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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTIETH REPORT

DEPARTMENT OF CUSTOMS AND EXCISE EXCISE CONTROL PROCEDURES

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The Senate appointed its Members of the Committee on 4th March 1964 and the House of Representatives its Members on 5th March 1964.

(1) Resigned 29th April 1965

(2) Appointed 29th April 1965

DUTIES OF THE COMMITTEE

Section 8 of the *Public Accounts Committee Act 1951-1965* reads as follows:

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901-1950*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connection with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTIETH REPORT

DEPARTMENT OF CUSTOMS AND EXCISE

Excise Control Procedures

PART 1—INTRODUCTION

CHAPTER 1—THE SCOPE AND CONDUCT OF THE INQUIRY

In pursuance of section 8 of the *Public Accounts Committee Act* 1951, Your Committee resolved on 25th March 1965 to inquire into the assessment of Excise revenue administered by the Department of Customs and Excise and into certain aspects of the Department's administration which, although not specifically a part of the Excise function as such, have an ultimate bearing on the operational efficiency of the Branches concerned with Excise duty viz: the Excise Branch and the Petroleum Products Branch.

2. In the field of Excise revenue, the inquiry was centred on the methods adopted by the Department in the assessment of revenue in refineries, breweries, wineries and cigarette factories which in 1963-64 had yielded most of the Excise revenue collected. The inquiry also included revenue assessment methods employed in distilleries and match and liqueur factories. In respect of the more general aspects of the Department's administration, our current inquiry encompassed the history of Excise collection, personnel, training, organisation and methods, automatic data processing and publications.

3. Basically, Your Committee's interest in the matters currently under inquiry, stemmed from evidence received from the Department of Customs and Excise during the inquiry into the Reports of the Auditor-General for 1961-62. During that inquiry the Department had stated that in 1959 it had introduced a new system of administering Customs and Excise controls over petroleum products to obviate the full-time attendance of excise officers at licensed refineries and the maintenance of parallel records by the industry and the Department. The new system utilised existing company records in conjunction with planned periodic examinations by excise officers. It was stated that the new system had resulted in cash savings of £50,000 (\$100,000) per annum and a reduction of the number of officers required from 111 to 47. PP No. 192
of 1963.

4. In formulating its approach to this inquiry Your Committee recognised that considerable advantage would be derived if evidence was taken not only from the Central Administration of the Department located in Canberra, but also from the regional offices located in the States where the actual assessment of Excise Duty is performed and that the evidence so taken would be further enhanced if inspections were made at factories where excisable products are produced and where the procedures actually employed in the assessment of Excise Duty could be observed.

5. For the purpose of the inquiry, we obtained a number of statements from the Department of Customs and Excise as listed in Appendix No. 1 to this Report.

6. The statements referred to were made the subject of a public inquiry held at—

Parliament House, Canberra	..	On Tuesday, 18th May 1965. Friday, 21st May 1965. Monday, 27th September 1965. Monday, 8th November 1965.
Parliament House, Perth	..	On Tuesday, 8th June 1965. Wednesday, 9th June 1965. Thursday, 10th June 1965.
Parliament House, Adelaide	..	On Friday, 11th June 1965.
Parliament House, Sydney	..	On Monday, 21st June 1965. Tuesday, 22nd June 1965.

7. The following witnesses, representing the Department of Customs and Excise, were sworn, at the public inquiry and were examined by Your Committee:

Mr T. J. Allen	..	..	Senior Inspector of Excise, South Australia.
Mr J. W. Crowe	..	..	Supervisor of Excise, New South Wales.
Mr G. A. Ewers	..	..	Acting Assistant Collector, Western Australia.
Mr E. J. Fernon	..	..	Chief Inspector, Excise Sub-section, Canberra, Australian Capital Territory.

