares to AQIS and Customs for mail arriving in Australia. These conversion factors are used by AQIS to translate Australia Post weight data into item numbers by class of mail. The conversion factors are refined on an ongoing basis to maintain their reliability as patterns of arriving mail change.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Letter Class	-	170,690	171,274	125,078	125,515	124,861	121,973	118,924	115,951
Other Articles	-	18,959	19,753	14,126	13,868	14,472	14,812	15,034	15,260
Parcels	-	4,207	2,608	2,224	2,222	2,519	2,584	2,649	2,715
EMS	-		1,603	1,295	1,427	1,670	1,731	1,774	1,818
Registered	-		2,335	1,858	1,984	2,078	2,147	2,200	2,255
Total	**170,000**	**193,856**	**197,570**	**144,582**	**145,016**	**145,600**	**143,247**	**140,581**	**137,999**

Table 6.3 - Volumes of all classes of mail (000)[1]

The data indicates that whilst there has been an overall decline in the total number of international mail items entering Australia, the number of Parcels, EMS, and Registered Mail items has increased. The volume of Other Articles declined between 2002/03 and 2005/06, but is expected to increase in the future.

Seizures of higher risk quarantine items are greater in parcel size mail compared to other classes of mail, in part because parcels may contain more material.

In its 2005/06 Annual Report Australia Post reported an increase in the volume growth of inbound parcels and other express services of 11.8% for the financial year. This figure is reflected in the table above, which identifies an increase of approximately 13% for 2005/06. The annual report also shows that Australia Post is winning new international parcel customers, leading to a conservative estimation of future growth at between 2-3% per year.

The projected growth in parcel volumes represents the potential for greater volumes of higher risk quarantine items approaching the border.

Australia Post has also conducted a campaign to increase its market share of mail from Asia, particularly from China. This campaign has resulted in a greater percentage of mail volumes originating from Asian countries. The shift to an increased percentage of mail from these higher quarantine risk countries will affect the workload of International Mail Program staff.

Seasonal Mail Volumes

The International Mail Program has a pattern of monthly variations of mail volumes that can be linked to seasonal influences in particular periods of a year. The graph below outlines seasonal patterns from 2002/03 to 2005/06.

[1] 2000/01 mail volume not recorded by category, 2001/02 mail volumes were not recorded by category for Parcel, EMS and Registered Mail. Mail traffic for 2006/07, 2007/08 and 2008/09 is based on estimation.

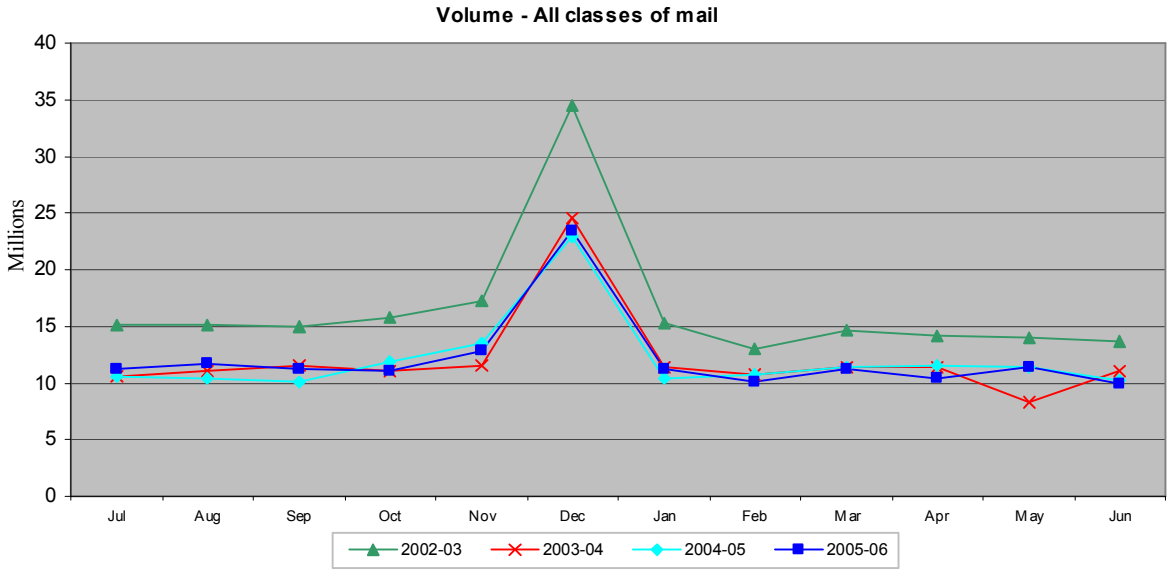


Figure 6.1 - Volumes all classes of mail (millions)

Celebrations of cultural events have a substantial impact on volumes of mail entering Australia. There are higher volumes during these periods, and also an increase in the number of items of quarantine concern approaching the border.

The data on volumes of mail identify the lead up to the Christmas period as presenting the largest volumes of incoming international mail. This has been consistent between 2002/03 and 2005/06. Such an increase impacts on the Program's infrastructure and resourcing needs, as more staff are required to process the increased volumes of mail to maintain the Program's intervention and effectiveness targets during the period.

Fluctuations in seasonal volumes can result in potential strain on AQIS operations at mail centres, particularly if the level of infrastructure in that region is not equipped to adequately accommodate the increase in resourcing required to meet the volume of mail arriving in that period. This poses an operational risk that the effectiveness of quarantine intervention may decline as a result of an increase in items of quarantine concern approaching the border. These volumes require increased resources and/or overtime costs to be incurred, whilst also maintaining the level of quarantine intervention.

Infrastructure Constraints

The IQI program funding included $49.4 million over four financial years for Australia Post to implement changes to International Mail Centres throughout Australia, to allow AQIS to sustain 100% intervention.

The funds are controlled by the Department of Communications, Information Technology and the Arts (DCITA), and a Deed of Grant was formally signed with Australia Post and DCITA on 29 September 2001. Upgrades to Mail Centres in Adelaide, Perth, Darwin and Brisbane have since been completed, whilst considerable delays were experienced with construction of upgrades to Australia Post International Mail Centres in Melbourne and Sydney.

Delays in developing new infrastructure arrangements as well as physical space limitations restrict the number and effectiveness of AQIS resources. This has caused significant strain in reaching effectiveness targets set by Government in the period from 2001 to 2005.

Legislative Constraints

The *Australian Postal Corporations Act 1989*. Part 7B, Division 3 of the Act - *Limits on opening and examining mail*, states that only Australia Post officers are able to open mail.

Section 90P of the Act states "an authorised examiner may examine the article or its contents by any means that does not involve unfastening or physically interfering with the cover of the article. For example, the article or its contents may be examined by x-ray, metal detector or odour detector".

Due to this legislation, any mail articles identified after examination as posing a possible quarantine concern require an Australia Post officer to open the article prior to being inspected by an AQIS employee. This restricts AQIS's operational productivity.

It also requires rostering of AQIS staff to align with the commencement time for Australia Post staff and reduces the flexibility of AQIS resourcing.

6.1.4 Stakeholders

The key stakeholders in the International Mail Program include:

- people receiving arriving international mail;
- Australia Post; and
- Australian Customs Service (Customs).

The International Mail Program works closely with Customs and Australia Post in inspecting incoming mail items. The International Mail Program relies on Australia Post to ensure that all incoming international mail, via both air and sea, is provided to AQIS for intervention. A Memorandum of Understanding (MOU) between AQIS, Customs & Australia Post sets out the respective roles and responsibilities of each organisation to work together in international mail centres while maintaining the legislative requirements of each organisation for goods consigned through the post.

The MOU includes the responsibilities of each organisation in regard to screening mail, storage of mail, opening mail goods and service delivery standards. Under the Australian Postal Corporation Act 1989, Australia Post officers are to open and close articles for examination by border agencies. Border agency officers (AQIS & Customs) are not to open any postal article for inspection.

Customs maintains its own inspection regime for prohibited goods and refers to AQIS any animal or plant products or quarantine risk material that may be detected during its inspection processes. AQIS has similar arrangements in place for items of concern to Customs and will refer these items to Customs.

6.1.5 Staffing

As at June 2006, the International Mail Program had 141.45 FTEs, distributed across the National Office in Canberra and regional offices in the States and Territories. Below is an outline of staffing figures across the states and territories. FTE numbers are projected to increase in 2006/07.

	2001/ 02 Budget	2002/ 03 Budget	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget
NSW	67.23	83.14	86.46	79.09	82.57	92.75	94.61	94.61
VIC	24.82	29.03	27.12	28.73	29.87	30.65	28.03	28.03
South QLD	8.10	9.80	10.19	8.50	8.73	7.9	7.8	7.8
NT	1.00	1.32	0.50	0.99	0.72	0.75	0.75	0.75
SA	2.20	2.20	1.97	2.03	2.13	2.1	2.1	2.1
TAS	0.45	0.45	0.45	0.45	0.38	0.25	0.25	0.25
ACT	6.70	12.00	11.18	10.89	9.77	7.89	9.7	9.7
WA	4.92	5.92	5.35	5.62	7.29	6.98	7.13	7.13
Total	**115.43**	**143.86**	**143.22**	**136.29**	**141.45**	**149.27**	**150.37**	**150.37**

Table 6.4 - FTEs per region

Since 2001/02 there has been an increase in the numbers of staff to meet the intervention and effectiveness measures mandated by Government. Although there was a reduction in staffing numbers between 2003/04 and 2004/05, this reflects a decision made by the Program to vary its resource balance by increasing the use of detector dog teams.

Staffing levels are higher in New South Wales, reflecting the volumes of mail processed through the Clyde Mail Centre and the QANTAS Mail Handling Unit (QMHU). The strategy to vary resources used in 2004/05 was particularly evident in New South Wales, which saw its number of FTEs decrease from 86.46 to 79.09. However, commensurate with the reduction in quarantine officers was an increase in the number of detector dog teams from 25 teams in 2003/04 to 35.3 in 2005/06.

The graph below illustrates the breakdown of program staff across Australia.

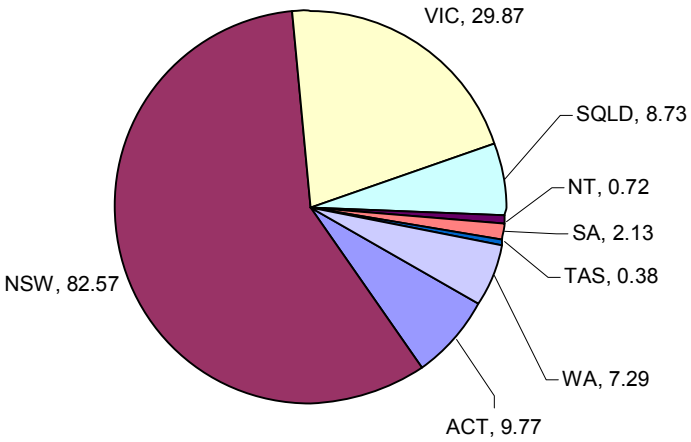


Figure 6.2 - FTEs per region 2005/06

Following the provision of additional funding in 2001/02 as part of the IQI Initiative, the International Mail Program was required to rapidly expand its people resources.

6.1.6 International Mail Program Activities

The International Mail Program uses a range of detection and inspection methods to reach government intervention and effectiveness targets. Activities include physical inspection of mail, x-ray inspection and the use of quarantine detector dogs.

A high level process diagram is provided in Appendix F. Similar processes are followed at all mail centres within Australia.

6.1.7 Areas of Operations

There are three primary mail centres that process international mail within Australia, with two centres located in New South Wales and one in Melbourne. These three centres account for 80% of the total percentage of incoming mail. Other mail centres within Australia operate on a smaller scale. The Program operates at the following locations in Australia:

- Adelaide
- Brisbane
- Darwin
- Melbourne
- Perth
- Sydney (QMHU)
- Sydney (Clyde)

6.2 Achievement Against Objectives

6.2.1 Operational Objectives

The operational objectives of the International Mail Program are to meet the Government mandated intervention and effectiveness targets. This is discussed below.

Intervention and Effectiveness

The table below shows the performance of the International Mail Program against Government intervention and effectiveness targets during the period 2001/02 and 2005/06 (minimum and maximum achievements).

International Mail	Target	2001/02		2002/03		2003/04		2004/05		2005/06	
		Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Intervention	100%	37	100	100	100	100	100	100	100	100	100
Effectiveness	Higher Risk: 96%	51	91	25	88	48	100	40	100	60	95
	Risk: 50%	44	76	36	81	50	91	55	94	58	90

Table 6.5 International Mail Program Intervention and Effectiveness Performance

The above table shows that the International Mail Program has achieved its intervention and effectiveness targets during 2001/02 and 2005/06.

Intervention

At a national level, the target of 100% intervention was first achieved in March 2002 and has been sustained without exception since that time. Since 2001/02, the International Mail Program has implemented a range of detection and interception methods to facilitate 100% intervention.

Intervention is achieved through a combination of examination by detector dogs, x-ray machines, and manual inspection by AQIS officers.

The Program uses a risk profiling regime which drives staff training and awareness of quarantine items, and contributes to the type of intervention used for each category of mail. Risk profiling is used by the Program for predicting where items of higher quarantine concern are likely to be found, and to identify why items may have been missed during intervention.

Effectiveness – Higher Quarantine Risk

Since government effectiveness targets were set, the International Mail Program has only occasionally achieved the effectiveness target of 96% for Higher Quarantine Risk items. The following graph demonstrates monthly average results of Higher Quarantine Risk effectiveness on a national basis.

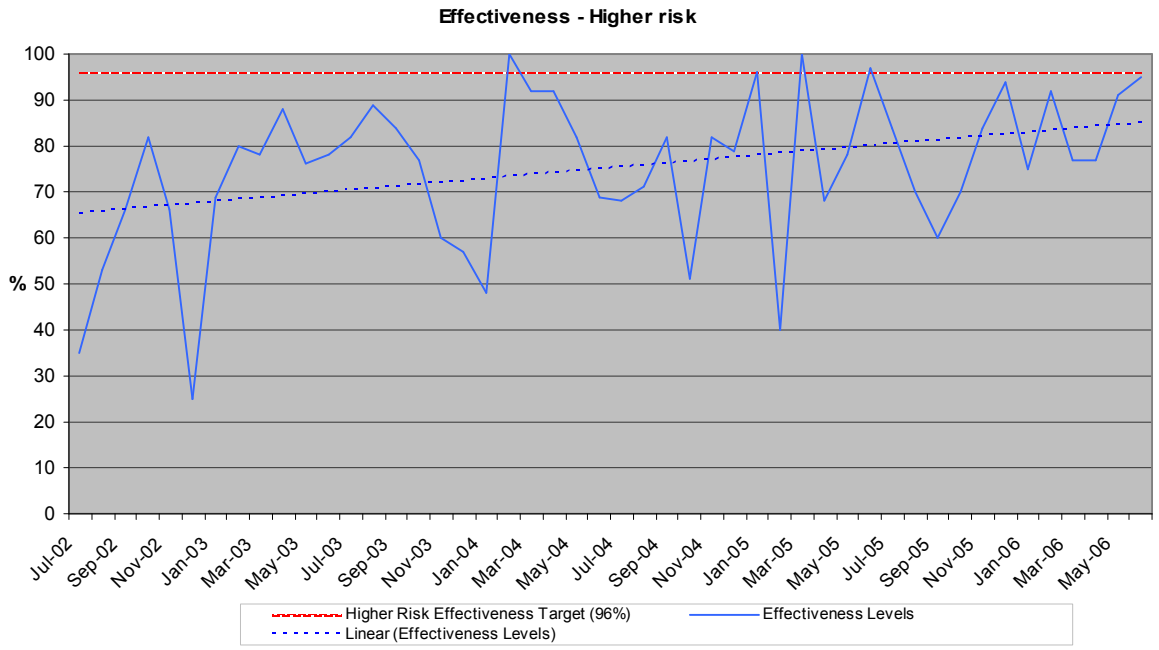


Figure 6.3 - Effectiveness Levels (Higher Quarantine Risk)

The data demonstrates monthly variation in the achievement of the target since 2001/02. For example, the graph clearly demonstrates the fall in effectiveness levels during the Christmas period. During the Christmas period in 2002/03 the Program saw its lowest Higher Quarantine Risk effectiveness result of approximately 25%, well short of the Government's 96% target. Subsequent years' effectiveness performance over the Christmas period has improved. The Christmas period for 2005/06 did not see a drop in effectiveness levels of the same magnitude, with the result approximating 75%.

The fall in effectiveness levels around the Christmas period is consistent with the increase in volumes of mail arriving into Australia during these peak periods. Mail volumes increase by up to 250% during this period. For example, the December 2005 period had an increase in volumes of around 14 million articles of mail, causing significant strain on the Program's ability to maintain effectiveness during this period. Delays in upgrading Australia Post International Mail Centres meant that from 2002 until 2005, this Christmas peak in mail volumes had to be managed in pre-existing mail centres where limitations of space and design made the quarantine intervention process more difficult. Consequently, there were considerable fluctuations in effectiveness during the period from 2002 to 2005.

Now that the new upgraded mail facilities are on-line there should not be such an impact on performance.

The trend line identifies a steadily improving achievement of effectiveness targets of 65% from July 2002, to 85% in July 2006. Regional analysis has been conducted to outline trends in effectiveness levels, and outline why levels are increasing overall at a national level.

Regional Analysis

In 2005/06, 85.9% of incoming international mail arrived in Australia through three main mail centres – Clyde, QMHU and Melbourne. QMHU and Clyde are in the New South Wales region. The graphs below show the effectiveness levels for these two centres from 2002/03 to 2005/06.

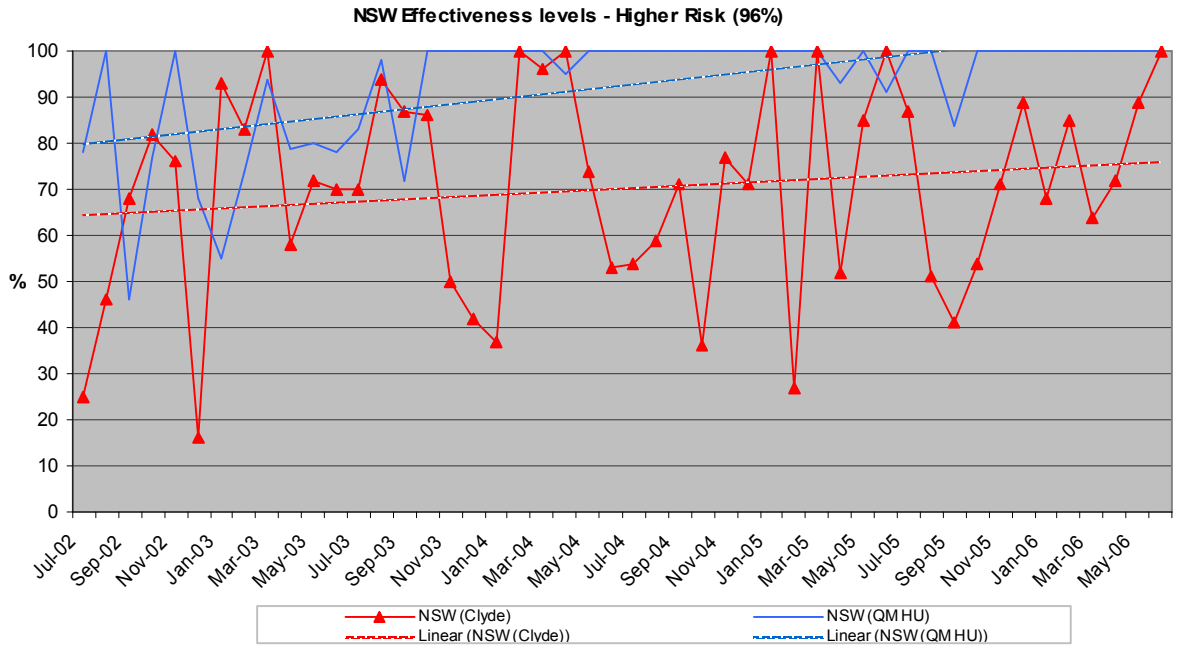


Figure 6.4 - Effectiveness Levels (Higher Quarantine Risk) - NSW

Clyde Mail Centre

The data shows that the NSW Clyde Mail Centre has not consistently met the target of 96% effectiveness for higher risk quarantine items, although this has been occasionally achieved. The centre has had significant variation in effectiveness since IQI funding was provided. Effectiveness results for January 2003, January 2004, November 2004, January 2005 and October of 2005 were below 40%.

An important factor in performance at mail centres is the infrastructure to facilitate intervention, particularly during peak volumes. Upgrades to the infrastructure of the Clyde Mail Centre have now been completed. Interim upgrades to smaller mail centres provided additional conveyor belts and streamlined processing of mail by Australia Post, allowing more effective quarantine intervention. Furthermore, over a four year period a new mail centre was developed in Melbourne, and the Clyde mail facility in Sydney was completely refurbished.

The pre-existing mail centres had physical space limitations which restricted the number and operational capacity of AQIS dog teams and resources. As well, the limited infrastructure capacity of the mail centres reduced the effectiveness of additional resources placed in the Clyde Mail Centre during high volume periods. Due to physical constraints on the areas of operations, only small numbers of additional officers and detector dog teams could be placed in the mail centres before the upgrades were completed. As a result, placing additional officers and dog teams at the mail centre does not necessarily translate into higher effectiveness achievements.

NSW QMHU

The graph demonstrates that the NSW QMHU began achieving higher effectiveness levels in October 2004. Since this time the centre has consistently met, or fallen just below, the effectiveness target for the Program. This can be linked to the lower volume of mail entering the centre, and the infrastructure upgrades that were completed in the centre in 2002.

Victoria

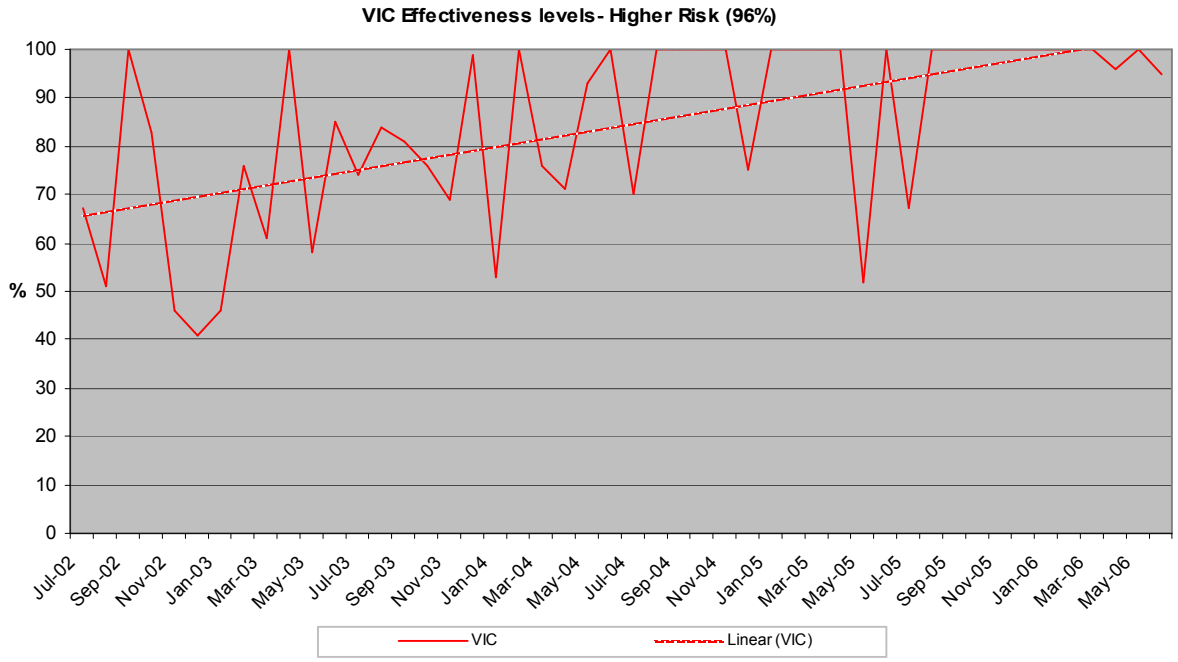


Figure 6.5 - Effectiveness Levels (Higher Risk) - VIC

The Melbourne International Mail Centre recorded variable effectiveness results between 2002 and 2005, but has since reached and generally maintained the Government's targets of 50% (for risk quarantine items) and 96% (for higher risk quarantine items) from August 2005. The primary reason for higher achievements since this time has been the recent completion of infrastructure upgrades, as well as more focused attention on effective profiling regimes and training for staff.

Other Mail Centres

In 2005/06, the remaining 14.1% of incoming international mail arriving in Australia is received at the smaller mail centres in Adelaide, Brisbane, Perth and Darwin. Infrastructure upgrades for all of these centres were completed by 2003. A combination of the infrastructure upgrades and lower volumes has contributed to higher effectiveness levels in comparison to the New South Wales and Melbourne mail centres.

The graph below outlines effectiveness levels of the Adelaide and Darwin Mail Centres, and how they have tracked against the higher quarantine risk effectiveness target.

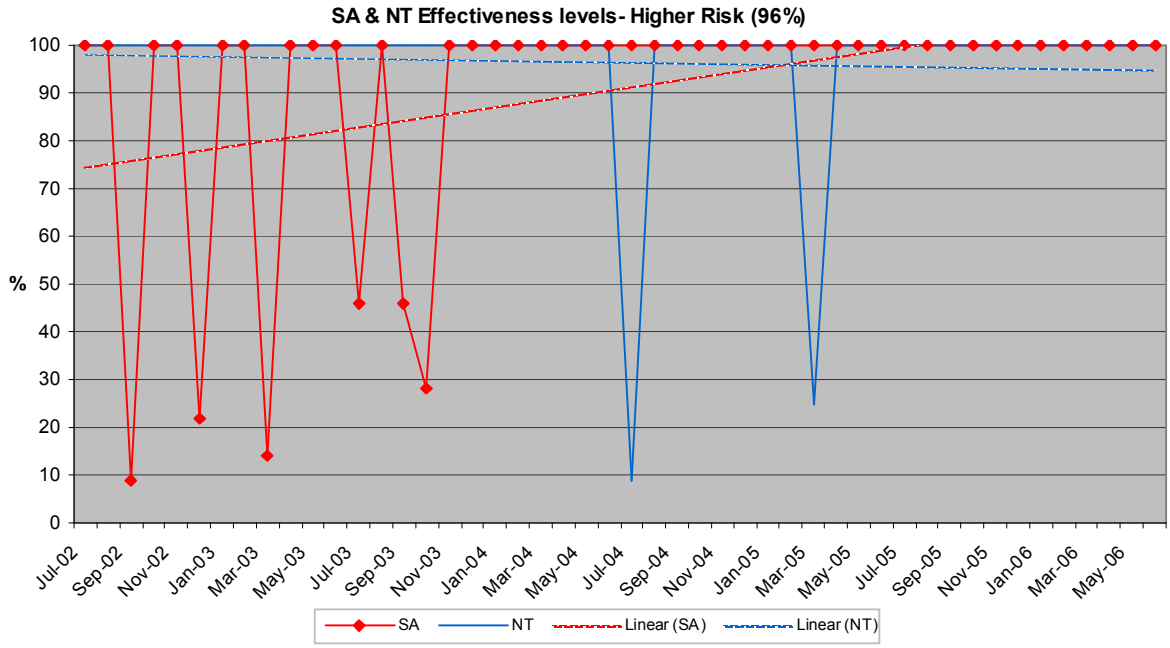


Figure 6.6 - Effectiveness Levels (Higher Risk) – SA & NT

The Adelaide Mail Centre recorded considerable variability in its effectiveness results from July 2002 to November 2003. Since this time, Adelaide has been able to consistently achieve effectiveness targets of 100%. This can be attributed to infrastructure upgrades and focussed staff training.

The Darwin Mail Centre has been able to maintain 96% effectiveness since July 2002, although the region did have two months in which levels dropped to 9% in July 2004, and around 25% in March 2005.

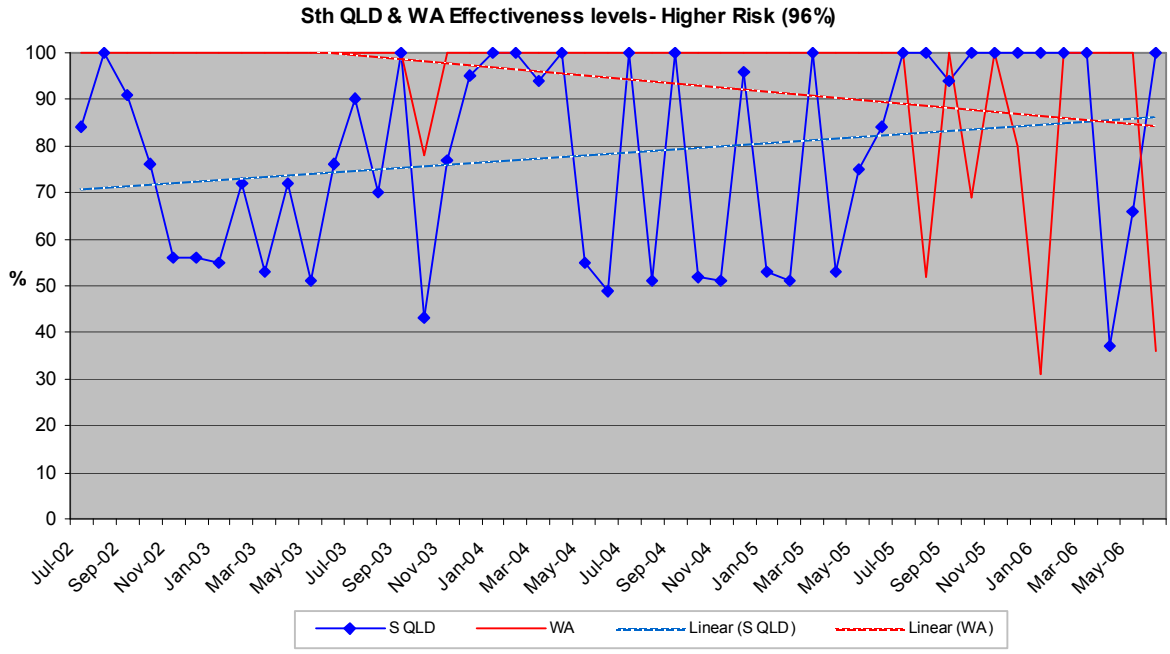


Figure 6.7 - Effectiveness Levels (Higher Risk) – Sth QLD & WA

The Brisbane Mail Centre has recorded variable effectiveness levels throughout the period graphed above. From July 2005, the centre was able to maintain effectiveness at Government targets through until March 2006. An isolated decrease in effectiveness performance occurred in April 2006 and May 2006, before returning to 100% effectiveness.

Since 2001/02 the Perth Mail Centre has generally achieved the Government's effectiveness targets. However, since July 2005 the region has experienced variations and inconsistent level of effectiveness, dropping to 30% in January 2006.

Recommendation
Consideration should be given to reviewing procedures in the Perth Mail Centre to ascertain the causes of the variations in effectiveness results since July 2005 and implement corrective action.

In part, the ongoing challenges facing the International Mail Program arise because of the limitations of existing technology. The types of x-ray technology used by AQIS at International Mail Centres are the best available technology but it is still very difficult to identify small quarantine items, such as feathers, small quantities of dried plant material, and small packets of seeds. This directly impacts on the ability of regional mail centres to maintain Government high quarantine risk effectiveness targets.

Effectiveness – Quarantine Risk

The graph below details achievement against the Government's target of 50% effectiveness for Quarantine Risk items.

