



CUSTOMS  
ANNUAL  
REPORT  
2012



# CUSTOMS ANNUAL REPORT 2012

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HON. DON POMB POLYE, MP  
Minister for Treasury



## Minister's Remarks

### MINISTER'S REMARKS

It gives me great pleasure to thank PNG Customs management and staff for another great performance and achievement for the financial year of 2012. I commend each and every Customs Officer for their relentless efforts and commitments in producing another year of fruition in terms of PNG Customs core mandated functions of Border Protection, Trade Facilitation, Community Protection and Revenue Collection.

I am delighted that PNG Customs has again exceeded the budget forecast of K2.12 billion in revenue collection with a total collection of K2.5 billion to mark the financial year 2012.

The border protection enforcement activities have also increased considerably. I also note with commendations that efficiency in trade and traveler facilitation has been maintained with minimal setbacks. I am equally impressed with these good results, produced by PNG Customs Service. These were notwithstanding the enormous challenges posed by increasing trade volume and shortage of manpower and capacity deficiencies encountered. I have confidence in PNG Customs management and staff in delivering its projected outcomes. At the same time, I am convinced that prioritizing the welfare of Customs officers as well as adequately resourcing them will equivalently enhance performance and outcome.

This saw increases in both recurrent and development budgets that resulted in PNG Customs providing accommodation to its officers with funding from the Public Infrastructure Project (PIP). The O'Neill/Dion Government will continue to support these initiatives as it firmly believes that PNG Customs can perform much better when officers are well taken care of and properly resourced.

I note with contentment the plans and strategies set out in the recently launched PNG Customs Service Plan 2013-2017. The National Government is strongly focused on public sector reform and implementation. The Service Plan ensures that PNG Customs is well placed for the future. The National Government is therefore committed to supporting the PNG Customs Service implement its Service Plan to deliver service to the Government and the people of PNG with optimal results.

The National Government is conscious of the significant roles performed by PNG Customs Service and the challenges to perform these roles with efficacy. Accordingly, it positively responded with an increased allocation of K36 million in the 2012 Annual Budget. The increased allocation must match the sound management of PNG Customs service with improved service and systems to realise the mission of the organization with optimal results and achievements.

I once again convey my sincere gratitude to both the Management and Staff of PNG Customs Service for the good performance for year 2012.

All Customs Officers are urged to continue to work with passion and commitment to keep up the good work for our country and our people.

I wish the Management and Staff of PNG Customs Service best of health and fruition for the financial year 2013.

HON. DON POMB POLYE, MP  
Minister for Treasury







RAY PAUL  
COMMISSIONER OF CUSTOMS

## Commissioner's Preview

### COMMISSIONER'S PREVIEW

The year 2012 had been a very challenging year for PNG Customs Service in light of the increasing volume of trade owing to boom in the mineral, gas and oil sector. These challenges were compounded and exacerbated by manpower and capacity deficiencies encountered by it.

However, I am overwhelmed with contentment that PNG Customs was able to deliver its services in Border Protection, Community Protection, Trade Facilitation and Revenue Collection with satisfactory results.

I am proud to announce that PNG Customs had again performed well in its revenue collection. A total of K2.5 billion was collected hence exceeding the budget projection of K2.12 billion for the year 2012. Other tasks were equally performed with optimal results.

It gives me great pleasure to present these performances and achievements in detail in this 2012 Customs Annual Report. The optimal performance outcomes as presented in this report are testament of the prudent management and relentless efforts of the Management and Staff of PNG Customs Service.

I sincerely thank and highly commend each and every Customs Officer for their tremendous efforts and commitments in delivering these outstanding results as presented in this Report.

I am thankful to the O'Neill/Dion Government for their continuous support and assistance towards PNG Customs Service. Special thanks to the Minister for Treasury for his superb leadership in the ministry and his contributions to PNG Customs progression. With the increases in both the recurrent and development budgets grants to PNG Customs Service in the 2012 National Budget, PNG Customs was able to somewhat resource itself to deliver its services with satisfactory results.

Of particular significance was the prioritization of officers' welfare in terms of accommodation through the Public Infrastructure Project Funding. I am more than grateful to the Government for its support in providing K7.8 million through PIP funding to cater for staff accommodation. This initiative had immensely impacted positively on the performance and outcome of officers as shown in this Annual Report.

I also take this time to convey my sincere gratitude to relevant enforcement government agencies particularly, the Police, Defence, NAQIA, Citizenship and Immigration Authority, National Fisheries Authority and all other stakeholders for their valuable support towards PNG Customs in delivering these satisfactory performance outcomes.

Once again, I highly thank all the hardworking Customs Officers for their tireless efforts and commitments in producing these good performance results and achievements for PNG Customs to mark year 2012.

May our God continues to guide and bless you with his wisdom and knowledge as you continue to serve PNG Customs Service, the Government and people of Papua New Guinea.

I wish you all good health and success in the performance of your designated duties as Customs Officers for the years ahead.

RAY PAUL  
Commissioner of Customs







## Foreword

### Foreword

PNG Customs Service is the primary border protection agency mandated by the State to perform the responsibilities of Border Protection, Trade Facilitation and Revenue Collection. Its annual revenue collection accounts for approximately 20% of the annual national budget.

It is manned by Customs officers based in 20 declared ports. Interactions with other government agencies and stakeholders continue to underpin the effective performance of its mandated roles with optimal results.

The third year of PNG Customs' evolution saw marked success and achievement in its performance. Total revenue collection for 2012 was K2.5 billion, which exceeded the budget projection of K2.12 billion by K0.38 billion. Contrabands and illicit goods entering the country were detained and seized hence sustaining border security. Trade facilitation was also maintained with relative efficiency, notwithstanding capacity constraints.

The success and achievements of PNG Customs, as captured in this 2012 Annual Report, emanate from adoption and implementation of policies and strategies conducive to fostering effective performance of its core mandated functions. These outcomes are equally attributable to the relentless efforts of the hardworking Customs management and staff.

2012 was a challenging year for PNG Customs due to increasing volumes of international trade caused by the boom in the oil and mineral sector of the country. These challenges were exacerbated by lack of adequate manpower, resources and facilities. Notwithstanding, the prudent planning and effective management of PNG Customs supported by Australian counterparts through the Strongim Gavman Program saw PNG Customs continue to thrive in its service delivery to the Government and people of Papua New Guinea.

Institutional capacity and capability building had been a pivotal concern for PNG Customs as envisaged in the Customs Service Plan 2010-2012. This saw an organizational restructure that provides for 483 fully funded positions. This was an increase of 282 positions, compared to the previous structure, enabling PNG Customs to increase its presence throughout the ports and border posts in the country.

The Container X-Ray Examination Facilities Project, funded through the 2012 Public Infrastructure Project (PIP) of K35 million, is advancing. The installation and use of these facilities at the major ports of Port Moresby and Lae will ease congestion and enhance efficiency in the facilitation of trade. Equally, the facilities will effectively identify contrabands and ensure legitimate movement of goods into and out of the country.

One the downside, lack of adequate office accommodation for PNG Customs has been a major concern in 2012. PNG Customs' efforts in securing office space was stalled and prolonged by cumbersome government procurement processes. Lack of office space has affected recruitment of staff and placed existing staff under stress in terms of work pressure. New office space was secured towards end of 2012 and is undergoing fit out. PNG Customs anticipates moving into the new office in the first half of 2013.

PNG Customs continues to strive to make professionalism, good work ethics and principles the cornerstone of its officers' operations. It has nurtured and instilled in its officers good work ethics and principles and continues to seek, train and encourage them to be diligent and disciplined to deliver with high level of professionalism to its clients, the State and the people of Papua New Guinea.





PNG Customs discourages its officers to engage in any forms of corrupt activities that would inhibit, impair and fetter their performances and the delivery of services that they have sworn to provide. It continues to warn officers not to succumb to the weaknesses of corruption but uphold the laws and do what is right and stand by the people and serve with distinction, honour and pride. Importantly, Customs officers are challenged and encouraged to continue to embrace discipline, integrity, principles of Christianity, honour and professionalism in the discharge of their designated duties in fulfilling PNG Customs' mandates, objectives and vision.

Overall PNG Customs has performed well for the year of 2012 in all areas of its core functions. Border Security activities have increased with enhanced facilitation of international trade and travel. These have resulted in better community protection and increased revenue collections exceeding the 2012 budget forecast. PNG Customs is committed to delivering its mandate and outcomes and will sustain its performance and outputs throughout and into year 2013.

This report provides details of the operations, performances and achievements of PNG Customs Service for the financial year ending 31 December 2012.





### Performances Highlight for 2012

2012 was another successful year with a marked revenue collection of K2.50 billion, exceeding the Government's projection of K2.12 billion for financial year 2012. Border security and trade facilitation were performed with expected results in terms of efficacy. Below is the summation of performance highlights of PNG Customs for 2012.