Mr H. A. Forbes	..	Collector, New South Wales and Acting Comptroller-General of Customs and Excise on 18th and 21st May 1965.
Mr L. G. Hawke	..	Assistant Collector, South Australia.
Mr A. E. Hutchison	..	Senior Inspector of Excise, New South Wales.
Mr M. W. Jarvis ..	..	Senior Inspector of Excise, Western Australia.
Mr R. M. Keogh	..	First Assistant Comptroller-General, General Operations and Management Services Division, Canberra, Australian Capital Territory.
Mr F. J. Marcusson, O.B.E.		Comptroller-General of Customs and Excise, Canberra Australian Capital Territory.
Mr W. W. Moore	..	Assistant Comptroller-General, Imports, Exports and Excise Branch, Canberra, Australian Capital Territory.
Mr J. E. Nieass ..	..	Investigation Officer, Excise Branch, New South Wales.
Mr B. Ortlepp ..	..	Director, Excise and Petroleum Products Section, Canberra, Australian Capital Territory.
Mr L. M. Robb ..	..	Senior Inspector of Petroleum Products, South Australia.
Mr J. H. Slattery ..	..	Acting Collector, Western Australia.
Mr G. A. Venning	..	Collector, South Australia.
Mr J. E. Walsh ..	..	Assistant Comptroller-General, Management Services Branch, Canberra, Australian Capital Territory.
Mr F. T. Worley ..	..	Inspector of Petroleum Products, Western Australia.

8. During our inquiry we were assisted by the following observers:

Mr A. K. Ragless	..	Audit Office.
Mr R. W. Cruickshanks	..	Public Service Board.
Mr F. C. Grey, O.B.E.	..	
Mr R. N. McLeod	..	
Mr F. C. Nordeck	..	
Mr W. L. Thorley	..	
Mr G. J. Balfour	Department of the Treasury.

9. As part of our investigations we carried out the following inspections:

WESTERN AUSTRALIA

Tuesday, 8th June 1965	..	B. P. Refinery (Kwinana) Pty. Ltd., Mandurah Road, Kwinana.
		Emu Brewery Co. Ltd., 98 Mounts Bay Road, Perth.
Wednesday, 9th June 1965	..	Clarevale Isaia Pty. Ltd., 684 Albany Highway, East Victoria Park.
		Houghton Wines, Middle Swan.
		Valencia Vineyards Pty. Ltd., Caversham.
		W. A. Match Co. Pty. Ltd., Havelock Street, West Perth.

SOUTH AUSTRALIA

Friday, 11th June 1965	..	Milne and Co. Pty. Ltd., (Distillery), Beans Road, Southwark.
		Penfolds Wines Pty. Ltd., Magill.

NEW SOUTH WALES

Monday, 21st June 1965	..	Colonial Sugar Refining Co. Ltd., Distillery, Bowman Street, Pyrmont.
Tuesday, 22nd June 1965	..	Rothmans of Pall Mall (Aust.) Ltd., 26 Ferndell Road, Granville.

10. For simplicity of presentation, the Report has been divided into four parts:

Part I—Introduction.

Part II—General Aspects of the Department's Administration.

Part III—Excise Control Procedures.

Part IV—Conclusions.

11. The evidence on which this Report is based was submitted to Your Committee prior to 14th February 1966 the date of conversion to decimal currency and contains money values expressed in £ Australian currency. Following the conversion to decimal currency, money values referred to in this Report are shown in £ Australian currency followed by the corresponding equivalent decimal value in parenthesis.

CHAPTER 2—HISTORY OF THE DEVELOPMENT OF EXCISE PROCEDURES SINCE FEDERATION

12. The forerunner of the present Department was created with the advent of Federation in 1901 when the Department of Trade and Customs was established. Under section 86 of the Constitution, jurisdiction over customs and excise matters was transferred to the Commonwealth Government from State Departments. A Central Office located in Melbourne was established to unify and co-ordinate activities in the new field. This office was transferred to Canberra in 1927. Exhibit 80/3.

13. In the early years of the Commonwealth when there were few Departments, the scope of the functions of the Department of Trade and Customs was far wider than at present. By 1906, the Department was responsible for administration of bounties, copyrights, customs and excise, designs, lighthouses, light ships, beacons, buoys, patents, quarantine, trade and commerce (including navigation and shipping), trade marks, dumping, monopolies and combines, weights and measures, and censorship of imported literature. With the progression of years, some of the functions referred to, such as quarantine, lighthouses, trade marks and patents, were transferred to other Departments or Authorities, but the permanent functions of the Department of Trade and Customs did not vary to any great degree between 1928 and 1955. Exhibit 80/3.

