



**PAPUA NEW GUINEA CUSTOMS
ANNUAL REPORT 2013**



CUSTOMS ANNUAL REPORT 2013

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MINISTER'S REMARK

Minister's Remarks | HON. DON POMB POLYE, MP Minister for Treasury

It is an honour for me to work closely with PNG Customs, as the Minister responsible, in bringing the much needed changes to raise its standard in terms of implementation and service delivery to the Government and people of Papua New Guinea.

With good support from the Government, I have ensured PNG Customs streamlined and modernized its systems and procedures to be economically competitive in delivering its mandated core functions of Border Security, Trade Facilitation and Revenue Collection. These initiatives include progressing new container x-ray examination facilities at the major ports of Lae and Port Moresby; the introduction and use of manifest module; the installation and use of non-intrusive equipments at the international airports and ports; constant dialogue with industry partners; and the continuous deployment of the Automated System for Customs Data (ASYCUDA).

Given the drastic growth of our economy and the increasing volume of trade, the modernization initiatives embraced have greatly fostered and promoted sustainable trade and investment in our economy. Concurrently, these initiatives have also ensured and sustained the supply chain security and the accountability of revenues lawfully accruing from trade.

I have also supported the initiative to prioritize staff welfare and training as part of the capacity building including adequate resourcing of officers. This initiative had immensely complemented the modernization initiatives that saw enhanced performance and service delivery.

In totality, it is pleasing to see the successful implementation of these modernization measures enabling PNG Customs to perform well its core functions with marked outcomes and achievements.

I note with contentment the number of border operations and enforcement activities conducted by PNG Customs resulting in seizure and destruction of substantial amounts of contrabands and smuggled goods. Through these efforts, PNG Customs continues to protect our economy and the society from the insidious effects of transnational crimes such as poaching of natural resources, drug trafficking, gun smuggling and



smuggling of illicit and dangerous items into the country, and the evasion of duties and taxes through smuggling of goods.

Equally, despite the enormous volume of trade, PNG Customs' tireless efforts had seen trade facilitation conducted in a reasonably timely fashion to the expectation of the trade industry. Trade is indispensable to the growth of our economy hence I challenge PNG Customs to continue to embrace modernization measures designed to enhance its trade facilitation role. This will foster and underpin sustainable trade and investment in our country resulting in increased economic growth, tangible benefits of which will be ultimately realized by our people.

I am delighted that PNG Customs had collected total revenue of K2.35 billion for financial year ending 2013. Though the collection is down by K63 million against budget projection of K2.41 billion, it is still better given the substantial amount of revenue (K434 million) foregone through exemption and incentives.

On behalf of the O'Neil/Dion Government and the people of Papua New Guinea, I highly commend and thank the Management and staff of PNG Customs for their tireless efforts and commitments in delivering remarkable outcomes in terms of PNG Customs core functions of Border Security, Trade Facilitation and Revenue Collection.

Despite these commendable outcomes and achievements, the management and staff of PNG Customs must continue to strive to meet and overcome the existing and emerging challenges to improve and perform much better. I am content that the strategies set out in the Customs Service Plan 2013-2017 are ideally aligned to promote capacity building, reforms and modernization which are designed to foster and underpin increased service delivery with optimal results.



The National Government is strongly focused on public sector reforms that necessitate optimal implementation and improvement in service delivery. It is conscious of the strategic roles performed by PNG Customs and its challenges in delivering these roles with efficacy. Therefore, the National Government is committed to supporting PNG Customs successfully implement its Service Plan to deliver services to the Government and the people of Papua New Guinea with optimal results. The increased budget allocation of K44.262 million in 2013 compared to K32.557 million in 2012 attests the Government's commitment and it will continue to be committed in supporting PNG Customs.

The optimal outcomes achieved for 2013 greatly demonstrates sound and prudent management of the budget by the PNG Customs Management. It is important to continue this trend in achievement to sustain service delivery and economic growth.

I once again sincerely thank the hardworking staff and management of PNG Customs for the good performances and outcomes produced for year 2013.

I would urge all the Customs Officers throughout the ports in the country to continue to work with passion, commitment and patriotism to continue to deliver the core mandated functions with optimal results to the satisfaction of the Government and the people of Papua New Guinea.

In conclusion, I am proud as Minister responsible to have been a party to the Commissioner of Customs and his management team in putting together the Modernization program together and I call all Papua New Guineans to support the PNG Customs in enhancing or achieving its objectives.

With that, I wish the Management and Staff of PNG Customs good health and success for the financial year 2014.

God Bless PNG Customs! God Bless Papua New Guinea!

HON. DON POMB POLYE, MP
Minister for Treasury



COMMISSIONER'S REVIEW

Commissioner's Preview | RAY PAUL Commissioner of Customs

The year 2013 came with its peculiar challenges but with no bigger difference to that encountered by PNG Customs in 2012. The constant increasing volume of trade owing to surge in the mineral and petroleum sector with ripple effects in the other industries continued to pose enormous challenges to PNG Customs. These challenges were exacerbated by manpower shortage and capacity deficiencies faced by PNG Customs.

Notwithstanding these shortcomings and challenges, our prudent management and hard work has again yielded us another year of success with marked achievements and outcomes. Our Service Plan 2013-2017 which is aligned with National Development Plans sets out clear strategies, the implementation of which are geared towards realizing optimal outcomes in the performance of our core functions.

Under the guidance of the Service Plan, we were able to make wise and better use of the limited resources allocated to us in implementing the strategies per the Service Plan. This had immensely assisted us to optimize our outcomes in terms of the performance of our core mandated roles of Border Security, Trade Facilitation and Revenue Collection. These functions were performed with satisfactory results as set out in detail in this 2013 Annual Report.

Substantial amounts of contraband items and illicit goods were detected, seized and destroyed. Perpetrators of smuggled goods were also fined and dealt with under the customs laws. It is our mandate to protect the society and the economy from the insidious effects of contraband goods and transnational crimes such as poaching of resources, drug and firearms trafficking, and smuggling of goods resulting in evasion of revenues (taxes & duties) lawfully due to the State. We are committed to ensuring facilitation of legitimate trade in a secured trading environment that promotes sustainable trade and investment whilst at the same time protecting the society from the harmful effects of contraband goods and transnational crimes; and collecting the revenues lawfully accruing to the State from these trades.

Though our revenue collection was down by K63 million (3%) against budget projection of K2.41 billion, the actual collection of K2.35 is better still a commendable effort given the substantial amount of revenue (K434 million) foregone through State sanctioned exemptions and incentives. A significant amount of revenue amounting millions of kina were detected



through system audits conducted towards the end of the year but were not collected and are set to be collected in the following year.

The implementation of our modernization initiatives in line with the World Customs Organization's recommended best practices had greatly assisted us in improving our service delivery thus yielding us optimal outcomes. We are set to continue to embrace the modernization of our systems and procedures to attain greater efficiency and productivity in the discharge of our core roles.

Whilst our deficiencies and challenges continue to pose problems in the effective implementation of our programs and

strategies per the Service Plan, and the discharge of Customs core functions, I am proud to announce that we have performed well. It is with great honour that I present in detail our performances outcomes and achievements in this 2013 Customs Annual Report.

The optimal performance outcomes as presented in this Report attest to the prudent management and relentless work of the hardworking Management and Staff of PNG Customs.

I take this opportunity to sincerely thank all the Customs Officers for their tremendous efforts and commitments in delivering these outstanding results as presented in this Report.

I am equally thankful to the O'Neil/Dion Government for their continuous support and assistance to PNG Customs, which immensely assisted PNG Customs in producing these good results as presented in this Report. The increased budget allocation of both PIP and Recurrent budget affirms the Government's commitment and support to PNG Customs as a strategic organization to the State. In response, we stand committed to the Government and the people of Papua New Guinea thus reassuring the Government of our highest consideration and commitment to delivering our core mandated roles with satisfactory results for the years to come as we continue to bring PNG Customs forward.



