

Beyond the horizon—the challenges facing Australian Customs

Edited speech by Lionel Woodward, CEO, Australian Customs Service, to Ports and Shipping Conference. He gave an overview of Customs, focussing on the challenges and opportunities raised by information technology.

Customs is a large organisation with significant domestic and international responsibilities - 4100 staff, a \$580 million budget and assets of over \$200 million, clearing four million import and export entries a year and 16 million air passengers, with more than 98 per cent of all imports and exports processed on-line.

Customs faces business challenges from all quarters, not the least from growth in e-commerce.

The increase in postal traffic due to goods being ordered over the Internet has an impact on Customs in community-protection screening, duty collection and workload, with processes for electronic reporting of postal consignments to Customs being developed.

There is industry pressure to lodge Customs declarations and payments offshore using the web. This creates technical issues and questions of law, legal liability and jurisdiction—none insuperable but all challenging.

The Internet also poses risks to traditional Customs responsibilities. In addressing these, we need to be careful about undue impact on business activity. Some issues to consider include:

- Security—hacking and other unauthorised intrusions.
- Investigation (including impediments to the use of encryption), difficulty of tracing events through a variety of service providers and jurisdictions and the difficulty in identifying the person involved.
- Opportunity to pay for goods without physical evidence.
- Training and education of Customs officers in the implications of increased use of electronic commerce.

Many law-enforcement agencies are already beginning to deal with increasingly sophisticated and technologically aware criminals. In Australia, we have clear evidence of a steady increase of industry espionage using the web—reported instances of e-crime by business have risen 100 per cent over the past year.

The positives for Customs are speedy and accurate receipt and transmission of information and a range of business solutions for clients.

We must have our business processes in harmony with industry and government needs. We recognise the need to re-engineer our business processes—not just convert current business systems to operate on new technology. The core objective of



A Customs postal check revealed prohibited items.

Cargo Management Re-engineering is flexible processes based on risk-management principles that provide more effective services to government, industry and the community.

We are re-engineering business processes, not just IT systems. One feature of CMR is tailored arrangements with clients—it's no longer a one-size-fits-all approach, with risk management a core to our business. CMR will deliver intelligent computer systems together with new approaches to analysis for targeting high-risk consignments.

CMR will be an open communications framework featuring flexible reporting arrangements for import/export transactions.

With early and accurate cargo information, risk assessment will be more efficient, meaning no Customs or quarantine intervention in cargo flow except in cases of significant risk or suspected criminal activity.

Inevitably there have been concerns expressed by some in the Customs community. Change is always seen as a threat and many Customs industry members have been resistant to the changes that CMR will bring.

What is clear, however, is that more industry players see the business opportunities that CMR presents and they are actively engaged in the process to capitalise on those opportunities. Our challenge is to involve industry in a way that ensures we understand their requirements, and that they understand the needs of government.

Changes to the IT environment also reveal some tensions from industry.

Moving to a web process involves modification to legislation in keeping with the Electronic Transactions Act.

Industry is keen for government agencies not to duplicate existing commercial systems and data and we continue to evaluate our needs in this light. Government itself has this same objective.

On the technical side, CMR will mean an integrated cargo system with a single data warehouse rather than the separate systems we have today.

The Customs e-commerce gateway—the Customs Connect Facility—will be an open arrangement for channels to Customs. Firewalls and client registration will be features to ensure authorised access. We will be using public key infrastructure that conforms to government requirements.

Links to government agencies will be flexible—some through our e-commerce gateway, others direct to our production environment.

Channels will provide TCP/IP and voice communications—we will also assess wireless access protocols. Data linkages to the Customs business applications will accept XML message types.

Connections to Customs will come from a range of providers—specialised communications businesses, value added networks, Internet service providers, communities/associations of business interests or directly with our strategic partners. These must conform to our business rules.

In Australia, government is leading the way with authenticating transactions over the web by using digital signatures. We have a

government framework known as "gatekeeper" to ensure that a minimum standard is maintained. Digital certification through public key infrastructure is the only viable means of providing for confidentiality, authentication, message integrity and non-repudiation of sender over open communications systems.

There are clear law-enforcement implications, as Customs will need to rely on electronic procedures for investigations and prosecution purposes. The necessary changes to our legislation are extensive and require significant effort on the part of Customs, Attorney-General's and ministerial staff.

Our re-engineering process and our continuing adoption of e-commerce technologies is vital for maintaining our regulatory role without impeding legitimate trade.

We cannot, and will not, compromise our law-enforcement efforts. We are, however tailoring our business processes to reduce intervention in low-risk cargo movements.

To do this we are dependent on having a strong legislative base, high-performing, flexible open information technology systems, excellent risk assessment skills and tools and, most importantly, a highly compliant international trading community.

The combination of these ingredients will position us well to look beyond the horizon and far into the 21st century.