14. A significant event in the history of the Department occurred in January 1956 when the Department's trade functions were transferred to a new Department, the Department of Trade. This decision involved the abolition of the Department of Trade and Customs and the Department of Commerce and Agriculture and the creation of the Department of Customs and Excise, the Department of Trade (now the Department of Trade and Industry) and the Department of Primary Industry. The functions retained by the Department of Customs and Excise and currently being administered by it are as follows: Exhibits 80/1 and 80/3.

- (1) collection of revenue;
- (2) development and protection of Australian industries and economy;
- (3) providing preferential Customs tariff treatment for imports from certain countries; Exhibit 80/1.
and
- (4) protection of community welfare-economic, social and physical.

15. In connection with the fields referred to in (1), (2) and (3) above, and some parts of (4), responsibility for advising the Government on basic policy rests with other Departments, for example, developing and protecting Australian industries with the Department of Trade and Industry; economic, monetary and budgetary policy with the Department of the Treasury; immigration with the Department of Immigration and quarantine with the Department of Health. Customs and Excise responsibility is for the administration (in whole or in part) of the policy.

16. Prior to the formation of the Commonwealth of Australia, the powers to impose customs and excise duties and collect the revenue were vested with each colony. A brief history of the colonial period of customs and excise collection is set out in Appendix No. 2. Uniformity in the rates of customs and excise duties imposed by each colony did not exist prior to Federation. On the establishment of the Commonwealth, on 1st January 1901 section 86 of the Constitution provided that the collection and control of duties of customs and excise would pass to the Executive Government of the Commonwealth. Section 88 of the Constitution provided that uniform duties of customs were to be imposed within two years of the establishment of the Commonwealth, whilst section 90 laid down that, on the imposition of uniform duties, the power of the Parliament (i.e. the Commonwealth Parliament) to impose duties of customs and of excise would become exclusive. Exhibit 80/6.

Exhibit 80/3. 17. On 8th October 1901, two Tariffs, one imposing uniform duties of Customs and the other imposing uniform duties of Excise, were proposed in the Commonwealth Parliament. Subsequently, the Tariffs were enacted by Act No. 14 of 1902 (assented to on 16th September 1902), and Act No. 11 of 1902 (assented to on 26th July 1902). Section 4 of each Act deemed the operative date of each Act to be 8th October 1901, i.e. the date on which the uniform Tariffs were proposed in Parliament. The first Commonwealth Excise Tariff imposed duties on Beer, Spirits, Starch, Sugar and manufactured Tobacco Products. The Tariff of to-day excludes Starch and Sugar but includes such commodities as Petroleum Products, Matches, Playing Cards, Coal and as recent as 1963, certain Canned Fruits, viz., Peaches, Pears and Apricots.

Exhibit 80/3. 18. An important phase in the construction of the Excise Tariff as it relates to spirits occurred during the period 1905-1906 when a Royal Commission inquired into the effect of the Commonwealth Tariff (i.e., Customs Tariff) on Australian industries. During the inquiry, the Commissioners took evidence from representatives of Australian distilling companies and took account of the necessity for a protective margin to be provided between the import and excise duty rates on spirits. The Commissioners also considered the necessity to lay down certain standards which should apply to the production of the different types of beverage spirits, bearing in mind that the quality of the local product was of paramount importance if Australia were to build up a worthwhile spirit industry.

Exhibit 80/3. 19. In their Progress Report No. 2 of 1906, the Commissioners recommended a scheme of Excise duties on spirits based on the following principles of classification:

- (1) origin of materials;
- (2) methods of distillation and initial alcoholic strength;
- (3) detention in bond for a specified period, in order to secure age and maturity;
- (4) excise supervision; and
- (5) certification.

The Commissioners also recommended rates of excise duty for the various types of spirits, e.g., brandy, whisky, rum, at a level lower than the import rates on comparable imported spirits.