I also take this time to sincerely thank our key government enforcement partners, particularly the Royal PNG Constabulary, PNG Defence Force, PNG Immigration & Citizenship Service Authority, NAQIA, PNG Ports Corporations, National Fisheries Authority and all other stakeholders for their valuable cooperation and support towards PNG Customs in delivering these notable performance results to mark year 2013.

Similarly, the PNG Customs Officers join me in sincerely conveying our heartfelt gratitude to our Australian counterparts working with us under the Strongim Gavman Program. Their relentless support and assistance had in a great way impacted positively in realizing the optimal outcomes as detailed in this Report.

Futhermore, I highly acknowledge officers who passed away and those who have retired in 2013, May God continue to bless their paths and we wish them good health, happy and safe retirement.

With that, I take this time to sincerely thank all the hardworking Customs Officers and their family for their tireless efforts and commitment in making 2013 a successful year with marked achievements and performance outcomes.

May God continue to meet you with his abundance of blessings and grace you with his wisdom and knowledge as you continue to serve PNG Customs Service, the Government and people of Papua New Guinea for the years to come.

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 through PNG. Interactions with other government agencies and stakeholders continue to underpin the effective performance of its mandated roles with optimal results.

The fourth year of PNG Customs' evolution saw another high level of success and achievement in its overall performance. The successful performance was notwithstanding the enormous challenges posed by increasing trade given its limited resources and capacity.

Revenue Collection for 2013 was satisfactory with a slight deficit of K63 million towards realizing the annual budget projection of K2.41 billion. The total actual revenues collected for the financial year of 2013 stands at K2.35 billion. Ending 31st December 2013, substantial amount of revenues in millions were detected through customs audits including revenues in hanging entries, which if realized could have reached the annual budget projection. These revenues will be carried over to 2014 collections.

Contrabands and illicit goods entering the country were detained, seized and destroyed. People illegally entering the country were, in cooperation with PNG Immigration Authority, nabbed and dealt with under the laws. A number of joint patrols with Australian Customs and PNG law enforcement agencies were conducted along our maritime borders. Despite the wide and porous borders and limited institutional surveillance capacity, a number of border patrols were conducted under its auspices jointly with other law enforcement agencies such as the PNG Defence Force, Police and PNG Immigration Authority.

Trade facilitation at the border was maintained with relative efficiency, despite the substantial challenges on its limited resources and capacity posed by the increasing volume of trade consequential to surge in the mineral and petroleum industries with ripple effect in the other industries. The use of Asycuda System coupled with implementation of the new manifest module had greatly assisted and underpinned trade facilitation with minimum delay and costs.

The outcomes of PNG Customs in terms of its success and achievements as captured in this 2013 Annual Report is a result of adoption and implementation of policies and

strategies conducive to fostering effective performance of its core mandated functions. Too, these achievements were not feasible without the tireless efforts of the hardworking Customs Management and staff.

Indeed, 2013 came with considerable challenges for PNG Customs primarily attributed by increasing volume of trade as a result of surge in the mineral and petroleum industries that had a chain impact in the other industries in our economy. These challenges were exacerbated by deficiency in manpower and inadequate institutional capacity.

Nevertheless, the prudent planning and effective management of PNG Customs by the Customs Management 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.

The need to build institutional capacity and capability to a level that would sustain effective discharge of the mandated roles of Border Security, Trade Facilitation and Revenue Collection has been, and continues to be, a centre of concern and priority as envisaged in the Customs Service Plan 2013-2017.

Recruitment continued for the restructured fully funded positions of 489 and is set to be fully concluded by early 2014. The increase in manpower through recruitment had resulted in visible improvement in the discharge of our duties and services. This optimal trend is expected to continue and further improve when the entire positions are filled early next year. The increase in manpower has enabled PNG Customs to increase its presence throughout the ports and land border posts in the country.

The Container X-Ray Examination Facilities Project which was commenced in 2011 was progressed in 2013. The project was funded through the Public Infrastructure Project (PIP) of K35 million with an additional K5 million allocated in 2013. The Project is anticipated to be completed towards the end of 2015. Indeed, 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. Also, the facilities will effectively identify contrabands and ensure legitimate movement of goods into and out of the country whilst at the same time securing and ensuring revenues due are properly accounted.



PNG Customs has and continues to strive to make professionalism, good work ethics and principles of good governance 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. 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.

In entirety, PNG Customs had done well for the year 2013 in all the areas of its core functions. Border Security and Enforcement activities had increased whilst trade facilitation was performed with required efficiency to the expectations of the import and export industry. The border security and enforcement activities have ensured and sustained community protection; and protected and enhanced revenue collections. Revenue collection was in deficit with a shortfall of K63 million towards reaching the 2013 budget projection of K2.41 billion. PNG Customs is committed to delivering its mandate and outcomes as expected and will continue to improve its performance and service delivery throughout and into year 2014.

This report details the performances, outcomes and achievements of PNG Customs Service against the Service Plan 2013-2017 for the financial year ending 31 December 2013.

Facts for 2013

2013 was affected by lower collection in revenue of K2.35 billion, 3% below the Government's projection of K2.41 billion for financial year 2013. However, border security and trade facilitation were performed with exceptional results in terms of efficacy. Below is the summation of performance highlights of PNG Customs for 2013.

- > Intelligence investigations led to detection and seizure of one container and two vehicles for unlawful removals. Other surveillance and intelligence driven activity resulted in recovery of over K6.2 million.
- > Progress accession documentation to WCO International Conventions - Revised Kyoto Convention and HS Convention.
- > A record of 1,956 asylum seekers were process and cleared at Lombrum detention centre
- > PNG Customs planned and coordinated 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, Nuctech Co Ltd in 2012. Thers equipments were shipped to PNG in October 2013 and now in storage at Motukea awaiting installation.
- > Purchased additional properties in Lae at more than K3 million as institutional houses to accommodate Customs officers.
- > Facilitation was increased through the introduction of the ASYCUDA manifest module and the ongoing implementation of advanced rulings for industry. 141,038 declarations were assessed through the ASYCUDA system. Customs processed over 500,000 passengers through international airports.
- > A number of community awareness and engagement conducted 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.
- > Customs User-Pay Service Trust Account (CUSTA) net over K6.7 million in collections of service fees. Department of Finance was paid K300,000 plus as Sunset Claus
- > The Customs Service Plan (2013 – 2017) has been implemented to the extent expected.



SECTION ONE

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 2013 Annual Report.





Customs' Vision

Spirited and committed to lead in regional Customs best practices 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



EXECUTIVE MANAGEMENT

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 here.