- > PNG Customs planned and funded a joint inter-agency maritime patrol which was successfully conducted in the Bismarck Sea and Solomon Sea. Participating Government agencies were Customs, Defence, Police and Quarantine.
- > An international joint law enforcement operation resulted in the detection and seizure of an illegal importation of 50 kilograms of methyl amphetamine. Other surveillance and joint investigations resulted in detection and seizure of high powered firearms and ammunitions plus gunpowder at the Lae port.
- > Two international joint cross border patrols were undertaken with Australian law enforcement agencies in the Torres Strait region.
- > PNG Customs planned and coordinated domestic joint agency operations with Police and Immigration resulting in seizures of various contraband items and the detention of illegal aliens.
- > PNG Customs purchased Container Scanning Equipment from a Chinese manufacturer. It is awaiting shipment pending the completion of examination facilities at the major ports of Port Moresby and Lae.
- > Purchased 8 properties in Port Moresby, Lae and Madang at more than K10 million as institutional houses to accommodate customs officers.
- > Trade Facilitation was increased through the introduction of the ASYCUDA manifest module and the ongoing implementation of advanced rulings for industry. A total of 138,714 declarations were processed through the ASYCUDA system. Customs processed over 450,000 passengers through international airports.
- > Community awareness and engagement supports effective enforcement, compliance with Customs Laws and intelligence collection. PNG Customs released information and reports for TV, radio and the print media on its activities and functions. It undertook public awareness at schools and cultural shows. It has rolled out an MOU program with international partners, domestic partners and academic institutions.
- > Self-accounting & Central Payroll system was implemented.
- > Project Wasman, including a 24 hour national hotline, was developed.
- > Implemented and used Customs User-Pay Service Trust Account (CUSTA), which netted over K4 million in collections of service fees.
- > The Customs Service Plan (2013 – 2017) was launched, aligning Customs activities to the MTDP (2010-2015), PNG Development Strategic Plan (2011-2030) and Vision 2050.





## Section 1

### Administrative Roles

#### OVERVIEW OF PNG CUSTOMS ADMINISTRATIVE ROLES

##### Section 1

##### 1. 1 Papua New Guinea Customs Services' National Responsibility

PNG Customs' mandated responsibilities stem from the five National Goals and Directive Principles enshrined in the country's National Constitution. These goals emphasize and require proper strategic national planning and objectives to maintain national sovereignty, economic self-reliance, preservation of the country's natural resources and its environment. To achieve these, PNG Customs has articulated a strategic management plan with a new vision, mission and strategies focused on securing the country's border with the aim of protecting the community, ensuring efficiency in facilitating legitimate international travel and trade and collecting revenues for the Government.

##### 1. 2 Customs Legislative Authority

PNG Customs derives its powers from the Customs Act 1951 to control and authorize imports and exports, impose and collect related duties (taxes), and administer and enforce the Act and allied Acts and Regulations. Similar powers are conferred to it by Customs Tariff Act, Excise Tariff Act and Goods & Services Tax Act to impose and collect excise duty and import GST respectively. Imposition and collection of all these duties are subject to exemptions and reductions granted in accordance with the Customs Laws.

##### 1.3 Corporate Profile

PNG Customs management and staff are committed to ensuring PNG Customs is built and administered on the principles of good governance, transparency and integrity. These are enshrined in our Vision, Mission and Values, of which our Values call for Commitment, Professionalism, Service and Integrity. Observation of these principles has substantially guided and promoted effective discharge of our mandated functions and responsibilities as reflected in this 2012 Annual Report.





## **Customs' Vision**

Spirited and committed to be a regional leader in securing our national border to enhance the security and socioeconomic development of Papua New Guinea.

## **Customs' Mission**

Protect Papua New Guinea's border, communities and industries; enhance facilitation of international trade and travel; and protect and collect revenue for the Government.

## **Customs' Values**

### **Commitment**

We are committed to maintaining the Customs long standing tradition of protecting the community and contributing to the development and prosperity of Papua New Guinea.

### **Professionalism**

We will develop our human capital to be professionally trained and to embrace international best practices.

### **Service**

We will render high standard of service to the Government, community, local industry and external stakeholders, whilst being mindful of the need to reduce impediments to trade and investment.

### **Integrity**

We maintain high Christian principles and are honest, transparent and accountable in our actions and decisions we make, for a fair and equitable outcome for the Government, community, local industries and investors.





#### 1.4 Expected Outcomes

PNG Customs has four (4) mandated core functions supported and strengthened by the enabling (corporate services) functionalities. The execution of these functions support implement and achieve the Government's medium and long term development goals for ensuring Border Security, Community and Industry Protection, International Trade Facilitation and Revenue Collection. These are:

|  |   |
|--|---|
| Border Security                          | Facilitate legitimate movement of people, conveyance and goods across our border while maintaining the integrity and security of the border, ensuring supply chain security and protecting the health and safety of our people. |
| Trade Facilitation                       | Facilitate legitimate trade with minimum delay and costs.   |
| Revenue Collection                       | Collect Government revenues and provide reliable trade statistics and economic data.  |
| Enabling                                 | Efficient Communication, Corporate Governance and Support Services.   |
| (a) Improved System of Communication     | Effective Communication Structure and efficient Management of Information and Data flow.  |
| (b) Improved Governance & Accountability | Internal Audit and Assurance, Internal Investigations into Staff Misconduct.  |
| (c) Efficient Corporate Support Services | Improved Strategic Planning, Public Affairs and International Liaison, Budget & Finance Services, Legal Services, and Information Communication Technology Support.   |

Figure 1 – Mandatory Functions of PNG Customs



**1.5 Executive Management**

The Executive Management of PNG Customs comprises of the Commissioner of Customs (who reports to the Minister for Treasury), three Deputy Commissioners and eight Assistant Commissioners as illustrated below:

# Executive Management



Ray Paul  
Commissioner of Customs



John Pomoso  
Deputy Commissioner,  
Regional Operations



Kessy Sawang  
a|Deputy Commissioner,  
Commercial & Corporate



Waliya Abilo  
Deputy Commissioner,  
Border Security



John Nakiria  
a|Assistant Commissioner,  
Corporate Service



James Bire  
a|Assistant Commissioner,  
Commercial Trade & Compliance



Cynthia Kenny  
a|Assistant Commissioner  
Enforcement



Karo Kila  
Assistant Commissioner, Border  
Management



Steven Korea  
Assistant Commissioner,  
Southern Region



Francis Nipuru  
Assistant Commissioner,  
Northern Region



Lydia Wartovo  
Assistant Commissioner,  
Island Region



John Sam  
a|Assistant Commissioner,  
Modernization Management

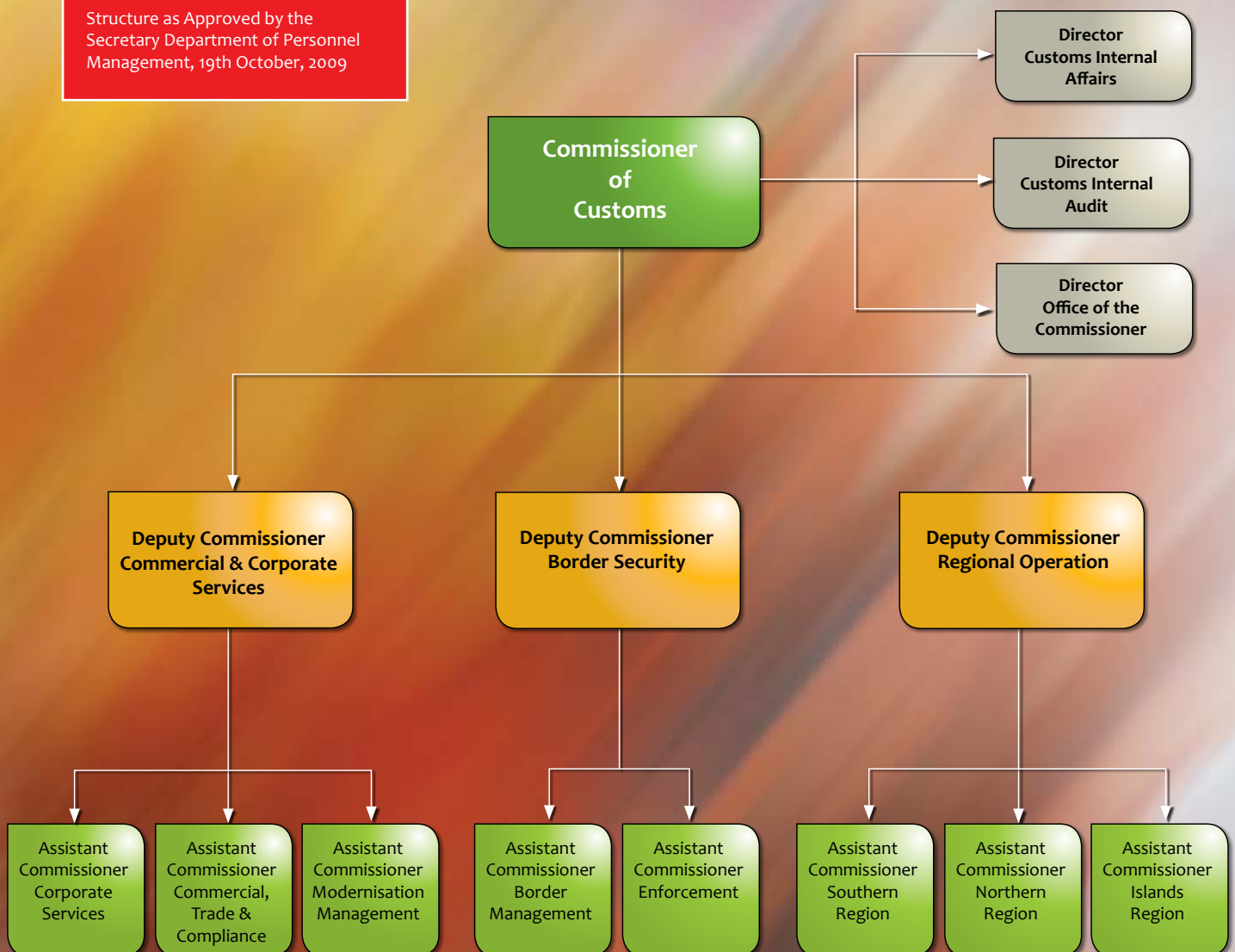




# Organisation Structure

## APPROVED ORGANISATION STRUCTURE

Structure as Approved by the  
Secretary Department of Personnel  
Management, 19th October, 2009







*Customs and Police Officers during joint operations*



### 1.6 New Commissioner of Customs

Following the resignation of former Acting Commissioner, Mr. Gary Juffa, in October 2011, Mr. Ray Paul was appointed as Acting Commissioner of Customs. He was later appointed in 2012 by the National Executive Council as the Commissioner of Customs for PNG Customs Service for a term of five (5) years.

The Executive Management is responsible for the strategic policy and administrative decisions in ensuring effective operation of PNG Customs.

### 1.7 Staff

The staff ceiling under the approved structure for PNG Customs is 483 fully funded staff positions. As at the end of 31 December 2012, PNG Customs employed 281 national Customs Officers (staff) to serve at the headquarters and ports around PNG. This leaves 202 positions still vacant in respect of which recruitment is underway and are set to be filled in 2013.

### 1.8 Budget

PNG Customs was appropriated K32, 556.8 million in the 2012 national budget allocation. This saw an increase of K8, 029.4 million compared to 2011 budget of K24, 527.3 million. This budget allocation was supplemented by collection of Customs User pay Service Fees in excess of over K4 million.

### 1.9 Monitoring and Reporting

The performance of Customs Officers and implementation of plans and projects are monitored and evaluated through monthly and quarterly reporting. These reports were used to track and measure progress of work, achievements and constraints relating to work performance.

Based on these divisional activity and implementation reports and information, monthly reports are compiled and furnished to the Minister and relevant departmental heads.

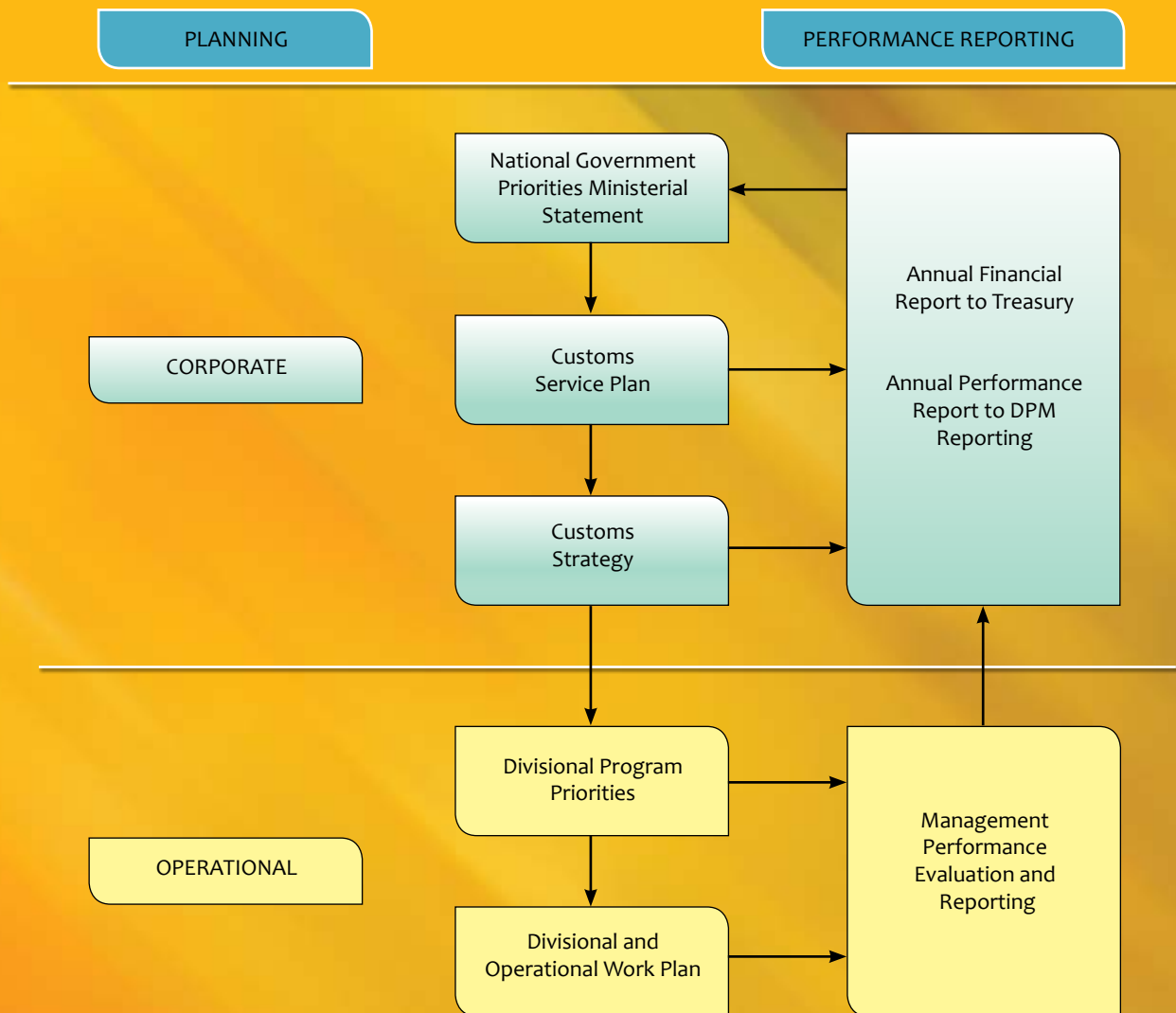




# Reporting Framework

The diagram below depicts the performance reporting framework for the PNG Customs Service:

## PAPUA NEW GUINEA CUSTOMS SERVICE ANNUAL WORK PLAN REPORTING FRAMEWORK







## Section 2

### PerFormance Against Outcomes and Strategies



#### PERFORMANCE AGAINST OUTCOMES AND STRATEGIES

##### Section 2

##### 2.1 Outcome:

##### BORDER SECURITY

**Strategy:** Establishing strategic alliances, increased resources, use of technology, risk management techniques and improved communication.

##### 2012 – Performance

The border security function was performed with relative efficacy notwithstanding the enormous challenges posed by increasing movement of goods, conveyances and people across the border. Border protection activities include but are not limited to:

- (a) Land and maritime border patrols;
- (b) Targeting and inspection of containers and cargoes on commercial vessels (ships & Planes);
- (c) Aircraft and ship inspection
- (d) Immigration clearance at major airports
- (d) Targeting and inspection of suspected green and red lane entries.
- (e) Joint operations conducted with other law enforcement agencies on breaches of laws.
- (f) Investigations into breaches of Customs laws and related legislations.

A number of contraband and illicit goods were detected, seized and destroyed. Also illegitimate travellers were apprehended and referred to the PNG Immigration Service Authority. Non-intrusive inspection machines have been deployed to enhance performance of these functions at the ports.

A joint inter-agency enforcement maritime patrol was successfully planned, funded and implemented by PNG Customs. This saw detention and prosecution of several persons and conveyances.

##### Surveillance Capacity

The lack of surveillance capacity and capability continues to impair PNG Customs from conducting effective land and maritime surveillance. However, with little resources provided, it managed to fund and successfully conducted an inter-agency maritime patrol to secure our border from incursion of illicit goods and poachers. To effectively carry out this function, PNG Customs will require better use of appropriate technology; apply risk management techniques and the latest equipment and training.

Given the strategic significance of protecting the border, PNG Customs has embarked on building its capacity and capability to enhance the effectiveness in the performance of border security function.