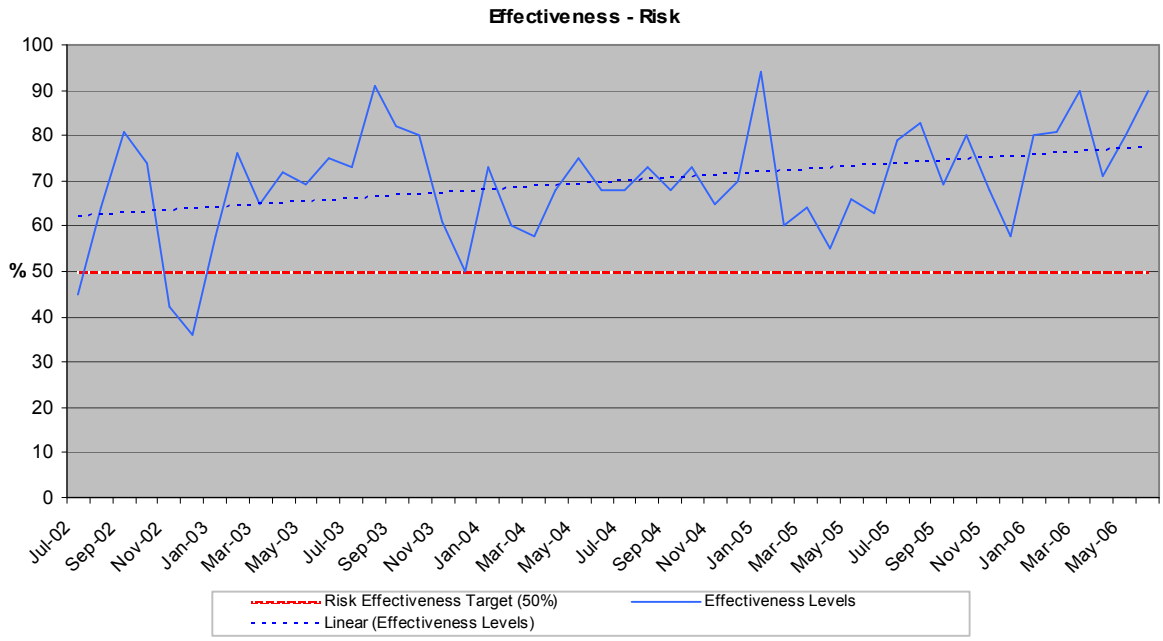


Figure 6.8 - Effectiveness Levels (Risk)

At a national level, the Program has exceeded the target levels for quarantine risk effectiveness since August 2002, although for a brief period between November 2002 and January of 2003 the Program did not meet the target. Since January 2003, the International Mail Program, at a national level, has consistently exceeded the 50% Government target for quarantine risk items entering the country. The trend line shows consistent improvement in the achievement of the quarantine risk effectiveness target.

Regional Analysis

- The QMHU Mail Centre in NSW has consistently achieved the Government's risk effectiveness target since July 2002;
- The Clyde Mail Centre has generally maintained achievement of the quarantine risk effectiveness target, although there have been periodic drops in achievement. For the periods July 2002, December 2002, January 2004, November 2005, and September 2006, effectiveness levels dropped below 50%. Infrastructure constraints before the upgrades in 2006 and mail volumes are the primary reason for reduced effectiveness during these periods.
- Since July 2002, the Melbourne Mail Centre has recorded effectiveness levels below the target on only three occasions; July 2002, December 2002 and October 2003. Other than in these three months, the Program has exceeded the effectiveness target set by Government;
- The Darwin Mail Centre has recorded 100% effectiveness on quarantine risk items since July 2002;
- The Adelaide Mail Centre has consistently achieved the Government quarantine risk effectiveness targets since July 2002. The Program has had four months in which effectiveness rates were under 50%, July 2002, August 2002, December 2002 and October 2003;

- The Brisbane Mail Centre, apart from August 2002, December 2002, March 2004 and August 2004, has been able to maintain the quarantine risk effectiveness target of 50%; and
- Perth has only recorded three occasions in which levels have fallen below the required target levels, these being March 2003, October 2005 and January 2006.

Seizures

In accordance with the Government's effectiveness targets, seizures are identified as Higher Quarantine Risk and Quarantine Risk. The graph below identifies the number of higher Quarantine Risk Seizures for the International Mail Program since July 2002, by class of mail.

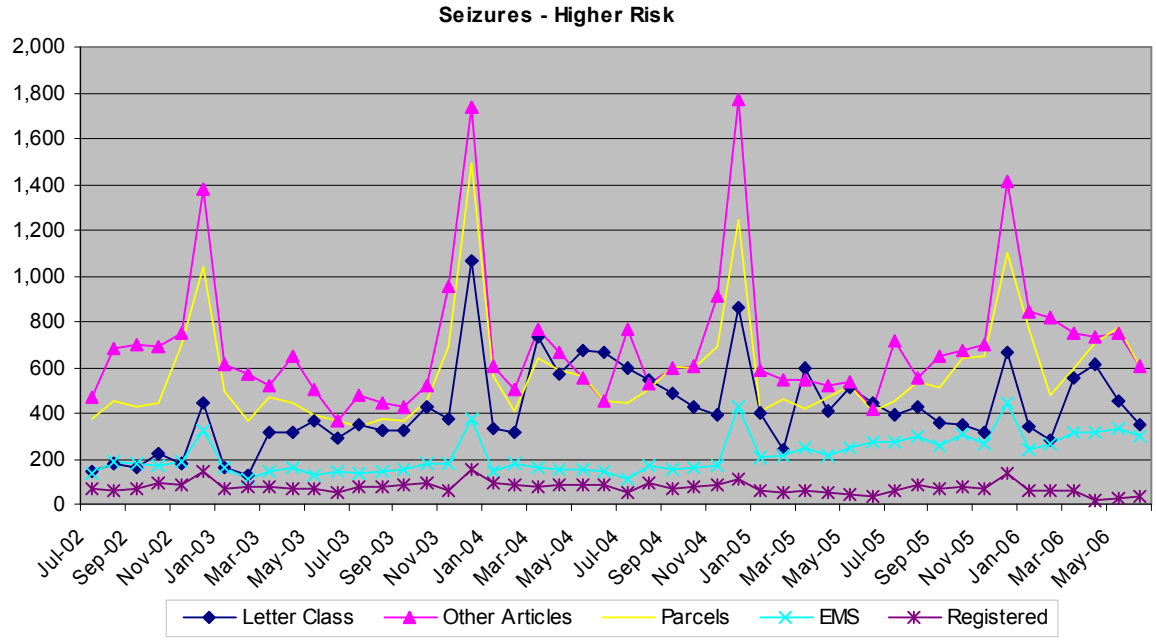


Figure 6.9 - Seizures (Higher Risk)

The graph shows the correlation between seizure levels and seasonal volumes of mail entering International Mail centres. During the Christmas period, the Program records its greatest number of higher quarantine risk seizures in all categories of mail.

Throughout each year, the data shows that the greatest number of total seized items arrived with other articles and parcel categories of mail. This is despite the fact that other articles and parcels only represented a comparatively small volume of mail (11.7% in 2005/06, as opposed to letter class, which represented 85.8%).

The graph below further identifies seizure rates of quarantine risk items for the International Mail Program.

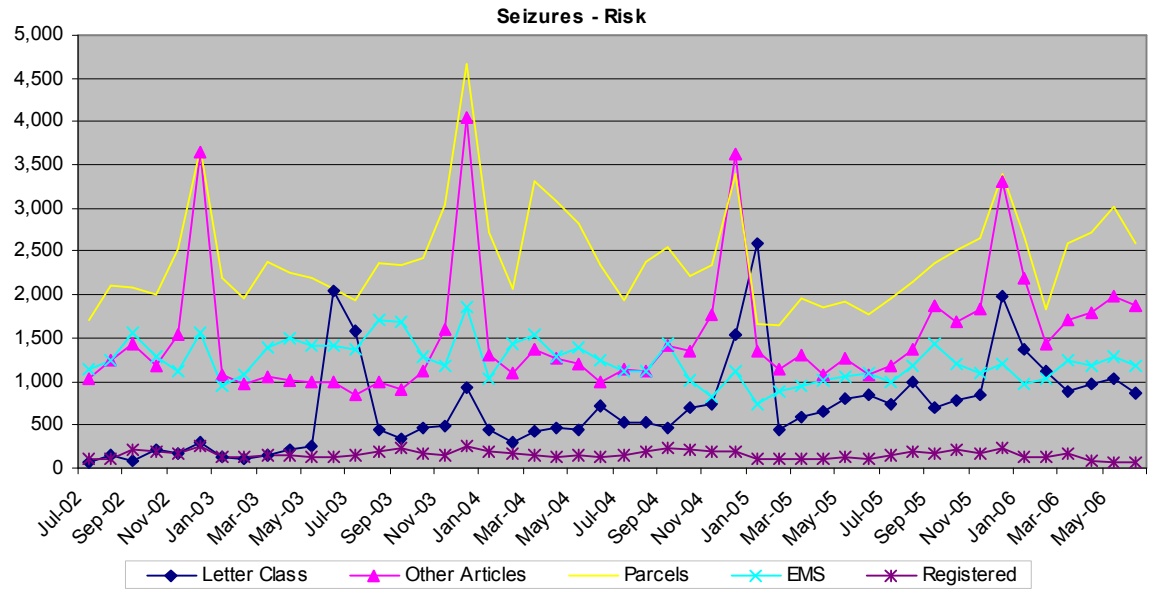


Figure 6.10 - Seizures (Risk)

Like higher quarantine risk mail, the greatest number of quarantine risk items arrive in parcels and other articles.

Analysis of the seizure rates demonstrates the different quarantine risk characteristics of different categories of mail. Seizure rates are calculated by dividing an estimate of the total volume of mail entering Australia by the number of items seized through intervention. The graph below identifies seizure rates by mail category.

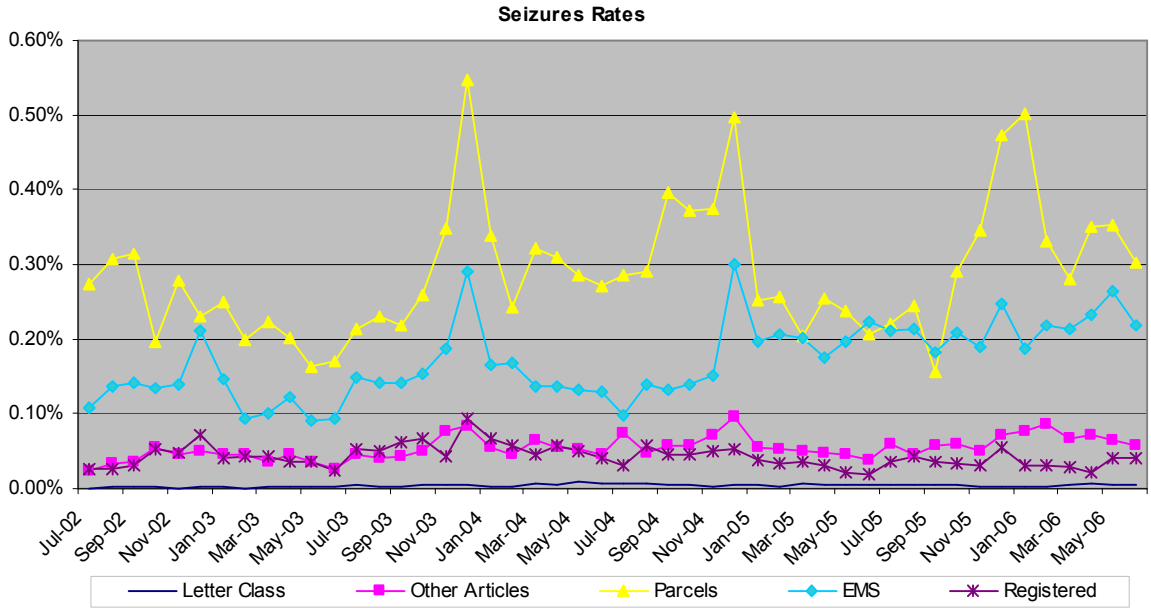


Figure 6.11 - Seizures Rates

The graph demonstrates that the greatest rates of seizures per volume of mail are predominately in parcel size and EMS mail. It can be seen that the percentage of higher quarantine risk items found in letter class mail is comparatively lower than the other classes of mail. Whilst the seizure rate for letter class, other articles and registered mail is consistently less than 0.10%, the seizure rate for parcels has reached as high as 0.55%. Seizure rates for letter class have not exceeded 0.0069% at a national level.

Recommendation

The International Mail Program is required to maintain a 100% intervention rate for all classes of mail, which reduces the discretion of AQIS to direct resources to higher quarantine risk categories. The low frequency of seizure for letter class mail suggests that a review of the intervention target for this class of mail may be warranted.

6.3 Overlap with Other Programs

The International Mail Program works closely in each mail centre with Australia Post and Customs in inspecting / screening international mail entering Australia. The roles of AQIS and Customs staff are different and are driven by their respective legislation. The types of prohibited goods that each agency is trying to find are different and require different skill sets and training.

Customs is concerned with the targeting, screening and examination done for community protection reasons (narcotics, weapons, etc) and undertakes a revenue protection role. AQIS and Customs have operational agreements whereby they jointly use facilities and x-ray machines to inspect all items of mail entering Australia. X-ray staff for each agency have specialised skills in identifying items specific to their operational objectives.

Detector dogs are owned and trained separately by each agency, and are trained specifically to identify items of concern for their agency and program.

At an operational level, Customs refers any items of potential quarantine interest to AQIS officers and AQIS officers refer to Customs any items of Customs interest.

Our observation of AQIS and Customs practices at the mail centre revealed staff performing their respective tasks in an integrated and co-operative manner. Operating procedures have been stable since 2002/03 and this is reflected in the sound working relationship between the two agencies at an operational level. As part of our site visits, we specifically assessed whether there was duplication of resources or processes for the International Mail Program. No instances of duplication were identified and we consider this appropriate given the different skills required for each of the different functions performed by AQIS and Customs.

6.4 Industry Involvement

The International Mail Program relies on a strong working relationship with Australia Post and Customs. This relationship is fundamental to the Program's continued efficiency and effectiveness. In order to ensure a strong relationship, AQIS, Customs and Australia Post have in place a Tripartite Committee.

Each region has a local Tripartite Committee, with representatives at the manager level. AQIS's representatives are normally the AQIS Mail Manager and the appropriate Assistant Regional Manager. The regional Tripartite Committee meets monthly to discuss local operational issues.

The National Tripartite Committee consists of senior management of the three agencies, with levels including SES Band 1 (or equivalent) and Program Managers. The Committee meets quarterly and considers operational arrangements in place at mail centres.

Representatives of the three agencies liaise frequently outside of the scheduled committee meetings, with appropriate matters being referred to the formal meetings for ratification.

6.5 Cost Recovery

The *Quarantine Act 1908* specifies that the Minister for Agriculture, Fisheries and Forestry is able to make determinations for fees and charges relating to quarantine services. A determination requires fees to be outlined in regards to cost recovering certain services performed in relation to quarantine activities. AQIS is required to advise the Department of Finance and Administration of six Cost Recovery Impact Statements (CRIS) for changes to fees, which came into effect in 2005/06.

AQIS submitted a CRIS specific to the International Mail Program as a result of amendments to the fee structure regarding quarantine services to Australia Post. This fee change resulted in the *Quarantine Service Fees 2003/2005 (Australia Post) Determination 2003,* being replaced by an updated determination, the *Quarantine Service Fees (Australia Post) Determination 2005*.

Changes to the determination included.

- No expiry date on the new Determination. Previous payments from Australia Post were paid quarterly, however under new policy, the agency is required to pay annually on receipt of invoice.
- Each year, AQIS is required to calculate the true cost of delivering quarantine services at mail centres to determine the amount to be cost recovered from Australia Post.

Prior to 2001, the Program was fully cost recovered. Since 2001, the cost recovery from Australia Post only represents a minority of expenditure by the Program. As shown in Chapter 2, the majority of program revenue comes from Government appropriations.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Sale of Goods & Services ($000)	2,196	2,071	2,777	3,110	3,089	3,413	4,018	3,985	3,985	3,985
Total Revenue ($000)	2,196	10,093	15,749	15,990	16,791	18,661	19,176	19,261	19,261	19,261
Cost Recovery as a % of Total Revenue	100%	21%	18%	19%	18%	18%	21%	21%	21%	21%

Table 6.6 - Cost Recovery Analysis

Data provided for the International Mail Program shows cost recovery (Sale of Goods and Services) at 100% in 2000/01, when the Program was fully cost recovered through Australia Post. With the introduction of IQI funding in 2001/02, cost recovery was initially 20.52% of Program revenue, but in 2005/06 its proportion had fallen to 18.29%.

Recommendation
AQIS should re-assess the level of cost recovery in the International Mail Program.

6.6 Cost Effectiveness

In analysing the effectiveness of the six quarantine border programs, we have considered the following:

- Reasonableness of the International Mail Program key cost elements, including benchmarking with other organisations, particularly Customs; and
- Sustainability of the budget.

6.6.1 Reasonableness of Key Cost Estimates

The table below outlines the key expenditure items for the International Mail Program between 2000/01 and 2005/06 with projections out to 2009/10.

	00/01 Actual $'000	01/02 Actual $'000	02/03 Actual $'000	03/04 Actual $'000	04/05 Actual $'000	05/06 Actual $'000	06/07 Budget $'000	07/08 Budget $'000	08/09 Budget $'000	09/10 Budget $'000
Total Costs	**1,320**	**10,093**	**15,749**	**15,990**	**16,791**	**18,661**	**19,426**	**19,909**	**20,409**	**20,930**
Employee Expenses	1,292	5,775	8,359	9,418	9,776	10,694	10,904	11,341	11,794	12,266
Overhead Costs	116	1,234	1,785	2,043	2,137	2,271	2,094	2,133	2,173	2,214
Detector Dogs	0	1,330	2,592	2,557	2,690	3,579	3,891	3,891	3,891	3,891

Table 6. 7 - Key Expenditure ($000)

Key cost elements for the International Mail Program are employee expenses, overhead costs and Detector Dog costs (89% in 2005/06).

With the increase in IQI funding in 2001/02, employee expenditure increased from $1.3 million in 2000/01 to $5.8 million in 2001/02. This is directly linked to the increase in FTE numbers required by the program to achieve intervention and effectiveness levels. Employee expenditure has continued to rise since 2001/02, with the increase in expenditure generally in line with increased FTE numbers in the Program.

The International Mail Program has experienced an increase in growth in expenditure between 2000/01 and 2005/06 from $1.3 million to $18.6 million. A significant proportion of growth occurred in 2001/02, with the introduction of IQI funding, followed by more moderate increases after 2001/02.

New South Wales has the greatest total expenditure, followed by Victoria, which reflects the greater volumes of international mail through these regions.

Summary of our findings on the reasonableness of International Mail Program costs is provided below, followed by detailed analysis.

Summary

- The cost of delivering quarantine services at international mail centres per FTE is higher than Customs IQI Postal Operations costs per FTE.
- As a proportion of total Program expenditure, employee expenditure has remained relatively stable since 2001/02, tracking between 53% and 57%.
- Employee expenses per FTE compare favourably with Customs and other benchmarked agencies.
- Base salary, superannuation, leave entitlements and allowances compare favourably with benchmarks
- Percentage of overtime and penalty expense of total employee expenditure is higher than that paid for relevant Customs IQI functions.

International Mail Program Cost per FTE

The table below compares AQIS International Mail Program cost per FTE with the equivalent Customs IQI function (Postal Operations) cost per FTE.

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS International Mail Program Cost per FTE	$87	$109	$112	$123	$132
Customs IQI Postal Operations Cost per FTE	$94	$113	$105	$116	$116

Table 6.8 - Customs IQI Postal Costs per FTE versus AQIS International Mail Costs per FTE

The Customs postal function relates to Customs officers referring animal or plant products of quarantine interest detected at International Mail Centres to AQIS officers.

The AQIS cost per FTE in the table above is higher than Customs in 2003/04 and 2005/06 and lower in 2001/02 and 2002/03. However, AQIS cost per FTE compares favourably with other agencies benchmarked in Table 3.7 in Chapter 3 of the report (which show a range of $140,000 to $199,000 per FTE).

At the time of writing, we are awaiting further information from Customs to understand these differences.

Employee Expenses

The major employee expense categories are provided below:

Employee Expense	2005/06 Expenditure $'000	% of Total Employee Expenditure
Base Salary	$6,184	58%
Superannuation	$1,316	12%
Allowances	$77	1%
Leave Entitlements	$647	6%
Overtime	$796	7%
Other Employee On-Costs	$330	3%
Penalties	$1,072	10%
Staff Training and Development	$50	0%
Other	$221	2%
Total Employee Expenditure	**$10,694**	**100%**

Table 6.9 - Employee Expense Categories

Employee expenses represent 57% of total Program expenditure in 2005/06.

Employee expense per FTE and employee expenditure as a percentage of total Program expenditure during 2001/02 to 2009/10 is provided in the table below, as well as Customs total IQI functions employee cost per FTE (separate employee costs for Customs IQI Postal Operations function employee cost was not available at the time of writing this report).

	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
AQIS Employee Expenses ($000)	5,775	8,359	9,418	9,776	10,694	10,904	11,341	11,794	12,266
AQIS FTE Figures	115.4	143.9	143.2	136.3	141.5	149.3	150.4	150.4	150.4
AQIS Employee expenditure per FTE ($'000)	$50	$58	$66	$72	$76	$73	$75	$78	$82
AQIS Employee expenditure as a % of Total Expenditure	57%	53%	59%	58%	57%	56%	57%	58%	59%
Customs total IQI Employee Cost per FTE ($'000)	n/a	$76	$84	$79	n/a	n/a	n/a	n/a	n/a

Table 6.10 - Employee Expenses

AQIS FTEs have increased by 23% during 2001/02 to 2005/06 and are expected to continue to increase 6% to 2009/10. The cost per AQIS FTE compares favourably with Customs IQI functions and with other agencies benchmarked ($71,000 to $87,000 per FTE as per Table 3.11 in Chapter 3).

Base Salary

The table below shows base salary costs for AQIS for 2001/02 to projected 2009/10.

	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
AQIS Base Salary ($000)	3,562	5,046	5,655	5,784	6,184	6,749	7,019	7,299	7,591
AQIS FTE Figures	115.4	143.9	143.2	136.3	141.5	149.3	150.4	150.4	150.4
AQIS Base Salary per FTE ($000)	31	35	39	42	44	45	47	49	50

Table 6.11 – AQIS Base Salary

Base Salary expenditure has shown a level of stability across periods and has increased from $30,855 in 2001/02 to $43,721in 2005/06, an increase of almost $12,866. This reflects base salary movements within the DAFF collective agreement and is consistent with Australia Bureau of Statistics data on salary movements over the period. A further increase in base salary is expected to occur in future years to approximately $50,000 per FTE.

It would be expected that the stability identified in Base Salary payments per FTE for the International Mail Program would reflect a stable profile in workforce band levels. The graph below demonstrates the shifting FTE profile of the International Mail Program across salary levels.

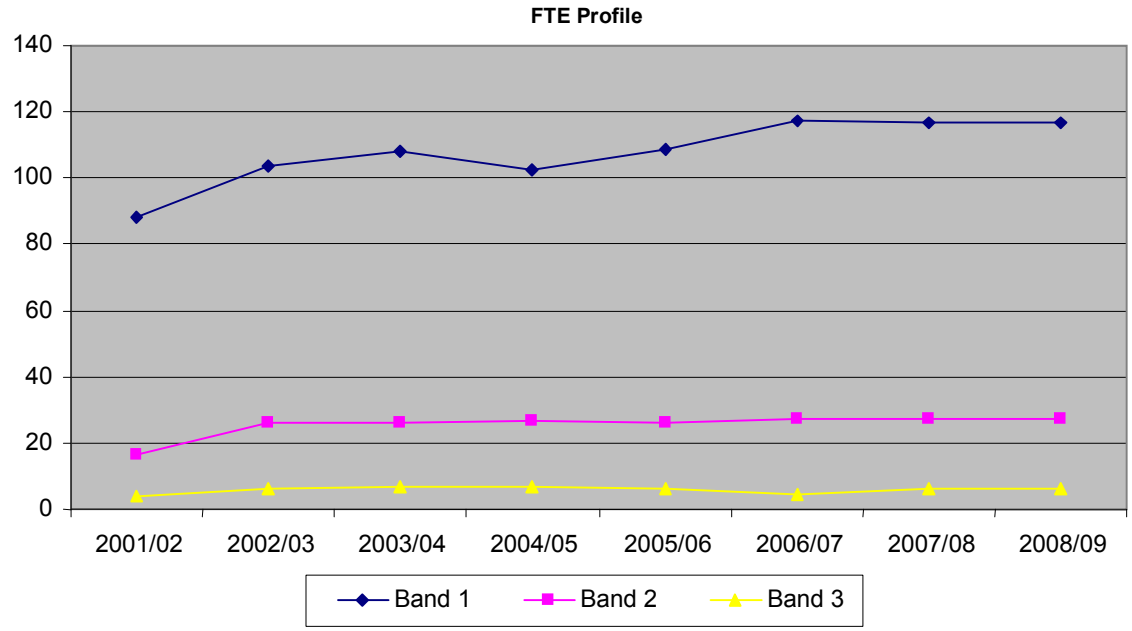


Figure 6.12 - Change in AQIS FTE Profile

The Program has increased the number of Band 1 staff since IQI funding in 2001. Since 2002/03 the level of Band 2 and Band 3 staff has remained constant. This correlates with the total base salary figures per FTE identified previously. The figures show that the Program has implemented a cost effective way of managing increased FTE numbers by using lower level staff where possible.

The graph below further outlines salary expenditure on a per FTE basis across regions since 2001/02.

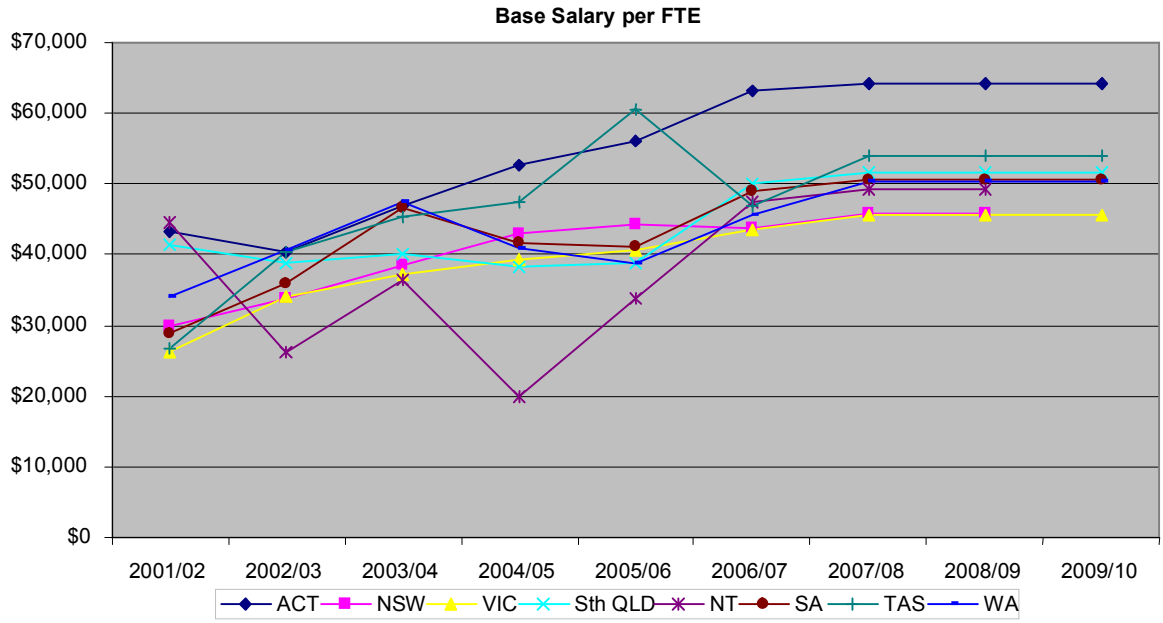


Figure 6.13 - Base Salary per FTE

The graph demonstrates:

- base salary payments for the ACT are considerably higher than other regions and territories, reflecting the more senior levels of employees working within the National Office. These staff are responsible for policy development, national coordination and overall management of the Program, and base salary costs would be expected to be higher; and
- there has been a considerable shift in base salary payments for staff in the Northern Territory, South Australia and Tasmania from 2001/02 to 2005/06. In the Northern Territory, base salary payments per FTE have fluctuated from as high as $36,000 in 2003/04 to as low as $20,000 in 2004/05. This can be explained by the small size of the regional centres since in small centres, slight shifts in staffing profiles will have a pronounced effect.

Superannuation Expense

In 2005/06 superannuation represented 12% of total employee expenses. Comparison of this percentage with other Australian Government agencies reveals that the International Mail Program falls within the range of agencies benchmarked (12% of total employee expenses in 2005/06 for AFP to 15% for Customs).

Leave Entitlement Expense

Leave entitlement expense for the International Mail Program represented 6% of total employee expenditure in 2005/06. This compares favourably with leave entitlement percentage of total employee expenses for Customs in 2005/06 of 8%.

Allowance Expense

Allowances represent only 1% of total International Mail Program employee expenses. Table 6.12 below displays allowances as a percentage of total employee costs for Customs IQI function and total Customs, and shows that allowances are low for the International Mail Program.

Allowances	2001/02	2002/03	2003/04	2004/05	2005/06
International Mail Program	1.03%	0.67%	0.38%	0.62%	0.72%
Total Customs	*	*	*	3.44%	3.53%
Customs IQI	*	*	1.46%	1.44%	1.46%

Table 6.12 - Percentage of Allowance Costs of Total Employee Costs for AQIS and Customs

* Data not available from Customs

Penalties Expense

Penalties comprised 10% of total International Mail employee expenses in 2005/06. Comparison of penalties with Customs shown in the table below indicates that International Mail penalties are higher than total Customs but less than total Customs IQI functions percentage penalties.

Penalties	2001/02	2002/03	2003/04	2004/05	2005/06
International Mail	8.39%	10.11%	10.69%	10.44%	10.02%
Customs	6.80%	7.11%	7.40%	6.82%	6.98%
Customs IQI	*	*	12.73%	12.17%	13.04%

Table 6.13 - Percentage of Penalty Costs of Total Employee Costs for AQIS and Customs

* Data not available from Customs

New South Wales and Victoria have consistently incurred higher penalty costs per FTE. In 2005/06, this equated to approximately $10,106 per FTE in New South Wales and $7,462 per FTE in Victoria.

Higher penalty expenditure arises in these regions because of the large volumes of mail that must be processed through these centres every year.

A review of rostering for the Sydney Clyde and QMHU centres indicates staff work every Sunday from 0630 hours to 2200 hours, to be on-site during Australia Post mail handling operations. Two shifts on Sundays are required by the Program in these regions to complement the hours worked by Australia Post, resulting in comparatively high penalty costs being paid to staff.

In order to assess penalty rate expenditure, analysis was conducted on similar industry penalty payments from certified agreements, enterprise bargaining arrangements and collective agreements.

Category	AQIS	DIMA	Customs	TNT	DHL	Australia Post
Monday to Friday (Ordinary Duty performed on a shift)	15% (between 6:30pm and 6:30am)	15% (between 6.00pm and 6.30am)	15% (between 6.00pm and 6.00am)	-	-	15% (between 6.00pm and 6.30am)
Monday to Friday (Ordinary hours worked continuously for a period exceeding 4 weeks on a shift)	30% (between 6:30pm and 6:30am	30% (between 6.00pm and 8.00am)	30% (between 6.00pm and 8.00am)	-	-	30% (between 9.00pm and 6.30am)
Saturday (ordinary duty)	50%	50%	50%	50%	50%	50%
Sunday (ordinary duty)	100%	100%	100%	100%	100%	100%
Public Holiday (ordinary duty)	150%	150%	150%	150%	150%	150%

Table 6.14 - Analysis on Certified Agreement

Comparison of the penalty rates for these organisations shown in Table 6.14 show that AQIS penalty rates are also consistent with those organisations. (Table 6.14 also indicates that base salary levels for staff at ASO 4 - 6 levels for AQIS, DIAC and Customs are comparable).

Due to the nature of mail processing, and the need to match staffing levels to the operating hours of mail centres (including Sundays) set by Australia Post, AQIS may wish to consider alternatives to paying penalty rates, such as standardised annual allowances where appropriate, specifically for regions such as New South Wales and Victoria.

Recommendation
Where appropriate, regular workloads exist, DAFF and AQIS should continue to explore the option of moving to a system of standard annual rates for those programs where such an annualised approach might produce a saving in administration costs. This may present opportunities for administrative efficiencies through the reduced need for filling out time sheets and calculating penalty amounts. Payroll processing will have fewer variables and may be simpler. However, it is recognised that annualised allowances will only be an option in limited circumstances.

