



# Papua New Guinea Customs Service

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## Office of the Commissioner

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5<sup>th</sup> April, 2010

Honorable Patrick Pruaitch, MP  
Minister for Treasury  
Department of Treasury  
Vulupindi Haus  
P. O. Box 710  
**Waigani 131**  
National Capital District

My Dear Minister,

### **ACTIVITY REPORT FOR FEBRUARY 2010**

I am pleased to provide you with Papua New Guinea Customs Service Monthly Activity Report for February 2010. It details a comprehensive account of customs duty revenue collection, Border Security, Community Protection and Trade Facilitation initiatives.

As highlighted in January Report, the February report will continue to embrace the accounts on revenue collections and bring to light other vital PNG Customs Service activities that have never been reported in the past despite concerted efforts displayed by loyal Customs Officers in the area of Border Security, Protection of Community and Trade facilitation.

Our enhanced ASYCUDA system with network branching to outer revenue generating ports has facilitated automated and instant transfer of revenue data thus enabling timely provision of report.

Minister, for the month of February I have noted a significant increase of K19.92 million compared to K94.39 million in the equivalent period last year. However, these collections actually fell short of the Budget forecast by 18%. A K24.95 million shortfall, predominantly due to lower import GST transfers, domestic excise and export duty.

When this is added to the outcome for January 2010, aggregate collections for the January to February period are also behind the Budget forecast (by K19.58 million, or mere 7% lower than K275.85 million estimate) but 17% ahead of the equivalent end February period last year.

The main areas of revenue deficit include:

- (1) a K18.91 million shortfall in import GST,
- (2) a K9.69 million shortfall in domestic excise, and
- (3) a K0.68 million shortfall in import excise, offset in small by
- (4) a K4.10 million higher in export duties,
- (5) a K0.12 million higher in import duties, and

(6) a K0.13 million surplus in sundry collections,

Domestic excise and GST transfers to the Waigani Public Account (WPA) were lower in February after being substantially higher than expected in January 2010. In aggregate, GST transfers to the WPA have dropped in the 2010 Budget expectation.

Nominal Revenue with inclusions of foregone revenues on account of duty exemptions and actual collections had shown surplus of K30.77 million. Total collections would have amounted to K170.02 which would be above the Budget expectation of K139.25 million.

Minister, despite the deficit I am pleased to advise you that aggregate collections continue to accrue at a level which is higher than the equivalent end-February period last year, albeit with some continuing strength in export duties, import duties and sundry receipts. It will become clearer over coming months if this is anomalous or start of as an ongoing trend. You can be assured that we are continuing our efforts to embrace additional revenue focused measures to sustain and maximize revenue collections outcomes for the months ahead.

Yours sincerely,

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**Gary JUFFA**

Commissioner of Customs.

cc:

- Chief Secretary  
Department of Prime Minister and NEC
- Director General  
Office of Security Coordination & Assessment
- Mr. Simon Tosali  
Secretary  
Department of Treasury
- Mr. Manu Momo  
First Assistant Secretary  
Economic Policy Division  
Department of Treasury
- Mr. Joseph Lelang  
Secretary  
Department of National Planning & Monitoring
- Mr. Gabriel Yer  
Secretary Department of Finance
- Mr. Loi Bakani  
Governor, Bank of Papua New Guinea
- Ms. Betty Palaso  
Commissioner General, Internal Revenue Commission

## ACTIVITY REPORT FOR MONTH OF FEBRUARY

### A. REVENUE COLLECTION

#### Revenue Collection Outcomes in February 2010

	Customs Duties	Actual Collections	Expected Collections	Surplus/ Shortfall in Collections	Surplus Shortfall (%)
Collections in February	Import Duty	13.6 2	3.50 1	0.12	1%
	Import GST	51.0 9	0.00 7	- 18.91	-27%
	Import Excise	10.8 2	1.50 1	- 0.68	-6%
	Export Duty	13.8 9	9.80	4.09	42%
	Inland Excise	24.3 1	4.00 3	- 9.69	-29%
	Sundry Receipts	0. 58	0.45	0.13	29%
	<b>Total</b>	<b>114.31</b>	<b>139.25</b>	<b>- 24.94</b>	<b>-18%</b>
Cumulative Collections to end - February	Import Duty	25.4 9	5.50 2	- 0.01	0%
	Import GST	103.6 2	140 .00	- 36.38	-26%
	Import Excise	25.1 7	2.00 2	3.17	14%
	Export Duty	32.0 1	9.60 1	12.41	63%
	Inland Excise	68.2 6	8.00 6	0.26	0%
	Sundry Receipts	1. 72	0.75	0.97	129%
	<b>Total</b>	<b>256.27</b>	<b>275.85</b>	<b>- 19.58</b>	<b>-7%</b>