##### 2.2 Joint Agency Operations

A number of joint agency operations were conducted throughout the ports in PNG with other law enforcement agencies such as Police, Labour, Immigration, National Intelligence Organization, Defence, Health and NAQIA. The operations resulted in the detention of foreigners and seizures of various illicit and contraband items.



This semi trailer truck was detained and seized following investigation into false declaration that resulted in illegal removal of goods using this truck out of the Customs Controlled Area.

The table below illustrates the major joint operations conducted in 2012.

| No. | Joint Operations                                | Particulars & Customs Breaches   | Results  |
|-----|---|--|--|
| 1.  | Operation Tahua I                               | Involved illegal loading of round logs at Garim Log point in Madang. Operation conducted resulted in detection of various breaches of Customs Act that involved evasion of duties.                     | Case is pending as the perpetrator had gone into hiding.   |
| 2.  | Operation Enekari                               | Seizure of 1 x Own made shotgun, 4 x factory shotguns for verification at Police Firearms Section, number of referrals to immigration of Visa violations and Labour office for work permit violations. | Perpetrators dealt with accordingly by Labour and Immigration for breaches respective laws.  |
| 3   | Operation Otto                                  | Joint with Police Organized Crime & conducted at Malalaua station on Shengtai Investment   | Case referred to Police for further investigations   |
| 4.  | Operation Methyl                                | Seizure of 50 kilograms of Methyl Amphetamine in joint operation between AFP, PNGTCU, PNG Customs and other international law enforcement agencies.  | 50 kilograms of Methyl Amphetamine were seized and destroyed.  |
| 5.  | Immigration Task Force "Operation Rausim Alien" | Customs is a member of this NEC sanctioned operation to crack down on illegal immigrants plus illegal activities by foreign elements.  | A total of 7 operations were conducted resulting in three deportations of foreigners involved in illegal activities or in the country illegally. |
| 6.  | Operation Green Lane                            | Inspection based on intelligence resulted in detection of high powered firearms, ammunitions and gun powder, which are prohibited imports.   | The firearms, ammunitions and gun powder were seized and perpetrator charged in PNG. An Australia, prosecution is in progress.                   |

Figure 4 - Major Joint Operation





Officers conducting awareness conducted at Kokopo Secondary School and Goroka Show



### 2.3 Investigations

Investigation function is significant for ensuring the effective enforcement and compliance of Customs Laws. This function is regionalized and is conducted by investigation units based in the three Customs Regional Operations; Northern Region, Southern Region and Islands Region. Policy guidance is provided by National Investigations based at Headquarters which can intervene to assist and take on major cases.

A total of 15 major cases where investigated resulting in prosecutions and imposition of fines and administrative penalties. Firearms and other illicit goods (contraband) were seized and destroyed as a result of these investigations.

### 2.4 Joint Border Patrol

Three Joint Border Patrols were conducted within the waters of Torres Strait area. Australian Customs and Border Protection provided a patrol boat and crew and other assets towards this patrol. PNG provided several Customs officers assisted by police officers from the Royal PNG Constabulary to provide intelligence and operational support for the joint border patrols.

The Australia-PNG Joint Cross Border Patrol has provided a regular opportunity for Australia and PNG to manage border risks in the Torres Strait. This has allowed them to work together across each other's maritime

borders to gather intelligence, build remote area community relationships, and conduct awareness.

### 2.5 Memorandum of Understanding

PNG Customs has capacity and capability shortfalls. Its membership of the World Customs Organization and other regional bodies has posed significant demands on it to meet international standards set in terms of Customs practices and business. To respond PNG Customs has entered into MOUs that allow for mutual cooperation, assistance, and systematic exchange of information and intelligence, to foster enhanced performance and support PNG Customs meet both national and international obligations.

A number of MOUs were progressed with domestic and international partners in 2012. Of these, MOUs with Health, the Customs Brokers Association and PNG Ports Corporation Ltd were signed. Other MOUs with domestic partners are set to be signed

in early 2013. Within the Oceania region, PNG Customs signed an MOU with Solomon Islands Division of Customs & Excise that provided for mutual assistance and sharing of information and intelligence relating to enforcement of Customs Laws.

### 2.6 Intelligence Database

There has been a considerable improvement in data and information collection. This was attributed to an increase in general community awareness of PNG Customs role in securing the country's border and also the implementation of an electronic information database, Case Management Information System (CMIS). This was an initiative of the Strongim Gavman Program (SGP) and PNG Customs. CMIS connects frontline officers and their Intelligence units.

### 2.7 Customs Wasman Program

PNG Customs developed the Wasman Program, a community awareness initiative aimed at informing the public and industry about PNG Customs border security role. The Wasman Program is developed to encourage the general public to provide information on breaches of the Customs Act including illegal activities at the PNG border.



*Signing of Purchase Agreement and purchase of Container X-Ray Machines in Beijing, China*

### 2.8 Container Examination Facility

As part of its capacity and capability building, PNG Customs has progressed the construction and installation of Container X-Ray Examination Facilities at the major ports of Lae and Port Moresby. Necessary Agreements and documentations including the government procurement processes relating to this Project were all concluded in 2012.

The Container X-Ray scanners have been purchased in 2012 from NUCTECH Company based in Beijing, China at a cost of US\$6 million. They are now awaiting shipment and installation, pending construction of examination facilities at Lae and Port Moresby. .

Two groups of Customs Officers went to China to undertake operational training on the scanning machines.

The installation and use of these non-intrusive machines is set to enhance effectiveness by strengthening the border security function and ensuring legitimate movement of goods through the ports into and out of the country.







## Section 3

### Community Protection

#### Section 3

##### 3.1 Outcome:

##### COMMUNITY PROTECTION

**Strategy:** Effective use of risk assessment, pre-screening procedures and improve information and intelligence base and inspection on detecting and containing movement of illicit and contraband goods.

##### 2012 - Performance

Customs has stepped up its efforts in detecting and containing illicit trade of goods and contraband. This involved inspection of well known outlets where perpetrators were caught, charged and penalized with hefty fines.

During surveillance and investigations, Customs assisted by the Police had detected and detained, and seized several contraband and illegal imports throughout the ports. Also restricted items of flora and fauna were detected and detained at the point of departure of foreign vessels. The perpetrators were prosecuted for importation and being in possession of restricted/prohibited imports under the legislation.

Below are some of the major detections, detention and seizure by PNG Customs:

1. Detention of restricted exports under the Convention on International Trade and Endanger Species (CITES) of Wild Fauna and Flora. The attempted smuggled exports include parrots, bags of beche de mer, dead corals and sea shells which can fetch up to \$20,000 on the overseas black market.
2. Detections and detainments of various firearms and firearm accessories with assistance from Police in Lae. There were three separate detainment cases but the same group of people were involved. Interviews carried out by Police and Customs included employees of well known business houses and employees of a Customs broker. The broker's licence was cancelled.
3. Search on illegal business resulted in three suspects being interrogated. The special operation conducted with assistance from Police in Lae revealed gross undervaluation of goods, false declarations, and illegal sales of medicines, piracy and possession of pornographic materials.
4. Officers confiscated import documents, CDs, DVDs, most of which were explicit and pornographic in nature in Lae. Laptops, medicines, flash drives, memory cards and motor cycles were also confiscated. Two foreigners were found to have overstayed their visas. They were interviewed, arrested and charged under immigration laws. During the operation two officers were subject to attempted bribery. The owner was arrested and charged as a result.
5. An international traveller was fined for smuggling cigarettes at Jacksons International Airport. Customs officers detained 18 undeclared cartons of foreign brand cigarettes concealed in tins and packets. The passenger was intercepted at the barrier and four cartons of cigarettes were found in his suitcase. A large sealed tin can was sent through x-ray scan machine when the passenger claimed it contained food. Upon opening the tin it was discovered the content of the tin was not food but concealed cigarettes. The passenger ended up paying K2, 700 after the penalty cost was added to the import duty. If properly declared he would have paid K900.

##### 3.2 Public Awareness

Public awareness is strategic to effective enforcement and compliance of the Customs Laws. Hence, understanding of PNG Customs' roles and functions by people and industries will enhance the performance of its border protection and other mandated roles. PNG Customs has released information and reports for TV, radio and the print media on its activities and functions.



*Cigarettes tactfully concealed in cans and case that were detected and seized by Customs.*

A number of public awareness were conducted in 2012 at schools and major cultural shows to inform people on Customs and its roles. The Customs Islands Regional Operation conducted awareness at Kokopo Secondary School in East New Britain Province and several other schools in Manus Province.

Awareness was also conducted by Customs Northern Regional Operation at the 2012 Annual Goroka Cultural Show in Eastern Highlands Province.

The Joint Cross Border Patrol (JCBP) and maritime patrols conducted in 2012 also presented opportunities where the public was informed on how they can assist by reporting suspicious or illegal activities at the border. Hence, the public was informed of the Customs Wasman Program and encouraged to call and report any suspicious illicit movements of people, goods and conveyance across the border.