Overtime Expense

The core hours for employees working standard days and hours in the International Mail centre are Monday to Friday, 36.5 hours per week, with a span of hours of 6:30am to 6.30pm.

Extra duty is available for work performed by employees as directed:

- outside the standard days and span of hours specified above;
- provided 8 hours (or for shift workers their normal rostered hours) have been worked on any one day; or
- on a public holiday.

Overtime expenses represented 7% of total employee costs for the International Mail Program in 2005/06. Percentage overtime of total employee expenditure for the International Mail Program was higher than that for Customs in the same year.

	2001/02	2002/03	2003/04	2004/05	2005/06
International Mail	4.69%	4.83%	3.65%	4.61%	7.44%
Total Customs	3.31%	3.19%	2.15%	3.10%	3.20%
Customs IQI	*	*	2.48%	3.61%	3.75%

Table 6.15 - Percentage of Overtime Costs of Total Employee Costs for AQIS and Customs

* Data not available from Customs

The data graphed below outlines overtime costs per FTE for the program at a Regional level.

At the National level, overtime payments increased from $3,304 in 2004/05, to $5,626 per FTE in 2005/06. However, AQIS forecasts a substantial reduction in overtime expenditure per FTE in 2006/07 to approximately $2,834.

The graph below identifies overtime expenditure per FTE within each region from 2001/02 to 2005/06.

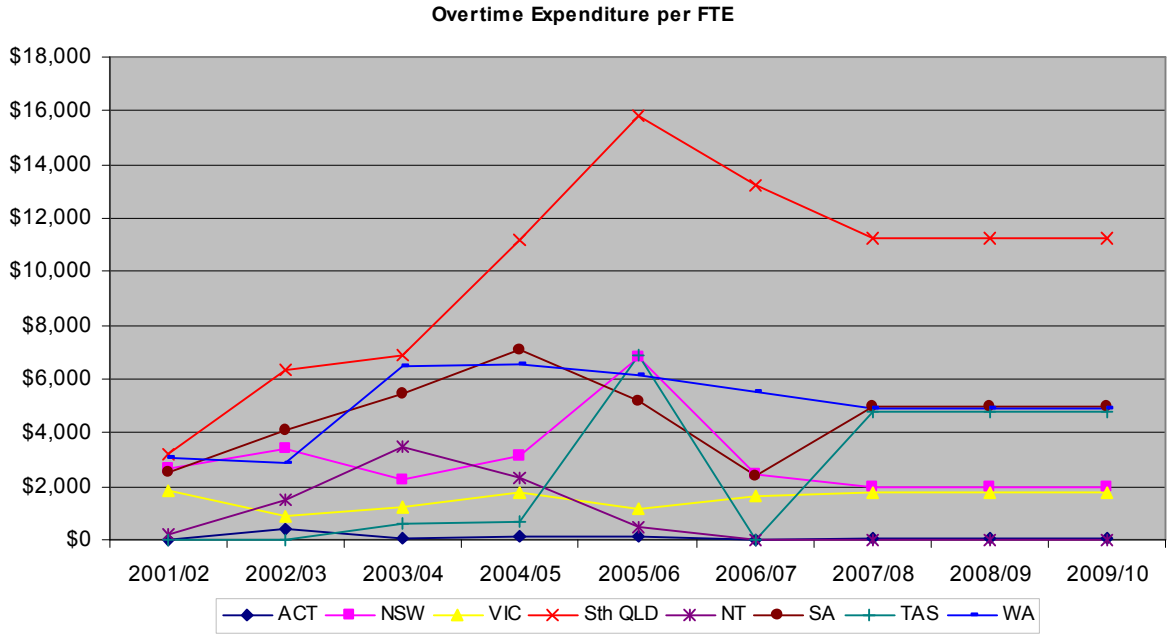


Figure 6.14 - Overtime Expenditure per FTE

This graph indicates that in South Queensland, overtime costs per FTE are significantly higher than other regions. A review of the region's rostering schedule showed that rostered hours are 7.5 hours per day from Monday to Saturday. Due to the relatively low number of FTEs working in the region, overtime hours are required to be completed to match the demand in volumes of mail entering the centre.

For 2005/06, overtime expenditure in South Queensland totalled $138,346, at $15,852 per FTE. For the Brisbane Mail Centre AQIS management may wish to consider adding an additional FTE or part time employee.

Recommendation
AQIS should review overtime expenditure at the Brisbane Mail Centre.

AQIS Detector Dogs

The table below identifies expenditure in relation to the use of detector dogs within the Program. The introduction of the IQI initiative in 2001/02 saw the first use of detector dogs within the Program at a cost of more than $1.3 million. Another substantial increase followed in 2002/03, with a general increase in expenditure since then.

	2000/01 Actual	2001/ 02 Actual	2002/ 03 Actual	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Actual
Detector Dogs costs ($000)	-	1,330	2,592	2,557	2,690	3,579	3,891
Number of Dogs Teams	-	-	25.00	25.00	26.17	35.30	-
Detector Dog costs per Dog Team ($)	-	-	103,473	99,106	102,281	127,367	-
Total Expenditure ($)	1,320	10,093	15,749	15,990	16,792	18,661	19,426
Detector Dogs as a % of Total Expenditure	-	13.17%	16.46%	15.99%	16.02%	19.18%	20.03%

Table 6.16 - Detector Dog Costs

The reason for the continuing increase in detector dog expenditure is due to the substantially increased use of detector dogs for inspection of international mail items of quarantine concern. Detector dogs are the only intervention for letter class mail in all regions, and when infrastructure upgrades are complete in New South Wales and Victoria, detector dogs will also be used across Other Article and Parcel mail in both regions.

While total detector dog expenditure has increased, the cost per dog has decreased since 2002/03 indicating the benefits from efficiency of established and proven training methodologies, handling costs and kennelling.

The table below identifies the increase in the number of detector dogs for the International Mail Program at a regional basis.

	2002/03	2003/04	2004/05	2005/06
NSW	15.30	15.30	16.47	21.80
VIC	5.30	5.30	5.30	8.30
South QLD	2.40	2.40	2.40	2.40
Far North QLD	0.00	0.00	0.00	0.00
SA	0.00	0.00	0.00	0.00
WA	2.00	2.00	2.00	2.80
NT	0.00	0.00	0.00	0.00
Total	**25.00**	**25.00**	**26.17**	**35.30**

Table 6.17 - Detector Dog Numbers per Region

From 2004/05 to 2005/06 the number of AQIS detector dog teams at a national level increased from 26.17 to 35.30. This is consistent with the quantum of expenditure on the Detector Dog Program.

The table below outlines total detector dog expenditure for the Program nationally by the total number of seizures.

	2002/03	2003/04	2004/05	2005/06
AQIS Detector Dogs Expenditure ($000)	2,592	2,557	2,690	3,579
Seizures	4,812	14,693	20,160	23,041
Detector Dog Expenditure per seizure ($)	539	174	133	155

Table 6.18 - Analysis against Seizure rates

In the 2002/03 period, dog expenditure equated to approximately $539 per seizure. However, the increase in the number of dogs and the resulting higher seizure rate has resulted in significantly lower cost per seizure of $155 in 2005/06. This reflects the benefits from proven training methods and established operational procedures of AQIS staff.

6.7 Sustainability of Base Revenue

The table below shows the breakdown of revenue and total expenditure for International Mail across the period 2001/02 to 2005/06.

International Mail	2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000
Revenue – Budget Funded	$8,022	$12,972	$12,880	$13,702	$15,248
Revenue – Cost Recovered	$2,071	$2,777	$3,110	$3,089	$3,413
Total Revenue	$10,093	$15,749	$15,990	$16,791	$18,661
Total Expenditure	$10,093	$15,749	$15,990	$16,791	$18,661
Net Position	$0	$0	$0	$0	$0

Table 6.19 – Revenue and Expenditure

The graph below illustrates the change in expenses and revenue (cost recovered and appropriation funded) during 2001/02 to 2005/06.

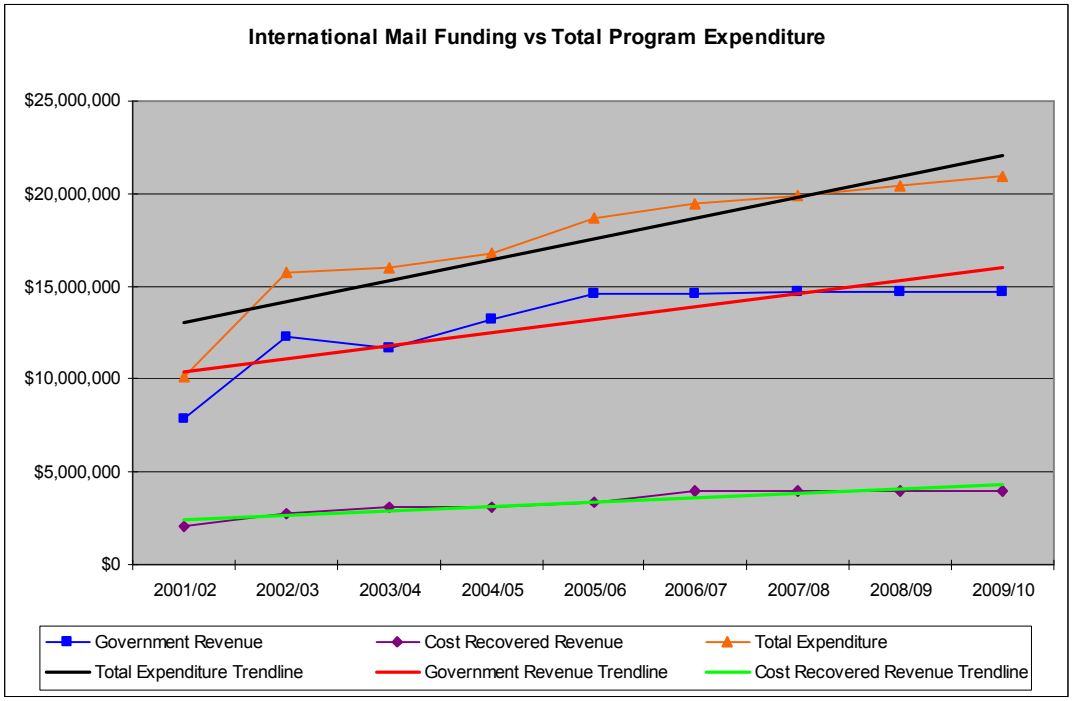


Figure 6.15 - International Mail Program Revenue versus Expense

The rate of increase in expenses is slightly greater than the rate of increase in Government revenue (the main funding source of the International Mail Program).

With increasing volumes of higher quarantine risk mail, constraints faced by the International Mail Program by current infrastructure at mail centres and legislation, and the rate of cost increases (compared with the rate of increase in government funding) , it is recommended that AQIS try to increase the proportion of Program operating costs recovered from Australia Post. This will ensure Australia Post is treated in the same manner as its private sector competitors (who pay full costs of AQIS quarantine services).

SEAPORTS PROGRAM

Contents

7. Seaports Program

7.1 Background to the Program

The Seaports Program is primarily responsible for monitoring, assessing and managing the quarantine risks associated with incoming vessels, crew, passengers and their baggage at Australia's seaports. Quarantine risks associated with international vessels include:

- passengers suspected of having quarantinable diseases;
- vessels carrying rodents which can spread disease;
- the presence of companion animals on vessels (e.g. birds, cats, dogs);
- the vessel's ballast water, which can contain aquatic pests and diseases;
- food stores and galleys on the vessel;
- vessels transporting exotic insects into Australia, such as the Asian Gypsy Moth; and
- Quarantine waste from vessels (including galley waste).

The Program also undertakes quarantine clearance of unauthorised vessels (which include illegal foreign fishing vessels).

The following table provides a snapshot of the Seaports Program and details key activities, financial and FTE resources.

Seaports Program Snapshot	
Key Activity	▪ Key activities undertaken by Seaports staff include: – monitoring, assessing and managing the quarantine risks associated with incoming vessels, crew, passengers and their baggage at Australia's seaports; and – managing and clearing unauthorised vessels. ▪ 59 proclaimed first ports of entry ▪ Inspected: – 12,829 pratique vessels – 123,326 disembarking passengers – 68,637 day tripping passengers ▪ 98% of Australia's international trade by volume in commodities is carried by shipping
Financial	▪ $12.97m Actual Revenue in 2005/06 comprising: – $11.4m in cost recovered revenue – $1.3m Departmental Appropriation ▪ 1.8 x-ray machines (including an x-ray machine shared with NAQS)

Seaports Program Snapshot	
	▪ Total expenditure in 2005/06 was $12.97m comprising: – 54% employee expenses ($7.0m) – 17% overhead costs ($2.2m) – 29% other expenses ($3.7m)
FTE	▪ 86.4 FTEs ▪ Majority of FTE are located in WA (24%), NSW (15%), Far North Queensland (14%) and South Queensland (15%) ▪ 1.6 Detector Dogs teams

Table 7.1 – Seaports Program Snapshot

7.1.1 Outcomes

The Seaports Program contributes to Output 6 of the Department of Agriculture, Fisheries and Forestry, which has as its objective 'to reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services'.

7.1.2 Priorities and Objectives

As per IQI, the Government sought enhanced quarantine intervention on two key quarantine pathways in the Seaports Program. These are:

- arriving international vessels; and
- arriving international sea passengers.

	Intervention	Effectiveness
	Target	Target
Seaports – Arriving Vessels	100%	96%
Seaports – Arriving Passengers	100%	87% higher risk
		50% risk

Table 7.2 –Intervention and Effectiveness targets

Vessels

All incoming vessels are required to undergo a routine quarantine inspection. Vessel quarantine inspections are carried out at the first Australian port of arrival, as close to the time of arrival as possible and practical, regardless of whether or not the vessel arrives out of normal operational hours or on the weekend. The vessel quarantine inspection includes all galleys, pantries, provision stores, management of the vessel's waste facilities, ballast water verification inspection and inspection of any other areas of the vessel as required by the quarantine officer.

Passengers

All disembarking sea passengers must complete an Incoming Passenger Card and declare any items of quarantine concern. Passengers disembarking in Australia may be questioned and have their luggage inspected by x-ray, detector dogs or examined by quarantine officers. All day tripping passengers need to be subject to quarantine clearance and must present their hand luggage for inspection if required. Passengers or crew temporarily leaving the vessel for day tours may have their baggage inspected by x-ray, detector dogs or quarantine officers.

7.1.3 Key Issues

The Seaports Program is currently facing a number of key challenges.

Increasing Number and Size of International Vessels

The increase in cargo ship arrivals in Australia is directly influenced by the demand for imports. As discussed in the Import Clearance chapter, between 2000/01 and 2005/06, Australia saw an average annual increase in the value of imported goods of more than 7%, with this trend expected to continue.

As shown in Figure 7.1 below, between 2000/01 and 2005/06, traffic in vessel numbers has grown. In 2000/01 11,462 vessels arrived in Australia and increased to 13,125 vessels in 2005/06, an increase of approximately 14%.

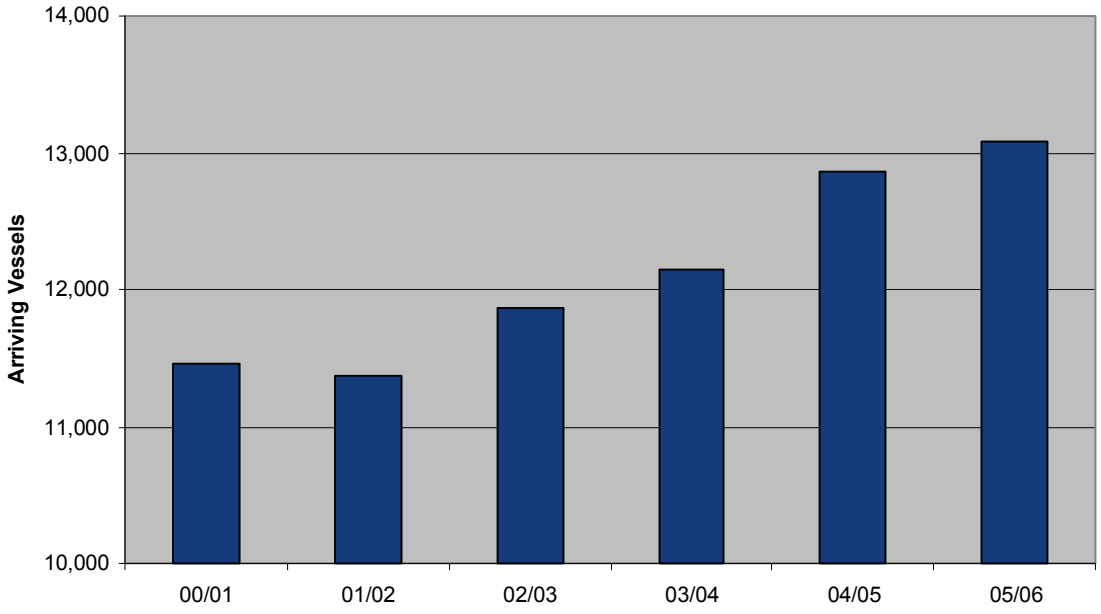


Figure 7.1 - Number of Incoming Vessels

In response to increasing volumes of international trade, the shipping industry has increased the size and capacity of vessels to cope with larger demand. Cargo ships are now capable of carrying up to 12,600 containers, although not all Australian shipping channels are deep enough to accommodate such large vessels. Ships transporting as many as 4,000 containers are used for importing goods and pressure is mounting on port authorities and governments to deepen the channels to Australia's ports.

These larger vessels may require more time and resources to perform the quarantine inspection process.

Increasing Number of International Disembarking Passengers

In the first nine months of 2005/06 over 123,000 passengers arrived in Australia by sea vessel. The growth in passenger arrivals between 2000/01 and 2005/06 is shown in Figure 7.2.

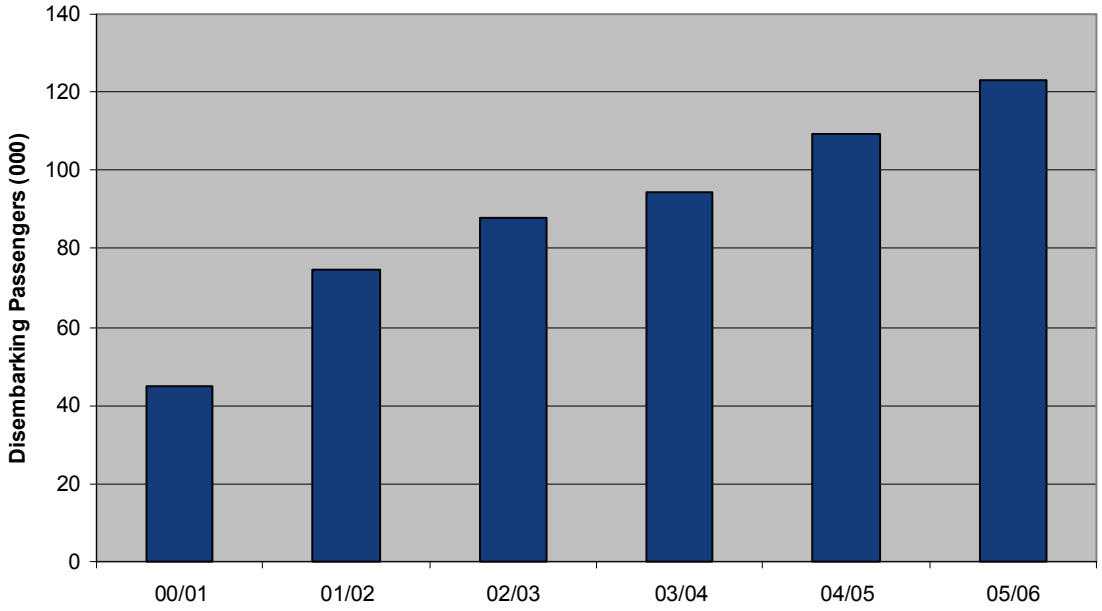


Figure 7.2 - Disembarking Passengers[1]

This growth is partly due to the increasing capacity of cruise ships, some of which are capable of transporting over 3,000 passengers and crew. The growth in arriving international passengers is most notable in Queensland, which saw an increase in arrivals from 4,641 in 2003/04 to 33,459 in 2004/05.

An increase in passengers increases the quarantine inspection workload at seaports.

The arrival of international passengers peaks in the Northern Hemisphere autumn and winter. Given the Government's target of 100% intervention on sea vessel passengers, AQIS must increase its resources at seaports during these periods to meet demand. This places pressure on staff management and can impact on costs such as overtime payments. In 2005/06, for example, total overtime expenditure for the Program equated to 24% of total base salary expenditure. This is a higher proportion of overtime than in other quarantine border programs, mostly due to the seasonal fluctuations of arriving sea passenger numbers.

Increasing Volumes of Vessels and Passengers from Regions of Higher Quarantine Risk

The composition of Australia's trading partners has been changing over time. Traditional sources of imports such as Europe and North America are being overtaken by South-East Asia.[2] Imports from

[1] Figures for 2005/06 represent the first three quarters of the year only (1 July 2005 – 31 March 2006).

[2] IBIS World Industry Report: International Sea Transport in Australia

Australia's neighbours have less distance to travel to Australian ports meaning that items of quarantine concern on these vessels and their cargo pose a greater quarantine risk to Australia and are more likely to still be viable when they reach Australia.

Also, new and emerging economies typically have a less developed animal and plant health quarantine infrastructure. As a result, vessels arriving from these countries tend to represent a higher quarantine risk to Australia.

Number and Distribution of Ports around Australia

New South Wales and Victoria's ports account for 33% and 23% of international sea cargo arrivals respectively. AQIS conducts its activities around Australia with 59 proclaimed first ports of entry under the *Quarantine Act 1908*.

The number of proclaimed first ports of arrival and their geographic spread requires AQIS to manage a widely dispersed workforce to allocate resources to the differing levels of quarantine risk arriving at each port. These are particular challenges in managing small numbers of widely dispersed staff to manage quarantine risks associated with incoming vessels and their passengers.

Physical Constraints on Ports Facilities

Port corporations and stevedoring firms own and operate infrastructure at Australia's international ports.

This leads to capacity constraints on AQIS's quarantine operations as AQIS has only limited ability to affect the nature of infrastructure installed at each port. Differing levels of technology and resources available at various ports mean that quarantine operations are more challenging at some locations, especially where geographic remoteness means quarantine staff must operate with limited management support.

7.1.4 Stakeholders

The Seaports Program has a number of key stakeholders, including:

- International sea cargo industry – major container companies are important groups in the cargo industry with a 40% share of the market. Their work is contingent on timely docking and unloading of vessels, which can be impacted by quarantine clearance requirements.
- Shipping agents – large shipping agents (who have significant operations at the Sydney ports) liaise with the ports and ship owners to organise and coordinate arrivals. These agents consult closely with Seaports Program officers, as quarantine clearance of vessels is a key component in the arrival process.
- Sea passengers and organisers of sea cruisers - the Program has recently enhanced its advertising and engagement with the cruising industry, providing quarantine posters, briefings and amnesty bins onboard to minimise the number of items passengers disembark with.
- Australian Customs Service – the Seaports Program works with officers from Customs. The two agencies often board vessels together to inspect for items of interest, which for AQIS is plant and animal material and evidence of pests and diseases, and for Customs is drugs, explosives and other illegal items.
- The Seaports Program liaises and consults with Industry organisations such as Shipping Australia Ltd, and the Australian Shipowners Association regularly on operational matters.

7.1.5 Staffing

In 2005/06, the Seaports Program had 86.42 FTE, spread across the National Office in Canberra and regional offices in the States and Territories. The graph below illustrates the breakdown of Program FTE across Australia in 2005/06.

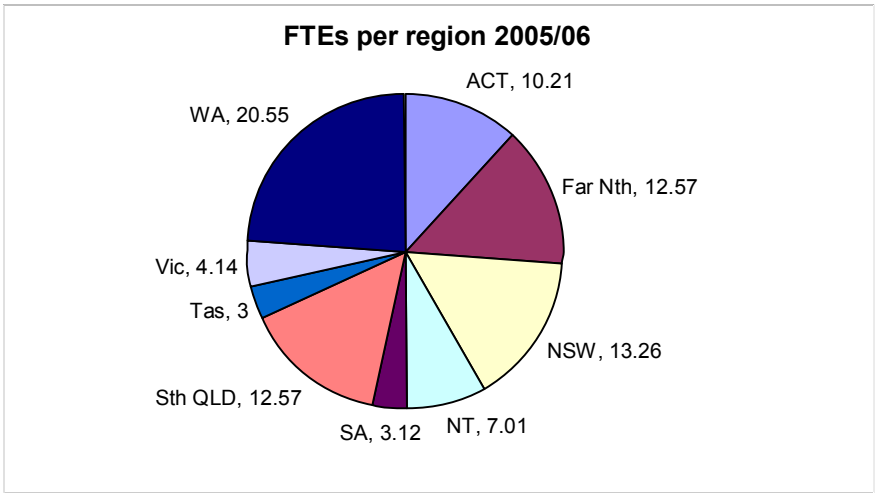


Figure 7.3 - FTE by Region

The following table provides actual FTE numbers for the Program nationally between 2001/02 and 2005/06, as well as future projections to 2008/09. This shows a continuing trend of growth to 2006/07, decreasing in 2007/08.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget
FTEs	48.0	78.06	79.49	71.57	79.72	86.42	90.46	86.39	86.39

Table 7.3 - FTE Numbers

7.1.6 Activities

High Level Processes

The Seaports Program performs three key functions:

- inspection of vessels;
- inspections of arriving international sea passengers and their baggage; and
- vector monitoring at Australia's international seaports.

These are further described below.

Vessel Inspections

When international vessels arrive at a proclaimed first port of entry they are inspected in relation to their waste management, sealing of galley stores, pest and disease incursions, and ballast water management.

All inspections are visually performed by a Seaports inspector, and a ballast water declaration computer system is used to declare the treatment of the ship's ballast. Prior to arrival in Australia, vessels submit a Vessel Declaration form to AQIS who then assess and risk profile the vessel.

Inspections are performed when the vessel is docked, as there are practical and OH&S constraints which prevent undertaking inspections at sea. Vessel inspections are undertaken as close to the arrival time as practical to minimise quarantine risks and disruption to vessel owners, cargo and passengers. This approach, which is an important component of the Government's commitment to effective facilitation of arriving vessels, cargo and sea passengers, has the potential to lead to penalties and overtime payments for Seaports Program staff where inspections are required to be performed outside of normal business hours. These are costs recovered from vessel owners in most cases. However passenger clearance activities are not cost recovered and are budget funded.

Passenger Inspections

All vessel passengers (including crew) and their baggage are subject to quarantine intervention using combination of physical inspection by AQIS staff, detector dogs and x-rays where available. This process is tailored for each vessel: for example on a large cruise ship a structured process is required where passengers and baggage will be lined up and inspected, whereas for a yacht with two passengers, inspection by a single officer is usually sufficient.

While the vessel is at any Australian port, AQIS officers may maintain gangway watches to undertake quarantine clearance of any passengers and crew who are departing the vessel. AQIS determines the appropriate time and duration of gangway watches depending on the assessed quarantine risk of the vessel and its crew.

Vector Monitoring

The Program provides vector monitoring and surveillance services at Australia's international sea ports to meet Australia's obligations under Article 19 of the International Health Regulations (1969). This is designed to quickly detect high-risk insect vectors of human disease such as mosquitoes.

To assist in vector monitoring, each port is assigned a risk category, reflecting:

- vulnerability of the port for mosquito (and other pest) incursions (i.e. the types of vessels arriving, their ports of origin and types of cargo); and
- receptivity of the port for establishment of exotic species of concern (i.e. the presence of suitable habitats and favourable environmental conditions).

The objective of vector monitoring is to minimise vectors at ports, and minimise the chances of pests breeding at ports. The surveillance program around airports and seaports aims to discover, through weekly trapping, any potential breeding locations before breeding can occur, and implement remedial action accordingly. This generally involves the port operators being required to take pest control action and clearing to eliminate potential breeding sites.

Sea vessels are considered high risk from a mosquito vector perspective. In addition to standard vessel inspection procedures, quarantine officers are also required to:

- inspect vessels for internal insect infestation;
- inspect receptacles capable of holding water for mosquito larvae and, if found, apply appropriate treatment, such as insecticides; and
- inspect built-in freshwater tanks to ensure that all openings are sealed.

Vessel and passenger inspections are facilitated by the following inputs:

Quarantine Pre-Arrival Report

The *Quarantine Act 1908* requires all Masters of arriving overseas vessels to provide information in relation to the vessel between 12 to 48 hours prior to its arrival in Australia. Referred to as *Pratique*, the Master is required to declare the health status of the vessel and its passengers and crew, prior to berthing or arriving at its first Australian port. The information to be provided is prescribed in regulations, and covers a variety of subjects such as: vessel details, recent movement history, live animal cargo, ballast water management, sanitation and the health status of passengers and crew. AQIS assesses the information received in the report and enters relevant details into the AQIS Vessel Monitoring System (VMS) database. AQIS will then issue the vessel Master an *Approval to Berth*, advising the Master that quarantine inspection of the vessel is required and that its arrival in the port is approved.

Alternate Control Measures

Since the implementation of the 100% inspection regime, the Seaports Program identified several categories of vessels that are operationally or logistically difficult to inspect at their first port of call in Australia (e.g. vessels at bunker or offshore installations and military vessels claiming sovereign immunity). Alternate control measures were implemented for such vessels and included enhanced conditions on the AQIS Approval to Berth form. Vessels operating under Alternate Control Measures are granted clearance without inspection and are charged a minimum fee of $80 to cover administration.

Profiling

The Seaports Program uses a risk profiling regime which is used to drive staff training and awareness of quarantine items, and contributes to the type and level of intervention used. Risk profiling is used by the Program for predicting where items of higher quarantine concern are likely to be found. Profiling is provided on vessel and passenger information to target higher quarantine risk – more extensive searches may be performed on higher risk vessels and passengers arriving from high risk areas.

7.1.7 Area of operations

Geography

Staff in the Seaports Program are distributed across Australia, providing quarantine services at the 59 proclaimed first ports of entry which are shown on the map below.

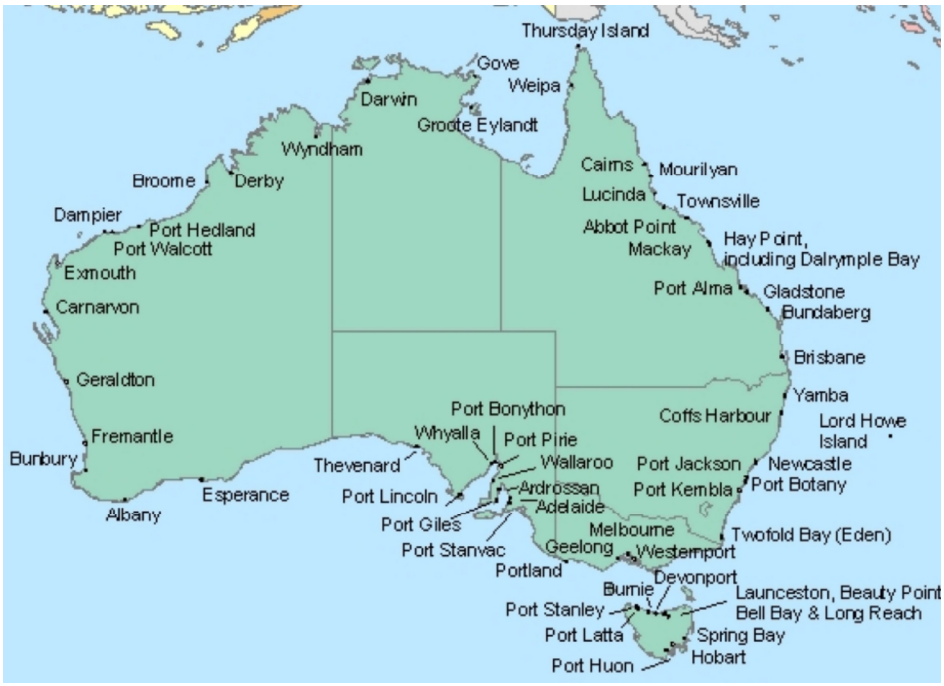


Figure 7.4 - Ports by Region (Source: AQIS)

A strategy adopted by the Seaports Program to enable efficient representation at the ports with existing resource constraints has been the establishment of parent and child ports. This system provides for remote or infrequently used ports to be attached to a 'parent port' that has a regular AQIS presence.