(\* Collections expressed in Million of Kina)

#### Total Collections in February 2010 – K114.31 million

Summary collections for the month of February 2010 were K114.31 million. This is K24.94 million or 18% lower than the 2010 Budget expectation for February of K139.25 million. Compare to the equivalent prior-year month of February 2009. The result is 17% higher than the K93.39 million collected in that month.

Total duties collected were below projected receipts for February 2010 for import gst, import excise and inland excise. Material variations in total Customs duties comprise weaker than expected import gst (-K18.91 million), import excise (-K0.68 million) and inland excise (-K9.69 million) paid to Waigani offset partly by higher import duty (+K0.12 million), export duty (+K4.09 million) and sundry collections (+K0.13 million).

#### Surplus of K4.09 million - February 2010 Export Duty Collections

Export Duties collections of K13.89 million in February 2010 were K4.09 million above projections and 48% above the amount collected for the equivalent period last year. The continuous rise in the export duty was due to increase in the volume of log exports.

The logging ports that contributed toward export duty for the second month of 2010 in descending orders were:

- Kimbe collected K3.20 million, 23% of total export duties,
- Daru accounted for K2.20 million or 16% of total export duties collected,
- Port Moresby collected K2.08 million, 15% of total export duties,
- Vanimo collected K1.94 million, 14% of total export duties,
- Madang collected K1.26 million, 9% of total export duties,
- Rabaul collected K1.20 million, 9% of total export duties,
- and Alotau accounted for K0.65 million or 5% of total export duties.

### **Surplus of K0.12 million - February 2010 Import Duty Collections**

Import duty collections for the month of February 2010 totalled K13.62 million which was K0.12 million (1%) more than the Budget forecast of K13.50 million, and 21% above the amount collected for the equivalent period last year. This slight increase was due to general rise in the international trade with equivalent to high volume of imports especially goods with higher tariff rates. Most of this duty is collected from the two major cities. Lae accounted for the vast 41% or K5.56 million while Port Moresby made 38% or K5.12 million.

### **Surplus of K0.13 million - February 2010 Sundry Collections**

Sundry collections of K0.58 in February 2010 were above K0.45 million projections but 9% below the amount collected for the equivalent period last year. The rise in this collection was due to stringent application of administrative penalties on default traders in Port Moresby and imposition of high revenue recovery measures at the port of Rabaul.

### **Shortfall of K18.91 million - February 2010 Import GST Collections**

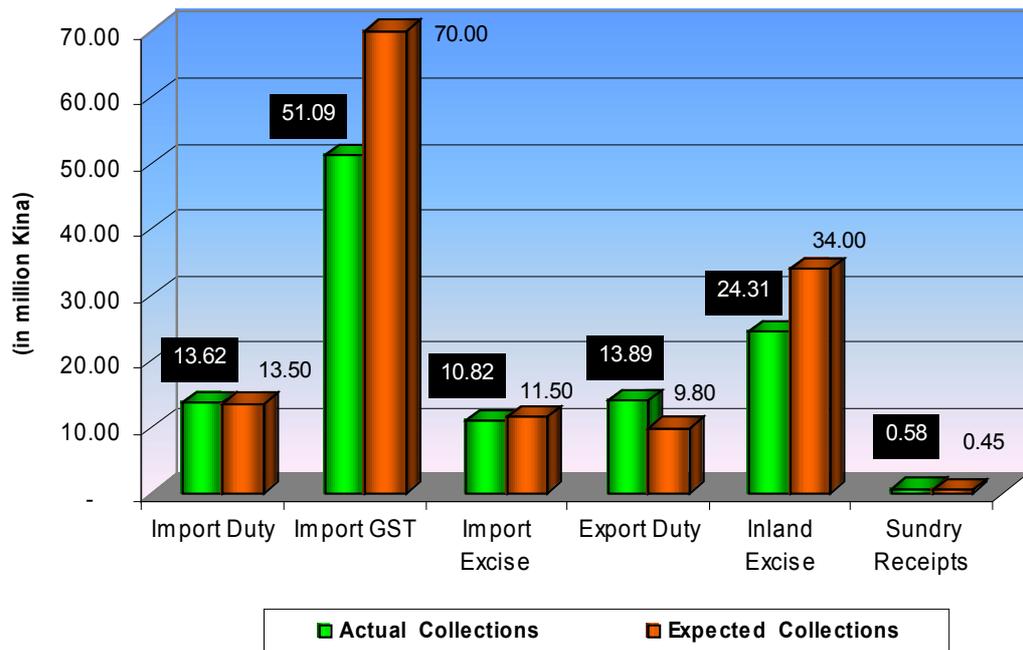
Import GST collections for the month of February 2010 of K51.09 million was weaker than projection, with short fall of K18.91 million (or 27%) compared to the Budget estimate of K70.00 million. The major indicator in the shortfall was comparative in the fall in trade volume especially on general imports.