### 3.3 Training

PNG Customs conducted training activities in conjunction with stakeholders as part of its capacity and capability development. All training was tailored to equip and prepare Customs Officers with required core skills and knowledge to effectively perform their designated roles to meet PNG Customs' mandates, objectives and projections.

### 3.4 Industry & Community Partnership

PNG Customs recognises the importance of industry partnerships as it improves compliance and enforcement activities. Industry partnership have fostered and underpinned information and intelligence sharing resulting in successful enforcement operations.

Non compliant importers and exporters have been dealt with under the Customs Laws from information and intelligence provided by the industry and community. This demonstrated growing confidence in PNG Customs' roles to secure its border and community against the incursion of illicit movement of goods, people and conveyances across the border.

PNG Customs has maintained this pivotal link with the industry and community partners and will continue to establish additional partnership to strengthen its capacity.

### 3.5 Intelligence

Information gathering and intelligence by PNG Customs has, with the cooperation and willingness of stakeholders, increasingly improved. This has substantially assisted PNG Customs to do effective profiling leading to successful detections of breaches of Customs Laws. Much of the detections are that of smuggling, undervaluation and misdeclaration of goods, evasion of duty, and importation and exportation of prohibited goods. The perpetrators were dealt with under the Customs Laws, resulting in imposition of fines and administrative penalties against them in addition to recovery of evaded duties.





## Section 4

### International Trade Facilitation

#### Section 4

##### 4.1 Outcome:

##### INTERNATIONAL TRADE FACILITATION

**Strategy:** Efficient use of ASYCUDA cargo clearance system, implement Authorised Economic Operators and Advanced Rulings Schemes.

##### 2012 - Performance

- > Initiatives undertaken so far towards improving trade facilitation included a combination of policy and practical measures.
- > Efficient use of the ASYCUDA cargo clearance system with the introduction of the cargo manifest module continues to be the major achievement in trade facilitation.
- > PNG Customs continued to implement the Advanced Ruling system which began in 2011.
- > Facilitation of imports for major impact resource projects such as the PNG LNG Project under an express service model and regular stakeholder meetings have seen timely movement of these imports to designated sites.
- > There has also been an increase in the number of international travelling passengers which Customs has processed through our international airports.
- > Use of non-intrusive scanning machines to expedite inspection and clearance.

##### 4.2 Advanced Ruling

PNG Customs had continued to implement the Advanced Tariff Ruling Scheme in its endeavour to enhance trade facilitation. This scheme enables importers to apply for tariff classification on certain commodities, which when once a decision is made and notified by the Commissioner of Customs, becomes binding and lasts for 3 years. This provides an environment of certainty and predictability for importers and investors to operate in the country.

The implementation of this scheme had assisted PNG Customs improve its efficiency in trade facilitation. Hence, it will continue to implement this scheme whilst also exploring and embracing new measures that would continue to elevate efficiency in trade facilitation.

##### 4.3 ASYCUDA Developments

Initiatives undertaken to improve trade facilitation included the development and effective use of the automated system of cargo clearance called the ASYCUDA. Efficient use of ASYCUDA cargo clearance system with the introduction of the cargo manifest module continues to be the major achievement in trade facilitation.

Facilitation of imports for major-impact resource projects such as the PNG LNG Project under express service model and regular stakeholder meetings have seen timely movement of these imports to designated sites.

PNG Customs' ASYCUDA has featured prominently since 2008 for the processing of import and export transactions, collection and accounting of state revenue and trade data essential for monitoring internal and external trade.

During 2012, regular maintenance and technical missions have been undertaken by PNG Customs ICT Division to provide ongoing technical support for users in both the organisation and the Customs Brokerage Industry. The introduction of the cargo manifest module further enhanced the ability of PNG Customs to have better control over the reporting and accounting of all cargo destined for the main ports of Port Moresby, Lae, Kimbe, Rabaul and Madang.

##### 4.4 Service Delivery and Travel Facilitation

As part of PNG Customs responsibility to improve and manage import clearance, it has removed random selection of import consignments and employed a risk based targeting of cargo.

Regular consultation is maintained with the importing and exporting community through the Customs Brokers Association by way of quarterly meetings. Issues addressed include impediments to clearance processes, standards for performance and regulatory requirements involving the Customs Brokerage industry.



There has also been an increase in the number of international travelling passengers which Customs has processed through our international airports. In 2012 Customs had processed over 450,000 international passengers.

#### 4.5 Facilitating PNG LNG Project Imports

The imports destined for LNG Project are cleared through an express service module. An Agreement was entered into between PNG Customs and Esso Highlands Ltd that provides for express clearance of the goods. The Agreement retained the right of PNG Customs to conduct Post Clearance Audits. Such audits are to be conducted based on information and recommendations provided by a Third Party Service Provider who is engaged to collect all import documentations in respect of all imports by LNG contractors. This arrangement was made in response to the call by the Government to expedite clearance of all imports destined for the LNG Project.

Throughout 2012, regular meetings were held between PNG Customs and ESSO Highlands Limited (EHL), where issues relating to importation of goods destined for the LNG Project were discussed and resolved to maintain the express clearance.

#### 4.6 Customs International Trade Data

Customs keeps information about merchandise trade in its ASYCUDA database. As required by law, import and export data is declared to customs

by the trading community. The accuracy of the declaration is supported through Customs compliance and post clearance audits.

In 2012, records held by Customs showed that Australia continued to be PNG's most important two way trade partner by a considerable margin for both for the imports and exports of goods.

PNG's top export destinations in 2012 were Australia, Japan and Germany. Most imports came from Australia, Singapore, Malaysia and China.

#### Top 10 import and export countries 2012

| Import source | Value | Export Destination | Value |
|---------------|-------|--------------------|-------|
| Australia     | 63.5  | Australia          | 44.8  |
| Singapore     | 27.5  | Japan              | 11.4  |
| China         | 11.7  | Germany            | 6.9   |
| Malaysia      | 11.5  | China              | 6.3   |
| Japan         | 10.9  | Singapore          | 5.6   |
| United States | 8.6   | Netherlands        | 5.0   |
| Italy         | 7.9   | India              | 4.3   |
| Indonesia     | 5.9   | Philippines        | 3.9   |
| Thailand      | 5.4   | United Kingdom     | 2.9   |
| New Zealand   | 4.9   | Spain              | 2.4   |

Source: ASYCUDA

#### Sources and Destinations of Goods

The Asia Pacific region is the dominant source for PNG's imports. Since 2008 there has been a marked increase of the relative value of imports to PNG from Singapore and Malaysia, with the value from these countries more than doubling since 2008. However, the value of imports from Australia still considerably exceeds those from other sources.

The top export destinations for PNG goods are Australia, Japan, China and Germany. Over the last 4 years Japan has become a top four export destination. In 2008, Japan was outside of the top 10 export destinations for PNG goods.

#### Imports into PNG

Over the past 3 three years, the major category of imports into PNG has been mineral fuels, oils and associated products, closely followed by imports of machinery.





Top commodities imported in 2012, and their progression from previous years  
(in millions of Kina)

| Commodity                  | 2012   | 2011   | 2010   |
|----------------------------|--------|--------|--------|
| Mineral fuels              | 2948.8 | 2286.2 | 1327.2 |
| Machinery                  | 2205.8 | 1494.0 | 1295.0 |
| Vehicles                   | 1060.2 | 833.6  | 907.8  |
| Cereals                    | 443.1  | 360.5  | 612.2  |
| Aircraft and parts         | 393.1  | 319.9  | 582.5  |
| Articles of iron and steel | 391.5  | 725.1  | 227.6  |
| Electrical machinery       | 329.6  | 520.4  |        |

Source: ASYCUDA

#### Exports from PNG

Over the past 5 years the leading category of exports from PNG has been precious metals, stones and articles. The values in this category of goods are mainly attributed to base metals, including silver and gold.

Top commodities exported in 2012, and their progression from previous years (in millions of Kina)

| Commodity                            | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------------------|------|------|------|------|------|
| Precious metals, stones and articles | 4287 | 5567 | 5878 | 4655 | 3821 |
| Ores, slag and ash                   | 1454 | 2037 | 3047 | 557  | 71   |
| Animal and vegetable fats            | 1301 | 2075 | 1476 | 1140 | 1416 |
| Wood and articles of wood            | 559  | 666  | 499  | 509  | 453  |
| Coffee, tea and spices               | 553  | 1139 | 712  | 591  | 609  |

Source: ASYCUDA

The value of ores, slag and ash has increased substantially since 2008. For PNG the values in this category of goods are mainly attributed to exports of copper, gold and silver ores and concentrates.



## Section 5

### Revenue Collection

## Section 5

### 5.1 Outcome:

#### REVENUE COLLECTION

**Strategy:** Increase general compliance, improve collections and reporting of revenue and ensure timely transfer of revenue and trade statistics.

#### 2012 - Performance

Revenue Collection is a core function of PNG Customs. This section features the financial performance of PNG Customs in terms of revenue collection including its income and expenditure for 2012.