Table 7.4 shows the current network of parent and child ports across Australia.

Region	Parent Port	'Child Ports' Serviced
FNQld	Cairns	Mourilyan, Karumba (20AA), Cape Flattery (20AA)
	Mackay	Dalrymple Bay, Whitsundays (20AA), Hay Point
	Townsville	Abbot Point, Bowen (20AA), Lucinda
	Weipa	
	Thursday Island	
NSW	Sydney/Port Botany	
	Newcastle	Coffs Harbour
	Port Kembla	Lord Howe Island, Eden
NT	Darwin	Bing Bong
	Gove-Nhulunbuy	Groote Eylandt
SA	Adelaide	Ardrossan, Port Bonython, Port Giles, Port Stanvac, Port Lincoln, Port Pirie, Thevenard,

Region	Parent Port	'Child Ports' Serviced
		Wallaroo, Whyalla
SEQ	Brisbane	Yamba (Goodwood Island)
	Bundaberg	
	Gladstone	Port Alma
Tas	Hobart	Spring Bay, Port Huon
	Devonport	Port Latta, Port Stanley
	Launceston	Beauty Point, Bell Bay, Long Reach
Vic	Melbourne	Westernport
	Geelong	
	Portland	
WA	Fremantle	Kwinana, Cape Cuvier, Carnarvon, Useless Loop, Exmouth
	Albany	
	Broome	Derby
	Bunbury	
	Geraldton	
	Karratha	Dampier, Port Walcott, Onslow (20AA)
	Port Hedland	
	Wyndham	
	Christmas Island	
	Cocos Island	

Table 7.4 - Distribution of Ports

This approach enables AQIS to continue to service ports with infrequent traffic without being required to dedicate full time resources to locations that present practical difficulties in relation to full-time staffing due to factors such as limited workload, geographic remoteness, travel, availability of housing and other infrastructure matters.

7.2 Achievement against Objectives

7.2.1 Operational Objectives

The operational objectives of the Seaports Program are to meet the Government mandated intervention and effectiveness targets. This is discussed below.

Intervention and Effectiveness

The table below shows the performance of the Seaports Program against Government interventions and effectiveness targets during the period 2001/02 to 2005/06 (minimum and maximum achievements).

		Target	2001/02		2002/03		2003/04		2004/05		2005/06	
			Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Intervention	Seaports – Vessel Inspection	100%	97	100	100	100	100	100	95	100	99	100
	Seaports – Day Tripping Passengers	100%	n/a	n/a	n/a	n/a	100	100	100	100	100	100
	Seaports – Disembarking Passengers	100%	n/a	n/a	100	100	100	100	100	100	100	100
Effectiveness	Seaports – Vessel Inspection	96%	85	100	86	99	91	100	79	94	77	88
	Seaports – Day Tripping Passengers	Higher Risk: 87%	n/a	n/a	n/a	n/a	100	100	100	100	78	100
		Risk: 50%	n/a	n/a	n/a	n/a	100	100	100	100	44	100
	Seaports – Disembarking Passengers	Higher Risk: 87%	n/a	n/a	n/a	n/a	63	100	62	92	83	96
		Risk: 50%	85	100	40	77	55	73	68	100	91	98

Table 7.5 – Seaports Performance against Intervention and Effectiveness Targets

Table 7.5 shows that the Seaports Program has met, and usually meets or exceeds, their intervention and effectiveness targets since the introduction of IQI in 2001/02.

Vessel Inspection

Vessel Clearances account for approximately 80% of the Seaports Program's workload. As part of undertaking intervention, quarantine officers determine the degree of risk associated with a vessel by assessing the mandatory information supplied by vessels on the AQIS approved Quarantine Pre-Arrival Report (QPAR).

This form is provided to AQIS prior to a vessel arriving at an Australian port. The information from the QPAR is entered into the AQIS Vessel Monitoring System (VMS) database.

AQIS analyses information from the VMS in respect of the vessel's past inspection history and the type of vessel approaching. This helps AQIS establish a profile regarding the degree of risk of the vessel potentially possessing items of quarantine concern.

Prior to IQI funding 'Restricted' risk vessels, with a history of non-conformance with quarantine requirements, would be subject to quarantine intervention on every visit, while 'Normal' risk vessels with a good history of compliance were inspected on a random basis. Under these guidelines approximately 65% - 70% of vessels were inspected. Since 2001, the Seaports Program has implemented a number of interception methods to ensure it achieves 100% intervention.

Quarantine intervention involves inspection of:

- Galleys;
- Provision stores;
- Vessel waste facilities;
- Pantries;
- Quarantine Risk Material (QRM) stores and bonding;
- Ballast water verification and inspection; and
- Inspection of any other areas of the vessel required.

Another form of intervention is through wharf and vessel surveillance. The aim of the surveillance is to monitor foreign vessel, crew and wharf activities to reduce the risk of unwanted pests and disease entering Australian shores.

At a national level, the target of 100% intervention was first achieved in July 2002.

Over the four years from July 2002 the Seaports Program has met the intervention target on 22 of the 48 months recorded. Figure 7.6 above shows that the Program has performed consistently with only minor deviations from the target since July 2002, for vessel inspection. It is noted that for June 2005 effectiveness levels dropped to 95%. However, aside from these two months the Program has been at or near targets set by Government.

The Government set an effectiveness target for vessels of 96% for the Program in 2001. All leakage survey information is directly entered into the Program's system for collation, reporting and calculation purposes. The table below identifies vessels that failed on first port pratique visits from 2000/01 to 2005/06.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
NSW	136	115	142	230	138	230
VIC	51	27	11	18	14	9
South QLD	225	209	174	423	441	264
Far North QLD	137	178	313	452	431	416
NT	86	146	184	182	494	235
WA	110	182	184	327	327	276
SA	17	35	23	27	36	16
TAS	5	5	13	17	12	16
Total	**767**	**897**	**1,044**	**1,676**	**1,893**	**1,462**

Table 7.6 – Vessel Failure Numbers

Table 7.6 shows that the total number of vessels failing inspection has increased consistently across each period until 2005/06. The increase in failures can be linked to the higher volume of vessel numbers over this period. Since 2002 the Seaports Program has on occasion achieved the Government effectiveness target for vessel inspections. However, effectiveness of vessel inspection has declined marginally during recent months. In addition, seizure rates for vessels are high in comparison with other Program pathways (11.14% in 2005/06) and have a high interception risk. It is important that AQIS continues to work on ways it can improve its effectiveness.

The graph below identifies trends in the level of effectiveness at a National level.

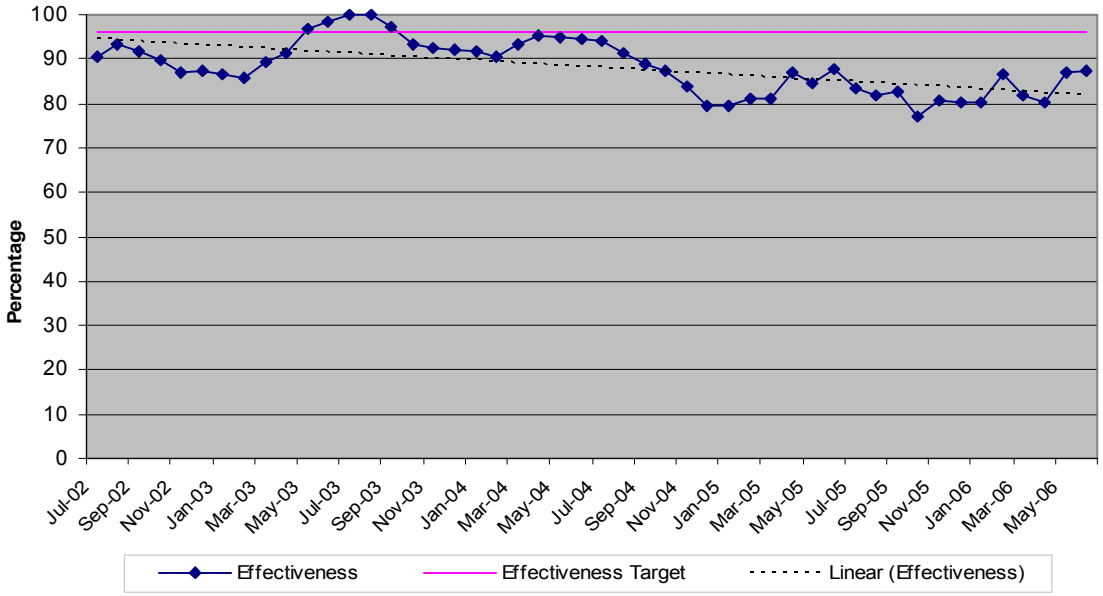


Figure 7.5 – Effectiveness trends

This shows that while the Seaports Program has maintained effectiveness at a high level, it has not been able to sustain effectiveness at the level of 96%. During 2003, the Program was able to maintain Government targets for a limited number of months. A calculated linear trend of effectiveness over time shows a decline in performance over the period reported.

In May 2006, the Seaports Program responded by introducing an initiative to help improve the vessel clearance effectiveness levels by increasing direct communication between officers responsible for conducting reinspection of vessels as part of leakage surveys and first vessel inspection officers. This process will assist in identifying why certain items are not being picked up during the initial intervention.

Improved feedback to front line staff will assist AQIS to identify procedural or technological weaknesses in the current inspection arrangements, and allow the program to tailor staff training regimes accordingly.

AQIS has also identified opportunities to improve effectiveness levels by enhancing profiling of incoming vessels, more effectively using historical quarantine information, and increasing use of x-ray machines and detector dogs where possible for intervention with sea passengers.

Passenger Clearance

Prior to IQI funding, those passengers who indicated on their Incoming Passenger Card that they had something of quarantine interest in their luggage, would be inspected. Seaports staff would only inspect other passengers if warranted by risk profiling information. Since IQI funding in 2001, 100% of all cruise passengers disembarking to Australian shores are subject to some form of quarantine intervention. This includes inspection of passengers entering Australian shores on a day trip.

All passengers and their baggage are subject to one or more of the following quarantine inspection measures:

- examination of baggage by x-ray or quarantine detector dogs; and
- physical inspection by AQIS officers.

Since July 2001, the Seaports Program has consistently achieved 100% interventions for arriving sea passengers. The Program has also performed well against its effectiveness targets since 2002. AQIS reports effectiveness separately for disembarking passengers and day-trippers because the two categories of arriving passengers present different types of quarantine risks. Day-tripping passengers generally have less baggage than disembarking passengers, and so quarantine risks are different.

The table below shows the level of effectiveness of intervention with disembarking passengers for the Seaports Program since September 2002. Passenger effectiveness reporting is recorded quarterly, which is reflected in the graph below.

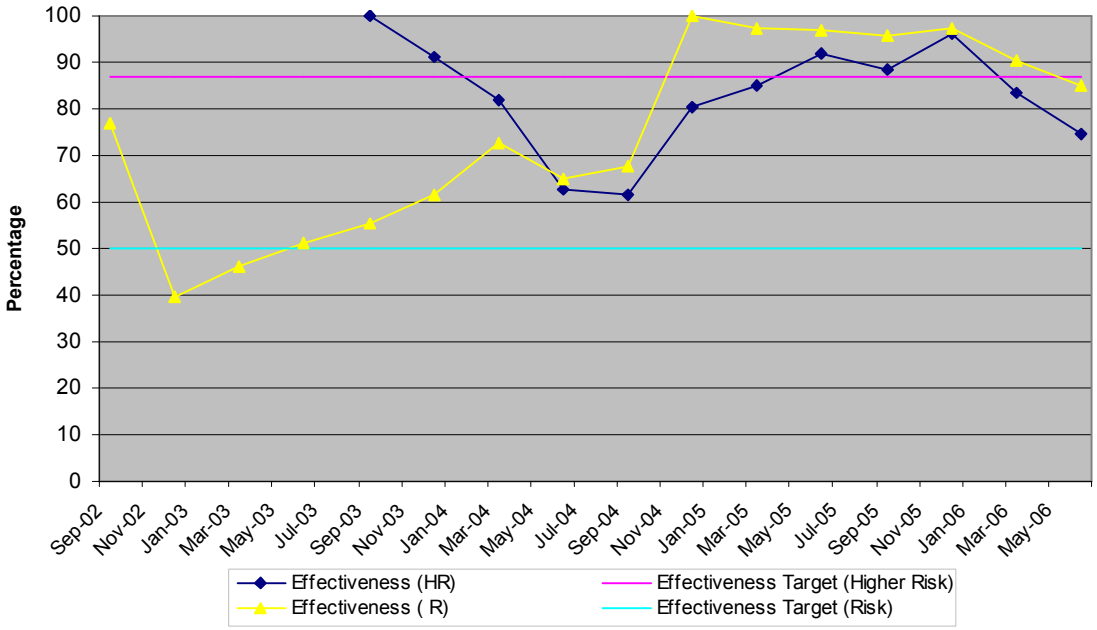


Figure 7.6 - National Disembarking Passenger Effectiveness

The Seaports Program was not able to maintain effectiveness levels above the target of 87% for Higher Risk items from January 2003 to March 2004, and from March 2005, onwards. However, other periods have been above the target levels.

Target effectiveness levels for sea passengers carrying risk items have been achieved since December 2003.

AQIS has adopted a number of initiatives to increase levels of effectiveness achieved by the Program including:

- Meeting with Customs and cruise vessel industries to discuss key issues; and
- Increasing public awareness, such as the development of a cruise vessel specific "Maritime Awareness Kit" to raise quarantine awareness in arriving sea passengers.

The Seaports Program is currently developing a Standard Operating Procedure for Profiling of International Cruise Vessel Passengers and Crew to implement passenger and crew profiling at International Cruise passenger terminals. This will further increase effectiveness levels by improving profiling of disembarking passengers and crews, and increasing use of x-ray and detector dogs where possible for sea passengers.

Day-Tripping Passengers

There is less pre-arrival information available to AQIS for day-tripping passengers as they are not required to present an Incoming Passenger Card or make a declaration before disembarking their vessels for the day. Prior to IQI funding, day-tripping passengers were only subject to intervention on a random basis through gangway watches that occurred as part of wharf surveillance. One hundred per cent intervention is now required for all day-trippers.

A separate leakage survey is conducted for day-trippers, allowing the Program to report separately on the effectiveness for day-trip passengers.

The figure below outlines the level of effectiveness for interventions with day-tripper passengers for the Seaports Program on a quarterly basis since September 2002.

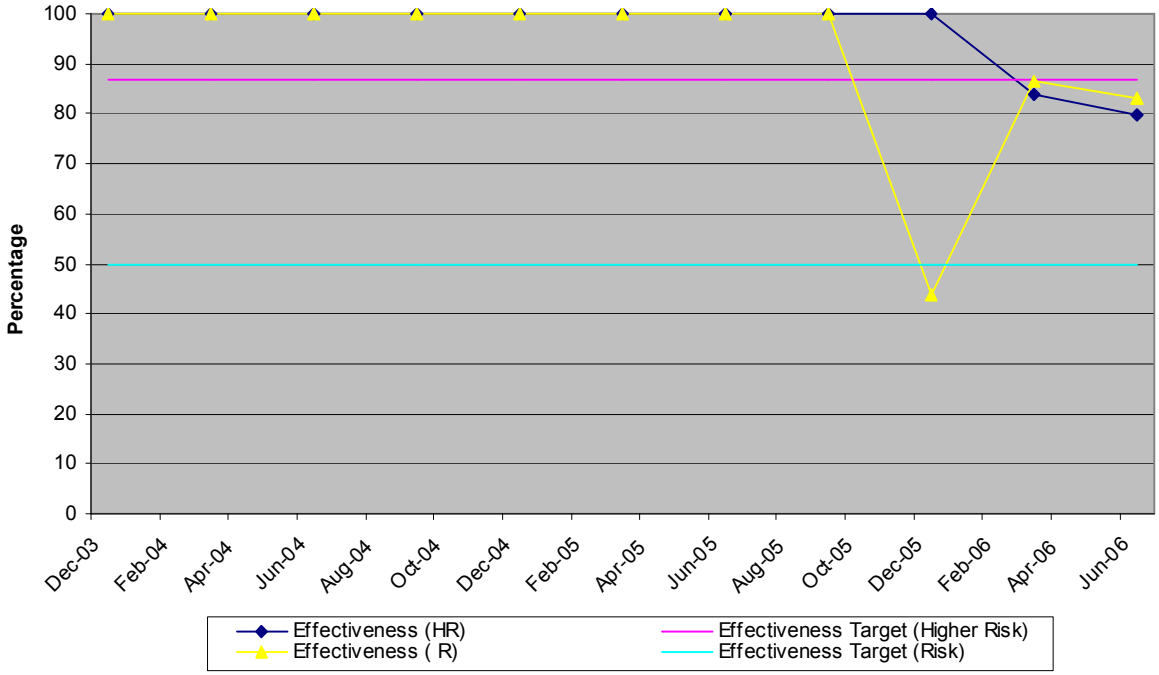


Figure 7.7 – Day-tripper Effectiveness

The Seaports Program began reporting high risk and risk effectiveness for quarantine clearance of day tripping passengers in December 2003 and has achieved 100% effectiveness levels for Higher Risk items from that time until the March 2006 quarter when performance reduced to 84% and again in the following quarter to 80%.

Effectiveness levels for Risk items have been above the target 50%, consistently achieving 100% for most quarters. There was only one recorded quarter, December 2005, in which the effectiveness level dropped below the Government target level.

7.3 Overlap with Other Programs

7.3.1 Other Programs

Functions of the Seaports Program link with other AQIS programs such as Import Clearance and NAQS. The Import Clearance Program conducts quarantine clearance of goods transported by sea, which is a separate activity but requires close cooperation with the Seaports Program which responsible for inspecting vessels and passengers upon arrival to Australia.

The NAQS Program, which operates in areas of northern Australia and the Torres Strait assists in the operation of the Seaports Program by providing vessel and passenger clearance in remote locations, so that Seaports Program personnel do not have to travel to remote locations where there is already a NAQS presence. When the NAQS Program officers provide these services, they are operating as Seaports Program staff, and revenue raised is allocated to the Seaports Program.

7.3.2 Australian Customs Service

Seaports Program staff work alongside Customs staff in clearing vessels and passengers with each looking for items of interest to their border function. Whereas Seaports Program staff are looking for items of quarantine interest such as plant and animal material, Customs staff look for items such as drugs and firearms. AQIS and Customs staff may board vessels together, although AQIS staff spend more time in the vessel galley and checking for pests in the hull and deck, while Customs searches in other places. The two agencies may use their own detector dogs in a vessel inspection, as the dogs are trained to detect particular target substances.

While the skill sets and level of training required for the two roles are different, the two agencies' staff are able to assist each other to some extent by referring items of interest or relevance to each other that have been identified during the course of an inspection.

Some other differences between AQIS and Customs Seaports Program are provided below:

- Customs Seaports staff perform other numerous functions on board vessels beyond searching for contraband (drugs, firearms, etc). Duties extend to revenue collection/protection, security related functions and other vessel and crew clearance functions (eg. ship's stores processing, control of the movement of goods, etc).
- Customs Seaports staff perform functions on behalf of a number of other government agencies, both on board vessels and within the waterfront environment, including: DIAC, DoTARS, Australian Maritime Shipping Authority (AMSA), Attorney-Generals Department (AGs). These functions are reflected in various MOUs and Service Level Agreements (SLAs) that exist with these agencies.
- A Customs search of a vessel can extend to an intensive search of the entire vessel utilising numerous elements of technology (Ionscan, detector dogs, radiation monitors, etc). Whilst AQIS may use detector dogs, inspection activities tend to focus on the galley and stores area of the vessel, unless there is a requirement to inspect holds before certain cargoes are loaded.
- Customs undertake checks of all crew and passengers signing off and signing on vessels. In some cases AQIS staff do not attend vessels to carry out inspections on such crew/passengers departing vessels. In these circumstances Customs Seaports staff complete the checks of crew baggage on behalf of AQIS.

- Customs Seaports staff complete a range of waterfront patrol/security activities at proclaimed wharves and ports and the rest of the Australian coastline. This can extend to interception and searching of crew, passengers, shoresiders and vehicles within the waterfront environment.
- Customs Seaports staff utilise an extensive CCTV network at all Seaports to monitor and respond to suspicious activities within the waterfront environment. This activity is both time consuming and requires a critical number of resources to be available in all Seaports to enable a suitable and timely response to be made.
- Customs maintain extensive Operational Readiness regimes in all Seaports that prepare staff to respond to all manner of border related incidents, from people smuggling to narcotics importations.
- Customs Seaports staff will be (and are currently) attending vessels with Personal Defensive Equipment (batons, spray, firearms) and receive extensive Operational Safety Training in the use of this equipment.

7.3.3 Industry Involvement

Seaports Program staff work alongside many industries and entities, including container shipping companies, shipping agents, tourist companies and passengers, stevedores, and port authorities. AQIS formally engages with industry participants as part of the AQIS/Industry Cargo Consultative Committee, and other maritime committees. The Consultative Committee meets biannually and AQIS is represented by the DAFF Secretary and the AQIS Executive Director.

In most cases AQIS staff work alongside these entities and form part of the process chain as detailed in the example of a cargo vessel arrival below:

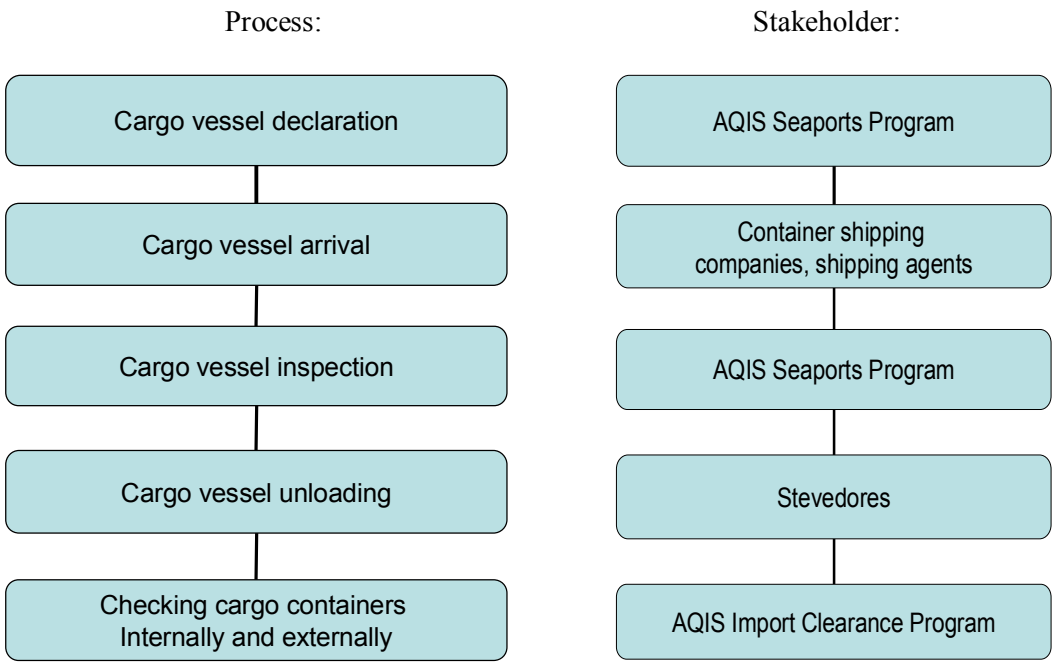


Figure 7.8 - Industry involvement process map

This figure indicates that the Seaports Program has a key role to play in various parts of the sea cargo arrival process. Similarly when a cruise ship arrives, the Seaports staff risk-profile the vessel using the information in its vessel declaration, and passengers are risk-profiled using the declarations made and the Incoming Passenger Cards.

7.4 Cost Recovery

The amount of cost recovered revenue from 2000/01 to 2005/06 is detailed below:

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Sale of Goods and Services	6,992	8,489	9,033	9,568	11,367	11,584	11,582	11,582	11,582
Total Expenditure	7,564	9,169	10,793	11,327	12,970	13,079	13,107	13,107	13,107
Proportion of costs recovered	92.4%	92.6%	83.7%	84.5%	87.6%	88.6%	88.4%	88.4%	88.4%

Table 7.7 - Cost recovered revenue ($000)

Over time, total cost recovered revenue has increased 71.5% from 2001/02 to 2005/06. This corresponds to an increase in passengers of 120.7% and a 15% increase in vessels arriving over the same period.

The Seaports Program recovers the cost of vessel inspections from vessel owners at the following rates:

- Routine inspection for vessel longer than 25 metres - $800 for first two hours then $40 per 15 minutes;
- Routine inspection for vessel less than 25 metres - $160 for the first hour then $40 per 15 minutes;
- Follow up inspection or any other services - $80 for the first 30 minutes then $40 per 15 minutes, $714 per officer per day, $2,486 per officer per week; and
- Overtime rates - $10-$16 per 15 minutes and $120-$192 for up to three hours.

Vessels longer than 25 metres comprise 94% of arrivals and therefore account for the majority of revenue earned.

To collect cost recovered revenue, the DAFF Revenue Unit invoices shipping agents in the first week of each month for services performed in the previous month. 6% of international vessels (800 of 12,500) are yachts that do not generally use shipping agents. These vessels are provided with an invoice on the spot and fees can be collected via credit card, cheque, or payment to the AQIS collector of public monies. If invoices are not paid the Director of Quarantine may withdraw quarantine services, under section 86E(2G) of the *Quarantine Act 1908*.

All DAFF cost recovered fees are reviewed every two to three years, in accordance with the Department of Finance and Administration's *Cost Recovery Guidelines*. As part of this process industry is consulted, and a Cost Recovery Impact Statement is submitted to the Department of Finance and Administration.

7.5 Cost Effectiveness

In analysing the cost effectiveness of the Seaports Program, we have considered the following:

- Reasonableness of the Seaports Program key cost elements, including benchmarking with other organisations, particularly Customs; and
- Sustainability of the budget.

7.5.1 Reasonableness of Key Cost Elements

The table below details the major expenses for the Seaports Program since 2001/02 and budget projections to 2009/10.

	2001/02 Actual $'000	2002/03 Actual $'000	2003/04 Actual $'000	2004/05 Actual $'000	2005/06 Actual $'000	2006/07 Budget $'000	2007/08 Budget $'000	2008/09 Budget $'000	2009/10 Budget $'000
Total Expenses	**7,564**	**9,169**	**10,793**	**11,327**	**12,970**	**13,079**	**13,451**	**13,839**	**14,240**
Employee Costs	4,149	4,938	6,180	6,308	6,995	7,567	7,869	8,814	8,512
Overhead Costs	1,230	1,579	1,820	1,965	2,230	2,053	2,092	2,133	2,174
Detector Dogs	149	135	167	167	177	190	190	190	190
Temporary & Contractor Staff	113	71	65	91	194	98	98	98	98

Table 7.8 – Major Program Expenses ($000)

Key cost elements for the Seaports Program are employee and overhead costs (71% in 2005/06).

The table demonstrates the substantial growth in Seaports Program expenditure since 2000/01, primarily a reflection of:

- Number of vessel arrivals – can be unpredictable up to the time that their vessel declarations are submitted to AQIS (although economic and trade factors can be used to predict overall vessel volumes); and
- New procedures to implement – enhanced inspection procedures, such as those adopted to identify chicken or egg products under the avian influenza arrangements, can add time to inspections and potential delays in clearances.

A summary of our findings of the reasonableness of the Seaports Program's employee costs are provided below, followed by detailed analysis. Overhead costs have been assessed in Chapter 3.

Summary

- Seaports cost per FTE is higher than Customs IQI cost per FTE. However the costs fall within the range of other benchmarked agencies (total Customs, DAFF, DIAC and AFP).
- As a proportion of total Program expenditure, employee expenditure has remained relatively stable since 2001/02, tracking between 54% and 58%. This is similar to other AQIS quarantine border programs. This has been maintained against a backdrop of improving performance against all of the Government's IQI targets, whilst dealing with increased volumes of vessels and passengers.
- Employee expenses per FTE for the Seaports Program is slightly higher than Customs IQI cost per FTE, however Seaports compares favourably with other benchmarked agencies (total Customs, DAFF, DIAC and AFP).
- Base salary, superannuation, leave entitlements and penalties paid to Seaports employees compare favourably with benchmarks
- Percentage of overtime and allowance expense of total employee expenditure is slightly higher than that paid for Customs IQI functions. This is predominantly due to the increase in number of vessels and passengers, and the arrival of some vessels outside standard operating hours. It should also be noted that a portion of this is cost recoverable from industry.

Seaports Program Cost per FTE

The table below compares AQIS Seaports Program cost per FTE with the total Customs IQI activities cost per FTE.

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS Seaports Program Cost per FTE	$97	$115	$151	$142	$150
Customs total IQI cost per FTE	$129	$102	$110	$130	$116

Table 7.9 – Customs IQI function cost per FTE versus AQIS Seaports Cost per FTE

The AQIS cost per FTE in the table above is higher than that for Customs IQI activities for years 2002/03 to 2005/06 and lower in 2001/02, however falls within the range of the other agencies benchmarked in Table 3.8 in Chapter 3 of the report (range of $140,000 to $199,000 per FTE).

(At the time of writing, we are awaiting information from Customs to understand why their costs may be lower.)

Employee Expenditure

The major employee expense categories and expense per FTE are provided below:

Employee Expense	2005/06 Expenditure $'000	% of Total Employee Expenditure
Base Salary	3,980	57%
Superannuation	792	11%
Allowances	272	4%
Leave Entitlements	402	6%
Overtime	965	14%
Other Employee On-Costs	311	4%
Penalties	26	0.4%
Staff Training and Development	53	1%
Other	194	3%
Total Employee Expenditure	**6,995**	**100%**

Table 7.10 – Employee Expense Categories

Employee expenses represent 54% of total Seaports expenditure in 2005/06.

Employee expense per FTE and employee expenditure as a percentage of total Program expenditure during 2001/02 to 2009/10 is provided in the table below, as well as Customs IQI functions employee cost per FTE (separate employee costs for Sea passengers function FTEs was not available at the time of writing this report).

	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Employee Expenses ($000)	$4,149	$4,938	$6,180	$6,308	$6,995	$7,567	$7,869	$8,814	$8,512
FTEs	78.06	79.49	71.57	79.72	86.42	90.46	86.39	86.39	86.39
Employee expenditure per FTE ($000)	$53	$62	$86	$79	$81	$84	$91	$95	$99
Employee expenditure as a % of total Expenditure	55%	54%	57%	56%	54%	58%	59%	59%	60%
Customs total IQI Employee Cost per FTE ($'000)	n/a	n/a	$76	$84	$79	n/a	n/a	n/a	n/a

Table 7.11 - Employee Expenses

FTEs have increased by 11% during 2001/02 to 2005/06 and are expected to remain at this level to 2009/10. This cost per FTE in 2005/06 is slightly higher than Customs IQI functions but falls within the range of other agencies benchmarked ($71,000 to $87,000 per FTE as per Table 3.12 in Chapter 3).

In reviewing the remuneration of Seaports Program staff, we have compared some basic conditions to Customs and P&O Australia, a major organisation operating at seaports and in the maritime industry:

Category		AQIS	Customs	P&O
Base Salary	Band one / APS2	$34,050	$39,753 (Customs Officer Level 1)	$37,417
	Band one / APS3	$39,874		$40,307
	Band one / APS4	$43,571	$49,875 (Senior Customs Officer Level 2)	$43,590
	Band two / APS5	$47,329		$44,913
	Band two / APS6	$53,138	$58,596 (Customs Supervisor Level 3)	$49,643
Monday to Friday Ordinary duty performed on a shift, any part of which falls between 6:30pm and 6:30am		15%	15% (between 6.00pm and 6.00am)	Standard hourly rate
Monday to Friday Ordinary hours worked continuously for a period exceeding 4 weeks on a shift falling wholly within the hours of 6:30 pm and 6:30 am		30%		
Saturday (ordinary duty)		50%	50%	150% Closed Port Days
Sunday (ordinary duty)		100%	100%	150% Closed Port Days
Public Holiday (ordinary duty)		150%	150%	150% Closed Port Days
Annual Leave		4 weeks	4 weeks	5 weeks

Table 7.12 – Benchmark of Base Salary Arrangements

The table above shows that the pay scales relevant to the Seaports Program fall within the range of similar levels for Customs and P&O. AQIS employees also receive penalty rates at levels comparable to other organisations.