*\* Note: IRC could also be reporting GST component in its monthly revenue collections including the GST refunds. For reporting purposes PNG Customs will also report import GST collected from all imports.*

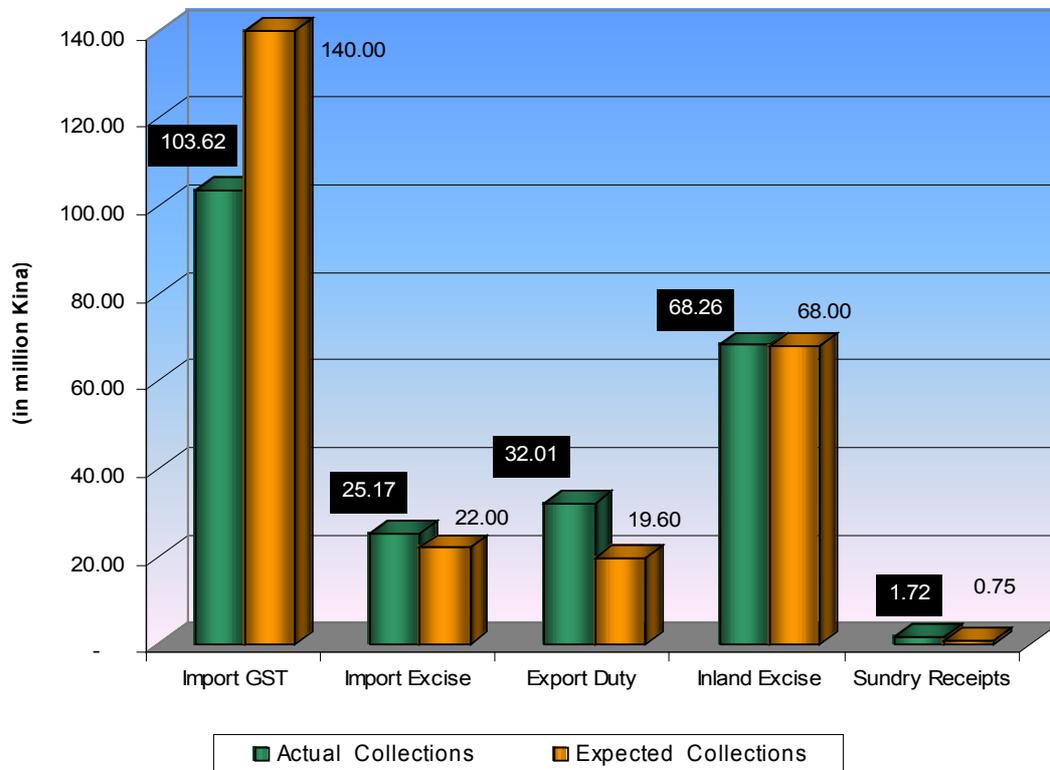
Import duty was K13.62 million only 1% short of target K13.50 million while import excise K10.82 million was below the expected K11.50 million.