The main sources of revenue are from international trade - imports (import duty, import GST, import excise), exports (export duty) and local taxes (inland excise, sundry collections).

- > Marking the third year of its operation, PNG Customs exceeded the forecasted revenue figures by K870 million in 2010 to 2012.
- > Increased revenue collection is a reflection of growing international trade, enhanced compliance strategies and successful investigations and prosecutions into breach of Customs Laws.
- > Total revenue collection during the 36 months transition period is K 6.75 billion, which is K 870 million above the revenue target, set by the government.

PNG Customs collected aggregate revenue of K2.49 billion for the year ending 2012. This revenue was K377.46 million (18%) more than the 2012 Budget estimate of K2.121 billion. In comparison with the 2011 collections of K2.31 billion, this was an increase of K173.61 million (8%).

The increase in revenue collection is primarily related to the increase in international trade volume. The enhanced enforcement and compliance strategies employed by PNG Customs too had assisted in realizing this increase collection in revenues. The appreciation of Kina in the past 12 months has impacted negatively on import duty collections.

However, the comparative value of the aggregate revenue is equivalent to or more than the total revenues collected in 2011. Overall the surplus in the aggregate collection is mainly attributed to increases in the collection of import GST. The higher than projected collection on import GST had offset the lower collections in other revenue heads with overall surplus of K377 million.

#### 5.2 Actual against Projections

| Customs         | Actual      | Expected    | Surplus/  | Surplus   |
|-----------------|-------------|-------------|-----------|-----------|
| Duties          | Collections | Collections | Shortfall | Shortfall |
|                 |             |             |           | (%)       |
| Import Duty     | 223.02      | 234.88      | - 11.86   | - 5%      |
| Import GST      | 1,236.04    | 762.91      | 473.13    | 62%       |
| Import Excise   | 294.76      | 313.21      | - 18.45   | - 6%      |
| Export Duty     | 179.86      | 206.10      | - 26.24   | -13%      |
| Inland Excise   | 560.51      | 600.39      | - 39.88   | - 7%      |
| Sundry Receipts | 5.03        | 4.27        | 0.76      | 18%       |
| Total           | 2,499.22    | 2,121.76    | 377.46    | 18%       |

Figure 5 – Table of Actual Revenue against Projections under different revenue heads for financial year 2012





REVENUE COLLECTION - 2012



Figure 6 – Graph on Revenue Collection in 2012

Revenue Collection - 2012

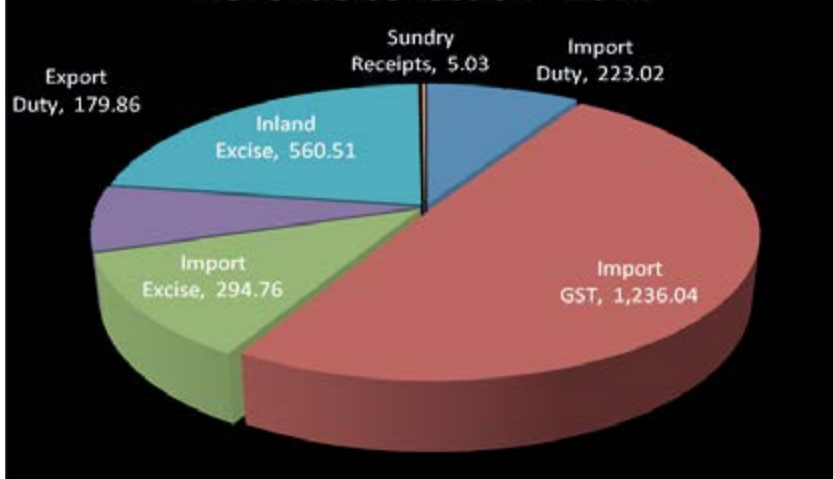


Figure 7 – Chart on Revenue Collection under different revenue heads for financial year 2012

Export duty collections were below the estimate by K26.24 million due to fall in the volume of log exports. A few logging companies had scaled down their operations following government's instructions due to non compliance. Vanimo port collected over 21% of the total export duty.

The logging ports that generated export duty for 2012 in descending order were:

- Vanimo collected K36.88 million, or 21% of total export duties,
- Port Moresby collected K21.17 million or 14% of total export duties,
- Rabaul collected K21.03 million, 12% of total export duties,
- Kavieng collected K20.68 million, 12% of total export duties,
- Kimbe collected K19.08, 11% of total export duties while
- Other ports collected K54.82 million, or the remaining 31%.

Import GST collection for 2012 was K1, 236.04 million. This was K473.13 million higher than budget estimates. This again reflects the general increase in imports. The entire amount was transferred to IRC. Usually a smaller fraction of import GST is transferred to Waigani Public Account while bigger proportion of it is used for settling GST refunds incidental to exemptions.

Import excise collection in 2012 was also lower than budget estimates by K18.45 million. This fall was due to a decrease in imports of vehicles, petroleum products and other electronic goods.



A substantial decrease was experienced in inland excise with a K39.88 million shortfalls. The actual collection was K560.61 from the K600.39 estimate. This was due to ban on liquor sales as well as reduction in British American Tobacco productions.

Import duty was also affected owing to the 5% tariff reduction on major imports. That was evident from the shortfall of K11.86 million. A total of K223.02 million was collected from the K234.88 million projection.

#### Government Sanctioned - Revenue Foregone

In 2012, a substantial amount of revenue was forgone through various duty exemptions and concessions.

#### 5.3 Revenue Foregone through Concessions and Exemptions in 2012

| Customs Duty  | Revenue Foregone |
|---------------|------------------|
| Import Duty   | 27,452,503       |
| Import GST    | 588,826,064      |
| Import Excise | 17,152,426       |
| Export Duty   | -                |
| Inland Excise | -                |
| Total         | 633,430,993      |

Figure 8 – Revenue Foregone

A sum of K633.43 million was foregone under the state sanctioned exemptions which could have formed part of the aggregate revenue collections for the year. This is K36.69 million more than the 2011 figure. The three components that were most impacted under the exemptions were import GST (K588.83 million), import duty (K27.45 million) and import excise (K17.15 million).

Exemptions on import GST include concessions granted on imports to charity organizations, religious organizations, community organizations, medical supplies, educational institutions and mining, petroleum, gas and oil resource companies. Exemptions and reduced rates on import duty apply in respect to petroleum, gas and oil industries.

#### 5.4 Revenue Recovery

PNG Customs conducted post clearance audit into Inter Oil (PNG) Ltd and established K29 million was erroneously paid through the Internal Revenue Commission GST process. Administrative penalty was imposed against it for non-compliance resulting in payment of K1.75 million.

Efficiency in post clearance audit function was greatly impaired by manpower shortages. Nevertheless, PNG Customs continues to perform this function and anticipates to improving its delivery upon completion of recruitment to vacant positions early 2013.

#### 5.5 CUSTA Collections

The Customs User-Pay Service Trust Account (CUSTA) was set up pursuant to the Minister's approval in October 2010. It was then successfully implemented and has assisted Customs fund its operations where the recurrent budget was unable to meet.

> Major Components include:-

- i. Entry processing fees
  - ii. Advance ruling fees
  - iii. Merchant overtime
- > Actual amount in figure:-
- i. Collected up to K6,798,176 in 2012
  - ii. Transfer from COOTA K4.4 million
  - iii. Disposable fund as at 31 December was K11,198,180

The CUSTA account is maintained at ANZ Bank and the 2012 funds were used to subsidise operational shortfalls.





*Customs Officers in their new uniforms flanked by members of Customs Senior Executives*

## Section 6

### Enabling Corporate Service Functionalities

## Section 6

### 6.1 Outcome:

#### ENABLING CORPORATE SERVICE FUNCTIONALITIES

**Strategy:** Adopting an organisational structure that supports Customs Service Plan, communication framework, human resource plan, governance and corporate services that effectively support Customs operational activities.

### 2012 - Performance

#### 6.2 Customs Service New

##### Corporate Plan 2013 – 2017

The PNG Customs Service Plan 2013 – 2017 was completed and its launching is set to coincide with the World Customs Day on the 26<sup>th</sup> of January 2013. The Service Plan is aligned with the National Development Plans, namely, the Medium Term Development Strategies (MTDP) 2012 -2015, PNG Development Strategic Plan (PNG DSP) and Vision 50. This is to ensure that PNG Customs' development and growth is undertaken in tandem with the public sector management policies and initiatives.

This new Service Plan is designed not only to drive PNG Customs implement and achieve its mandated roles and corporate objectives, but also serve as a yardstick to measure its performance and achievements.

#### 6.3 Launching of Uniform

On the 23 May 2012, PNG Customs launched its new corporate uniforms. The uniforms are worn by all the Customs Officers throughout the ports in the country. The uniform signifies the professional image of the organization as well as instilling sense of belonging and pride for the organization.

#### 6.4 Implementation of Service Plan 2010-2012 and Obstacles

The implementation of the Service Plan 2010 -2012 had been a major challenge for PNG Customs. Despite this, PNG Customs was able to achieve much of its objectives and goals under the guidance of this Service Plan.