Ray Paul
Commissioner of Customs



John Pomoso
Deputy Commissioner,
Regional Operations



Kessy Sawang
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



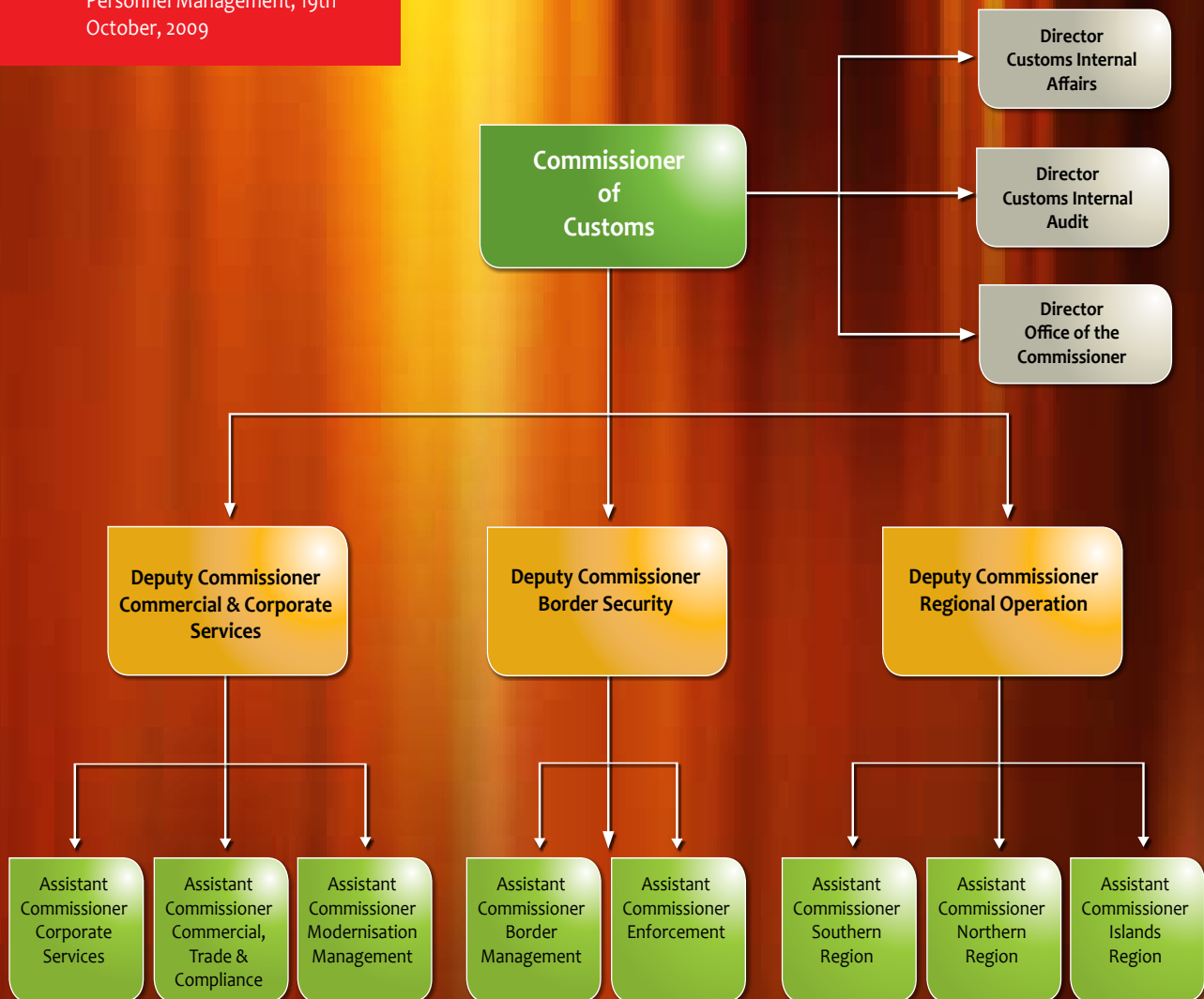
John Sam
a)Assistant Commissioner,
Modernization Management



ORGANISATIONAL STRUCTURE

APPROVED ORGANISATION STRUCTURE

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



1.6 Commissioner of Customs

Mr. Ray Paul was appointed as Commissioner of Customs in 2012 by the National Executive Council. 2013 was his second year heading the department. He is serving a five (5) years term.

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 2013, PNG Customs employed 334 national Customs Officers (staff) to serve at the ports around PNG. This leaves 157 funded positions still vacant in respect of which recruitment is underway and is set to be filled in 2014.

1.8 Budget

PNG Customs was appropriated K44.262 million in the 2013 national budget allocation. This saw an increase of K11.705 million compared to 2012 budget of K32.557 million. This budget allocation was supplemented by collection of Customs User pay Service Fees in excess of over K6.7 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.

1.10 SUMMARY OF 2013 WORK PLAN PERFORMANCE REPORTS

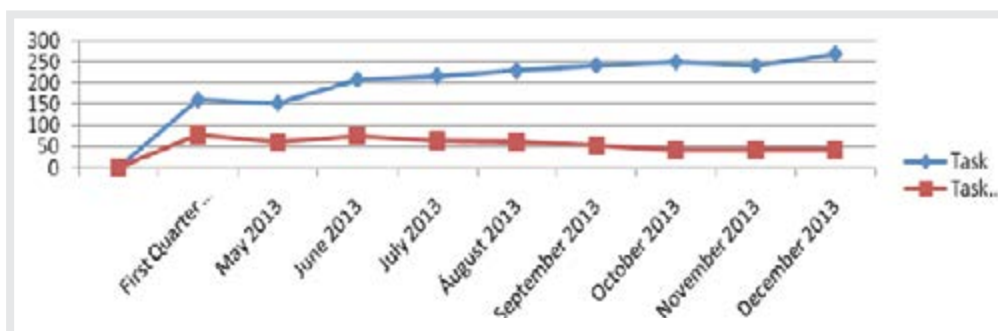
To drive the successful implementation and delivery of the mandated roles of Border Security, Trade Facilitation and Revenue Collection with efficacy, the Customs Management had devised and put in place the Service Plan 2013-2017. The Terms of Reference for each Division and Operations are drawn based on the outcomes of the Service Plan from which the respective Work Plans for each Division and Operation are developed annually. In a nutshell, the Work Plans are aligned to the implementation of the Service Plan

The management and implementation of the Work Plans are driven by the respective divisional and operational heads who report on the performances against the Work Plan to Commissioner of Customs on a monthly basis. Monthly Work Plan Review meetings are convened by the Commissioner to assess performance by respective divisions and operations. Based on these assessments, remedial measures are recommended to address issues affecting performance and these include re-strategizing and re-allocation of resources to improve performance and implementations to derive better outcomes.

From the Work Plans, a total of 2493 tasks were performed by PNG Customs for the year 2013. All these tasks ultimately go towards implementing and delivering the core outcomes of Border Security, Trade Facilitation and Revenue Collection. Out of these tasks, 78% were achieved whilst the remaining were not achieved. The graphs below illustrate the performance trend.

Performance Trend Task achieved against Task not achieved			
	Task achieved	Task not achieved	Variance
First Quarter 2013	161	78	83
May 2013	154	60	94
June 2013	210	76	134
July 2013	218	64	154
August 2013	230	61	169
September 2013	243	52	191
October 2013	251	41	210
November 2013	242	41	201
December 2013	270	41	229
Total	1979	514	

The achievement of these tasks when translated resulted in the performance outcomes and achievements as detailed in this 2013 Customs Annual Report.