Base Salary

The base salary expenditure from 2000/01 to 2005/06 is provided in the table below.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Base Salary ($000)	$2,592	$3,080	$3,431	$3,593	$3,980	$4,596	$4,779	$4,971	$5,170
FTEs	78.06	79.49	71.57	79.72	86.42	90.46	86.39	86.39	86.39
Base Salary per FTE ($000)	$33	$39	$48	$45	$46	$51	$55	$58	$60

Table 7.13 - Base Salary National

The Seaports Program base salary per FTE in 2005/06 ($46,100 per FTE) falls within the range of total Customs ($47,400 per FTE) and Customs IQI functions ($44,100 per FTE).

Superannuation Expense

In 2005/06 superannuation represented 11% of total employee expenses. Comparison of this percentage with other Australian Government agencies reveals that the Seaports Program falls below the range (12% of total employee expenses in 2005/06 for AFP to 15% for Customs).

Leave Entitlement Expense

Leave entitlement expense for the Seaports Program represented 6% of total employee expenditure in 2005/06. This compares favourably with leave entitlement percentage of total employee expenses for Customs in 2005/06 of 8%.

Overtime Expense

Overtime expenses represented 14% of total employee costs for the Seaports Program in 2005/06. Percentage overtime of total employee expenditure compared to Customs is high as shown below. In addition, the Seaports Program has the highest percentage of overtime expense of all quarantine border programs in 2005/06.

	2001/02	2002/03	2003/04	2004/05	2005/06
Seaports	12.53%	11.70%	10.83%	13.07%	13.80%
Total Customs	3.31%	3.19%	2.15%	3.10%	3.20%
Customs IQI	*	*	2.48%	3.61%	3.75%

* Data not available from Customs

Table 7.14 – Percentage of Overtime Costs of Total Employee Costs for AQIS and Customs

There are 59 ports around Australia, some in remote locations. In addition, the intervention target for vessel inspections is 100% with 87% effectiveness for passenger inspections (higher quarantine risk).

Whilst the Seaports Program has established baseline staffing levels to match the workflow arising from vessel inspections, vessels often arrive in ports outside business hours and staff are required to inspect 100% of these. Further, depending on weather conditions, there can be delays in the planned arrival time of vessels. Nationally, 80% of Seaports staff time is devoted to vessel inspections and all these factors contribute to the use of overtime.

Western Australia, New South Wales and South Queensland incur the largest proportion of overtime expense, with these three regions accounting for up to 60% of costs.

New South Wales and Queensland have the highest volumes of disembarking passengers, accounting for approximately 85% of all passengers[3]. High levels of resources trade in Western Australia have contributed to overtime expenses in this region. The increasing levels of activity are reflected in the increase to overtime.

[3] Australian Customs Services data for 2004/05.

In New South Wales and South Queensland, passenger clearances have been a major contributor to overtime expenditure. Passenger clearance overall uses fewer resources, but can be labour intensive, lasting for only short periods, such as four hours once a fortnight. To enable clearance of passengers in an acceptable timeframe the Seaports Program often engages the assistance of staff from other AQIS programs, usually on rostered days off, which is funded through overtime payments.

The following figure shows that there has been a rise in overtime expense to 2005/06 for New South Wales, Southern Queensland and Western Australia.

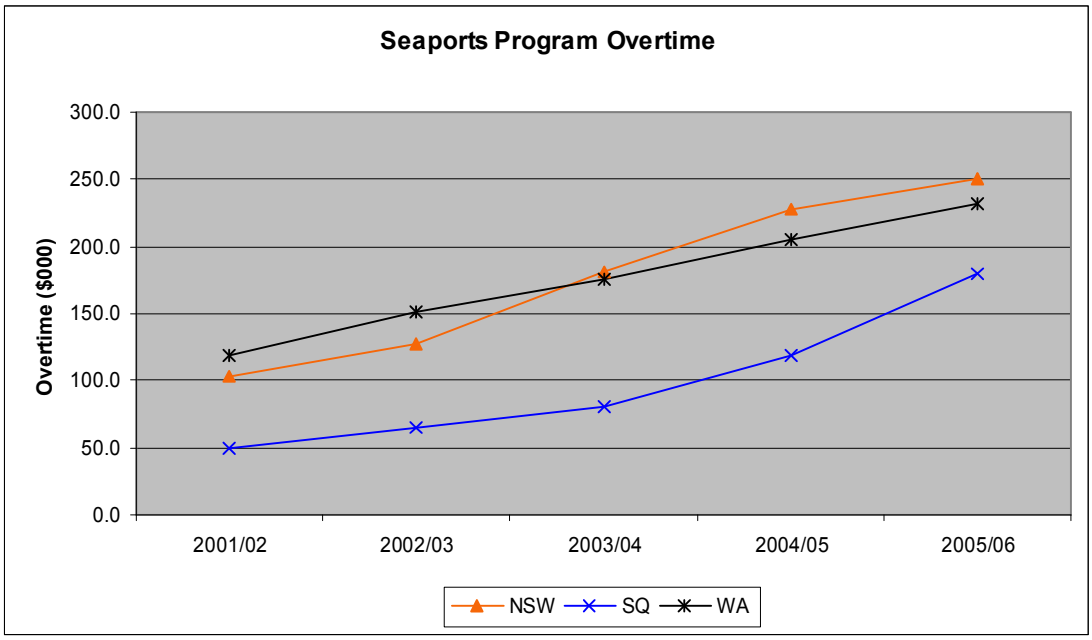


Figure 7.9 – Overtime Expenditure for NSW, SQ and WA ($000)

Overtime as an expense is recoverable when related to undertaking cost recovery activities. The Seaports Program charges overtime to vessels being inspected at a rate of $10 – $16 per 15 minutes and $120 – $192 for up to three hours. These costs are passed on to industry and, as a result, are subject to scrutiny.

Allowance Expense

Allowances represent 3.89% of total Seaports Program employee expenses. The table below demonstrates allowances as a percentage of total employee costs for total Customs and the Customs IQI function and the Seaports Program and shows that allowances are slightly higher for the Seaports Program.

Allowances	2001/02	2002/03	2003/04	2004/05	2005/06
Seaports Program	2.73%	2.51%	3.49%	3.81%	3.89%
Total Customs	*	*	*	3.44%	3.53%
Customs IQI	*	*	1.46%	1.44%	1.46%

* Data not available from Customs

Table 7.15 – Percentage of Allowance Costs of Total Employee Costs for AQIS and Customs

A large proportion of allowances received by Seaports staff (64% in 2005/06) is on-call allowance and district allowances in recognition of Seaports officers operating environment.

Cost-Activity Ratios

The primary measure of activity for the Seaports Program is the number of vessel inspections performed per period. This measure is reported as a Key Performance Indicator (KPI) in the Program's Business Plan, and is shown below for the past five years.

	2001/02	2002/03	2003/04	2004/05	2005/06
Total Program Expenditure ($000)	7,564	9,169	10,793	11,327	12,970
Volume of vessels	11,368	11,861	12,154	12,862	13,125
Expenditure per vessel ($)	665	773	888	881	988

Table 7.16 - Cost to activity ratios

The Program expenditure per vessel inspection since 2001/02 has increased by 48.6% from $665 to $988 in 2005/06. During this period, the number of vessels arriving has increased by 15.5%. The key drivers of expenditure were increased employee expenses, property and accommodation and regional support and management which have each increased over this period.

FTE-Activity Ratios

The table below illustrates the number of seizures, and vessel and passenger inspection per FTE from 2001/02 to 2005/06.

	2001/02	2002/03	2003/04	2004/05	2005/06
FTEs	78.1	79.5	71.6	79.7	86.4
# passenger inspections per FTE	954.16	1,762.44	2,108.94	2,095.36	2,002.31
# seizures per FTE			26.3	126.8	143.8
# vessel inspections per FTE	145.57	149.25	169.75	161.38	151.37

Table 7.17 – Activity ratios

The activity metrics reflect improving efficiency in processing passengers and vessels and in successfully detecting quarantine risk material. The proportional rate of increase in passenger inspections per FTE in relation to the growth of Seaports Program FTE numbers is represented in Figure 7.10 below. This shows that inspections per FTE are increasing at a rate faster than the growth in FTE expenses, a major cost driver for the program. In this period, the number of passengers inspected per FTE has increased by 110% from 2001/02 to 2005/06.

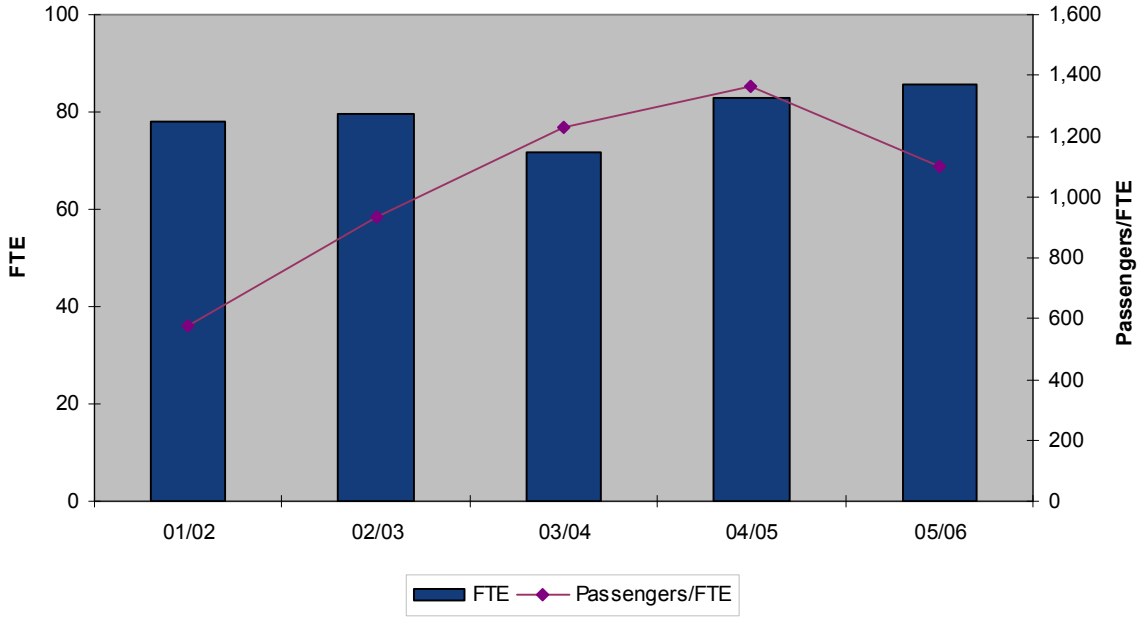


Figure 7.10 - Passenger Inspections per FTE

Seizure data was first reported in 2003/04 and shows 26.3 seizures per FTE that year, increasing to 126.8 seizures per FTE in 2004/05 and 143.8 seizures per FTE in 2005/06.

7.6 Sustainability of Revenue Base

The table below shows the breakdown of revenue and total expenditure for Seaports across the period 2001/02 to 2005/06.

Seaports	2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000
Revenue – Budget Funded	$574	$681	$1,761	$1,759	$1,604
Revenue – Cost Recovered	$6,992	$8,489	$9,033	$9,568	$11,367
Total Revenue	$7,566	$9,169	$10,793	$11,327	$12,970
Total Expenditure	$7,564	$9,169	$10,793	$11,327	$12,970
Net Position	$1	$0	$0	$0	$0

Table 7.18 – Revenue and Expenditure

The graph below illustrates the change in expenses and revenue (cost recovered and budget funded) during 2001/02 to projected 2009/10.

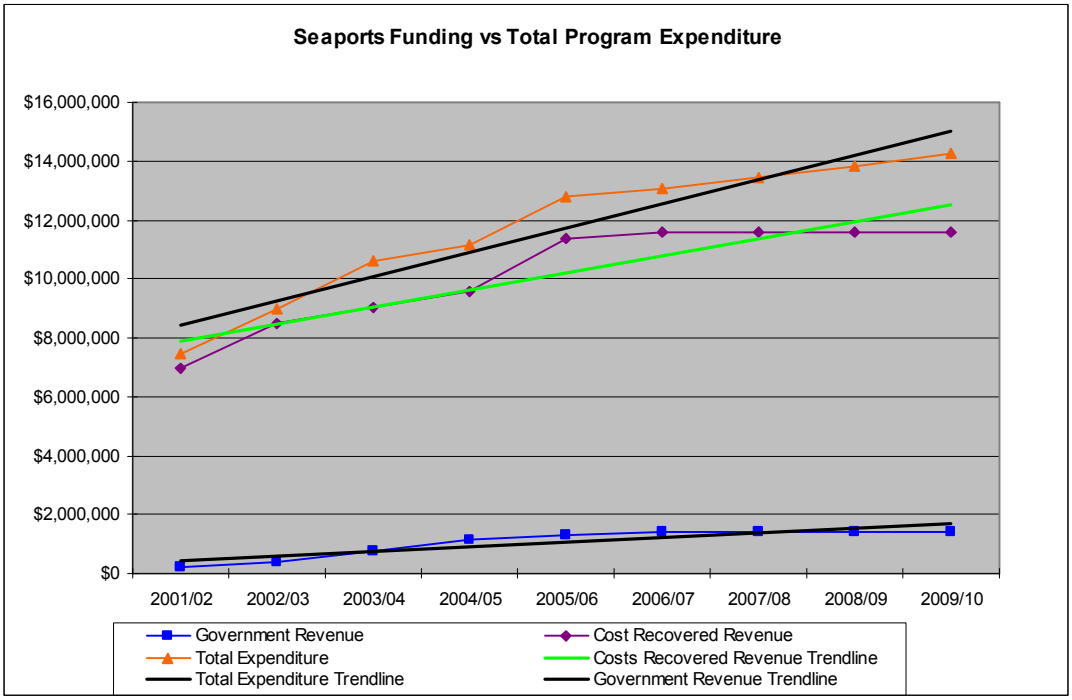


Figure 7.11 – Seaports Program Revenue versus Expense

Of note is the rate of increase in expenditure versus the rate of increase in cost recovered revenue, the major revenue source of the Program (36% increase from 2001/02 to 2006/07). The rate of increase in expenses (72% increase from 2001/02 to 2006/07) is greater than the rate of increase in

cost recovered revenue. The growth in Government revenue reflects the increases in the numbers of arriving cruise passengers during this period.

NAQS PROGRAM

Contents

8. NAQS Program

8.1 Background to the Program

The Northern Australia Quarantine Strategy (NAQS) contributes to the protection of Australia's animal, plant and human health and the environment by identifying and evaluating the unique quarantine risks facing northern Australia, developing and implementing measures for the early detection of targeted pests and diseases and managing border movements through the Torres Strait.

These objectives are undertaken through a program of scientific surveys and monitoring, border activities, on and off shore capacity building and public awareness.

The NAQS region covers the northern Australian coastline from Broome in the west to Cairns in the east, excluding Darwin and Cairns metropolitan areas. NAQS offshore activities are limited to Australia's nearest northern neighbours: Indonesia, East Timor and Papua New Guinea.

The following section provides a snapshot of NAQS and details key activities, financial and FTE resources.

NAQS Program Snapshot	
Key Activities	▪ Key activities undertaken by NAQS staff include: – identifying and evaluating quarantine risks facing northern Australia; – providing early detection and warning of new pests via monitoring and sentinel measures; – managing quarantine requirements for border movements through the Torres Strait; – field surveys; – offshore quarantine capacity building in PNG, East Timor and Indonesia; – public awareness and engaging local communities; and – consulting with stakeholders through consultative committees and the QEAC. ▪ Covers approximately 7,300km of coastline from Broome to Cairns (excluding Darwin and Cairns metropolitan areas) and 150 islands in the Torres Strait ▪ 39 vessel aircraft inspections per inspector per month (average for 2005/06) ▪ 6,727 passengers inspected per month (average for 2005/06) ▪ X-ray mobile units at Cairns mail centre, Cairns airport and wharf, Weipa and Horn Island airports ▪ 7 operational vessels
Financial	▪ $10.01m Actual Revenue in 2005/06 comprising: – $9.2m Appropriation Revenue – $0.03m in Cost-Recovered Revenue ▪ Total expenditure in 2005/06 was $10.4m comprising:

NAQS Program Snapshot	
	– 49% employee expenses ($5.0m) – 18% overhead costs ($1.9m) – 33% other expenses ($3.5m)
FTE	▪ 57.7 FTEs in 2005/06 ▪ FTEs are located in Far North Queensland (71%), ACT (17%) and NT (12%) ▪ 1 detector dog team

Table 8.1 – NAQS Program Snapshot

8.1.1 Outcomes

NAQS contributes to Output 6 of the Department of Agriculture, Fisheries and Forestry, which has as its objective 'to reduce the risk to Australia's animal, plant and human health status and maintain market access through the delivery of quarantine and export services.'

8.1.2 Priorities and Objectives

NAQS's primary objectives are to:

- identify and evaluate the unique quarantine risks facing northern Australia, and develop and implement measures for the early detection of targeted pests and diseases; and
- manage border movements through the Torres Strait.

These objectives are undertaken through a program of scientific surveys and monitoring, border activities, on and off shore quarantine capacity building and public awareness.

8.1.3 Key Issues

NAQS is currently facing a number of key challenges.

Geographic Spread of Program Operations

The geographic coverage of NAQS is shown in Figure 8.1 below. NAQS officers are responsible for covering approximately 7,300km of coastline from Broome to Cairns (excluding Darwin and Cairns metropolitan areas) and 150 islands in the Torres Strait. The geographic spread of the Program, remote locations within the region and number of staff employed to cover the vast area (21 FTE in 2005/06) present challenges to the delivery of Program activities.

Figure 8.1 - Area of Operations (Source: http://www.affa.gov.au/image3/quarantine/pr/naqs_map_lrge.gif)

Role of Remote Communities

Community support is crucial to NAQS work due to the large geographic coverage of the Program. NAQS officers travel thousands of kilometres a year to conduct quarantine surveillance. Early detection provides the best chance of eliminating new pests and diseases or of reducing their impact. Communities play a key role in this early detection by reporting any quarantine incidents.

Access to Indigenous Owned Land and Indigenous Community Priorities and Capacity

Given the large indigenous population in the north of Australia, and the reliance of the Program on local communities and the public, the AQIS relationship with indigenous communities is key to the success of the Program. Land owned by indigenous communities often needs to be accessed and education and training is often required to inform communities about quarantine matters. Building of these relationships is an ongoing challenge given the sometimes remote locations of some communities and the availability of NAQS Program officers to spend time building the relationships with these communities.

Availability of Service Providers

Where possible, NAQS officers work together with specialist officers such as veterinarians from local state government agriculture departments to leverage their knowledge of the environment and undertake survey and surveillance activities together.

Levels of experienced specialist service providers in the states are declining primarily as a result of an ageing workforce, and NAQS officers are finding the lack of experienced personnel, particularly in the remote localities, a challenge.

Quarantine Risks of Northern Neighbours

Australia's northern neighbours present quarantine risks to Australia through their proximity and comparatively less robust animal and plant health operations. The Torres Strait islands provide a potential transit route to the mainland for many serious pests, weeds and diseases. Monsoon winds blow exotic fruit flies across from PNG each wet season. Migrating birds and mosquitos from PNG and other nearby countries can carry viruses, such as Japanese encephalitis, which can be fatal to humans.

Pests that are established in countries to our north, which present a quarantine risk to Australia, include (but are not limited to):

- Fruit flies, including the Papaya fruit fly, the Melon fly and Mediterranean fruit fly – these flies are widespread throughout Thailand, Malaysia, Singapore, Indonesia, China, Taiwan and PNG.
- Erect Tar Vine – the weed's sticky seeds are spread long distances by attaching themselves to clothing, footwear, farm implements and vehicles. The weed originated in the American tropics, but is now widespread in Africa, India, Thailand, China, Indonesia and PNG;
- Spiked Pepper – the weed grows extremely quickly, forms large clumps and can almost completely exclude native species. It has become established in South East Asia, a number of Pacific Islands and PNG;
- Witchweed – tiny Witchweed seeds could enter Australia as contaminants in seed consignments or on clothing or machinery. Witchweed has been reported in Africa, parts of Asia, Indonesia and PNG.
- Avian Influenza (AI) - There is an ever-present risk of the transmission of AI through infected birds accessing northern Australia.

The northern coastline creates quarantine risks for Australia. Issues of concern include:

- Proximity to other countries with pests and disease profiles and agricultural health status different from Australia's;
- Treaty arrangements with Papua New Guinea that allow the free movement of traditional inhabitants into and out of the Torres Strait Protected Zone (TSPZ);
- Unauthorised entry into Northern Australia by foreign nationals and fishing vessels;
- Low population density;
- Difficult terrain, with populations of cattle and feral animals and very extensive land use systems;
- Attractiveness of the area to international yachting tourism;
- Continued movement of people, animals and goods eastwards within Indonesia, and the establishment of significant cattle populations on eastern Indonesian Islands; and
- Increased trade in fresh produce from countries to the immediate north as multinational horticultural enterprises (especially those involved in flower production) continue to develop markets.

Regional Instability and Geopolitical Unrest

The security situation in Indonesia, Papua New Guinea and East Timor is regularly changing. NAQS is concerned with quarantine risks from these neighbouring countries. Improving animal and plant health and building the quarantine reporting capacity in these countries helps to address quarantine risks and to ensure early warning of encroaching pests and diseases. Maintenance of a constructive relationship with overseas authorities, and the relevant embassies and High Commissions assists NAQS to maintain access and ensure staff security.

Treaty Arrangements with Australia's Northern Neighbours

The Torres Strait Treaty allows for the free movement of traditional inhabitants into and out of the TSPZ. The Treaty was signed in 1978 and ratified in 1985. The treaty defines the TSPZ, an area to the north of the Thursday Island Group.

The Treaty outlines the allowed 'free movement' of traditional inhabitants between the Torres Strait Protected Zone and areas of the Western Province of PNG. This allows Torres Strait Islanders and the coastal people of PNG to carry on their traditional way of life.

Whilst trade can take place within the TSPZ, there are restrictions on the type of goods that can be traded in order to minimise quarantine risks as per the *Quarantine Act 1908*. Since 1997, NAQS officers have been located on all inhabited islands in the Zone to monitor movements.

The islands of the Torres Strait provide a potential transit route to the mainland for many serious pests, weeds and diseases. This combined with the volume of movement in and out of the TSPZ represent an ongoing challenge to the Program - in 2004/05 there were approximately 25,380 vessel movements in and out of the TSPZ. NAQS officers located on the islands are responsible for enforcing quarantine requirements through the monitoring and inspection of small vessels and people transiting the region as a result of traditional activities.

Illegal Foreign Fishing Vessels

There is a risk of unauthorised entry into Northern Australia by foreign fishing vessels, impacting on fish stocks and marine life and posing a range of quarantine, health and security threats to Australia.

The Government has committed $388.9 million over 4 years in 2006/07 for a whole of Government initiative to combat illegal foreign fishing in northern Australian waters. AQIS received $2.9 million over 4 years to undertake an additional 10 surveys per year of likely and known illegal foreign fishing vessel landing areas to assist in managing biosecurity risks.

Attractiveness to International Yachting Tourism

Northern Australia is an attractive destination for international yachting tourism. Often the yachts have sailed from neighbouring northern countries and have items of higher quarantine risk on board. Knowledge or awareness of Australia's quarantine policies may be limited and vessels do not always comply with policies such as sealing food stores and obtaining quarantine clearance of onboard pets.

8.1.4 Stakeholders

NAQS has a number of key stakeholders, including:

- Quarantine agencies in PNG, Indonesia and East Timor – NAQS Program staff undertake offshore surveillance, monitoring and capacity building activities in collaboration with the relevant government agencies;
- Indigenous and remote communities in northern Australia – the Program seeks to engage with indigenous and remote communities for a number of reasons, including the employment of indigenous workers in local communities and the utilisation of local knowledge;
- Primary producers in northern Australia – the Program aims to ensure early detection of disease incursions for farmers in northern Australia, and provides educational services to farmers at forums such as field days and conferences to assist them in managing quarantine risks;

- Residents of northern Australia who benefit from maintaining Australia's pest and disease free status;
- University and research staff – the Program engages research and academic staff to assist with survey work and scientific analysis;
- State and Territory Government agencies – the Program encourages the ongoing cooperation of State and Territory Government Departments of Agriculture in Far North Queensland, the Northern Territory and Western Australia to assist in undertaking pest and disease surveillance and monitoring activities. In the case of Queensland, AQIS also undertakes fruit fly response activities on a fee for service basis for the Queensland Department of Primary Industries and Fisheries. When a detection is made, the State or Territory in which it is made can mount an effective response to the incursion. Working together in this way maximises the opportunity to eradicate or stop the spread of exotic pests, weeds and diseases;
- State agencies by advising them of pest and disease incursions detected by AQIS during their surveillance of northern Australia;
- Other persons impacted by the Program include persons travelling amongst northern islands and those arriving by sea or air at northern ports of entry;
- Customs - a Memorandum of Understanding (MOU) is in place with Customs (as well as DIAC and DFAT) in relation to the cooperative use of Commonwealth vessels in the Torres Strait. Customs also conducts aerial surveillance in northern Australia under its Coastwatch Program;
- DIAC – movements of traditional vessels associated with the Torres Strait Treaty activities are monitored by DIAC. AQIS and DIAC have reciprocal powers under the November 2005 MOU relating to Cooperative Arrangements in the Torres Strait;
- AusAID - AQIS has a long term agreement with AusAID to receive funding for its work in Australia's northern neighbouring countries, including PNG, East Timor and Indonesia. AusAID receives Budget funding for development aid in overseas countries. AQIS works with AusAID to identify projects that AQIS is undertaking, which meet the AusAID development goals. AusAID funds a range of NAQS activity, particularly in relation to Avian Influenza (AI); and
- Other agencies - such as the Department of Defence, Department of Health and Ageing, Australian Fisheries Management Authority (AFMA) also operate within the region but have separate functions and responsibilities. For example, the Department of Defence conducts the North West Mobile Force (Norforce) in northern Australia, training around 500 Indigenous soldiers to protect the northern coastlines. The Department of Health and Ageing has established primary health care centres in remote areas of northern Australia, and AFMA has fisheries officers located across northern Australia, who are responsible for monitoring compliance with Australian fisheries legislation.

8.1.5 Staffing

NAQS Program administration is distributed amongst three regions: the Northern Territory, Far North and ACT. The FTEs per region in NAQS are detailed in the table below. Actual FTE numbers have declined each year since 2001/02, with an overall decrease from 66.17 to 57.71 FTEs in 2005/06. This is due to the end of the deployment of staff to East Timor by June 2005.

	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget
Far North	46.67	47.42	51.77	52.94	40.88	43.46	43.46	43.46
NT	13.6	10.27	5.54	0.0	10.00	17.47	17.47	17.47
ACT	5.9	8.4	4.00	5.14	6.83	11.69	12.19	12.19
Total	**66.17**	**66.09**	**61.32**	**58.08**	**57.71**	**72.62**	**73.12**	**73.12**

Table 8.2 - FTEs

Note that 2006/07 to 2008/09 are budget figures. The increase in 2006/07 reflects the additional work to be undertaken as part of the AI and IFFV initiatives.

The Program has a large geographic spread across northern Australia, with 21 offices across Western Australia, Northern Territory and Queensland (including the Torres Strait Islands). The Central Office is in Canberra, with managers also based in the Cairns office. 15 offices are located in the Torres Strait Islands and six on the mainland. The Program utilises local Indigenous staff if possible, who provide a valuable insight into their local region and culture.

There are one to two NAQS staff stationed on each of the islands (although some may work at each office on a part-time basis). The mainland offices have between 2 to 13.25 FTEs. The largest single office is located in Darwin.

Structure

NAQS resides in AQIS's Border Branch, under the Quarantine and Plant Programs Division Manager. The NAQS policy is established and the Program is managed from Canberra while operations are delivered through NAQS's regional offices.

The organisational structure of NAQS is illustrated below.

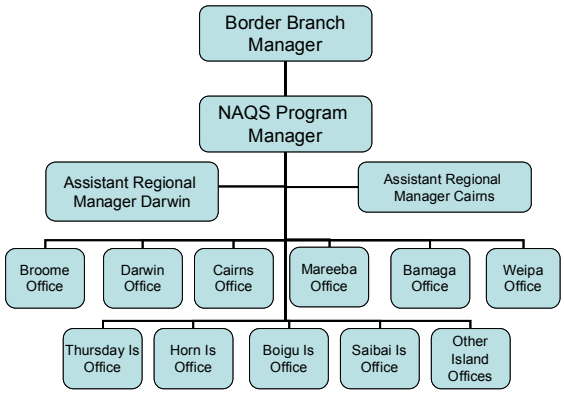


Figure 8.2 - Organisational structure

8.1.6 NAQS Program Activities

NAQS's key activities are:

- identifying and evaluating quarantine risks facing northern Australia;
- providing early detection and warning of new pests via monitoring and sentinel measures;
- managing quarantine requirements for border movements through the Torres Strait;
- field surveys;
- offshore quarantine capacity building in PNG, East Timor and Indonesia;
- public awareness and engaging local communities; and
- consulting with stakeholders through consultative committees and the QEAC.

NAQS Program Streams

In January 2006 there was a restructuring of Program activities, to better reflect the primary functions of the Program. There are now two streams with a public relations function spread across both streams:

- risk monitoring and evaluation; and
- business and border services.

Risk Monitoring and Evaluation

The activities performed within this function include field surveys, public awareness initiatives and engaging local communities, identifying and evaluating quarantine risks facing northern Australia and providing early detection and warning of new pests via monitoring and sentinel measures.

Thirty six surveys were undertaken in 2005/06, with survey areas determined by their risk assessment. When a detection is made the State or Territory quarantine authorities are informed so they can eradicate the incursion. Sentinel animals are based in high risk areas to provide early detection of exotic diseases.

A sub-function of this stream is administration for the new illegal foreign fishing vessels and indigenous liaison budget funding.

Pre Border

The key activities of this function are:

- capacity building – projects to enhance quarantine awareness and screening, such as developing AI screening kits in Indonesia; and
- offshore surveys – surveillance work is performed in partnership with our northern neighbours, such as checking local pigs for diseases.

The Pre-Border activities are designed to build capacity in PNG, Indonesia and East Timor. There has been a scale back of these activities in recent years due to political unrest.

Business and Border Services

The activities performed within this function include clearing goods, vessels and aircraft moving from PNG to the Torres Strait under the Torres Strait Treaty provisions and between the quarantine zones within Torres Strait and on to the mainland.

8.2 Operational Objectives

Unlike the other AQIS border Programs, NAQS does not have mandated intervention and effectiveness targets. However, the following performance indicators have been developed and results are reported in the NAQS business plan. The Program is encouraged to achieve consistent levels each year.

NAQS Operations Indicators
Average number of inspections (vessel/aircraft) per NAQS inspector per month
Average number of passengers per month
Average number of hours per month spent on public awareness activities
Average number of hours per month spent on scientific support
Trap collections and samples packaged and sent for identification/testing within agreed timeframes
Number of items seized per 1,000 passengers
NAQS Scientific Indicators
Surveillance and monitoring varied out as per frequency identified in risk area assessment document
Detection of pest and disease incursions
Completion of survey reports within three months
Building the quarantine capacity of countries to our near north
NAQS Public Awareness Indicators
Number of community initiatives/events sponsored by NAQS
Number of calendars/wall planners delivered per year
Production volume of NAQS News, issues per year
Positive NAQS News reader feedback received via survey
Positive media coverage measured by media monitors
Timely production and delivery of the Year in Review
Delivery of a report to evaluate awareness levels in NAQS zones
Achievement of tasks in the Top Watch workplan
Client Satisfaction
Participation in the NAQS Consultative Committee and compliance with QEAC terms of reference

Table 8.3 - Performance Indicators

For most indicators, reports are against a baseline level which is the annual average from the past few years.

Some indicators are reported qualitatively by commentary, such as a list of disease incursions in the quarter, while others note positive media coverage received or number of newsletters released per annum.