The revenue performances of Customs related taxes for the month of February 2010 and the Cumulative Revenue Collection for January – February 2010 are illustrated by the following graphs:-

**Customs Duty Collections - February 2010**



**Cumulative Total Customs Duty - Shortfall of K19.58 million to 2010 Budget**



## B. TRADE FACILITATION, BORDER SECURITY AND COMMUNITY PROTECTION ACTIVITIES

### Customs Activity Outcomes in January 2010

	Total	Comments
Number of officers	195	Officers at operation level. 33 IEOs
Officers at work	189	Exclude officers on recreational-leave
Number of import entries	7,823	Declared imports
Import examinations	262	Red lane imports. 30 CC&A officers
Number of export entries	565	Declared exports.
Cargo examination	45	Container inspections
Number of ships cleared	202	Inward and outward clearance. >20 boarding officers
Ship search	21	Logs ships
Number of aircrafts cleared	261	Including hired and light unscheduled aircrafts
Passengers inbound/outbound	26,726	> 20 passenger processing officers
Plane search	2	Done by boarding officers plus sanctioned officers
Ships crew searched	133	Done together with ship search
Detections	3	Illegal immigrants
Prosecutions	0	Nil report on prosecutions
Seizures	2	In possession of illegal goods

### Trade Facilitation

In February 2010 our regular efforts in maintaining the role in facilitating trade for legitimate traders' resulted in a total of 10,547 entries being assessed and cleared, 9,907 comprised of import entries and 640 export entries. That is equivalent to assigning 320 entries to per invoice examining officer. On average 12 entries per day for each officer to assess is quite laborious in terms of work load. Number of workload per officer has increased by 3 entries or 25%. Under such immense pressure Customs was able to clear 10,547 imports and exports declarations for the month of February 2010. Minister, as you can see there is a need to beef up our manpower to foster efficient and effective trade facilitation.

### Community Protection

Community protection is also a core function of Customs in terms of checking illegal items and imports. Suspicious imports and all persons who entered PNG have been thoroughly checked together with their belongings. With constraint of only 30 examiners a mere 45 container inspections carried out for both import and cargo. Only those that went through red lanes in our enhanced ASYCUDA system were subjected for inspections. The rest were cleared through presentation of proper document checks.

On record 202 ships were cleared by the 20 boarding officers around the country of which only 21 confirmed logs ships went through search together with its onboard 133 ship crews.

Total of 261 aircrafts cleared by customs. Report showed 2 light unscheduled aircrafts went through thorough checks without detecting any object of illegal nature.

### Border Control

1. A sum of 25,802 inbound and outbound passengers passed through Customs clearance through out the country in February 2010. Facilitated by 20 Customs officers all passengers passed clearance with no detection of irregularities and other issues of Customs concern in the same month.

Customs has taken over Immigration roles and did passport control at departures and arrivals in all international terminals. With limited man power Customs has continued to check all passengers and completed necessary clearance in the second month.

2. One illegal female immigrant Chen Yaling of Chinese origin was deported on 22<sup>nd</sup> February 2010 on the outbound flight PX 008 to Hong Kong. She was illegally residing in Rabaul until Customs found her.
3. A Fishing Vessel was searched at Lae wharf on 24<sup>th</sup> February 2010 including 14 Japanese crews. Two crew members of Japanese origin did not have valid travel documents. Both were charged under the Immigration Act for unlawful entry.

Further search revealed excess alcohol, cigarettes; gross illicit phonographic magazines and DVDs. These items were detained and destroyed.

4. Another Fishing Vessel was searched at Lae wharf on 3<sup>rd</sup> March 2010 including 53 crews and transit passengers of Philippines nationalities. The vessel was owned by Frabelle Fishing Corporation of Philippines and Frabelle Fishing Co of Lae and tranships tuna fish for exports to Philippines.

During Inward Clearance Customs identified 6 passengers without valid entry permits. They were detained and charged by Police under the Migration Act for entering the country without valid entry permits and each of them were fined K5, 000.00 by Lae District Court for a total of K30, 000.00

## **Enforcement**

Following are enforcement activities;

### **Revenue Recoveries**

Investigations carried out by Enforcement on undervaluation of imported goods by Telikom PNG Limited have resulted in a recovery of K1, 035,676.24. Despite defending its innocence Telikom PNG Ltd has obliged to settle the outstanding for wrongly engaging a fraudulent Customs clearing agent, Ivan's Freight Limited. The fraud was miscellaneously charged and settlement effected in Port Moresby Customs office. The defrauder was located and is cooperating with investigations.

A further K2, 024.29 on penalty calculated on smuggling and a value of K1, 162.78 duty payments for shell money recovered through detections.