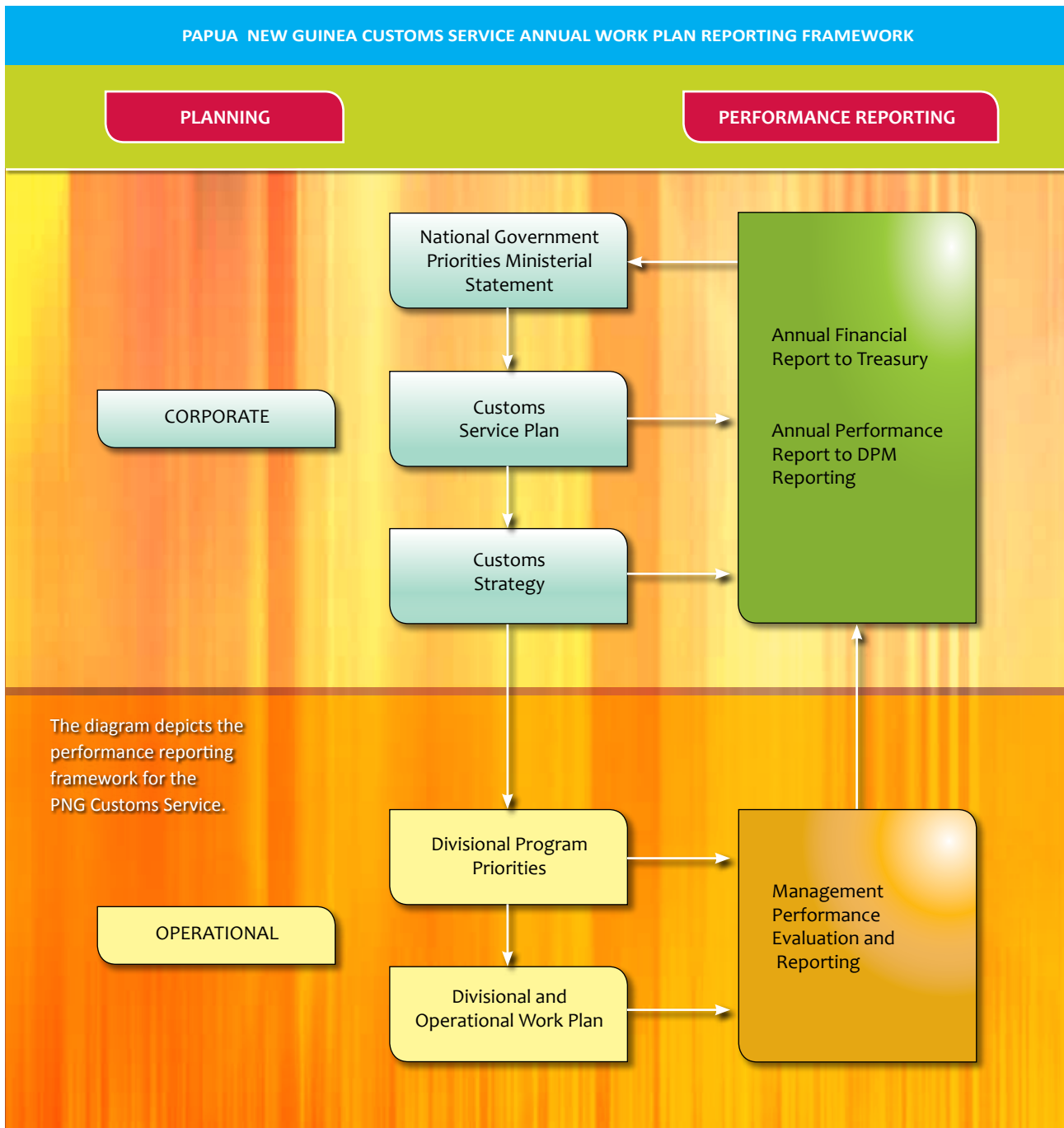
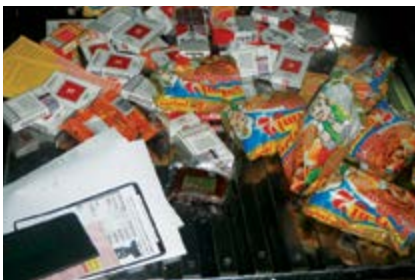


Figure 3 – Annual Work Plan Reporting Framework



SECTION TWO

Section 2

**2.1 Outcome:
BORDER SECURITY**

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

2013 – 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
- (e) Targeting and inspection of suspected green and red lane entries.
- (f) Joint operations conducted with other law enforcement agencies on breaches of laws.
- (g) 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 detected, apprehended and referred to the Police. One tug and barge with surplus undeclared goods seized in Kavieng in the Islands Region

A joint inter-agency enforcement maritime patrol was successfully planned, funded and conducted by PNG Customs. This saw detention and prosecution of several persons and conveyances. Drugs and fire arms were detected and seized in Lae and were referred to Police to be dealt with and the case is progressing in Court in Lae.

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.

**PERFORMANCE AGAINST
OUTCOMES AND STRATEGIES**

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.

National Security

Customs was a member of Technical Working Group and the Drafting Committee for the Department of Prime Minister for the drafting of the country's first ever National Security Policy which was delivered on time and launched on the 20th December 2013 by the Prime Minister and the Defence Minister.

Customs attended Department of Transport's Transport Safety and Security leading up to the SP Games in 2015 and APEC summit in 2018 as Customs is part of the transport safety and security committee.

In 2013, PNG Customs has processed and cleared over 1,596 asylum seekers based at Lombrum Detention Centre with logistical support from the Australian Government.

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. Similar joint patrols were conducted by PNG Customs and Australian Customs under the auspices of Australian Customs in the Torres Strait waters to prevent poachers, drug trafficking and other transnational crimes.

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 5 major cases were 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. Unlawful removals of certain imports including vehicles were seized while the perpetrators penalised.



Customs carried out awareness in the three regions relating to Administrative Penalties (specific to applying penalties under (a) Technical Offence and (b) Duty Short paid, ensuring the officers are aware of the differences in applying these penalties. Carried out investigation awareness in all three regions relating to cases management and timely referrals to HQ Investigations for registration, coordination and management.

It has also delivered a number of Core Skills Training for the new officers that were recruited.

2.4 Joint Cross Border Patrol

The Torres Strait Treaty was signed by Australia and Papua New Guinea (PNG) in 1978 and came into force in 1985. The Treaty set the boundary between Australia and PNG and established the Torres Strait Protected Zone to protect the traditional way of life of Torres Strait Islanders and the coastal people of PNG who live adjacent to the Torres Strait. The Protected Zone also protects the land and sea environment of the Torres Strait.

PNG traditional inhabitants from the 13 Treaty Villages can make traditional visits (free movement without passports) into the Protected Zone. PNG traditional inhabitants can travel south into Australia as far as the 10 degrees 30 minutes South latitude.

Under the same treaty Australian traditional inhabitants can travel north as far as the 9 degrees South Latitude (just North of Daru)

The very first Joint Cross Border Patrol (JCBP) was held from the 21st -28th November 1997 to which PNG Customs sent a representative. The initial patrols were more of a liaison or awareness visits to the local Treaty village on just PNG side of the border. As the patrols progressed with joint quarterly Intelligence meetings between Thursday Island and Daru officers, these patrols began to turn operational in nature. This resulted in arrests of people and seizure of goods. The patrol also included visits to the Torres Strait Island. The JCBP also extended to visiting other inland villages using Australian Coast Watch helicopters.

Benefits of Joint Cross Border Patrols includes but not limited to the following;

- > The patrols has provide PNG Enforcement Agencies a platform to have access & carry out their duties in areas where it was difficult for PNG agencies to access on their own due to logistic problems
- > The patrols provide opportunities for PNGCS to carry out awareness and educate people in the Treaty villages on Customs Law & Regulation in regard to the movement of people and goods across the border. And the limits their TBC rights and movement extends in relation to Customs Act.
- > Local people begin to appreciate the combine-presence of Law Enforcement Agencies from both side of the border.
- > Gathering of information and Intelligence
- > Familiarization of the border area and life style of the people
- > Establishment & Continuation with communication with informants
- > The patrols were also seen as deterrent to illegal cross border activities.
- > The local villages have appreciated the role of Customs in Border protection.
- > It has also provided challenges to PNG Customs Service to do more in relation to Border Protection in these remote areas.

2.5 Memorandum of Understanding

PNG Customs has capacity and capability shortfalls. Its membership by the World Customs Organization and other regional bodies has posed significant demands on it to meet international standards set in terms of Customs best practices and business. To respond to these, 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 2013. Of these, MOUs with Divine Word University, Investment Promotion Authority on Intellectual Property Rights, National Fisheries Authority and PNG Maritime Safety Authority were executed. Also a Memorandum of Agreement was signed with Solomon Islands Customs to share information and cooperate on customs issues of mutual concern and interest and benefit, or that of regional and global concern.

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.

Through intelligence efforts, the Customs Management is kept informed in a timely manner on trends, risks and threats that have affected the organization and its ability to effectively carry out its mandated role. This was done through tactical, operational and strategic assessments made on information received from all stakeholders.



Regional operations are located in a strategic environment and with their daily activities; they are good source of information and intelligence gathering for the organization as a whole.

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.

2.8 Container X-Ray Examination Facility

As part of its capacity and capability building, the construction phase has somewhat being stalled due to default in building by the contractor. The installation of Container X-Ray Examination Facilities at the major ports of Lae and Port Moresby are still on hold pending the completion of shed construction and legal clearance for the Lease Agreements for both sites.