Performance data from 2000/01 to 2005/06 in relation to a number of the Operations Indicators is outlined in the table below.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Vessel/aircraft inspections per month	55	41	35	50	46	39.3
Inspections per FTE	n/a	0.62	0.53	0.82	0.79	0.68
Passengers per year	114,372	93,636	77,877	100,619	95,074	80,726
Passengers per FTE	n/a	1,415	1,178	1,641	1,637	1,399
Average number of passengers inspected per month	9,531	7,803	6,490	8,388	7,923	6,727
Passengers inspected per FTE	n/a	118	98	137	136	117
Number of Seizures	n/a	627	611	674	1,000	846
Seizures per FTE	n/a	9	9	11	17	15

Table 8.4 - Operations Indicators

This performance data per FTE is shown in the figure below.

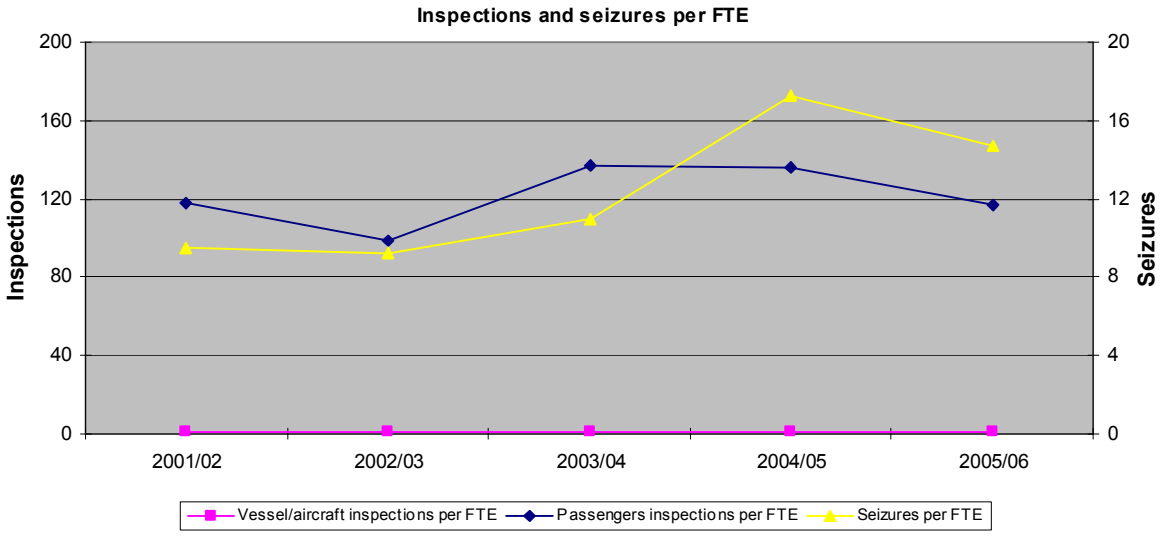


Figure 8.3 - Performance data per FTE

The number of inspections and seizures depends on the amount of traffic in the region which fluctuates with seasons, levels of vessel, aircraft and passenger arrivals as well as cultural patterns, for example traditional ceremonies where items of quarantine interest are often present.

Inspections and seizures per FTE have increased since 2001/02. The increase in seizures per FTE is in part due to increased vigilance by NAQS inspectors and increased numbers of inspections.

The slight decrease in 2005/06 for all three measures is due mainly to an overall decrease in the number of passengers.

The above indicators show that NAQS has met its performance objectives by realising consistent levels of performance each year.

The Program has proposed new intervention and effectiveness performance indicators, similar to other AQIS quarantine programs, as shown in the table below.

Activity	Level of intervention	Effectiveness
Traditional movements	Inspections per officer (current method)	Effectiveness will be calculated using methods similar to other Border Programs.
Vessels	Inspections per officer (current method)	
Flights	Intervention calculation (as used in the Airports Program)	
Cargo	Intervention calculation (as used in the Mail Program)	

Table 8.5 - Intervention and Effectiveness Indicators

These indicators, which were introduced in January 2007, will provide more specific targets for the Program to achieve, rather than reporting on levels achieved in comparison to past years.

8.3 Overlap with Other Programs

Other Border Programs

NAQS officers undertake some work for the Seaports Program. International vessels that arrive in the Torres Strait as first port of call are inspected by NAQS officers on behalf of the Seaports Program. This information is supplied to Seaports for use in their reporting of intervention and effectiveness. When the NAQS Program officers provide these services, they are operating as Seaports Program staff, and revenue raised is allocated to the Seaports Program.

NAQS officers also work closely with Airports staff. NAQS officers pre-clear small planes on Horn Island that are not flying to Cairns. Flights planning to land at Cairns are screened either by Detector Dogs or by physical inspection by NAQS or AQIS Airports officers on arrival in Cairns.

DAFF

Within the DAFF portfolio, NAQS works closely with the Product Integrity, Animal and Plant Health division of DAFF in analysing the risk of any detection found during survey activity.

Other Agencies

As previously documented in the Stakeholder section of this chapter of the report, NAQS officers work closely with staff from a number of different agencies. The activities undertaken by NAQS are unique and from our analysis of the Program are not considered to be duplicated by other Government Programs.

Other agencies, such as Customs, Department of Defence, Department of Health and Ageing, Australian Fisheries Management Authority (AFMA) and DIAC operate within the region but have separate functions and responsibilities.

8.4 Industry Involvement

NAQS interacts with the following industries:

- Tourism – yacht travel increases in northern Australia in the summer months, providing an increased workload for vessel and passenger inspections in remote locations. The Program also has a part in the tourism industry in that it inspects and provides quarantine clearance of travellers moving in the Torres Strait.
- Agricultural – a substantial portion of NAQS undertakes surveys and surveillance work, which is at times performed in conjunction with other Government agricultural agencies. If a pest is detected these agencies are informed and may be involved in its eradication.
- Transport – inspect vessels and passengers travelling among the Torres Strait Islands.

8.5 Revenue

In 2005/06 NAQS Program revenue was $10,009,701. This is largely budget funded.

The following table provides a breakdown of key revenue sources for the Program since 2000/01 as well as future projections.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget
Revenues from Government	2,771	6,494	6,395	6,871	7,961	9,202	11,870	11,889
Sale of Goods and Services	1,729	1,767	1,951	1,933	176	34	0	0
Corporate Revenue Allocation	0	0	308	374	516	545	646	646
Other Revenue	40	98	97	155	193	228	309	309
Total Revenue	**4,539**	**8,360**	**8,751**	**9,333**	**8,845**	**10,010**	**12,825**	**12,844**

Table 8.6 – Revenue ($000)

In 2005/06, NAQS was almost fully funded by Government appropriation. Only 0.34% of revenue was sourced from cost recovery activities such as managing fruit fly incursions in the Torres Strait on behalf of the Queensland State Government.

Earlier Program years (2000/01 to 2003/04) had higher levels of cost recovery which reflect revenue from military and transport vessel related quarantine services during Australia's peace-keeping operations in East Timor. Approximately 25% of Program funding across those years was cost-recovered. Whilst the East Timor Program ceased in June 2005, the military presence had decreased early on in 2004/05 and resulted in an almost immediate reduction in Program revenue.

Revenue from Government was also received by NAQS for the East Timor Program. Approximately 26 people were deployed to East Timor and budget funding of $4 million over 4 years (2001/02 to 2004/05) was received.

From 2003/04 to 2005/06, NAQS received $1.5 million as part of Budget initiatives to address the potential quarantine risks posed by AI in Australia's north.

In the 2006/07 Budget, AQIS received increased budget funding for NAQS to address the high priority issues of AI and IFFV activities. In the AI package, $1.5 million per annum was provided for three years to 2008/09 to undertake enhanced quarantine surveillance activity in Australia's north, and deliver targeted community awareness programs. AQIS received $2.9 million over four years to undertake an additional 10 surveys per year or likely and known IFFV landing areas to assist in managing biosecurity risks. AQIS also received $6.9 million over four years to engage with indigenous communities on quarantine activities related to IFFV activity. Indigenous communities will undertake:

- Fruit fly, ant and mosquito trapping;
- Blood collection from feral animals;
- Weed and plant disease specimen collection;
- Wood boring pest surveillance; and

- Assisting survey teams to access traditional land.

AI surveillance is particularly relevant in northern Australia as the majority of AI cases have occurred in our northern neighbours in Thailand, Indonesia and Vietnam. NAQS has participated in awareness-raising activities such as producing fact sheets for NAQS staff and travellers to identify items that may contain the virus as well as people or animals that may be carrying the infection.

In addition $6.9 million was received over four years to engage with indigenous communities on quarantine risks posed by IFFVs.

8.6 Cost Effectiveness

In analysing the effectiveness of NAQS, we have considered the following:

- Reasonableness of NAQS key cost elements, including benchmarking with other organisations, particularly Customs; and
- Sustainability of the Budget.

8.6.1 Reasonableness of Key Cost Elements

The table below details the major expenses for NAQS since 2000/01, as well as future projections to 2007/08.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Employee Costs	2,902	4,435	4,688	4,944	4,619	5,034	6,446	6,704	6,972	7,251
Overheads	277	1,005	1,404	1,559	1,481	1,865	2,114	2,148	2,183	2,219
Other	1,064	2,948	2,804	2,996	2,832	3,464	4,687	4,294	4,325	4,356
Total Exp	**4,243**	**8,388**	**8,896**	**9,499**	**8,932**	**10,363**	**12,825**	**13,146**	**13,480**	**13,826**

Table 8.7 - Expenditure ($000)

Employee expenses account for the majority of NAQS Program expenses. In 2005/06 they amounted to just over 50% of overall Program expenditure. This has been a consistent proportion over the years of the Program. Other expenditure represents mainly travel and vehicles expenditure for NAQS Program staff to maintain a presence across northern Australia.

Between 2000/01 and 2001/02 NAQS saw an increase of almost 100% in Program expenditure, which was primarily due to the commencement of the East Timor Program. Since the ceasing of the East Timor Program in June 2005, additional expenditure has been incurred by the IFFV and AI activities.

The following graph provides details of the breakdown of Program expenditure by region. The graph demonstrates the comparatively higher expenditure in the Far North region, as compared to the Northern Territory and ACT.

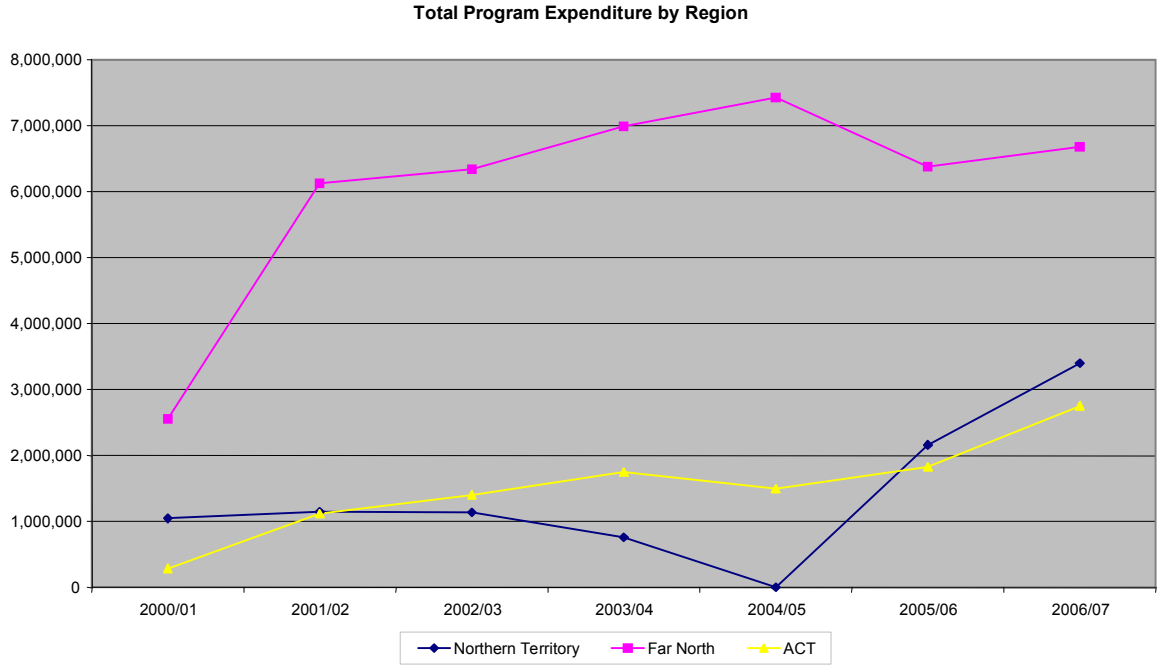


Figure 8.4 - Total Expenditure by Region ($)

The graph below shows the total expenditure per FTE per region.

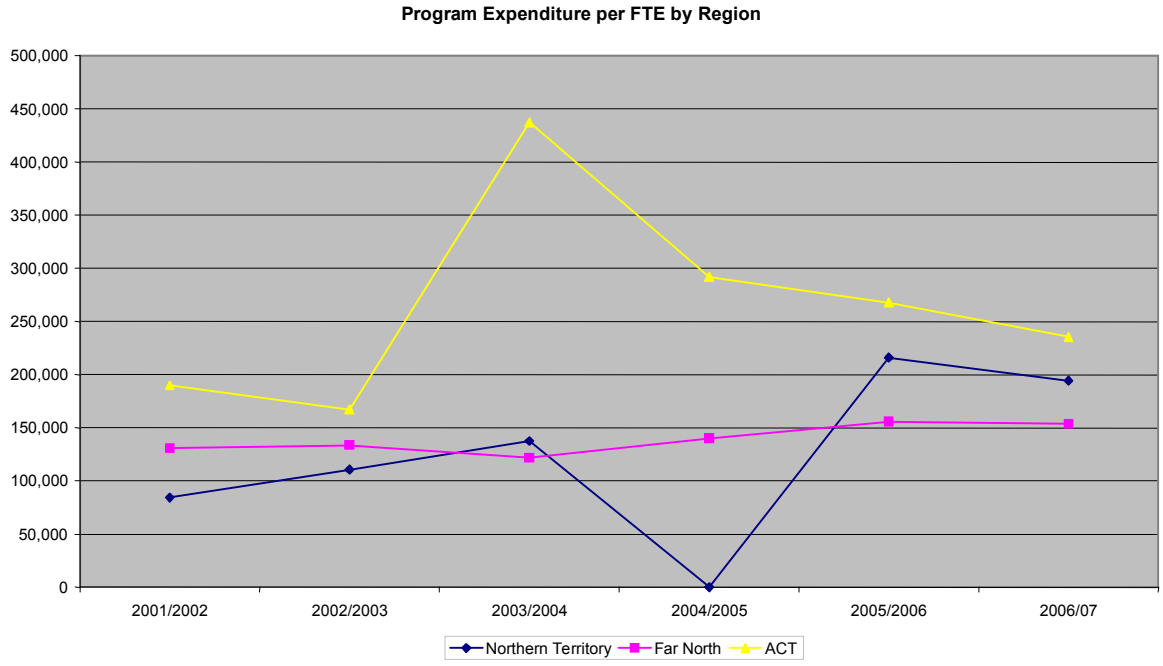


Figure 8.5 - Expenditure by Region per FTE ($)

Despite the majority of the Program expenditure occurring in the Far North, cost per FTE in that region is the lowest. The highest cost region per FTE is the ACT, which is primarily due to the higher cost managerial staff based there. The ACT had a spike in costs per FTE in 2003/04 as staff levels dropped from 8.4 to 4.0 in that year, without a corresponding drop in expenditure. This was due to the East Timor Program's completion, as their staff were allocated to the ACT budget.

The staff in the regions are mostly in Band 1 which is less than half the cost of Executive Level staff. NT had zero cost in 2004/05 as there were no FTEs allocated to that region in that year.

Analysis

The following section identifies key expenditure categories for NAQS, seeks to identify why expenditure is at such levels and offers options for further efficiencies. Forecast data for analysis was available up to and including 2007/08. Key expenditure categories examined are:

- Employee expenses;
- IT and Communications expenses;
- Travel expenses; and
- Vehicle expenses.

Employee Expenses

Employee expenditure is the major cost for NAQS at around 50% of total costs per year, as shown in the table below.

	2000/ 01 Actual	2001/ 02 Actual	2002/ 03 Actual	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Employee Expenditure ($000)	2,902	4,435	4,688	4,944	4,619	5,034	6,446	6,704	6,972	7,251
FTEs	55.12	66.17	66.09	61.32	58.08	57.71	72.62	73.12	73.12	73.12
Employee Exp per FTE ($'000)	53	67	71	81	80	87	89	91	95	99
Total Program Expenditure ($000)	4,243	8,388	8,896	9,499	8,932	10,363	12,825	13,146	13,480	13,826
Employee Exp. as a % of Program Expenditure	68%	53%	53%	52%	52%	49%	50%	51%	52%	52%

Table 8.8 - Employee Expenditure

The table highlights the declining trend of employee expenses as a percentage of total Program expenditure down from 68% in 2000/01 to 49% in 2005/06. This reflects the improvements to managing resources and increased focus on awareness campaigns and support from local communities.

Employee Expense Trends

The following table identifies the major expenditure components of employee expenditure. The reasons for these trends in employee expenditure are examined in further detail through the analysis of these categories of expense.

Overtime and penalties expenditure in 2005/06 represented $62,786 (0.61%) and $808 (0.01%) respectively of total overall Program expenditure.

	2005/06 Expenditure	Proportion of Total Program Expenditure 2005/06	2005/06 Expenditure per FTE
Base Salary	$2,982,402	28.78%	$51,679
Superannuation	$549,747	5.31%	$9,526
Leave Expenses	$313,415	3.02%	$5,431
Other Allowances	$311,319	3.00%	$5,395
District Allowances	$231,004	2.23%	$4,003
Total	$4,387,887	42.34%	$76,033[1]

Table 8.9 – Employee Expenditure components

Base Salary

The total Base Salary expenditure, and its proportion of total Program and total employee expenditure, is provided in the table below.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Base Salary ($000)	1,650	2,707	2,900	2,961	2,978	2,982	4,101	4,265	4,436	4,613
FTEs	55.12	66.17	66.09	61.3	58.08	57.71	72.62	73.12	73.12	73.12
Base Salary per FTE ($'000)	30	41	44	44	51	52	56	58	61	63
Total Program Expenditure ($000)	4,243	8,388	8,896	9,499	8,932	10,363	12,825	13,146	13,480	13,826
Base Salary as a % of Program Expenditure	39%	32%	33%	31%	33%	29%	32%	32%	33%	33%

Table 8.10 - Base Salary Expenditure

Base salary is the most significant single cost in NAQS representing 29% of total Program expenditure in 2005/06. The proportion of base salary to total expenditure decreased from 2000/01 to 2001/02 as base salary grew by 64% against total expenditure growth of 98%. This was primarily due to an increase in employee expenditure, and Special Category overheads that were first allocated in 2001/02.

The period 2001/02 to 2004/05 saw modest growth in base salary by approximately 10% which was also holding relatively stable as a proportion of total expenditure, as shown in the table below. Base

[1] A range of other employee expenses (eg higher duties expenses, other allowances expenses, performance pay, other employee on-costs and occupational health and safety expenditure) amounted to $11,203. Individually these expenses did not amount to significant costs for the program and were not separately analysed.

salary per FTE however, grew by 25% to 2004/05 due to increased numbers of Band 2 and Band 3 employees in an increase of 5 FTEs over this period.

Benchmark with ABS Wage Level Data

Data on the average weekly earnings in the Government sector are shown below.

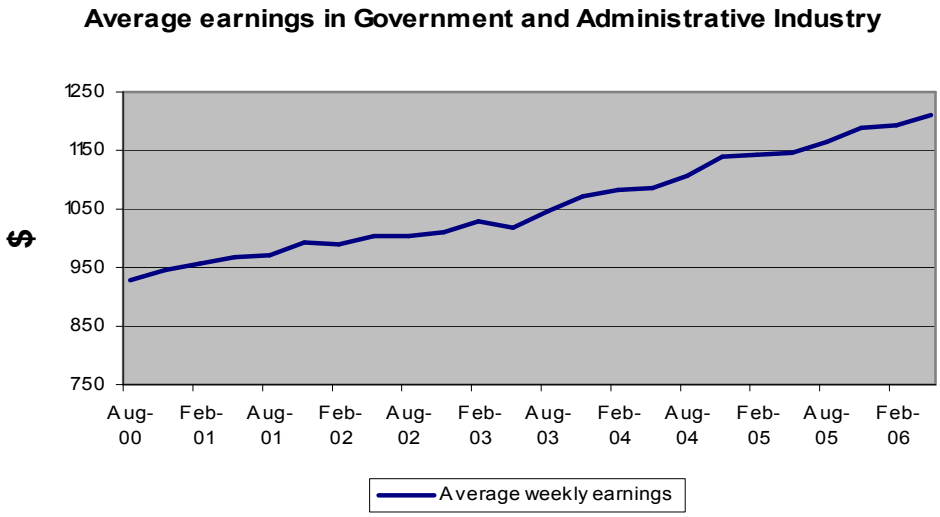


Figure 8. 6 – Wage level in Government and Administration industry (Source: Australian Bureau of Statistics 6202.0)

The wages in the Government industry have increased at a steady rate to $1,200 per week, an increase of 26% from 2000/01 to 2005/06. This should reflect regular wage increases from the Consumer Price Index (CPI) and certified agreement negotiations.

In terms of NAQS, the base salary per FTE has steadily increased from $40,906 in 2001/02 to $51,679 in 2005/06. This increase of 26% across the period is the same as the increase in the ABS data for the same period.

Other Employee Remuneration

Other Employee Remuneration includes payments for items such as higher duties, temporary accommodation, overtime, penalties, isolated location, being on call, mileage and performance pay, other allowances and district allowance.

Total Other Employee Remuneration expenditure is provided in the table below.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Other Remuneration Expense ($000)	656	766	719	740	519	852	657	683	711	739
FTEs	55.12	66.17	66.09	61.32	58.08	57.71	72.62	73.12	73.12	73.12
Other Remuneration per FTE ($)	11,901	11,578	10,873	12,068	8,935	14,772	9,046	9,344	9,717	10,106

Table 8.11 - Other Employee Remuneration Expenditure

Other Employee Remuneration provides the fifth largest expense component for NAQS, amounting to 8% of total Program costs in 2005/06. Other Employee Remuneration cost steadily increased across the funding period, but experienced a drop of 30% in 2004/05 due to a $281,978 decrease in Military Operations Support Allowance. Other Employee Remuneration increased in 2005/06 with the introduction of AI and illegal foreign fishing vessel activities.

The largest drivers of this cost are Other Allowances and District Allowances, with each at 10-30% of the total cost. Other Allowances comprises meals, remote locality, first aid, shift, shoe and stocking and airport allowances. Unlike other AQIS border Programs, overtime and penalties are not materially significant in NAQS.

Other Employee Remuneration per FTE has fluctuated around $10,000 across the past five years, and has peaked in 2005/06 at $14,772 per FTE. FTE numbers have decreased since 2001/02 indicating allowances have increased over time. This indicates there have been increases in allowances such as meal and locality.

The Other Employee Remuneration per region per FTE is outlined below.

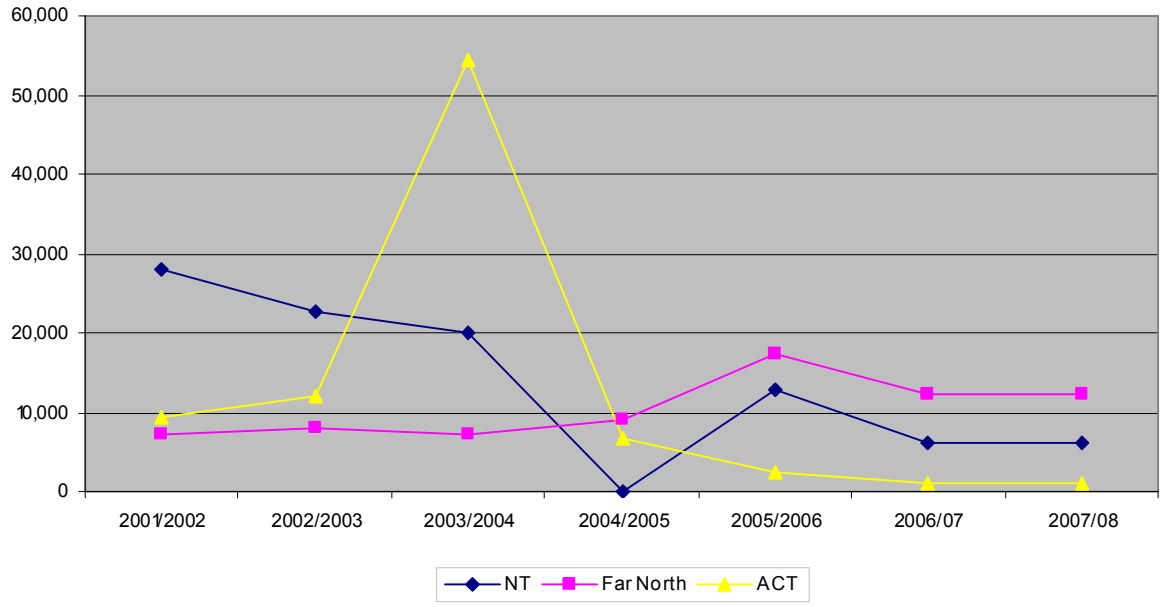


Figure 8.7 - Other Remuneration by Region per FTE ($)

Far North QLD has increased from $7,092 to $17,294 per FTE from 2001/02 to 2005/06, driven by increases in district allowances and allowance in lieu of overtime. ACT spiked in 2003/04 as the

Military Support Allowance mentioned above was mainly allocated to the ACT. NT showed a trend of decreases across the period as the amount of overtime and other allowances dropped to zero in 2005/06. The decrease in NT between 2003/04 and 2004/05 was due to the completion of the East Timor component of NAQS, as these staff were based in Darwin and received allowances when they travelled to East Timor.

The other item to note is the overall decline in Other Remuneration as a percentage of total expenditure with a decrease from 15.46% in 2000/01 to 8.23% in 2005/06, being achieved as a result of better scheduling of resources.

IT, Communications and Office Equipment

Total IT and Communications expenditure is provided in the table below.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/010 Budget
IT & Comms Expense ($000)	245	470	466	468	516	589	491	506	521	536
FTEs	55.12	66.17	66.09	61.3	58.08	57.71	72.62	73.12	73.12	73.12
IT & Comms Exp per FTE	4,445	7,102	7,050	7,635	8,878	10,212	6,760	6,915	7,123	7,336

Table 8.12 - IT and Communications Expenditure

IT and Communications expenditure remained at around 5% to 6% of total Program expenditure in the eight year period analysed above, except in 2006/07 when it dropped to 4% due to a $98,409 decrease in expenditure. This decrease is in a number of smaller IT nominals such as office equipment and PABX charges that are not included in the 2006/07 budget. Also, IT upgrades in NAQS occurred in 2004/05 and 2005/06 which may also lead to a decrease in IT expenditure in 2006/07.

The IT expenditure per FTE remained relatively constant at around $7,000 per FTE from 2001/02 to 2003/04. As most IT costs are allocated on an FTE basis, the increases in 2004/05 and 2005/06 reflect the impact of decreased FTE numbers compounded by increased costs following the renewal of the Volante IT contract with DAFF, and the service/ charging arrangements associated with that contract. The overall impact of these changes has been managed by AQIS as evidenced by the fact that IT and Communications costs as a percentage of total expenditure has only varied from 5.78% in 2000/01 to 5.69% in 2005/06.

Benchmark with Customs

In 2002/03 ACS spent $14,191 per FTE on IT. In 2000/01 to 2003/04 ACS had substantial expenditure on IT, including the Cargo Management Reengineering (CMR) project. In comparison NAQS spent $6,213 per FTE in 2002/03.

NAQS provided recent server upgrades to the Torres Strait Island offices, but overall the Program does not have IT expenditure in the scale of the CMR project. In terms of benchmarking, this indicates why the NAQS IT expenditure is half that of Customs.

Travel Expenditure

Total Travel expenditure is provided in the table below.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Travel Expense ($000)	324	688	623	600	589	644	781	789	797	805
FTEs	55.12	66.17	66.09	61.32	58.08	57.71	72.62	73.12	73.12	73.12
Travel Exp per FTE	5,878	10,390	9,431	9,788	10,146	11,153	10,759	10,792	10,900	11,009

Table 8.13 – Travel Expenditure

Travel costs for NAQS represent approximately 6% annually of total costs in the period 2000/01 to 2005/06. The growth across this period is approximately 15% with a spike in 2001/02. Most travel is in the domestic category, with trips between offices in Broome, Darwin and Cairns. International travel comprises 17% of total travel costs in 2005/06 and primarily covers trips to Australia's northern neighbours. This is consistent with the levels of NAQS activity in those locations.

Travel is increasing in the future due to work on avian influenza and illegal foreign fishing programs, for which additional Budget funding has been provided in the 2006/07 Budget. Indigenous liaison officer numbers are increasing from two to 20 in future years which will also lead to an increase in travel costs. The increase in FTEs by 14.9 in 2006/07, along with an expenditure increase of $137,673 results in a drop in the cost per FTE in that year, though AQIS has advised that the volume of travel will be increasing in relation to the new Budget measures.

AQIS has managed the total expenditure as evidenced by the decrease in travel expenditure as a percentage of total expenditure, where it has declined from 7.6% in 2000/01 to 6.2% in 2005/06. This has been achieved through the greater use of IT and Communications where possible.

NAQS Program involves a lot of travel across northern Australia to conduct surveillance and inspections so this result is expected.

Benchmark with Customs

Travel cost of a Customs equivalent Program to NAQS was unavailable at the time of writing this report. However travel cost at an organisation wide level for ACS was available. It should be noted that when comparing cost per FTE, Customs' FTE numbers include policy and administrative staff based in Canberra who do not undertake as much travel as NAQS staff.

The total travel expenditure for ACS in 2002/03 was $11,680,099, or $2,419 per FTE. Travel was 2% of Customs' total expenditure in that year. In comparison, NAQS spent $9,431 per FTE in 2002/03, and total travel expenditure amounted to 7% of total Program expenditure.

This result appears reasonable when compared with Customs and the amount of travel due to the remote locations in which they are required to perform their work. We also compared the costs for chartering of planes incurred by AQIS to the rates generally available from air charter operations. The AQIS rates compare favourably to externally available rates.

Vehicle Expenditure

Total Vehicle expenditure is provided in the table below.

	2000/01 Actual	2001/02 Actual	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Budget	2007/08 Budget	2008/09 Budget	2009/10 Budget
Vehicle Expense ($000)	311	422	479	393	365	451	441	446	450	455
FTEs	55.12	66.17	66.09	61.3	58.08	57.71	72.62	73.12	73.12	73.12
Vehicle Exp per FTE ($)	5,642	6,381	7,240	6,411	6,276	7,808	6,077	6,096	6,157	6,218

Table 8.14 - Vehicle Expenditure

Vehicle expenditure over the period above has remained relatively constant at $5,642 to $7,808 per FTE. Costs increased in 2001/02 and 2002/03 due to a number of costs being initially allocated in those years, such as vehicle insurance and fuel. 2005/06 was also a high cost year with an increase of $65,194 in vehicle charges and $18,300 in vehicle fuel, reflecting the impact of higher petrol costs in remote areas. In terms of the percentage of total Program expenditure, vehicles accounted for 4% in 2005/06, the ninth largest cost in 2005/06.

The Far North is the region with the highest vehicle costs, which reflects the high amount of cars used in this region. The costs of vehicles as a percentage of total expenditure have been managed down from 7.3% in 2000/01 to 4.3% in 2005/06. AQIS management has maintained controls on these costs through its reporting and governance processes.

Roster analysis

Given that employee expenses are the largest component of Program costs, and that these costs are controllable by management, the use of a rostering system helps management optimise resources. The following table illustrates the rostering system used in each of the regions.