Exhibit 80/3. 20. As a result of the Tariff Commission's recommendations, an Excise Tariff—Act No. 20 of 1906—was enacted, to operate on and from 17th August 1906. The Tariff provisions followed to a large extent the recommendations made by the Commissioners. One of the principal Tariff variations was the lifting of the maximum strength at which brandy and rum could be distilled, from 35 overproof to 40 overproof in the case of brandy, and from 35 overproof to 45 overproof in the case of rum. In 1921, a new Excise Tariff—Act No. 26 of 1921—was enacted by Parliament. It incorporated the provisions of the Excise Tariff Acts in existence to the time of operation of the new Tariff, which was deemed to be 25th March 1920. The 1921 Tariff has been amended from time to time over the years, the citation of the current Act now being "Excise Tariff 1921-1965".

Exhibit 80/3. 21. Although the Excise Tariff is primarily a revenue instrument to provide for the Government's general annual expenditure, it has been and is utilised, where necessary, to implement various Government policies. The extent to which the Excise Tariff can be used for other than purely "taxation" purposes is governed by the provisions of the Commonwealth Constitution. For example, by Act No. 16 of 1906, excise duties were imposed on certain agricultural equipment manufactured in Australia, with a provision that the duties would not apply under certain conditions related to "the remuneration of labour", the object being to force manufacturers concerned to pay "fair and reasonable" wages to employees. However, as a result of refusals by two of the manufacturers involved to pay excise duty on equipment manufactured by them, High Court action was instituted by the Commonwealth. The High Court subsequently ruled that the Excise Act in question was invalid. The Commonwealth Law Reports, Vol. 6 of 1908, quote the majority decision of the High Court in this case. An extract from that decision reads:

"If the control of the domestic affairs of the States is in any particular forbidden by the Constitution, either expressly or by necessary implication, the power of taxation cannot be exercised so as to operate as a direct interference with those affairs in that particular.

"The selection of a particular class of goods produced in Australia for taxation by a method which makes the liability to taxation dependent upon conditions to be observed in the industry in which they are produced is as much an attempt to regulate those conditions as if the regulation were made by distinct enactment.

"The Excise Tariff 1906 (No. 16) is not an Act imposing duties of Excise, but is an Act to regulate the conditions of manufacture of agricultural implements, and is therefore not an exercise of the power of taxation conferred by the Constitution."

Exhibit 80/3. 22. The Department made a major change during 1958 to its method of collecting excise duty on beer. Beer Duty Stamps, which were a traditional means of collecting revenue on this commodity dating back prior to Federation, were abolished. As from 1st August 1958, the

collection system was changed to that applying to other excisable goods, i.e. the brewer enters a quantity of beer for home consumption, pays the required amount of duty and delivers beer against the credit of duty so established. As an added control over brewery supervision, excise law was amended to provide the Department with a strict control over the acquisition and use of Brewers' Cart Notes, a form prescribed in the legislation and used by brewers as the prime sales document. The change in collection methods benefited the Department in that it was no longer necessary to arrange for the annual printing of about 9,000,000 stamps of varying denominations, to carry out daily counts of brewers' requirements, and to account for stocks from time to time for audit purposes. Brewers gained the advantages of being relieved of the necessity to paste stamps on to each vessel delivered and onto the cart-note in respect of bottled beer delivered. The new system also allowed them to remove beer "under bond" to approved places for storage prior to payment of excise duty, an arrangement previously denied to them but which applied to the manufacturers of other excisable goods. Exhibit 80/3.

23. In 1958 also, the Department conducted an examination of the various records and accounts kept by officers at distilleries. The examination was prompted by an awareness that the volume of clerical duties to be performed by officers stationed at the major distilleries did not permit them to spend as much time as the Department considered necessary on physical supervision of operations. As a result, departmental records were re-adjusted to a simpler form and calculating machines were subsequently provided at those establishments where the use of mechanical aids was considered to be warranted. The new arrangements gave officers maximum opportunity for supervision by reducing clerical activity to a minimum. Exhibit 80/3.

24. The Department pointed out that although the growth of excise revenue over recent years indicates the increasing importance of this source of revenue to the Government, the figures do not necessarily disclose the volume of increases in consumption of the commodities concerned because of changing rates of duty. The increasing trend in the consumption of the principal items subject to excise duty is illustrated in the following table: Exhibit 80/3.