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 have been shipped and are now stored at Motukea Wharf in Port Moresby pending completion of construction of examination facilities at Lae and Port Moresby.

The installation and use of these non-intrusive machines are 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. They are also set to enhance and secure accountability of revenues accruing from the trade (import and export).



Regional operations are located in a strategic environment and with their daily activities; they are good source of information and intelligence gathering for the organization as a whole.

2.7 Customs Wasman Program

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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 partnerships 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 misclassification of tariff codes, non declaration 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. Customs in Island Regions successfully established an intelligence network with other line agencies in the region.

SECTION FOUR

Section 4

4.1 Outcome: INTERNATIONAL TRAVEL AND TRADE FACILITATION

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

2013 - 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 2013, 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 Trade Facilitation through Electronic Payment

PNG Customs was selected by Bank of Papua New Guinea to interface with commercial banks and implement the automated payment infrastructure called KATS or Kina Automated Transfer System. KATS will allow commercial banks and Customs to offer new services to the international traders. Banks will be able to transfer money between accounts directly without using cheques or cash. This will enable traders to pay duties directly to Customs to take faster delivery of their goods. Banks will offer service to make payments immediately so there will be no need to wait for days or weeks to clear a cheque.

Payments system like KATS has been installed in many countries around the world. As the economy grows and wealth increase, PNG needs a payment infrastructure to support business and



economic growth. An automated payments system is a critical part of a modern economy, and one that Customs is proud to be able to bring to its clients.

Work on the infrastructure has progressed well in 2013 and implementation is set to commence in the first quarter of 2014.

4.5 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 2013, Customs had processed over 550,000 international passengers.

4.6 Compliance Assurance Strategy

The PNG Customs Compliance Assurance Strategy was completed in 2013. This allows PNGCS to focus on high risk clients. International trade is growing and moving faster around the world. For Customs Administrations pressure is increasing to facilitate legitimate trade and maintain effective border controls, it needs to implement compliance strategy. The Customs Compliance Strategy will allow Customs to maximise use of its minimal resources for maximum benefit which also see benefits for compliant traders, who voluntarily comply with Customs requirements.

4.7 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. In 2013 most of the construction phases at LNG sites have scaled down resulting in fall on related imports.

Throughout 2013, regular meetings were conducted between PNG Customs and ESSO Highlands Limited (EHL). Issues relating to importation of goods destined for the LNG Project were discussed and resolved to maintain the express clearance were also reduced.

4.8 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 2013, records held by Customs showed that Australia continued to be PNG's most important two way trade partner by a considerable margin for both in import and export goods. PNG's top export destinations in 2013 were Australia, Japan and Great Britain. Most imports came from Australia, Singapore, Malaysia and Israel.

Top 10 import and export countries 2013 (in million of Kina)

Import source	Value	Export destination	Value
Australia	5,832.4	Australia	5,762.0
Singapore	2,128.8	Japan	1,480.0
Israel	1,720.5	China	940.9
China	1,403.6	Great Britain	804.0
Malaysia	934.4	Philippines	362.4
Japan	875.3	Singapore	272.3
USA	580.1	USA	272.0
Taiwan	284.4	India	173.4
South Korea	212.6	Israel	163.4
Great Britain	211.9	France	81.3

Source: ASYCUDA

Sources and Destinations of Goods

The Asia Pacific region has continued to be 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 China, 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 United Kingdom. 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

In 2013 the major category of imports into PNG has been mineral, fuel, machinery, vehicle and aircraft.



Top commodities imported in 2013, and their progression from previous years (in millions of Kina)

Commodity	2013	2012	2011	2010
Mineral fuels	1,273.70	2,948.8	2,286.2	1,327.2
Machinery	1,225.70	2,205.8	1,494.0	1,295.0
Vehicles	486.1	1,060.2	833.6	907.8
Aircraft and parts	208.5	393.1	319.9	582.5
Articles of iron and steel	763.9	391.5	725.1	227.6
Electrical machinery	648.5	329.6	520.4	559.8

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 2013, and their progression from previous years (in millions of Kina)

Commodity	2013	2012	2011	2010	2009
Precious metals, stones and articles	3,911	3,105	5,628	4,292	3,622
Copper ores and concentrates	673	845	1,054	1,703	477
Aero planes and aircrafts	705	559	94	50	216
Tugs and pusher craft	1,231	919	21	65	7
Goods and passenger vessels	99	105	721	2	2

Source: ASYCUDA

The value of tugs and pusher crafts has increased substantially since 2009. For PNG the values in this category of goods are mainly attributed to exports of copper, gold and silver ores and concentrates.



SECTION FIVE

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.

2013 - Performance

Revenue Collection is one of the core functions of PNG Customs. This section features the financial performance of PNG Customs in terms of revenue collection including its income and expenditure for 2013.

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

- > Marking the fourth year of its operation, PNG Customs exceeded the forecasted revenue figures by K823 million in 2010 to 2013.
- > Increased revenue collection is an overall reflection of growing international trade, enhanced compliance strategies and successful investigations and prosecutions into breach of Customs Laws.
- > Total revenue collection for the 4 years of evolution as a separate government agency is K 9.12 billion, which is K 823 million above the revenue target, set by the government.

PNG Customs collected aggregate revenue of K2.35 billion for the year ending 2013. This revenue was K63.71 million (3%) lower than the 2013 Budget estimate of K2.41 billion. In comparison with the 2012 collections of K2.49 billion, this was a decrease of K0.14 million (6%).

The decrease in revenue collection is caused by unexpected high drop in excise collections while there was considerable increase in international trade volume. Despite the enhanced enforcement and compliance strategies employed by PNG Customs, they assisted little in realizing increase collection in revenues. The appreciation of Kina in the first two quarters coupled with tariff rates issues have impacted negatively on the collections particularly revenues on import and local excise. The comparative value of the aggregate revenue is also lower than the total revenues collected in 2012. Overall the record surplus collection of K111 million on import GST is overshadowed by deficits in local excise and import excise, K109 and K83 million respectively. The massive shortfall collections on excise had offset the higher collection in other revenue heads with overall deficit of K63 million.



The collection highly depends on the volume of trade driven by economic growth. The deficit collections compared to previous years is a result of winding down of LNG construction that impact on other industries as well.

Export duty collections were above the estimate by K15.37 million due to rise in the volume of log exports coupled by entry of new logging companies in the major logging provinces. Vanimo port collected over 22% of the total export duty.

5.2 Actual against Projections

Customs Duties	Actual Collections	Expected Collections	Surplus/ Shortfall	Surplus Shortfall (%)
Import Duty	256.61	251.30	5.31	2%
Import GST	1,065.03	954.39	110.64	12%
Import Excise	272.48	355.70	- 83.22	-23%
Export Duty	208.73	195.28	13.45	7%
Inland Excise	541.92	650.99	- 109.07	-17%
Sundry Receipts	6.69	7.51	- 0.82	-11%
Total	2,351.46	2,415.17	- 63.71	-3%

Figure 5 – Table of Actual Revenue against Projections under different revenue heads for financial year 2013



Figure 6 – Graph on Revenue Collection in 2012

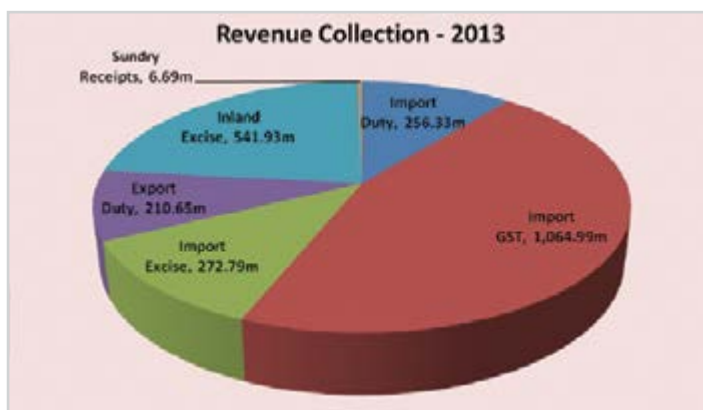


Figure 7 – Chart on Revenue Collection under different revenue heads for financial year 2013

The logging ports that generated export duty for 2013 in descending order were:

- Vanimo collected K45 million, or 22% of total export duties,
- Kimbe collected K44 million or 21% of total export duties,
- Port Moresby collected K25 million, 12% of total export duties,
- Rabaul also collected K25 million, 12% of total export duties,
- Daru collected K17 million, 8% of total export duties,
- Wewak collected K13 million, 6% of total export duties while
- Other ports collected K18 million, or the remaining 39%.