PNG Customs was transformed into a new agency within a short span of time under the guidance of this Service Plan. Its mandated roles of border security, trade facilitation and revenue collection were performed with satisfactory results.

Institutional capacity development had also progressed well with a notable

facelift of ASYCUDA, the project for the construction and installation of Container X-Ray Examination Facilities, purchases of properties throughout the ports in the country for staff accommodation and the implementation of the organizational structure.

Nevertheless, effective implementation of this Service Plan was impaired by the following constraints:-

Office Accommodation – Efforts to secure adequate office accommodation for the PNG Customs had been greatly fettered by prolonged cumbersome government procurement process. Due to lack of adequate office space, implementation of the organizational structure through recruitment had been delayed. Consequently, work output was substantially affected.

> Manpower Shortage – PNG Customs was operating on staff strength of 60% of its fully approved staff capacity. Recruitment to the structure was greatly affected by lack of adequate office accommodation and delays incidental to the recruitment process administered by Department of Personnel Management.



### 6.5 Recruitment

The recruitment of officers to the positions in the organizational restructure continued from 2011 into 2012. Ending year 2012, PNG Customs has yet to conclude and fill up all the position in the restructure as shown below:-

- Staff ceiling 483.
- 151 positions selection completed for permanency in December 2012.
- 76 acting positions
- 33 short term contracts officers
- 21 unattached (for retrenchment)
- 281 total staff on strength
- 223 vacancies

### 6.6 Human Resource Development

Reviving and maintaining adequate training for PNG Customs Officers has been a major area of concern for the PNG Customs management. Only a handful of training in critical areas of operations was conducted in 2012. This was mainly due to manpower shortages including lack of proper training section to pursue personal development trainings.

These customs officers successfully undertook Customs Basic Training jointly conducted by PNG Customs and Australian Customs and Border Protection in Lae in 2012.

Given the need to strengthen management capacity in the organisation, Senior Management

Officers were given priority. This saw the implementations of MOUs with the University of Technology (UNITECH), the University of Papua New Guinea (UPNG) and the Divine Word University (DWU) to offer business management and leadership courses to senior management Customs Officers. A number of Senior Customs Officers had successfully undertaken Management and Leadership courses conducted by DWU. More are set to undertake similar courses in the coming years.

### 6.7 Implementation of Self Accounting

Customs was granted self accounting status towards the end of 2011. On the 29 February 2012, it printed the first cheques with the use of new printing equipment. All recurrent and development expenditures are now printed by PNG Customs. This has alleviated delays and impediments incidental to errands to and from the Vulupindi Haus at Waigani for the submission of claims, processing and printing of cheques.

### 6.8 Capacity Building Program Initiatives

Funding for capacity building was requested through Public Infrastructure Project (PIP) submissions to the Department of National Planning. These submissions were considered in the positive where funding was accordingly bestowed. The funding is to be spread over a period of five years under the MTDP (Medium Term Development Plan).

Capacity Building Program includes the following:

- > Institutional Housing Project
- > Second Phase Container X-Ray
- > Examining Facility Projects
- > Surveillance Tracking Devices Project.
- > Offices Complex Project
- > Review of Customs Act and allied Legislations
- > Regional Warehousing

### 6.9 Institutional Housing Project

PNG Customs has a five year (2012 – 2016) Housing Project plan to address housing needs of Customs Officers throughout the country. The project plan is tied to the newly developed Service Plan (2013 – 2017) and GoPNG MTDP (Medium Term Development Plan 2010 - 2015). Customs anticipates that through this project, a sum of K50 million funding from the National Government will be spread over the five years period.





*Some of the properties purchased as institutional housing in Northern Region (Madang & Lae)*

The initial funding came from the 2012 Budget in which the GoPNG provided total PIP funding of K7.8million. This funding was spent to purchase a number of properties which are listed below:-

- > In Madang – Two properties were purchased and acquired (2x Stand along houses) worth K800, 000.
- > In Port Moresby - Three properties were purchased and fully acquired with a sum of K4.5million. A 6x2 bedroom property located in Tokara, a 4x2 unit, located in Waigani and a 2x2 units at North Waigani.
- > In Lae - One property (4x2 bedroom executive units fully furnished) was purchased and acquired with a sum of K2.2 million. This will accommodate senior managers for the Customs Northern Regional operations headquarters.

- > PNG Customs also secured 28 blocks of land and houses from PNG University of Technology with an initial deposit of K1. 8 million. The Project is worth K5.7 million, in which the business arm of UNITECH will build duplexes on all the 28 blocks and deliver them to PNG Customs within the next 24 months.

Most of the funding for the purchase of these properties came from the PIP Funding with CUSTA settling the balances and shortfalls. Some of the properties purchased as institutional housing in Northern Region (Madang & Lae)





Customs Officers from Finance & Budget of PNG Customs printing of first sets cheque printed



## Section 7

### Financial Performance

## Section 7

### 7.1 FINANCIAL PERFORMANCE (Recurrent Budget & Expenditure)

#### 7.2 Operating Income

The National Government in the 2012 budget appropriation bestowed K32, 556.8 million to PNG Customs, which was an increase of K10, 749.2 million compared to 2011 budget of K21, 807.6 million. A further K5, 387.1 million was given during the supplementary budget for the year. This increased the total operating income up to K49, 414.9 million and consisted of:-

- Annual Budget Allocation from Government of K32.556m
- Additional allocation of K5, 387.1 million
- Supplemented by K11.198m million collected as Customs User-Pay Service Fees (including K4.4m transferred from the COOTA)

#### 7.3 Operating Expenses

Total operating expenses for 2012 were K43.75 million with its composition as shown in the table below.

| Description         | 2012 (K000) |
|---------------------|-------------|
| Income              | K49.41m     |
| Expenditure         | K42.39m     |
| Personnel Emolument | K10.45m     |
| Goods & Services    | K31.94m     |

Figure 9 – Operating Expenses

The table below shows the allocation of the Recurrent Budget per the divisions together with the development Budget.

| Recurrent Budget                       | (K32m)     |
|--|------------|
| Divisions                              | Allocation |
| Executive Unit                         | K2.3m      |
| Office of Commissioner                 | K0.798m    |
| Corporate Services                     | K4.3m      |
| Border Management                      | K1.3m      |
| Commercial Trade & Compliance          | K1.6m      |
| Enforcement                            | K2.8m      |
| Southern Region                        | K4.5m      |
| Northern Region                        | K4.4m      |
| Islands Region                         | K3.4m      |
| Information & Communication Technology | K2.4m      |
| Modernization Management               | K0.573m    |
| Internal Audits                        | K0.806m    |
| Internal Affairs                       | K0.676m    |
|  |            |
| Development Budget                     | (K17m)     |
| Container Examination Facility         | K17m       |

Figure 10 – Divisional Allocation and Expenditure.

#### 7.4 Return on Investment

The return on investment is a comparable analysis of income and resources used to derive the organisational outcomes.

From the total income of K43.75 million, PNG Customs collected K2, 499.22 million. This represents a return on government investment of K571.25 per K1.00 allocated.





Officers at the Jacksons International Airport doing inbound clearance.

On average each Customs officer collected K8.90 million for the government in 2012 as demonstrated in the table below.

| Programme                | Quantity                         | Return                                       |   |
|--------------------------|----------------------------------|--|---|
|                          |                                  | Input  | Output  |
| Total Expenditure        | K43.75m expenditure              | K2,499.22m revenue collected                 | K571.25 revenue collected per Kina of expenditure |
| Total staff              | 281 officers                     | K2,499.22m revenue collected                 | K7.69m collected per officer                      |
| International Passengers | 24 Passenger processing officers | 494,2617 Passengers processed                | 20,594 passengers per officer                     |
| Trade entries            | 34 Invoice examining officers    | 138,714 import, export, local excise entries | 4,790 entries per officer                         |
| Sea Vessel (ship)        | 20 boarding officers             | 1,986 vessels cleared                        | 99 vessels per officer                            |
| Aircraft                 | 10 boarding officers             | 4,913 aircraft cleared                       | 491 aircraft per officer                          |

Figure 11 – Return on Investment

The table below illustrates the trade trend for the 2012 in terms of import, export and local entry.

|              | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total   |
|--------------|-------------|-------------|-------------|-------------|---------|
| Import Entry | 30,983      | 32,518      | 34,195      | 46,737      | 144,433 |
| Export Entry | 2,464       | 2,127       | 2,250       | 2,396       | 9,237   |
| Local Entry  | 181         | 361         | 240         | 246         | 1,028   |
| Trade Trend  | 33,628      | 35,006      | 36,685      | 49,379      | 154,698 |

Figure 12 – International Trade Data



Figure 13 –International Trade Trend



Figure 14 –International Travel Trend 2012

### 7.5 Inter-agency, Regional and International Cooperation and Relation

PNG Customs is committed to be a regional leader in securing PNG's national border to enhance the security and socio economic development of Papua New Guinea. To achieve this, it has sought and gained the support, assistance and cooperation of the stakeholders both from within the country and the region as well as the world.