### **Detections**

The recovery amount of K1, 035,676.24 was from one of the two detections made in the month of January. Duty was paid and receipted in the month of February therefore accounted for in this February report while the other figures were results of Enforcement detections in the month of February.

### **Seizures**

Two seizures reported.

- (1) 10 censored CDs title "Cannibal Holocaust" from Wookin Ltd confiscated.
- (2) A searched into Log Ship MVGC Victory has resulted in seizing 18 bottles of Chinese whiskey and 2 pornographic CDs in at Rabaul port. Refer to fishing vessels and seizures here.

### **Referrals**

One referral received and finalised. The offence referred was in breach of Sections (1) (3) (4) (5) of Customs Acts. Mt. Quinn Tanker was alleged to smuggle goods from the left over fuel which was left behind after the Bougainville Crisis. The offence was committed while en-route to pick up crude oil from Loloho. This case is yet to be completed.

### Prosecutions

Eight (8) fishermen were prosecuted in Lae under Migration Act in the month of February.

### Revenue Loss

Substantial revenue amounts have been foregone in the month of February 2010 through various concessions on duty exemptions.

<b>REVENUE LOSS THROUGH CONCESSIONS</b>						
<b>February 2010</b>						
<b>Customs Duty</b>	<b>Actual Collections</b>	<b>Loss of Revenue</b>	<b>Nominal Revenue</b>	<b>Projections</b>	<b>Surplus/ Shortfall</b>	<b>Surplus/ Shortfall</b>
Import Duty	13,618,674.5		26,523,176.5	13,500,000.0	13,023,176.5	
	5	12,904,501.99	4	0	4	96%
Import GST	51,085,882.0		88,660,198.9	70,000,000.0	18,660,198.9	
	2	37,574,316.93	5	0	5	27%
Import Excise	10,820,945.3		16,064,904.5	11,500,000.0	4,564,904.5	
	1	6	7	0	7	40%
Export Duty	13,890,660.8		13,890,660.8	9,800,000.0	4,090,660.8	
	4	0.00	4	0	4	42%
Inland Excise	24,308,624.1		24,308,624.1	34,000,000.0	-	
	4	0.00	4	0	9,691,375.86	-29%
Sundry Receipts	579,589.38		579,589.38	450,000.00	129,589.38	
	38	0.00	38	0	8	29%
<b>Total</b>	<b>K42,818,276.19</b>	<b>K55,722,778.18</b>	<b>K170,027,154.42</b>	<b>K139,250,000.00</b>	<b>K30,777,154.42</b>	<b>22%</b>

A sum of K55.72 million has been inevitably foregone under the concession scheme which should have been part of the aggregate Revenue collections for the month of February 2010. This is K23.00 million more than the equivalent period last year. The three components that suffered under the concessions from the largest were import GST comprised K37.57 million, import duty experienced loss of K12.90 million and import excise comprised K5.24 million.

Exemptions on import GST include concessions given to goods imported by Charity organisations, Church groups, Pharmacies, Educational Institutions and Resource companies. Exemptions on import duty cover goods imported under reduced rates particularly for the mining companies inclusive of Lihir Gold Mining, Kutubu and Porgera Joint Ventures. Import excise exemptions are those exemptions sanctioned through Legislated Gazettal Notices such as import of vehicles by foreign projects owners.