Import excise collection in 2013 was lower than budget estimates by K82.91 million. This substantial fall was primarily due to internal policy issues on tariff rates and decrease in imports of used vehicles.

A substantial decrease was also experienced in inland excise with a K109.06 million shortfalls. The actual collection was K451.93 (560.61) from the K650.99 million (600.39) estimate. This was again due to policy issues on tariff rate as well as reduction in British American Tobacco productions.

Import GST collection for 2013 was K1, 064.99 million. This was K110.60 million higher than budget estimates. This again reflects a slight increase in imports in 2013 while 2012 figure was higher at K1, 236.04 million. The entire amount was transferred to IRC. Usually certain fraction of import GST is transferred to Waigani Public Account while the remaining portion is used for settling GST refunds incidental to exemptions.

Import duty was on target with a surplus of K5.03 million. The increase owes to increase on imports of high tariff items. A total of K256.33 million was collected from the K251.30 million projections.

Government Sanctioned - Revenue Foregone

In 2013, a substantial amount of revenue was forgone through various duty exemptions and concessions.



5.3 Revenue Foregone through Concessions and Exemptions in 2013

Customs Duty	Revenue Foregone
Import Duty	30,689,987
Import GST	384,385,773
Import Excise	19,328,249
Export Duty	-
Inland Excise	-
Total	434,404,009

Figure 8 – Revenue Foregone

A sum of K434.40 million was foregone under the state sanctioned exemptions which could have formed part of the aggregate revenue collections for the year. This is K199.03 million less compared with the 2012 figure of K633.43 million. The three components that were most affected by the concessions were import GST (K384.39 million), import duty (K30.69 million) and import excise (K19.33 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 through intelligence database and recouped over K6 million from various non compliant importer.

Effective revenue recovery exercises resulted in the recovery of K6, 271,538 through various errors. The errors ranged from tariff misclassification, local excise, late penalties, post notes, misapplication of exemptions, ship stores, undeclared exports to hanging entries,

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

The internal system audit revealed substantial revenues in millions that are outstanding and are set to be collected in early 2014.

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 successfully implemented over the past three fiscal years 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 2013
 - ii Balance carried forward from 2012 K250 in strict accordance to CUSTA Instrument
 - iii Paid to Waigani Public Account in December 2013 K369,445
 - iv Disposable fund as at 31 December was K6,059,286
 - v Balance as at 31 December 2013 K250.00

The CUSTA account is maintained at ANZ Bank and the 2013 funds were used to subsidise operational shortfalls.

SECTION SIX

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.

2013 - Performance

6.2 Customs Service New Corporate Plan 2013 – 2017

The PNG Customs Service Plan 2013 – 2017 was completed in 2012 and concurrently launched with the World Customs Day in 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 2050. This is to ensure that PNG Customs' development and growth is undertaken in tandem with the public sector management policies and initiatives.

This 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 Uniform

PNG Customs plays an essential role in the enforcement of Papua New Guinea's national laws at the borders, both in the regulation and control of international passengers and in the facilitation of trade and investment. Considering that clothing or apparel to distinguish Customs Officers from other officials is necessary to re-enforce the legal authority of Customs at the various work areas and specialized work areas.



A draft policy on Customs uniform has been completed and awaiting adoption by the Customs Management Committee (CMC) which will be read as one with the Customs Code of Ethics and Conduct.

6.4 Implementation of Service Plan 2013-2017

After overcoming certain challenges in implementing the first Service Plan 2010 -2012 which set the foundation, the implementation of succeeding Service Plan 2013-2017 was exceptional. Year 2013 saw the implementation year with some remarkable achievements towards its goals and objectives.

Under the guidance of the Service Plan 2013-2017 PNG Customs will continue to grow into a vibrant and model government organisation. 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.

6.5 Devolution of Powers

The Department of Personnel Management has delegated the powers and responsibility of recruitments and related power to Customs to manage. This had given PNG Customs the leverage to expedite its recruitment and other function with required efficiency.

6.6 Recruitment

The recruitment of officers to the positions in the organizational restructure continued from 2011 into 2013. Ending year 2013, PNG Customs has yet to conclude and fill up all the positions in the restructure as shown below:-

- > Staff ceiling 483.
- > 252 positions selection completed for permanency in December 2013.
- > 33 probationary officers
- > 41 short term contracts officers
- > 8 casuals
- > 13 unattached (for retrenchment)
- > 334 total staff on strength
- > 157 funded vacancies

6.7 Human Resource Management

Effectively and meaningfully managing the "human resource" aspect of our operation is a priority for PNG Customs, and has been identified as a material issue in our overall strategy. The strength of PNG Customs lies in the skills and expertise of our 334 employees; we are aware to ensure the sustainable growth of Customs Officers and seek to create the right culture through talented, creative, results oriented and engaged employees. Our strategy therefore has focused on facilitating

the unleashing of human potential by attracting the right talent, managing performance and providing them with the right tools.

PNG Customs has and continues to evaluate its human resources policies and working environment as new generations of youth make their way into PNG Customs. The composition of our cadre has gradually shifted towards younger generation. Retaining them depends on our ability to provide an inspiring and rewarding environment that can compete with their hunger for new experiences and their desire to explore the world on their own.

6.8 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 2013. This was mainly due to manpower shortages including lack of proper training section to pursue personal development trainings.

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. This has been going on and more are set to undertake similar courses in the coming years.

6.9 Competency Development

PNG Customs staff competency development strategy involves the provision of training opportunities designed to develop key competencies. The required competencies are identified through a training needs analysis which compares desired competencies against current levels.

The quantum of training and development programs conducted for Customs staff saw significant growth in 2013 with more than 160 staff trained through 20 training programmes. The programmes covered technical areas and core skills in Customs, competencies in interpersonal skills and managerial skills. In order to build a sustainable training and development culture within PNG Customs, special focus was also given to the creation of suitably skilled internal trainers through 'train the trainer programmes'.

6.10 Implementation of Self Accounting

Customs was granted self accounting status towards the end of 2011. With new printing equipment the process of printing cheques progressed well through to 2013 after the first trial prints in February 2012. All recurrent and development expenditures are now printed by PNG Customs. This has greatly



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.

6.11 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 with funding grants accordingly allocated. 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

6.12 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 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.

The initial funding came from the 2012 Budget in which the GoPNG provided total PIP funding of K7.8million which a number of houses were built and properties bought around the major sea port towns. Additional K3million was disbursed in 2013 to further implement this plan.

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.
- > One duplex and a staff house were built in Kimbe in 2013 at the cost of K171,000
- > 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 purchased 28 blocks of land from PNG University of Technology at a value of K3 million to construct staff accommodation.

Most of the funding for the purchase of these properties came from the PIP Funding with CUSTA settling the balances and shortfalls.



Recent purchase - Madang



Houses at Wutung Border built by BDA, Border Development Authority



SECTION SEVEN

Section 7

7.1 FINANCIAL PERFORMANCE

(Recurrent Budget & Expenditure)

7.2 Operating Income

The National Government in the 2013 budget appropriation bestowed K44.242 million to PNG Customs, which was an increase of K11.705 million compared to 2012 budget of K32, 556.8 million. This increased the total operating income up to K50.301million and consisted of:-

- > Annual Budget Allocation from Government of K44.262m
- > Supplemented by K6.059 million collected as Customs User-Pay Service Fees (including any monies carried forward from the 2012 funds)

7.3 Operating Expenses

Total operating expenses for 2013 from recurrent budget and PIP funds were K38.619 million with its composition as shown in the table below.