Location	Hours of operation	Rosters in use	Start and finish times	FTEs	Tasks performed by staff and contractors	Allowances or shift penalties payable
Cairns	Within the CA Span - 0600 to 1800 (usually 8.00am to 5.00pm)	No	None – activities conducted within normal business hours. Activities out of hours conducted by regional on call staff	8.9FTEs 1.9 B3L8 1 B3L4 (vet) 2 B2L6a 1 B2L5 3 B1L4	NAQS, Border services, Risk monitoring and evaluation	Ad hoc EDFA for remote locality work & remote locality allowances applicable as per CA
Mareeba	Within the CA Span - 0600 to 1800 (usually 8.00am to 5.00pm)	No	Restriction hrs: 06.00 hrs to 1800 hrs	7 FTEs 3 B3L7 1 B2L6a 2 B2L5 1 B1L4	NAQS, Risk monitoring and evaluation	Ad hoc EDFA for remote locality work & remote locality allowances applicable as per CA
Bamaga	Within the CA Span - 0600 to 1800 (usually 8.00am to 4.00pm) with on call duties seven days a week 24 hours	Three staff: on call duties on weekly rotation	Restriction hrs: 06.00 hrs to 1800 hrs	3 FTEs 2 B2L5 1 B1L4	NAQS, Border Services and on call duties as required	Ad hoc EDFA for remote locality work & remote locality allowances applicable as per CA and Overtime
Weipa	Within the CA Span - 0600 to 1800 (usually 8.00am to 4.00pm) with on-call duties	Two staff: on call duties weekly Thursda	Restriction hrs: 06.00 hrs to 1800 hrs	2 B2L5	NAQS, Border Services, Seaports and On Call duties as required	Ad hoc EDFA for remote locality work & remote locality allowances applicable as per CA

Location	Hours of operation	Rosters in use	Start and finish times	FTEs	Tasks performed by staff and contractors	Allowances or shift penalties payable
	seven days a week	y to Wednesday				
Broome	8.00 am - 4.30pm	No	Same as office hours	5 FTEs 1 B3L3 (vet) 1 B3L7 2 B2L5 1 B1L4	NAQS, Risk monitoring and evaluation	EDFA for field work. Employees in Broome receive District Allowance, Leave Fares and Airconditioning Subsidy.
Darwin	8.00 am - 4.30pm	No	Same as office hours	13.25 FTEs 0.25 B3L8a 2 B3L3 (vet) 3 B3L7 4 B2L5 3 B1L4 1 B1L3	NAQS Risk monitoring and evaluation	EDFA for field work. Employees stationed in Darwin prior to 16 September 1998 and who continually reside here are also eligible for District Allowance and Leave Fares. This applies to a small number of employees.
Thursday Island	Within the CA Span - 0600 to 1800 (usually 8.00am to 4.00pm) with on call duties seven days a week - 24 hours.	Weekly Work Program and On Call	Office hours for weekly work program - 1600 to 0800am on call	4.3 FTEs 1 B3L7 1 B2L6b 1 B2L5 1.3 B1L4	NAQS, Border services, Seaports, Fish, Public Relations and on call duties as required	Remote locality allowances applicable as per CA, Overtime and On Call Allowances
Horn Island	Within the CA Span - 0600 to 1800 (usually 8.00am to 4.00pm) seven days a week (flight and ferry dependent)	On Call as required	Restriction hrs: 06.00 hrs to 1800 hrs	0.82 B1L3	NAQS, Border Services, Seaports, Airports and on call duties as required	Remote locality allowances applicable as per CA and Overtime
Boigu and Saibai Islands	Within the CA Span - 0600 to 1800 (usually 8.00am to 4.00pm)	When two staff on duty split shift applies	Restriction hrs: 06.00 hrs to 1800 hrs	4 B1L3 (two per Island)	NAQS, Border Services and on call duties as required	Remote locality allowances applicable as per CA and Overtime
Other Outer Islands	Part-time hours, generally 9.00am to 4.00pm	No	Restriction hrs: 06.00 hrs to 1800 hrs	0.82 B1L3 on each of 11 Islands	NAQS, Border Services and on call duties as required	Remote locality allowances applicable as per CA and Overtime

Table 8.15 – Rosters

There are 15 offices on Torres Strait islands and six on the mainland – one in WA, one in NT and four in QLD. The 15 islands have 0.82 to 2 NAQS staff stationed on each, and the mainland offices have two to 13.25 FTEs with the largest office in Darwin.

Most offices are open from 8am until 5pm except on the Other Outer Islands which operate on part time hours due to the range of work available on each island. About half the offices are on call 24 hours seven days a week to ensure all required work is performed, including plane and vessel clearance in remote areas.

Risk monitoring and evaluation is performed by all offices, in line with area risk ratings and work plans. FTEs are posted to the areas with the highest demand. Darwin in the centre of the NAQS region has about a quarter of the Program staff.

In an effort to contain costs, the rostering ensures those offices that can work within normal business hours are staffed accordingly. For the remote locations where the timing of operations is more variable, the rosters allow for on-call work to occur. These locations then receive allowances and penalties that would be expected to be associated with such working conditions. From our analysis, the rostering arrangements in NAQS appear to be reasonable.

8.7 Sustainability of Revenue Base

The table below shows the breakdown of revenue and total expenditure for NAQS across the period 2001/02 to 2005/06.

NAQS	2001/02 $'000	2002/03 $'000	2003/04 $'000	2004/05 $'000	2005/06 $'000
Revenue – Budget Funded	$6,592	$6,800	$7,400	$8,670	$9,975
Revenue – Cost Recovered	$1,767	$1,951	$1,933	$176	$34
Total Revenue	$8,360	$8,751	$9,333	$8,845	$10,010
Total Expenditure	$8,388	$8,896	$9,499	$8,932	$10,363
Net Position	($28)	($146)	($166)	($87)	($353)

Table 8.16 – Revenue and Expenditure

The major barriers to further cost efficiencies are the nature of the Program's activities (i.e. heavily scientific base), the geographic spread over which the Program operates, and the difficulties (and costs) of having the number of appropriately skilled resources in those locations. There is a limit to how much AQIS can influence these factors to achieve cost efficiencies beyond what has been achieved to date.

This presents a challenge to the Program in relation to its capacity to grow program operations, particularly in the unique and challenging environment.

In addition, NAQS has not had defined government mandated intervention and effectiveness targets. Whilst work has been undertaken to develop a more robust set of performance measures for NAQS as of January 2007, increasing emphasis will be placed on NAQS being able to record and report comprehensive program performance data to ensure and assist management in determining how resources can be most effectively and efficiently deployed.

Recommendation
A meaningful and complete set of performance indicators for the NAQS Program should be developed, and the work which has been undertaken to develop a more robust set of performance measures for the program should be implemented as soon as possible.

DETECTOR DOG PROGRAM

Contents

9. Detector Dog Program

9.1 Background to the Program

The Quarantine Detector Dog Program's (QDDP's) primary function is to provide quarantine detector dogs and handlers to detect quarantine risk material on behalf of its client Programs. The Program began in 1992, and has steadily increased in size, particularly since the Increased Quarantine Intervention (IQI) funding was provided to meet government intervention and effectiveness targets.

The Program contributes to achieving Government targets of quarantine intervention at international airports, seaports, international mail centres and air couriers. Detector dogs are used in these border programs as they are more effective in identifying quarantine material that would otherwise not be identified through other interventions, such as x-ray machines or physical inspection.

The Program operates under arrangements detailed in service level agreements and operational procedures negotiated with AQIS Programs that use detector dog services. The Program currently holds service level agreements with the following AQIS Programs:

- International Mail;
- Seaports;
- Northern Australia Quarantine Strategy (NAQS).
- Airports;
- Import Clearance;

There are two distinct categories of detector dogs, which have different requirements and training. Dogs are classed as "passive response" or "active response".

Passive Response Dogs

Passive response dogs are used by the Airports, Seaports and NAQS Programs. AQIS uses beagles as the exclusive breed of passive response dogs. Beagles are used in these Programs as they must interact with the general public, and due to their 'public friendly' image are suited to the type of operational intervention required. AQIS Beagles are trained in such a way that when they smell a potential item of quarantine concern, they sit quietly (passive response) beside an item to which they wish to draw their handler's attention. An example of this is in the Airports Program whereby a beagle will sit next to a passenger or bag that possesses a potential item of quarantine concern. The officer is then alerted to the fact that the passenger may have risk material in their possession, and searches the bag or passenger for the detected item.

Active Response Dogs

Active response dogs are used by the International Mail and Import Clearance Programs. These dogs are used to screen mail articles and HVLV air cargo entering Australia. Active response dogs can be any breed of dog that has a good nose for detecting quarantine items, and are responsive to training courses and working with handlers. As active response dogs do not interact with the general public, the type of breed is irrelevant as long as they are able to operate according to the intervention requirements.

During operations, when an active response dog detects the scent of an item of potential quarantine concern, they nudge or paw the offending item (active response) to single it out for further examination by AQIS officers. Using an active response process enables greater effectiveness in identifying and separating an item for further inspection. An example is in the International Mail Program where a number of letters may be bulked together for intervention by detector dogs. If a dog identifies a potential item of quarantine concern, the dog will actively single the item out. This process would be less effective with a passive response dog, as the letter would not be easily identifiable.

9.1.1 Staffing

As at June 2006, the Program had 92.05 FTEs, spread across the National Office in Canberra and regional offices in the States and Territories. The graph below illustrates the breakdown of staff across Australia in 2005/06.

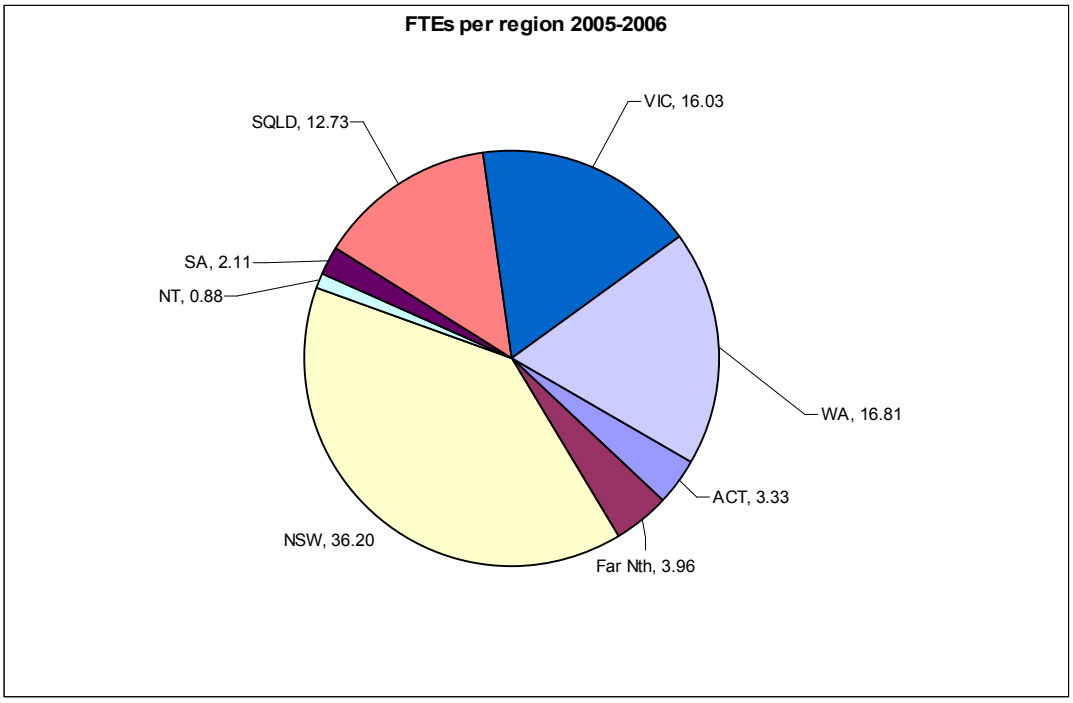


Figure 9.1 – FTEs per region 2005-2006

Staffing for the Quarantine Detector Dog Program includes the number of FTE detector dog teams used by the Program. For the purpose of operations, a detector dog 'team' is classified by AQIS as a combination of one detector dog and its handler.

	2001/02[1]	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
ACT	3.15	4.00	3.98	3.06	3.33	6.00	6.00	6.00
Far Nth	5.92	7.00	4.83	4.50	3.96	4.00	4.00	4.00
NSW	23.46	36.25	32.99	34.72	36.20	42.99	43.31	43.31
NT	1.33	0.00	2.00	1.33	0.88	1.00	1.00	1.00
SA	1.33	1.75	2.05	2.27	2.11	2.20	2.20	2.20
SE Qld	10.33	13.00	11.59	11.44	12.73	13.90	13.90	13.90
VIC	12.00	16.28	14.71	13.28	16.03	16.20	16.20	16.20
WA	5.60	8.32	11.34	14.14	16.81	16.53	16.70	16.70
All	**63.13**	**86.60**	**83.49**	**84.75**	**92.05**	**102.82**	**103.31**	**103.31**

Table 9.1 – Regional breakdown of FTEs

The total number of FTEs increased by 23 from 2001/02 to 2002/03 due to IQI initiatives.

Using forecasting figures, the above data suggests that dog teams will increase by 10 FTEs from 2005/06 to 2008/09. This is consistent with the expected increases in passenger and import volumes in those years, along with the increased demand for dog resources by AQIS Programs. The International Mail Program is shifting intervention resources from physical inspection by AQIS officers, to greater use of detector dogs. The Melbourne International Mail centre has trialled the use and documented the success of detector dogs for examining 'Other Article" classes of mail.

Passive Response Dog Teams

The number of passive response dog teams used for intervention for the Airports, Seaports and NAQS Programs, has remained constant across a number of periods for the smaller regions within Australia.

[1] Budgeted dog team numbers for 2001/02, with forecast figures for 2006/07, 2007/08, 2008/09.

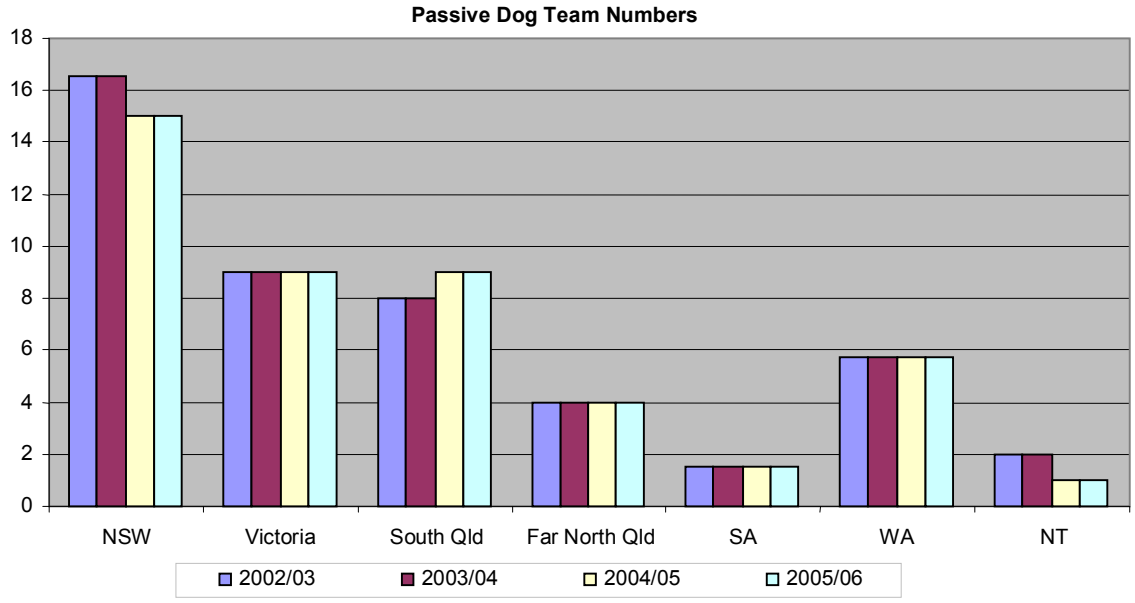


Figure 9.2 – Number of Passive Response dog teams by region

NSW has reduced its numbers of passive response dogs from 16.5 FTE teams in 2003/04 to 15 FTE in 2004/05 and 2005/06. This was a national decision to reduce dog teams in the Airports Program. South QLD has increased the number of FTE dog teams from eight in 2003/04 to nine in 2004/05 in response to higher passenger volumes through that airport.

Active Response Dog Teams

The number of Active Response dog teams, used for intervention of international mail and HVLV air cargo has increased across the various Program regions that use dogs as part of their operations.

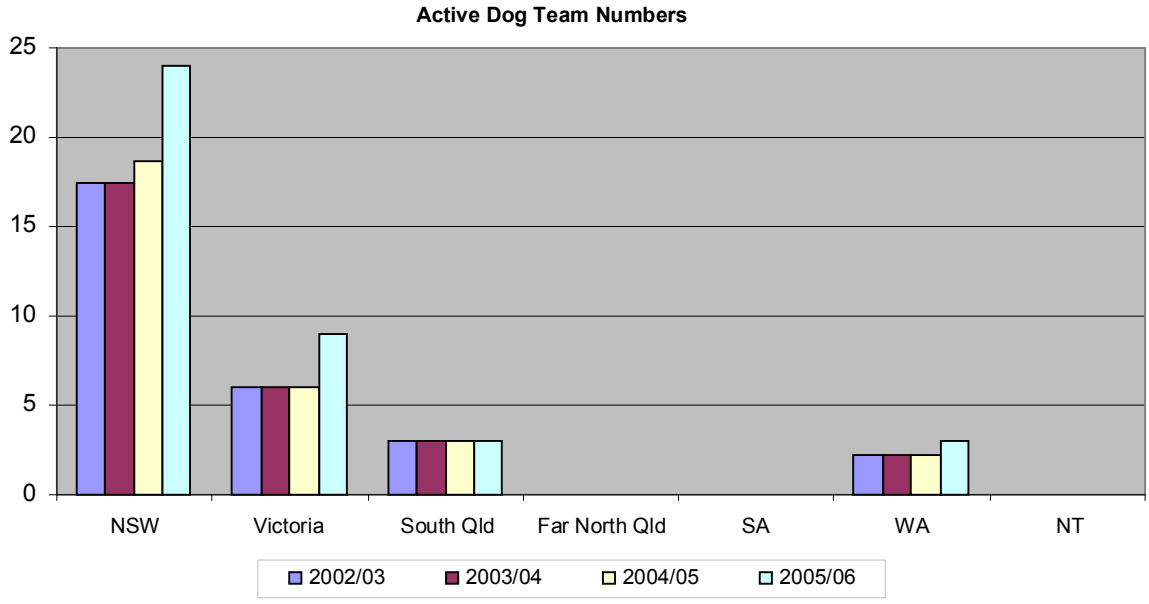


Figure 9.3 – Number of Active Response dog teams by region

NSW increased its active dog teams from 17 in 2003/04 to 24 in 2005/06. This increase was driven by a shift from human inspection to detector dog intervention, particularly across 'Other Article' mail items, in the International Mail Program.

9.1.2 Financial Inputs

Revenue

The Quarantine Detector Dog Program is classified as a Technical and Operating Program within AQIS's financial management framework.

	2000/ 01 (Actual)	2001 /02 (Actual)	2002/ 03 (Actual)	2003/ 04 (Actual)	2004/ 05 (Actual)	2005/06 (Actual)	2006/ 07 (Budget)	2007/ 08 (Budget)	2008/ 09 (Budget)	2009/ 10 (Budget)
Other Revenue	0	97	62	100	34	37	53	53	53	53
Revenues from Government	97	-	-	30	23	64	23	23	23	23
Sale of Goods & Services	50	-	-	245	586	503	520	520	520	520
Internal Revenue from other AQIS Programs.	6,934	6,363	8,021	8,083	8,583	9,342	10,468	10,826	10,826	10,826
Total	**7,082**	**6,461**	**8,083**	**8,459**	**9,226**	**9,947**	**11,064**	**11,423**	**11,423**	**11,423**

Table 9.2 – Revenue Sources ($000)

The Program essentially receives four types of revenue:

- Revenue from Government: Costs associated with meeting government responsibilities such as mandatory reporting requirements and responding to Ministerials;
- Revenue from Sale of Goods and Services: An agreement in the form of a Memorandum of Understanding between the Program and the South Australian and Western Australian State Governments is in place, whereby Detector Dog services are provided for various screening of domestic flights;
- Internal Revenue: To meet all other costs associated with the delivery of services to other AQIS Programs; and
- Other Revenue.

Expenditure

	2000/ 01 Actual	2001/ 02 Actual	2002/ 03 Actual	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Employee Expenses	2,580	3,871	5,244	5,907	6,577	7,075	8,202	8,531	8,872	9,227
Overhead Expenses	215	645	1,024	1,267	1,370	1,492	1,440	1,465	1,491	1,518
Other Expenses	4,287	1,945	1,815	1,285	1,279	1,379	1,422	1,436	1,451	1,466
Total	**7,082**	**6,461**	**8,083**	**8,459**	**9,226**	**9,947**	**11,064**	**11,432**	**11,814**	**12,211**

Table 9.3 – Key Expenditure ($000)

The AQIS quarantine border programs that use Detector Dog services in their operations fund a large portion of the Detector Dog Program.

The Programs total expenditure has increased since 2001/02, from $6.5 million to $10 million in 2005/06 and is expected to continue to continue to $12.2 million in 2009/10. This directly correlates to the increase in numbers and utilisation of detector dog teams across the other AQIS quarantine border programs.

Benchmark Comparison

Detector dogs are owned and trained separately by AQIS and Customs. The function of the detector dog for both agencies is different. Some key differences are:

- Customs has its own Detector Dog Training Centre complete with all of the associated costs (including instructional staff, administration, kennel staff, vehicles, trailers, lease, training materials, etc). AQIS does not have its own training centre and outsources its training to a private company.
- Customs provides training to other Commonwealth and State / Territory domestic agencies and to international partners, while AQIS does not.
- Customs raises, trains and deploys a different type of canine (Labradors) to those used by AQIS (Beagles), each having different issues such as feed and general maintenance.
- Customs has a wide odour detection capability, ranging from narcotics, to firearms and explosives and to chemicals, with associated costs of having officers capable of training and deploying detector dog for this wide range of odours.

The majority of Customs dog handlers are employed as Customs Level 1 (salary range $39,753 to $49,875). Varying shift penalties are employed and average overtime per dog handler is estimated to be $4,000 per annum. Average base salary for AQIS dog handlers is $48,000.

In addition, Customs detector dog are not used for IQI related functions.

9.2 Cost Attribution

The Quarantine Detector Dog Program is a Technical and Operating Service expense to each relevant program that uses detector dogs as part of its operations. The costs of providing Detector Dog services to other AQIS Programs are distributed to the individual programs through an allocation methodology that is primarily driven by utilisation of dog teams. However, the methodology also accounts for particular costs that are unique to passive response or active response dogs, or unique to an individual program. This may include expenses such as special training requirements or shift penalties for the handler. The intention is to fully cost recover all expenses associated with delivering Detector Dog services from each of the user programs in an equitable manner.

The two categories of costs and the methods for cost attribution are briefly identified in the table below and further discussed in the following sections.

▪ Regional Office Costs (an estimated average of 90% of total QDDP expenditure recovered each period)	Attributed across each program based on the FTE distribution of detector dogs required for each program during budget allocations
▪ Central Office Costs (an estimated average of 10% of total QDDP expenditure recovered each period)	Program specific costs (such as training and penalty costs) which are required to be identified and attributed to each Program separately using AQIS's established cost allocation model.

Table 9.5 –Cost Categories and Attribution

9.2.1 Regional Office Costs

As part of the budget process, each AQIS Program is required to identify how many Quarantine detector dog teams they require based on budgeted FTE figures.

Once total FTE numbers are established across regions and programs, the Quarantine Detector Dog Program forecasts the total expenditure that will be incurred by the Program based on these numbers.

The overall Quarantine Detector Dog Program expenditure is then split between the relevant border programs based on their required detector dog teams as a percentage of the total FTEs for the Program. Once calculated, costs are then distributed at a regional level based on the FTE dog numbers required at each region. This has been identified in the table below.

	2001/02		2002/03		2003/04		2004/05		2005/06	
	($000)	%	($000)	%	($000)	%	($000)	%	($000)	%
Airports	3,797	59.7	4,257	53.1	4,884	60.4	5,255	61.2	5,118	54.8
International Mail	1,330	20.9	2,592	32.3	2,557	31.6	2,690	31.3	3,579	38.3
Seaports	149	2.3	135	1.7	167	2.1	167	1.9	177	1.9
Import Clearance	979	15.4	938	11.7	359	4.4	369	4.3	364	3.9
NAQS	109	1.7	100	1.2	117	1.4	104	1.2	104	1.1
QDDP Total Cost	**6,364**	**100.0**	**8,021**	**100.0**	**8,084**	**100.0**	**8,583**	**100.0**	**9,342**	**100.0**

Table 9.6 –Trends in Cost Attribution

The costing model used to split regional office costs is an effective way of allocating general expenditure across AQIS Programs. Any program specific costs are identified and attributed to that program based on the AQIS cost allocation model.

9.2.2 Central Office Costs

Any central office costs that can be specifically attributed to a particular program are identified during the budget process and calculated separately to regional office costs as discussed above. Once calculated, these central office costs are allocated to each individual program.

There are costs that relate specifically to passive and active response dogs, and have been incorporated into the costing model used by AQIS. Program specific items included in the calculation are:

- Different training related costs; and
- Shift penalty costs (as there are differing rates of shift penalties paid by programs, because of the varying hours of operation and the impact of airport allowance).

Training Costs

Costs associated with detector dog training are identified as either passive response or active response training costs. Costs include dog and handler courses for active or passive response training, along with all other aspects of training, such as general accommodation costs for handlers to attend training courses.

Each year, training costs are separated in this way into passive and active courses, and the total costs associated with training for these programs are calculated based on the number of dogs and handlers that attend the course.

Costs are required to be separated due to the varying costs associated with training a dog or handler unique to the requirements of the program. These costs are then allocated to the respective quarantine border program. For example, costs for training passive dogs are calculated and allocated to the Airports Program based on the number of dogs that require passive training for that Program. Similarly, passive handler training is allocated by the same methodology.

The training cost attribution process is a reasonable method in distributing cost between programs as it provides each program with an accurate reflection of dog and handler training costs across each financial period. The use of actual dog and handler numbers supports the validity of this allocation process. In addition, some of these costs will be allocated to cost-recovered programs.

Shift Penalty Costs

Shift penalty allocations are based on budgeted FTE numbers of detector dog handlers for each program. These costs are calculated against actual shift penalty rates from throughout each AQIS program (active response or passive response).

For passive response dogs, the Airports Program penalty rates are based on the 36.5% loading for the airport allowance (as outlined in the DAFF Collective Agreement) per FTE. Due to the low number of FTEs required for the Seaports and NAQS Programs, penalty costs for these Programs are considered immaterial and not factored into the adjustment.

Penalty rates for dog teams for the International Mail and Import Clearance Programs are based on a set amount of 20%, which is the estimated penalty rate that will be paid out during the course of the

year. The estimated amounts per FTE are then adjusted to the total amount to be paid by the Program in relation to penalty payments.

This 20% has been a set rate used since 2003/04. This figure was arrived at by analysing the shift payments over several financial periods. Analysis of the International Mail Program revealed that for 2005/06, the amount of penalty rates as a percentage of base salary totalled approximately 17%, whilst the Import Clearance Program paid out only 3% of base salary in penalty payments. These figures suggest that a review may be required to ensure that the 20% penalty level reflects the actual penalty rates being incurred by the Program.

Recommendation

AQIS should consider reviewing the costs allocation methodology used to attribute overtime within the detector dog program to continue to provide assurance over the costs allocation accuracy.

9.3 Administration Efficiency

9.3.1 Cost Administration

Discussion of the use and costs associated with Quarantine Detector Dogs can be found in each of the border program chapters throughout this report.

This section seeks to further review the type of expenditure items specific to the QDDP that are attributed to each AQIS Program.

Specific costs for the Quarantine Detector Dog Program include:

- Base Salary;
- Kenneling Costs;
- Vehicle Costs;
- Penalties; and
- Training Costs.

Base Salary

	2000/ 01 Actual	2001/ 02 Actual	2002/ 03 Actual	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Base Salary ($000)	1,461	2,236	3,127	3,392	3,846	4,183	4,969	5,169	5,375	5,590
FTEs		63.13	86.60	83.49	84.75	92.05	102.82	103.31	103.31	-
Base Salary per FTE ($000)		35	36	41	45	45	48	50	52	-
Total Expenditure ($000)	7,082	6,461	8,083	8,459	9,226	9,947	11,064	11,432	11,814	12,211
Base Salary as a % of total Expenditure	21%	35%	39%	40%	42%	42%	45%	45%	45%	46%

Table 9.7 – Base Salary

Base Salary for the Program has represented from 34% to 42% of total expenditure since IQI funding in 2001/02. There has been an increase in base salary from 2002/03 to 2004/05, which can be attributed to the increase in detector dog handler numbers since IQI funding. Between 2002/03 and 2003/04, there was a decrease in the number of FTEs at a National level. New South Wales has the largest percentage of FTE numbers, and reported a reduction in their numbers from 36.25 to 32.99 during this period. This was the direct result of the Import Clearance Program budgeting 4.2 dog teams for NSW but then not proceeding to deploy those teams.

During the period of 2002/03 to 2003/04, the total base salary payments increased, while dog teams were reduced. This was linked to overall increases in Base Salary per dog handler from $36,113 in 2002/03 to $40,630. This is consistent with increases in base salary under the DAFF Collective Agreement. Future projections in Base Salary show an increase from 2006/07 in line with increases in the total number of dog teams being requested by border Programs.

The AQIS cost attribution process for base salary is allocated across the respective programs using dog teams based on the number of FTEs within each program. In using this methodology, it is important that programs are provided with a relatively consistent allocation in the skill level of detector dog handlers working in each program, as they are charged a standard rate per FTE based under the current costing model. Analysis was conducted on the rostering of detector dog teams across the various programs to assess whether handler levels are being consistently split.

	Airports	International Mail	Seaports	NAQS	Import Clearance
Band 3	-	-	-	-	-
Band 2 Level 5	4.75 (11.1%)	3.25 (9.2%)	0 (0%)	0 (0%)	0 (0%)
Band 1 Level 4	37.1 (86.6%)	27.05 (76.6%)	1.6 (100%)	0.8 (100%)	3.75 (100%)
Band 1 Level 3	1 (2.3%)	5 (14.2%)	0 (0%)	0 (0%)	0 (0%)
Total	**42.85 (100%)**	**35.3 (100%)**	**1.6 (100%)**	**0.8 (100%)**	**3.75 (100%)**

Table 9.8 – Breakdown of FTE Numbers 2005/06

93% of total dog handlers across the five programs operate within the Airport and International Mail Programs, therefore analysis was focused primarily on these two programs. For 2005/06, Band 2, Level 5 employees for the Airports Program comprised 11.1% of total FTEs for the Program, while the International Mail Program had 9.2% in this category. These figures are generally consistent over time across both programs. However, for the International Mail Program, Band 1, Level 3 employees represented 14.2% of the total FTEs, while for the Airports Program, they represented just 2.3%.

The data shows that the International Mail Program has a larger percentage of lower level dog handlers in comparison with the Airports Program. For example, in 2005 there was a higher proportion of Band 1 Level 4 handlers within the Airports (86.6%) compared to International Mail (76.6%). Our field observations at Sydney International Airport and the Clyde mail centre support the use of more experienced dogs and handlers at the Airport because of the interaction with the travelling public.

There is a potential issue in that as handler costs are allocated on an FTE basis and not based on the handler's individual salary band, programs may be allocated costs that are not consistent with the level of experience of the handler performing the tasks. Programs may be under or over charged depending on the make-up of their workforce. This is relevant where costs are allocated to cost recovery programs such as International Mail, which is partly cost recovered.

Consideration should be given to allocating handler costs on a direct cost basis linked to the individual handler costs to ensure accuracy of the cost allocation process.

Kennelling Costs

Kennelling costs for the QDDP relate to leasing costs associated with kennelling dogs within each region. From 2002/03 to 2005/06, the total cost attributed to kennelling detector dogs across all regions was $201,662. AQIS has established contractual agreements with various kennelling facilities throughout Australia.

In 2007, AQIS will need to consider new arrangements or renegotiate kennelling arrangements in Perth and Darwin. The arrangements for Brisbane and Cairns will require consideration in the following year.