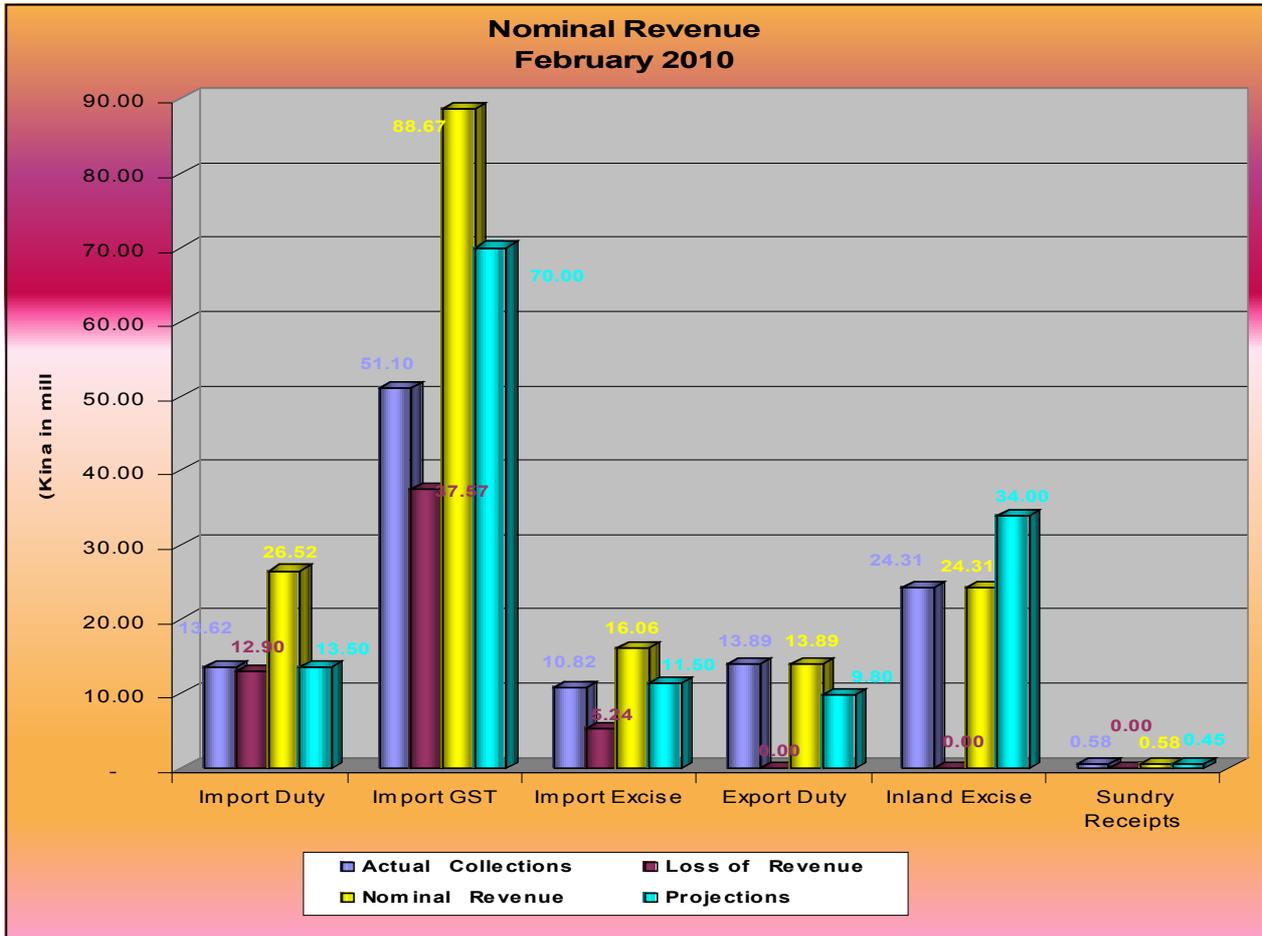
### Nominal Revenue

Nominal Revenue for the month of February was K170.72. This is K30.77 million or 22% higher than the projected receipts for February 2010.

Monthly foregone revenue figures continued to soar because of the exemptions thus showing steady but increasing trends. In the future Customs intends to assess the trend and amicably apply relevant measures with appropriate recommendations in consultations with key government agencies. The Government cannot afford to continually lose large revenue while gaining less from exemption schemes in terms of National Income particularly with respect to Gross Domestic

Product.

Nominal Revenue for the month of February 2010 is illustrated by the following graph:



### Customs Service Plan

Although we did not reach the February projected Budget target, Customs was able to sustain and maintain effective discharge of its mandated vital functions with pleasing results during the month of February 2010. Having felt relieved Customs will now embark on to deliver it's much anticipated services to the State and the people of Papua New Guinea after the successful launching of Customs Service Plan 2010 – 2012 on the 11<sup>th</sup> March 2010.

### Urgent Concerns

Minister, for the Service Plan to be feasible both in short and long terms my officers' welfares have to be looked after and the committed hard working officers are properly remunerated. In these initiatives I see the concepts crucial thereby I deliver as attachments the submissions seeking amendments on the current Customs Officers Overtime Trust Account and Seized Goods Trust Instruments which I am adamant you will award reasonable considerations.

I solemnly wait on the outcomes and should they be approved the funds will be stringently managed and appropriated on matters of priority and urgency including officers' accommodations, enforcement operations and officers' insurance cover for mishaps during the course of duties.