The arrangements that foster sharing and cooperation have been formalized with a number of Memorandum of Understandings, and bi-lateral and multi-lateral agreements with key domestic and international partners. It also maintained memberships to World Customs Organisation, Asia Pacific Economic Cooperation and Oceania Customs Organization.

Inter-agency cooperation is considered strategically essential in that it underpins capacity and capability considerations to ensure and sustain effective discharge of the mandated roles and functions.



## Section 8

### Management and International Control

#### Section 8

##### 8.1 MANAGEMENT AND INTERNAL CONTROL

###### 8.2 Customs Management Committee

To ensure PNG Customs has a vibrant and sound management framework, the Customs Management Committee's (CMC) performance was reviewed in order to enhance senior management capacity. Following this review, a new CMC Charter was adopted to provide a constructive forum to facilitate collective management decisions among senior executives. The CMC comprises the Commissioner of Customs, three Deputy Commissioners and eight Assistant Commissioners that meet quarterly to address the organization's strategic issues and guide ongoing developments and work.

##### 8.3 Internal Audit and Integrity Functions

The Customs Management acknowledged the necessity to have in place Customs Internal Audit Unit and an Internal Affairs Unit to ensure accountability and integrity. This saw the establishment of the Internal Audit and Internal Affairs Divisions in 2011. They function independently and report directly to the Commissioner of Customs. A new Charter and a specific Code of Conduct for the Customs Internal Auditors was completed and approved by the Customs Management Committee for implementation.

##### 8.4 Office Space

PNG Customs Headquarter and Southern Region are yet without their own office space thus operating from the Internal Revenue Commission Office Building. Prolonged and cumbersome government procurement process had substantially stalled PNG Customs' efforts to secure and move into new office accommodation. This process had been completed and the new office space is under partitioning work and is expected to be completed and ready early 2013.

##### 8.5 Code of Conduct & Ethics

A new Code of Conduct and Ethics was developed for PNG Customs in line with the existing Public Service Code of Conduct & Ethics. It sets out in detail additional rules to be observed by the Customs Officers to ensure and maintain the integrity of the organization as well as upholding its professional image.



## Section 9 Corporation with the Australian Government

### Section 9

#### 9.1 COOPERATION WITH THE AUSTRALIAN GOVERNMENT

Under the SGP (Strongim Gavman Program) around forty senior Australian officials are working closely with their PNG counterparts to progress reform in the areas of economic and public sector governance, border management and transport safety and security, and law and justice. AusAid funds and supports the SGP with officials drawn from a wide range of Australian agencies.

Australian Customs and Border Protection has four SGP officials working within PNG Customs as advisers. Based on a 2004 gap analysis, Australian Customs and Border Protection officials have been focussing on building capacity in areas such as Passenger Processing, Revenue, Post Clearance Audit, and Intelligence and Executive Management.

In addition to these core responsibilities the Customs SGP team, in partnership with PNG Customs colleagues, provides direct in-country support to facilitate the delivery of several Australian-PNG Customs bilateral programs that complement both the CMMT and SGP reform work. These programs include the PNG-Australian Customs Twinning Scheme (PACTS) and the Australia-PNG Joint Cross Border Patrols (JCBP).

While SGP generally operates at the strategic and policy level, PACTS enhances work at the operational level using targeted exchanges of personnel between the agencies. PACTS is managed by Australian Customs and Border Protection and is funded by AusAid. During 2012 several PACTS activities were undertaken in the areas of strengthening risk managed vessel boarding procedures, postal control, core officer skills, intelligence management and the implementation of container examination facilities.

Two joint cross border patrols were undertaken in 2012. The patrols are conducted jointly between PNG Customs, Australian Customs and Border Protection, the Australian Federal Police and Queensland Police forces. The focus for the patrols is to provide an opportunity for Australia and PNG agencies to manage border risks in the Torres Strait region by working across each other's maritime borders to gather intelligence, build remote area community relationships, and to conduct joint operations. The patrols were conducted using Australian Customs and Border Protection assets.



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protecting our border  
securing our future





## Section 10

### Focus for the year ahead

#### Section 10

##### 10.1 FOCUS FOR THE YEAR AHEAD

PNG Customs will focus on a number of issues for 2013. These include;

- Complete recruitment and workforce plans by confirming existing staff to acting positions and employing new staff against vacancies.
- Complete office fit out and relocate PNG Customs headquarters and Southern Regional to new office space.
- Build institutional capacity through establishment of robust Training & Development Section to oversee and implement training development needs of PNG Customs and its officers.
- Substantially progress the construction and installation of Container X-ray Examination Facilities at the major ports of Lae and Port Moresby.
- Progress implementation of the PNG Customs Institutional Housing Plan (2012-2016) to secure better accommodation for Customs staff.
- Progress preliminary work towards establishing PNG Customs Training Academy.
- Optimize use of Information and Communication Technology throughout all ports and areas of Customs functions.
- Implement new Customs Service Plan (2013-2017).



Location of Ports Locations of PNG Customs Ports







# Directory

## Address and contact

Directory of Customs Address and contact numbers of all Customs Ports

| CUSTOMS HEADQUARTERS  | NORTHERN REGION  | ISLANDS REGION   | SOUTHERN REGION   |
|---|--|--|---|
| <b>Office of the Commissioner</b><br>Ph: 322 6793   Fax: 320 0571<br>P.O. Box 923, Port Moresby<br>National Capital District  | <b>Lae   Madang   Mt. Hagen</b><br>P.O. Box 421, Lae<br>Morobe Province<br>Ph: 472 2105   Fax: 472 3989  | <b>Kokopo   Kavieng   Lihir</b><br>P.O. Box 422, Kokopo<br>East New Britain Province<br>Ph: 982 9674   Fax: 982 9329   | <b>Port Moresby   Jacksons International Airport</b><br>P.O. Box 1830, Port Moresby<br>National Capital District<br>Ph: 322 6802   Fax: 321 2892  <br>Ph: 311 2391   Fax: 311 2392  |
| <b>HEADQUARTER DIVISIONS</b><br><br>Border Management<br>Ph: 322 6889   Fax: 322 6981<br>P.O. Box 923, Port Moresby<br><br>Customs Enforcement<br>Ph: 322 6889   Fax: 321 2169<br><br>Customs Modernisation Management<br>Ph: 322 6857   Fax: 320 3442<br><br>Commercial & Corporate Services<br>Ph: 322 6882   Fax: 320 3442<br><br>Commercial, Trade & Compliance<br>Ph: 322 6857   Ph: 322 6928<br>Fax: 320 3442 | P.O. Box 215<br>Madang, Madang Province<br>Ph: 852 1559   Fax: 852 2253<br><br>P.O. Box 135, Mt. Hagen<br>Western Highlands Province<br>Ph: 542 0057   Fax: 542 1314<br><br><b>Vanimo   Wewak   Wutung</b><br>P.O. Box 66, Vanimo<br>Sandaun Province<br>Ph: 857 1192   Fax: 857 1270<br><br>P.O. Box 101, Wewak<br>East Sepik Province<br>Ph: 856 2270   Fax: 856 2591<br><br>P.O. Box 66, Vanimo<br>Sandaun Province<br>Ph: 275 8401   Fax: 857 1270 | P.O. Box 137, Kavieng<br>New Ireland Province<br>Ph: 984 2163   Fax: 984 2163<br><br>P.O. Box 51, Lihir<br>New Ireland Province<br>Ph: 986 4225   Fax: 986 5401<br><br><b>Kimbe   Lorengau</b><br><b>Buka/Arawa/Kieta</b><br>P.O. Box 370, Kimbe<br>Western New Britain Province<br>Ph: 983 5056   Fax: 983 5056<br><br>P.O. Box 1101, Lorengau<br>Manus Province<br>Ph: 470 9195   Fax: 470 9034<br><br>P.O. Box 791, Buka<br>Autonomous Region of Bougainville<br>Ph: 973 9242   Fax: 973 9243 | <b>Alotau   Samarai Popondetta</b><br>P.O. Box 222 Alotau<br>Milne Bay Province<br>Ph: 641 0181   Fax: 641 1034<br><br>P.O. Box 78, Samarai<br>Milne Bay Province<br>Ph: 642 1155   Fax: 642 1155<br><br>P.O. Box 243, Popondetta<br>Oro Province<br>Ph: 329 7092   Fax: 329 7332<br><br><b>Tabubil   Kiunga   Daru</b><br>P.O. Box 132, Tabubil<br>Western Province<br>Ph: 548 9004   Fax: 548 9004<br><br>P.O. Box 24 Kiunga<br>Western Bay Province<br>Ph: 548 3743   Fax: 548 1301<br><br>P.O. Box 73, Daru<br>Western Province<br>Ph: 645 9114   Fax: 645 9114 |



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