	Far Nth QLD	NSW	NT	SA	South East QLD	VIC	WA
Kennel Arrangement	Joint AQIS / Customs facility located at Cairns International Airport	AQIS Operated Facility adjoining Eastern Creek Quarantine Station	Joint AQIS / Customs facility located near Darwin International Airport	AQIS Operated Facility Attached to AQIS Regional Office	AQIS Operated facility located on QDPI land near Airport Precinct	Private Kennel Facility – 'It's A Dog's Life Pty. Ltd.'	AQIS Operated facility
Expiry Date	28 February 2008	31 December 2010	29 June 2007	30 November 2013	30 June. 2008	30 October 2009	30 December 2007
Kennelling costs per annum	$4,543	$15,000	$2,831	$9,288	$19,000	$96,000	$55,000
Dog teams 2005/06	3.96	36.20	0.88	2.11	12.73	16.00	16.81
Kennelling Costs per dog team for 2005/06	$1,147	$414	$3,217	$4,402	$1,493	$6,000	$3,272

Table 9.9 –Kennelling Arrangements

The table above shows the single largest kennelling cost is incurred in Victoria, at $96,000 per annum in leasing arrangements. This equates to approximately $6,000 per dog team. This figure is considerably higher than all other regional offices. Investigation has revealed that the QDDP has recently undertaken a competitive tender process in regard to the provision of private kennelling arrangements for detector dogs in Victoria. As part of negotiations, AQIS was able to incorporate additional services including all feeding, exercising and daily care costs associated with dogs, and transportation costs to and from the kennel to place of work.

The kennelling data displayed above shows that the New South Wales region, which has the largest number of kennelled detector dogs, only pays $414 per dog per annum, with a total cost of $15,000 under the current arrangement. It should be noted that the contractual arrangements regarding this agreement have been in place since September 1999.

Because the contract was negotiated some time ago, the price of $15,000 is considerably less than current commercial market value. AQIS anticipates moving from the Eastern Creek Quarantine station before the end of the review period. It is expected that the price of kennelling for the New South Wales region will increase from the current level as a result of this re-location with kennelling services needing to be re-tendered before then to secure new arrangements.

Recommendation

As part of the Detector Dog Program's assessment of the location of future kennelling facilities, it is important that the Program continues to give consideration to factors external to the leasing cost of the facility. These should continue to include associated costs affected by the location of kennelling facilities, such as vehicle costs and penalty payments paid daily to dog handlers to transport dogs each day from kennels to work facilities.

Vehicle Costs

	2000/ 01 Actual	2001/ 02 Actual	2002/ 03 Actual	2003/ 04 Actual	2004/ 05 Actual	2005/ 06 Actual	2006/ 07 Budget	2007/ 08 Budget	2008/ 09 Budget	2009/ 10 Budget
Vehicles Cost ($000)	214	296	396	364	300	258	287	290	293	296
FTE		63	87	83	85	92	103	103	103	-
Vehicle costs per FTE ($000)		5	5	4	4	3	3	3	3	-

Table 9.10 – Vehicle Costs

Vehicle costs represented approximately $258,000 for the 2005/06 period, being 2.6% of the total costs of the Program. Vehicle costs include:

- vehicles used for transporting dogs;
- fuel costs; and
- kennel staff vehicle costs.

The New South Wales regional office contributes the greatest expenditure in relation to vehicle costs. The New South Wales kennel is located a considerable distance from the International Airport and Clyde Mail Centre. Handlers are required to collect dogs each morning prior to shifts, and return the dogs each afternoon. This increases the transportation costs associated with programs in that region.

The table below identifies the distance required to transport dogs from their kennels to their places of work within each region. This has been established only for the International Mail Program and Airport Program locations, as they use almost all of the detector dogs in their operations.

	Far Nth QLD	NSW	NT	SA	Brisbane	VIC	WA
Kennelling Location (suburb)	Cairns International Airport	Eastern Creek Quarantine Station, (Eastern Creek)	Darwin International Airport	Adelaide Airport	QLD Department of Primary Industries and Fisheries, (Eagle Farm)	It's a Dogs Life, (Hillside)	Perth Airport
Distance to International Airport (km's)	0.5	47.68	3	1	8.22	25.05	11.56
Distance to International Mail Centre (km's)	No dogs used	17.62 (Clyde) 47.68 (QMHU)	No dogs used	No dogs used	5.68	26.44	8

Table 9.11 – Kennel Distances (kms) to Program Facility

For the 2002/03 period, total vehicle costs nationally were almost $400,000 which represented 4.9% of the Program's total expenditure. New South Wales alone during this period documented vehicle costs in excess of $180,000.

Since this period, the region has seen a significant decline in vehicle costs, with costs of approximately $100,000 for 2005/06. New South Wales reviewed its vehicle requirements during 2003/04 to 2004/05, which included a rationalisation of vehicle usage within the QDDP. New vehicle types were also introduced to enable up to 6 dogs to be transported at any one time compared to two dogs under previous arrangements. This has resulted in the decrease in the total vehicle expenditure for the Program.

As part of the QDDP's future consideration for location of kennelling facilities, it is important that the Program give consideration to factors external to the leasing cost of the facility. From the above discussions, it can be seen, specifically for the New South Wales region, that although the region maintains favourable leasing prices, additional costs associated with travel and transportation of dogs are incurred due to distance of travel and time required. As part of renegotiations of leasing agreements, it is important that AQIS consider these factors in finalising locations.

Penalties

Detector dog handlers are entitled to shift penalties in accordance with each border Program's arrangements. For active response dogs, handlers receive payments based on the penalty provision outlined in the Collective Agreement. For passive response dogs, handlers conducting shift work, specifically at International Airports, receive a 36.5% loading, consistent with Program arrangements.

Active Response

The span of hours for active response handlers is outlined below as per the Quarantine Detector Dog Programs rostering schedule.

Location	Start Time	Finish Time
South East QLD	0700	1600
NSW	0600	2307
VIC	0630	1600
WA	0700	1600

Table 9.12 – Hours for Active Response Handlers

Analysis was conducted on rostering arrangements for active response dogs. Due to the high volumes of International Mail and HVLV air cargo and the large proportion of dog teams within the New South Wales region, further analysis was conducted on rostering arrangements within NSW to identify trends, and outline any potential efficiency gains that could be made in regards to rostered hours.

For the International Mail Program, New South Wales detector dog handlers operate around three shifts per day, the AM, DAY and PM shift. In the Import Clearance Program, HVLV air cargo is cleared using an AM and PM shift.

Shift rosters for New South Wales include:

NSW: International Mail	NSW: HVLV
▪ AM – 0600 to 1607 hours;	▪ AM - 0530 to 1300; and
▪ DAY – 1000 to 2307 hours; and	▪ PM - 1300 to 2307.
▪ PM – 1300 to 2307 hours.	

Table 9.13 – Shift Rosters for NSW

AM Handlers for both programs are required to pick up dogs from the Quarantine kennel facility located in Eastern Creek. Due to the distance the handlers must travel, AM shift rostered handlers are entitled to receive penalty payments each day up until 0630 as outlined in the DAFF Collective Agreement.

PM hours of operations are tailored to the hours of operations set by each industry and handlers are required to be rostered on until closing times of centres. Due to these requirements, handlers receive an additional penalty rate of 15% after 1800 hours.

Due to the hours of operations set by Australia Post and international air courier companies, detector dog handlers will continually incur penalty payments in order to meet their operational requirements. As previously identified, handlers in New South Wales have a considerable distance to travel each day from kennels. Our analysis of the rosters demonstrates that the Program has developed staggered rostering schedules and on the whole, the Program has maintained a cost effective means of ensuring quarantine outcomes continue to be met through cost effective staffing arrangements.

Passive Response

The span of hours for passive response handlers is outlined below as per the Quarantine Detector Dog Programs rostering schedule.

Location	Start Time	Finish Time
Far North QLD	0345	0129
South East QLD	0500	2134
NSW	0408	1021
VIC	0230	0201
SA	0530`	1300
WA	0500	0435
NT	0200	1152

Table 9.14 – Hours for Passive Response Handlers

Under the DAFF Collective Agreement, detector dog handlers are entitled to receive the airport shift allowance (36.5%) if they are working rostered, seven day shiftwork at an international airport terminal for continuous periods in excess of four weeks if they would otherwise be paid shift allowances for the full period of their rostered shifts.

The Program conducted a review of the rostering arrangements during 2003/04 which identified that for New South Wales and South Australia, fewer shifts are required due to the shorter span of hours of operations by the international terminals. As the Victorian terminal hours of operations span from 0230 to 0201, an analysis of the detector dog handler rostering was also completed on this region.

Handlers in the Victoria region are required to work five days on, then three days off, then four days on, then four days off. Handlers work a 10 hour 01 minute shift, with shift times split into Early, Day, and Night shifts.

VIC: Airport
▪ Early – 0430 to 1431 hours;
▪ Day – 0530 to 1531 hours; and
▪ Night – 1600 to 0201 hours.

Table 9.15 – Shift splits for Victoria

Our analysis of rostering shows that resource levels are matched up with the peak periods of passenger arrivals. The shift arrangements are designed to ensure that programs are fully resourced during these peak times to cope with greater volumes, and maintain intervention and effectiveness targets set by Government.

Training

Training for the QDDP has been outsourced to a contracted service provider since September 2001. In 2005, AQIS exercised a full Request for Tender for training services, and a new contract was awarded to the existing service provider on 12 September 2005. The provider supplies training to both AQIS detector dogs and handlers.

The table below identifies total training expenditure for the Program from 2000/01 to 2006/07.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Course Expenses	222,848	201,222	630,169	505,742	349,860	384,927	418,109
Travel & Accommodation	-	-	-	-	37,500	109,800	27,200
Total Training Expenses	**222,848**	**201,222**	**630,169**	**505,742**	**387,360**	**494,727**	**445,309**

Table 9.16 – Training Cost Summary ($)

The data identifies that from 2004/05 there was a $107,000 increase in total training expenses for the Program. This correlates to the establishment of the new contract, in which set unit costs increased as a reflection of the current market prices.

The table below further analyses trends in training costs at a per unit level from 2004/05.

	2004/05	2005/06	2006/07
Cost Active Handler Course	24,515	42,000	44,000
Cost Passive Handler Course	21,560	42,000	39,500
Cost per Dog (1st 5)	13,655	20,500	22,000
Cost per Dog (6+)	2,633	20,500	19,000
National Trainer - per hour	154	200	200
National Trainer - per day	1,078	1,500	1,500
Accommodation per Handler course	5,500	5,500	5,500
T/A per Handler per Course	2,500	2,500	2,500
Car Hire per Handler course	3,250	3,250	2,600
Air Travel per Handler course	5,000	5,000	-
Training Costs	**79,845**	**142,950**	**136,800**

Table 9.17 – Unit Training Costs ($)

There has been a substantial increase in the unit cost for active and passive handler courses, increasing approximately 200% from 2004/05 to 2005/06. In awarding the new contract in 2005, unit costs of courses increased in price. The training terms outlined in the contract for active response and passive response courses have also extended from a 7-8 week course to 10 weeks resulting in greater costs to the Program but with increased proficiency.

CUSTOMS IQI FUNCTIONS

Contents

10. Customs IQI Functions

10.1 Background

Customs works closely with AQIS in protecting Australia's borders and since 2001/02 has received IQI funding from the Government (see Chapter 2 – Summary of Government Funding).

The table below details the key functions undertaken by Customs, a brief description and the FTE resources and cost of each IQI function in 2005/06.

Customs IQI Function	Description of Function	FTE 2005/06	Cost 2005/06 $M
Passengers and Crew	▪ Referral of animal or plant products of quarantine interest detected during Customs inspection of aircraft, ships and passengers	418.7	$43.2
Cargo	▪ Access to the Integrated Cargo System (ICS) to identify goods of interest to AQIS ▪ Referral of animal or plant products of quarantine interest detected during Customs inspection of aircraft and ships	62.8	$8.2
Investigations	▪ Provision of professional investigation services to Government regarding suspected breaches of Customs administered legislation and the recovery of criminal assets	35.8	$5.6
Other Customs Business	▪ Technical Support ▪ Information Development ▪ Seized Goods Management ▪ Waterfront Security ▪ Customs Information ▪ Import Processing ▪ Exports	23.7	$4.9
Postal Operations	▪ Referral of animal or plant products of quarantine interest detected at International Mail Centres	28.5	$3.3
Intelligence	▪ Border targeting intelligence – provide research and analytical support to enhance targeting activities and capabilities	4.3	$1.5
Total		**573.8**	**$66.6**

Table 10.1 – Customs IQI Functions, FTE and Cost 2005/06

The functions undertaken by Customs officers in relation to IQI are integrated into broader Customs activities. That is there are no Customs officers performing only IQI related activities. For example, a Customs officer located at the Airport may spend only 30 minutes a day on quarantine related matter and on other occasions it may be a greater amount of time.

It should be noted that the above costs and FTE are approximate numbers only. These figures have been derived through Customs Activity Based Costing model. The principal drivers of the calculation of FTE and cost is the quarterly "snapshot" of the way in which all employees spend their time at Customs combined with the results of the annual cost object survey. The snapshot process is done through a "timesheet" being completed for all employees for the preceding three months which outlines the percentage of time spent on specific activities (there are approximately 250 activities in the Customs Activity Dictionary). The cost object survey involves a number of face to face interviews with activity experts to capture the latest percentage splits of cost objects by activity. In 2005/06, 573.8 FTE indicated they spend their time on IQI related activities (11% of total Customs workforce in 2005/06).

This approach allows Customs to make an assessment of FTEs involved in IQI activities. On the basis of this FTE allocation, Customs also assigns an allocation of overhead costs to activities. The cost attribution process used by Customs is audited annually by the ANAO.

10.2 Cost Analysis

In addition to the benchmarking undertaken in the preceding sections of the report between Customs quarantine related functions and AQIS quarantine border Programs, the following section further analyses Customs costs and compares with AQIS specific border programs where appropriate.

The table below illustrates the costs of Customs IQI functions from 2001/02 to 2005/06 against the IQI funding they have received.

Program	2001/02 $M	2002/03 $M	2003/04 $M	2004/05 $M	2005/06 $M
Government Funding	53.7	56.5	59.4	62.5	62.5
Passengers and Crew	42.6	30.4	34.0	38.4	43.2
Cargo	2.1	8.3	7.9	9.7	8.2
Intelligence	0	0.3	0.4	0.4	1.5
Investigations	3.9	3.7	4.7	6.3	5.6
Postal Operations	2.6	3.3	3.2	3.5	3.3
Other Customs Business	2.4	1.8	2.3	4.1	4.9
Total	**53.6**	**47.7**	**52.6**	**62.3**	**66.6**

Source: Customs

Table 10.2 – Customs IQI Costs 2001/02 to 2005/06

No data was available for the outyears to 2009/10.

The following provides analysis of each of the above listed Customs functions.

Passengers and Crew

This relates to activities undertaken by Customs officers at Airports and Ports. Approximately 97% of the expenditure is incurred at Airports, with the remaining 3% at sea ports.

Activity data was provided by Customs in relation to the number of referrals they make to AQIS when Customs officers detect items of quarantine interest. In addition, Customs officers undertake prosecutions.

There are two categories of quarantine finds by Customs staff. They are:

- Major quarantine finds - refers to an incident where a record of interview is conducted or prosecution action commenced;
- Minor quarantine - refers to an incident where a record of interview is not conducted or prosecution action not commenced; and

In addition quarantine infringement notices are issued by Customs staff.

Total cost of the AQIS Airports and Seaports Programs combined have been compared with Customs Passenger and Crew function in the table below:

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS Airports & Seaports Program Cost per FTE	$96	$107	$123	$121	$127
Customs Passengers & Crew Cost per FTE	$129	$94	$106	$119	$103

Table 10.3 – Customs versus AQIS Cost per Employee 2001/02 to 2005/06

The table below details the number of quarantine finds and average cost per find.

Program	2002/03	2003/04	2004/05	2005/06
Major Quarantine Finds	88*	40	0	50
Minor Quarantine Finds	14,616	9,693	6,949	5,360
Total Quarantine Finds	14,704	9,733	6,949	5,410
Average Cost per Quarantine Find	$2,067	$3,493	$5,526	$7,985

* Data only provided for 6 months. Have doubled to provide full year data.

Table 10.4 – Average Cost per Quarantine Find at Airports

The above table shows a decline in the number of quarantine finds, which with an increasing funding level results in an increase in average cost per find. Further explanation is required from Customs.

Cargo

This refers to Customs providing access to the Integrated Cargo System (ICS) to identify goods of interest to AQIS and the referral of animal or plant products of quarantine interest detected during Customs inspection of aircraft and ships.

Comparison of cost per FTE for AQIS Import Clearance and Customs Cargo function is as follows:

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS Import Clearance Program Cost per FTE	$93	$102	$113	$114	$122
Customs Cargo Cost per FTE	$162	$124	$119	$142	$131

Table 10.5 – Customs IQI Cargo Costs per FTE versus AQIS Import Clearance Costs per FTE

Customs has been requested to provide explanation of the fluctuations of cost per FTE.

Intelligence

We have been provided information of what activities are included in intelligence, but some appear to have limited comparability to AQIS quarantine border Programs and have not been analysed.

Investigations

Investigations involves Customs officers providing professional services to Government regarding suspected breaches of Customs administered legislation and the recovery of criminal assets. A key activity of the investigations function is quarantine prosecutions.

The table below summarise the number of prosecutions.

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
No. Prosecutions	139	119	99	71	11

Table 10.6 – Customs Numbers of Prosecution 2001/02 to 2005/06

Postal Operations

The table below compares average cost per FTE for the AQIS International Mail Program and the Customs Postal Operations function.

Program	2001/02 $000	2002/03 $000	2003/04 $000	2004/05 $000	2005/06 $000
AQIS International Mail Program Cost per FTE	$87	$109	$112	$123	$132
Customs Postal Operations Cost per FTE	$94	$113	$105	$116	$116

Table 10.7 – Customs IQI Postal Cost per FTE versus AQIS International Mail Cost per FTE

Customs has been requested to provide explanation of fluctuations in cost per FTE.

Other Customs Business

Information provided by Customs has indicated that 'Other Customs Business' includes:

Technical Support: Identify, evaluate, acquire and support technology capable of being deployed in the targeting and examination of vessels, aircraft, goods and people for the purpose of detecting prohibited and restricted goods. Includes management of training / certification requirements for users of Border Technology.

Information Development: All activities related to Customs Community Participation Programs (Frontline and Customs Hotline) including marketing, training and development of contacts. Undertake field trips to compile information for potential operations. Represent the Community Participation Programs at various forums.

Seized goods management: Administration of seized detained and overtime goods including Customs Stores and Customs Sales. Includes collection and transfer of goods, preparation of documentation and communications with importer.

Waterfront Security: Provide waterfront security and monitoring.

Customs Information: Provide advice and information to the public in response to requests for information about Customs matters.

Import Processing: Activities related to the clearance (assessment for examinations and physical examinations) of air and sea freighted personal effects.

Exports: Process export entries through ICS Exports and follow up idle entries and unconfirmed entries. Undertake checks on exports (e.g. examinations/checks to verify goods description/quantities in export documentation or to identify dangerous or prohibited goods).

APPENDICES

Appendix A: Terms of Reference

Appropriateness

The Review should outline

- the background to each of the Programs;
- the priorities and objectives set by the Government for the Programs; and
- the extent to which the Programs are consistent with current whole-of-Government priorities.

Effectiveness

The Review should assess:

- the cost-effectiveness of the Programs;
- the Programs' achievements against the Government's objectives for the Program;
- the adequacy of the Programs' performance information;
- any overlap between the Programs and other Australian Government or State Programs; and
- appropriate future performance measures.

Efficiency

The Review should assess:

- the extent to which the Programs have been implemented on time;
- the extent to which integrated delivery of the Programs (AQIS, Customs) has resulted in efficiencies;
- any efficiencies deriving from industry involvement, including the appropriateness of cost recovery arrangements;
- trends over time in the ratio of administrative to Program costs; and
- any barriers to continuous improvements in efficiency.

Recommendations

The Review may consider recommending, if appropriate:

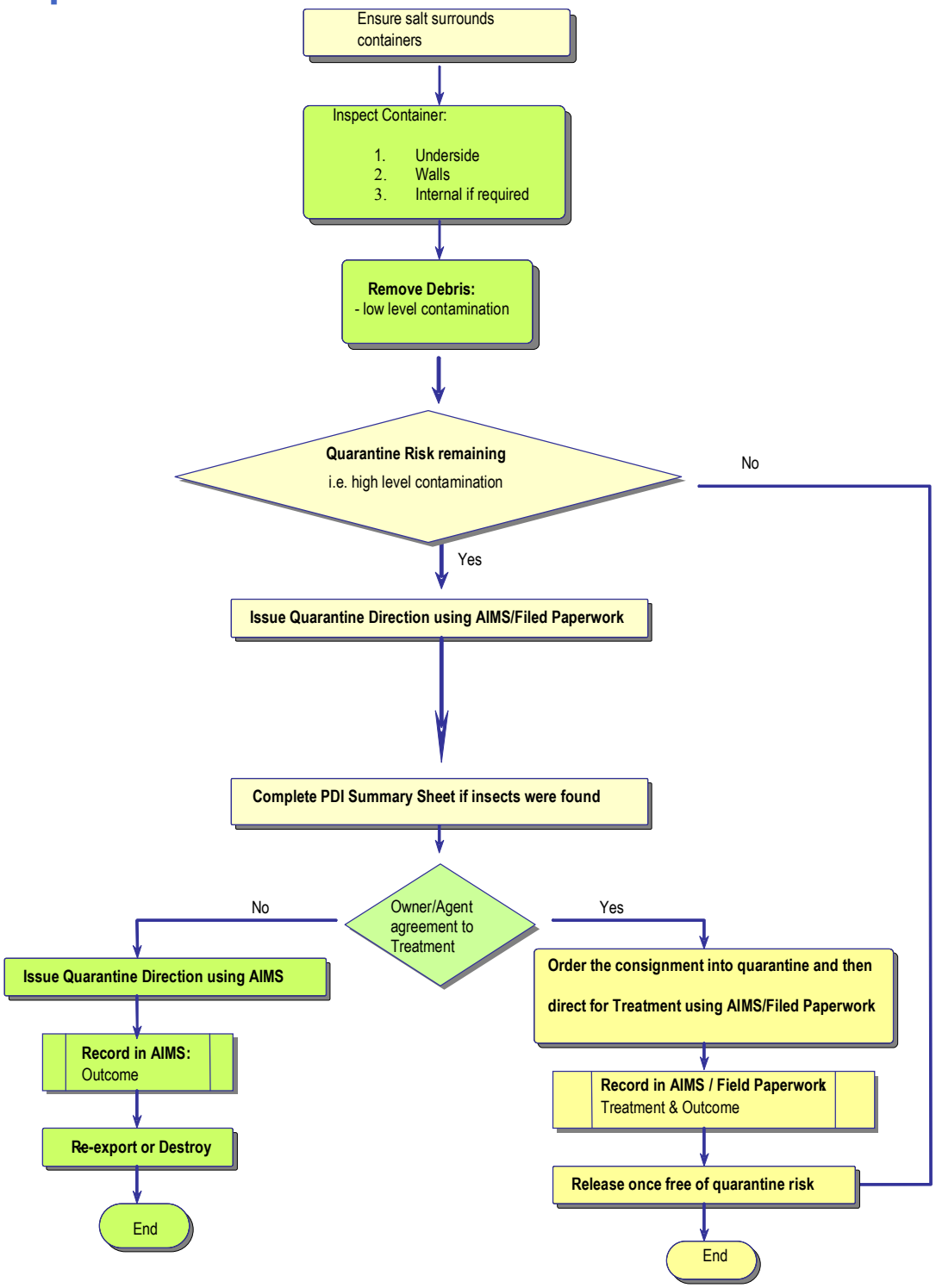
- suitable performance measures for Program activities and the collection of data that will enable ongoing comparisons of the efficiency and effectiveness of the Programs; and
- changes to improve the efficiency and cost-effectiveness of the Programs consistent with Government objectives for the Program and wider Government priorities.

Appendix B: Calculating Effectiveness

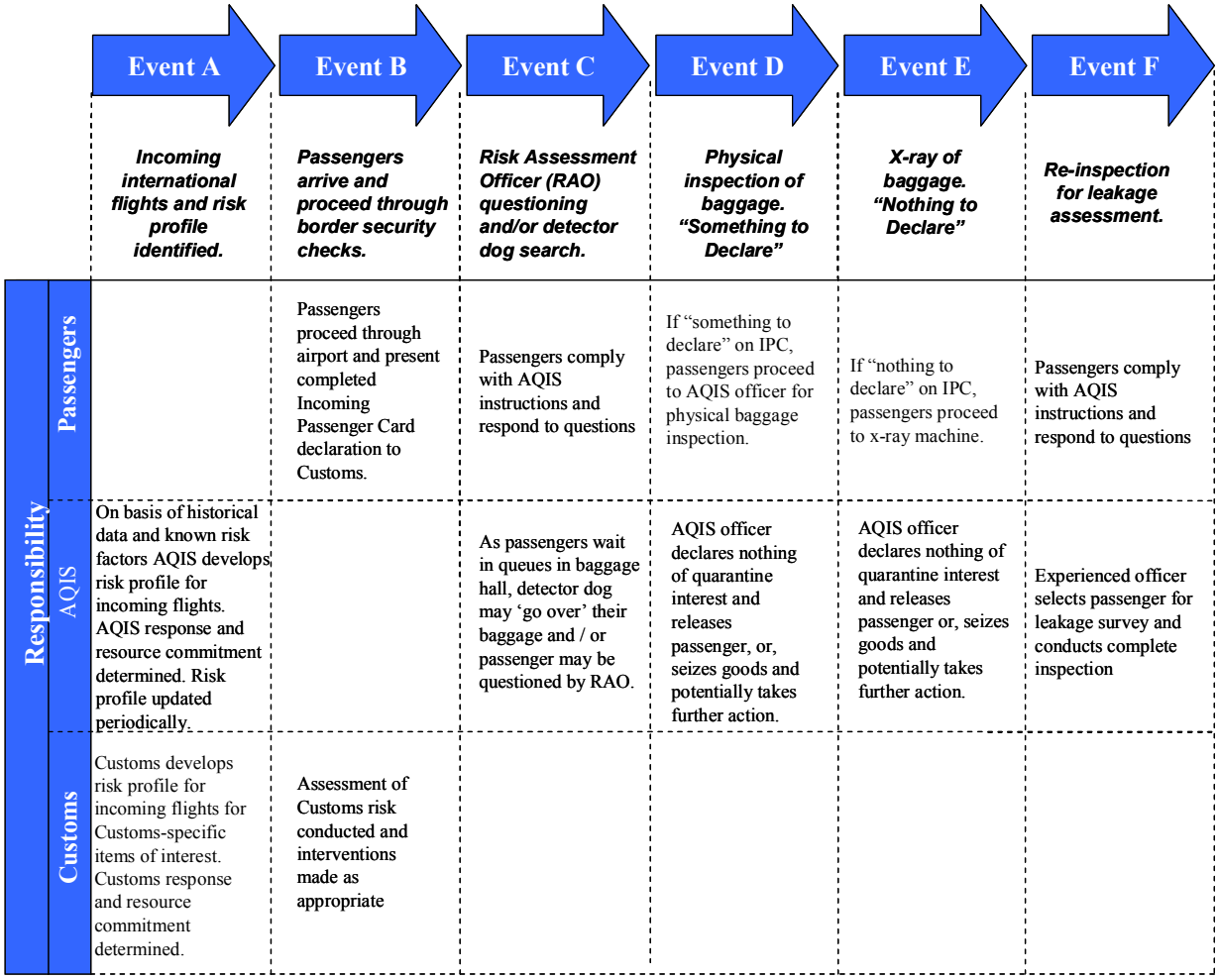
The table below describes the general process in calculating effectiveness levels. There may be minor differences between Programs. The analysis will often be reported over a 3 month period to reduce the random variation due to sampling.

Calculating Effectiveness	
Step 1	**Documenting the total quantity of items that have been seized at the border** Seized items are classified as those items that have been found to be of quarantine concern and removed at an AQIS intervention point.
Step 2	**Conducting leakage surveys** AQIS officers conduct a survey of items that have have passed through AQIS intervention points, in order to identify and report on items that still may be of quarantine concern. This step establishes the number of quarantine items that were not identified and seized during intervention procedures. The proportion of 'leaked' items from the survey is multiplied by the volume of items that approached the border to estimate the total number of leaked items.
Step 3	**Calculating the total volume of quarantine items that have approached the border** This is calculated by adding the total number of quarantine items that were seized at the border by the total amount of leaked items identified in Step 2 of the process.
Step 4	**Calculating the effectiveness level** Calculated as the percentage of items of quarantine concern that were actually seized at the border (calculated in Step 1), divided by the total volume of quarantine items approaching the border (calculated in Step 3).

Appendix C: Import Clearance Internal and External Container Inspections



Appendix D: Airports Program Process Map



Appendix E: International Mail Process Map

Responsibility	Event A	Event B	Event C	Event D	Event E	Event F
	Incoming international mail from air and sea freight brought to International mail centres and sorted into distinct categories of mail	***Examination completed of all mail for potential items of concern***	***Mail articles identified as having potential items of concern are removed for further screening and opening***	***Mail is opened and examined for potential items of concern.***	***Mail recipient is notified of quarantined item for further actioning***	***Re-inspection for leakage assessment***
Aust. Post	Mail brought into centre. Split into different classes of mail: Letter Class; Other Articles; and Parcels/EMS/Registered. Sent along conveyor belts for intervention		Aust. Post staff remove mail articles of concern into separate room for opening	Aust Post staff open all articles of mail outlined as having potential items of concern for AQIS or Customs		Aust Post staff open randomly selected 'cleared' mail
AQIS		100% of Letter Class mail examined using detector dogs only. Other articles and Parcels/EMS/Registered are 100% screened by X-ray machines, and use of detector dogs		AQIS staff examine opened items of mail, and seize all items of quarantine concern. Seized items are stored in a secure facility awaiting future actioning	Letter is sent to the expected mail recipient stating that an item/s was quarantined and given timeframe and options for future action	Experienced officer examines the opened articles of mail thoroughly
Customs		100% of Letter Class mail examined using detector dogs only. All other articles and Parcels are 100% screened by X-ray machines, and detector dogs as appropriate		Customs staff seize any illegal items relating to drugs and fire arms. Items are confiscated.		

Appendix F: Cost Centres for Benchmarking Categories

Benchmark Category (Sub-category)	Cost Code	Cost Description
Finance	55201	Corp alloc - General Finance
Finance	55202	Corp alloc - Acc receivable
Finance	55203	Corp alloc - Accounts payable
Finance	12206	Group Charges – Finance
Finance	12930	Bank Charge
Finance	16421	Corporate Charges – General Finance
Finance	16422	Corporate Charges – Revenue
Finance	16423	Corporate Charges - Accounts Payable
Finance	55030	Overheads – Finance
Finance	55038	Overheads - Cost of Capital
Finance	56201	Corp Charges - General Finance
Finance	56202	Corp Charges – Revenue
Finance	56203	Corp Charges-Accounts Payable
Finance	12209	Group Charges – Payables
HR	55204	Corp alloc - Human resource
HR	16002	Comsuper Maintenance
HR	14001	Human Resource Support Service
HR	56204	Corp Charges - Human Resources
HR	16003	Graduate Recruitment and GDP
HR (Recruitment)	16005	Recruitment Services and Other
HR (Workplace Strategy)	55031	Overheads - Workplace Strategy

Benchmark Category (Sub-category)	Cost Code	Cost Description
IT	55208	Corp alloc - Info Service
IT	56208	Corp charges – Info Service
IT	14003	IPEX Outsourced support services
IT	14004	IPEX Charges
IT	16100	IPEX Other Charges
IT	16101	IPEX Data Network
IT	16102	IPEX Mid Range Systems
IT	16103	IPEX MACs (Moves/adds/changes)
IT	16104	IPEX Equipment
IT	16106	Internet and SGE Charges
IT	16130	Voice Communication Services
IT	55035	Overheads - Software Solutions
IT	14021	IPEX - Std Workstations
IT	14022	IPEX - Mid Range Systems
IT	14026	IPEX - Non Stnd Equipment
IT	14027	IPEX - Offset re Finance Lease