Description	2013 (K000)
Income	K44.242m
Expenditure	K38.619m
Personnel Emolument	K13.129m
Goods & Services	K21.174m
CEF Project	K1.316m
Institutional Housing	K3.000m

Figure 9 – Operating Expenses

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

Recurrent Budget –	(K44.262m)
Divisions	Allocation
Executive Unit	2,541
Office of Commissioner	890
Corporate Services	4,410
Border Management	1,257
Commercial Trade & Compliance	2,347
Enforcement	2,952
Southern Region	5,484
Northern Region	5,032
Islands Region	3,541
Information & Communication Technology	3,557
Modernization Management	690
Internal Audits	938
Internal Affairs	679
Development Budget	(K8m)
Container Examination Facility	K1.316m
Institutional Housing	(K3m)

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 expenditure of K44.262 million, PNG Customs collected K2, 353.38 million. This represents a return on government investment of K53.17 per K1.00 allocated.

On average each Customs officer collected K7.04 million for the government in 2013 as demonstrated in the table below.

Programme	Quantity	Return	
		Input	Output
Total Expenditure	K44.26m expenditure	K2,353m revenue collected	K53 revenue collected per Kina of expenditure
Total staff	334 officers	K2,353m revenue collected	K7.04m collected per officer
International Passengers	26 Passenger processing officers	550,000 Passengers processed	21,153 passengers per officer
Trade entries	36 Invoice examining officers	140,083 import, export, local excise entries	3,891 entries per officer
Sea Vessel (ship)	22 boarding officers	2,103 vessels cleared	96 vessels per officer
Aircraft	10 boarding officers	5,116 aircraft cleared	511 aircraft per officer

Figure 11 – Return on Investment

The table below illustrates the trade trend for the 2013 in terms of import, export and local entry.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Import Entry	31,286	33,585	31,821	33,850	130,542
Export Entry	2,233	2,191	2,577	2,572	9,573
Local Entry	264	218	220	221	923
Trade Trend	33,783	33,994	33,618	36,643	140,038

Figure 12 – International Trade Data





Figure 13 – International Trade Trend

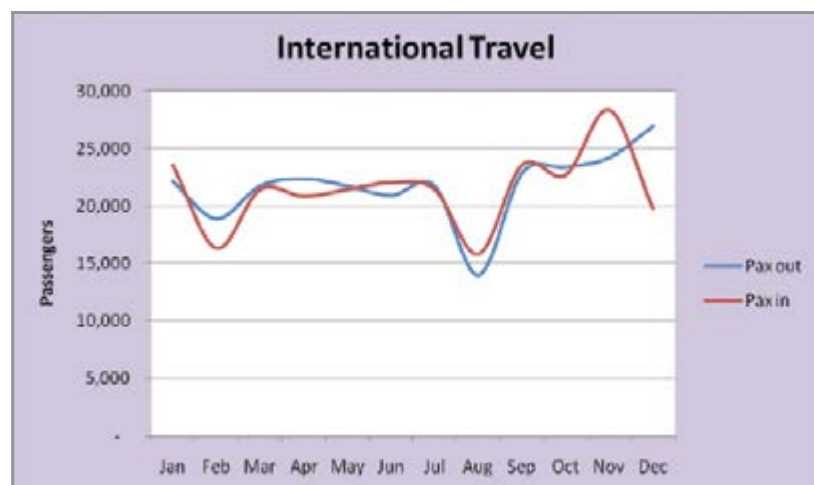


Figure 14 – International Travel Trend 2013

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.

Members of the Oceania Customs Organisations were in PNG and visited regional ports and headquarters. They have observed procedural operations of PNG Customs and also collected data for analysis.

Their visit was a successful one and they left the shore with some positive comments towards PNG participation in the region .



PNG Customs celebrated its 125 years of existence and service to the Government and people of Papua New Guinea.



7.6 RECEIPTS (WARRANTS) FROM REVISED 2013 APPROPRIATION

The table below shows the receipt from the 2013 revised appropriation

	RECEIPTS (WARRANTS)	2012	2013
		K'000	K'000
	PERSONNEL EMOLUMENTS	15,695.3	15,006.8
211000	Salaries & Allowance	13,708.3	11,659.2
212000	Wages	85.8	434.8
213000	Overtime	73.0	102.0
214000	Leave fares	652.7	528.8
216000	Education Subsidy	0.0	30.0
215000	Gratuities	1,175.5	2,252.0
	GOODS & SERVICES	15,535.9	18,546.5
222000	Travel & Subsistence	2,516.7	2,661.8
231000	Utilities	2,322.8	2,667.0
223000	Office Materials & Supplies	397.6	640.0
224000	Operational Materials & Supplies	850.6	613.0
225000	Transport & Fuel	985.3	1,079.4
226000	Consultancy Fee	212.0	450.0
232000	Rental of Property	2,573.2	355.2
233000	Routine Maintenance	594.5	720.0
227000	Other Operational Expenses	3,075.4	7,203.5
228000	Training	1,714.8	1,845.6
251000	Membership Fee	293.0	311.0
	CAPITAL ITEM	1,236.7	2,708.7
271000	Furniture & Equipment	686.7	1,177.7
273000	Purchase of Vehicles	550.0	1,356.0
275000	Plant Equip. & Machinery	0.0	0.0
276000	Construction, Renovation & Improve.	0.0	175.0
277000	Substantial & Speci. Maintenance	0.0	0.0
	TOTAL RECEIPTS	32,467.9	36,262.0

Unaudited

7.7 PAYMENTS FROM REVISED 2013 APPROPRIATION

The table below illustrates the payment from the revised 2013 appropriation by PNG Customs Service.

	PAYMENTS (ACTUAL)	2012	2013
		K'000	K'000
	PERSONNEL EMOLUMENTS	11,351.0	13,129.0
211000	Salaries & Allowance	10,216.1	11,128.5
212000	Wages	82.4	424.8
213000	Overtime	73.9	100.9
214000	Leave fares	636.4	527.1
216000	Education Subsidy	0.0	30.0
215000	Gratuities	342.2	917.7
	GOODS & SERVICES	14,474.4	18,534.4
222000	Travel & Subsistence	2,407.2	2,659.8
231000	Utilities	1,989.9	2,696.9
223000	Office Materials & Supplies	377.7	594.6
224000	Operational Materials & Supplies	494.1	626.1
225000	Transport & Fuel	976.2	1,078.8
226000	Consultancy Fee	211.6	408.0
232000	Rental of Property	2,564.2	405.2
233000	Routine Maintenance	571.5	719.9
227000	Other Operational Expenses	3,100.8	7,199.2
228000	Training	1,509.8	1,838.5
251000	Membership Fee	271.4	307.4
	CAPITAL ITEM	1,381.5	2,697.2
271000	Furniture & Equipment	643.8	1,172.2
273000	Purchase of Vehicles	529.6	1,350.0
275000	Plant Equip. & Machinery	208.1	0.0
276000	Construction, Renovation & Improve.	0.0	175.0
277000	Substantial & Speci. Maintenance	0.0	0.0
	TOTAL PAYMENTS	27,206.9	34,360.6
	OTHERS	5,260.9	1,901.4
	<i>Unused funds</i>	<i>5,260.9</i>	<i>1,901.4</i>
	GRAND TOTAL	32,467.8	36,262.0



SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR 2013

7.8 SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS FOR YEAR 2013

PNG CUSTOMS SERVICE.
SUMMARY STATEMENT OF
RECEIPTS AND PAYMENTS FOR THE
YEAR ENDED 31 DECEMBER 2013

	K'000
Opening Balance 1 January	0.0
TREASURY APPROPRIATION	
RECEIPTS	36,262.0
Personnel Emoluments	15,006.8
Goods & Services	18,546.5
Capital Expenditure	2,708.7
TREASURY APPROPRIATION	
PAYMENTS	34,360.6
Personnel Emoluments	13,129.0
Goods & Services	18,534.4
Capital Expenditure	2,697.2
BALANCE (Unused funds)	1,901.4
Unaudited	



PNG CUSTOMS SERVICES
SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS FOR
CUSTOMS TECHNOLOGY INFRASTRUCTURE DEVELOPMENT TRUST ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

		K'000
Opening Balance 1 January, 2013		25,856,312.4
TREASURY APPROPRIATION		
RECEIPTS		7,702,785.7
2012 COA Unused funds		7,702,785.7
TREASURY APPROPRIATION		
PAYMENTS		9,226,953.2
Payments to Project suppliers		9,226,953.2
BALANCE		24,332,144.9
Unaudited		

7.9 PUBLIC INFRASTRUCTURE PROJECT (PIP) FUNDS

The Government had in the 2013 budget allocated K8 million to PNG Customs existing impact projects, namely the Container X-Ray Examination Facilities to be installed at the port of Port Moresby (Motukea) and Lae; and the Institutional Housing Project to be rolled out throughout the ports in the country.



The table below shows the Summary Statement of Receipts and Payment for the PIP funds.

PNG CUSTOMS SERVICES
SUMMARY STATEMENT OF RECEIPTS AND PAYMENTS OF PIP FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2013

	K'000
Opening Balance 1 January	0.0
TREASURY APPROPRIATION	
RECEIPTS	8,000.0
Institutional Housing Project	3,000.0
Container Examination Facility Project	5,000.0
TREASURY APPROPRIATION	
PAYMENTS	4,316.5
Institutional Housing Project	3,000.0
Container Examination Facility Project (CEF)	1,316.5
BALANCE (Unused CEF funds deposited into Trust Account)	3,683.5
Unaudited	



7.10 International Obligation

Accession to WCO International Conventions - Revised Kyoto Convention and HS Convention.

PNG Customs had obtained NEC approval for accession to the World Customs Organization International Conventions in 2013

The Revised Kyoto Convention requires PNGCS to simplify its customs procedures so that our systems and procedures are not impediments in facilitating legitimate trade. Harmonising our customs procedures with other WCO members ensures predictability for traders. The HS Convention governs the application and implementation of the HS Tariff PNG is currently using the current version HS 2012 and by acceding to the convention allows PNG to have a say in the formulation and structure of Future HS Versions.

Accession to the convention also allows PNG technical assistance with regard to the HS Tariff. Instruments for both conventions are now pending completion of Diplomatic protocols for depositing with the Belgium Government and WCO



SECTION EIGHT

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 following committees have been established. Firstly the Senior Executive Management that comprises of the Commissioner and the three Deputy Commissioners. Their meeting is convened on a weekly basis particularly Monday. The meeting deliberates on Organisation key strategies and day to day Operations at the strategic level

Secondly, for effective management and implementation of the annual Work-plan, a monthly work-plan meeting is convened to assess each Divisions performance where both Senior Executive Management and the Executive management attends which comprises of all Assistant commissioners including Directors of Internal Affairs, Internal Audits and Office of the Commissioners.

Thirdly, is the quarterly Customs Management Committee's (CMC) is to provide a constructive forum to facilitate collective management decisions among senior executives on Policy, Standard Operating procedures and also address the organization's strategic issues and provide guidance on ongoing developments and work of Customs in PNG . The CMC comprises the Commissioner of Customs, three Deputy Commissioners and eight Assistant Commissioners including Directors of Internal Affairs, Internal Audits and Office of the Commissioners.



Lastly is the steering committee which is govern by a Charter for all Customs Impact projects supported by GoPNG. This committee consists of the Senior Executive Management and the appointed Project Manager, Divisional head, Directors. Other notable Stakeholder that forms this committee is the Department of National Planning, Treasury and CSTB. The Commissioner is the chairperson of the Project Steering Committee.

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 and the internal Audit Committee. 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 New Office Space

PNG Customs Headquarters and Southern Region were without their own office space and operated from the Revenue House Office Building in Down Town, Port Moresby. In August 2013, the government finally completed securing a new office space owned by Steamship Property at Gordons

The new office space necessiated the finalising of recruitment thus improving work output especially toward the final quarters.

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 NINE

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. DFAT funds and supports the SGP with officials drawn from a wide range of Australian agencies.

Australian Customs and Border Protection has three 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 DFAT. During 2013 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.



SECTION TEN

Section 10

10.1 FOCUS FOR THE YEAR AHEAD

PNG Customs will focus on a number of issues for 2014. These include;

- Complete recruitment and workforce plans by confirming existing staff to acting positions and employing new staff against vacancies.
 - Continue to 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.
 - > Continue implementing Customs Service Plan (2013-2017)
- > Progress and complete work towards establishing PNG Customs Training Institute via DWU and possible enrolment in 2015
 - > Optimize use of Information and Communication Technology throughout all ports and areas of Customs functions
 - > Accession to World Customs Organisation International convention's on Simplification and Harmonization of Customs procedures (Revised Kyoto Convention, RKC) and Harmonized Commodity descriptions and coding system (Harmonized System conventions, HS)
 - > Complete the final phase of the introduction of electronic payment system called Kina Automated Transfer System with the Bank of PNG and commercial banks
 - > Complete Roll-out of Manifest Model for both Sea and Air cargo
 - > Commence Upgrade of ASYCUDA World Project
 - > Introduce EFTPOS machines for duty payments in selected PNG Customs ports

PNG CUSTOMS 125 YEARS ANNIVERSARY

Papua New Guinea Customs Service celebrated its 125 years Anniversary on 20 September 2013.

Customs is an antique or the oldest government institution in Papua New Guinea having its origin dating back to 1888. On 20 September 1888 the then Administrator of British New Guinea (Papua) Dr William Macgregor declared Port Moresby and Samarai as the First Customs Ports. From a humble beginning under the colonial administration, it has grown in size and capacity spanning over 22 ports throughout the country today.

During this considerable length of evolvement, it has undergone multifaceted transformations. Both during pre and post independence The Customs Administration has operated as a Division or Bureau under the Department of Marine, Customs and Postal Services; Foreign Affairs and Trade; Finance and Planning and the Internal Revenue Commission. In 1992 it was by the Government's decision made to merge The Bureau of Customs and Excise with The PNG Taxation Office to form Internal Revenue Commission. It was then existing and operating under IRC as Customs Operation until in 2009 the Government resolved to demerge it. This was in response to the increasing volume of trade owing to surge in the mineral and petroleum sector so to enable it to be competent to meet the challenges consequential to the increasing volume in trade.

Customs was effectively demerged from IRC in 2010 to become a separate government agency known as PNG Customs Service. The 2013 Annual Report's reference to 4 years of evolvement is true only to the extent that it evolved as a separate government agency since it demerged in 2009. However, its real origin dates back to 1888.

PNG Customs Officers and their spouses gathered together to celebrate Customs 125 years anniversary at a function hosted at Holliday Inn, Port Moresby. The Guest Speaker Minister for Finance Hon. James Marape, MP was present to deliver his keynote address. In his address, he challenged the Customs Officers that they have a greater responsibility to take the organization forward and that good progress of the organization into future is just as good as the amount of commitment, passion and hard work invested, which entirely rests with Customs officers. He stressed the importance of the strategic functions of Border Security, Trade Facilitation and Revenue Collection performed by PNG Customs and reminded Customs officers that they must work hard to ensure these roles are performed satisfactorily to deliver the services to the expectation of the trading industry, the Government and the people of Papua New Guinea.



PORTS LOCATION

Location of Ports Locations of PNG Customs Ports



PORTS LOCATION

Directory of Customs Address and contact numbers of all Customs Ports

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





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