TABLE No. 1
PRINCIPAL ITEMS ON WHICH EXCISE DUTY WAS PAID. SELECTED YEARS 1945-46 TO 1964-65

Year				Beer	Beverage Spirits	Cigarettes	Manufactured Tobacco	Petrol
				Mil. gals.	Mil. proof gals.	Mil. lbs.	Mil. lbs.	Mil. gals.
1945-46	..	..	..	99.7	2.3	7.9	16.6	10.3
1952-53	..	..	..	183.8	1.4	13.8	22.3	108.0
1954-55(1)	..	..	..	213.2	2.0	22.4	21.1	364.5
1956-57	..	..	..	210.6	2.1	30.0	18.8	769.6
1960-61	..	..	..	227.8	2.2	40.8	14.6	1,062.2
1963-64	..	..	..	251.7	2.4	45.8	10.2	1,362.3
1964-65(2)	..	..	..	264.9	2.5	47.3	8.9	1,504.1

(1) This was the first year in which Cigarette production exceeded production of Manufactured Tobacco.

(2) See "Overseas Trade 1964-65", Bulletin No. 62, issued by the Commonwealth Bureau of Census and Statistics.

25. With the growth of production and consumption of excisable goods, and in the associated revenue collected, and with the addition of new items to the Excise Tariff, staffing in the Excise Branches has increased over the years, the current organisation being outlined in Appendix No. 3. Exhibit 80/3.

26. Prior to 1st July 1924, the positions of "Excise Officer" and "Excise Locker" were classified in the Third Division of the Commonwealth Public Service. In effect, there were the two grades of officers, who supervised operations at manufacturers premises by full time attendance and kept departmental records. The salary classification of the "Excise Officer" was greater than that of "Excise Locker". On and from 1st July 1924, the positions of "Excise Officer" and "Excise Locker" were transferred to the Fourth Division of the Service. That situation remained for the next seventeen years, during which period excise activities developed into a large and increasingly important part of the work of the Department. Because of the growing importance of Excise, the Department approached the Public Service Board in 1938 with a proposal that positions in the Excise Branch should be restored to Third Division status in order to permit the recruitment of officers with suitable educational qualifications to adequately meet Departmental requirements and safeguard the revenue. Exhibit 80/3.

Exhibit 80/3.

27. When negotiations between the Department, the Public Service Board and the Fourth Division Customs Officers' Association were finalised in 1941, a new structure for Excise Officers was proposed for introduction in the Department. Positions of "Excise Officer" and "Excise Locker" were eventually abolished and replaced by three grades of Excise Officer, namely:

- Excise Officer, Grade 3 . . . Third Division.
- Excise Officer, Grade 2 . . . Fourth Division.
- Excise Officer, Grade 1 . . . Fourth Division.

Broadly speaking, the functions devised for the three grades of Excise Officer by the Department in collaboration with the Public Service Board were:

- (a) Excise Officer, Grade 3—to be in charge of the more important factories, breweries, distilleries, etc., and all other activities of similar importance;
- (b) Excise Officer, Grade 2—to be second officer at important factories, breweries and distilleries or be in charge of the lesser important establishments or other activities of comparable importance; and
- (c) Excise Officer, Grade 1—to be employed mainly on routine duties at excise establishments and in assisting higher graded excise staff.

Exhibit 80/3.

28. The structure of these three grades of Excise Officer referred to exists today, except in the case of control over petroleum products. In 1959, the Department introduced a system of control over production and disposal of petroleum products which took administration of those commodities away from the general Excise Branches' activities. The new organisation created to control those products does not include positions designated as Excise Officer, as this organisation is constructed, in the main, of officers of Third Division status with a nucleus of Investigation Officers and Assistant Investigation Officers.

Q. 33 and Exhibit 80/3.

29. We were informed that recruitment of Excise Officers, Grades 1, 2 and 3, has posed a number of problems. Some of these positions are located in country areas and because of such factors as housing, high rentals and remoteness, married officers preferred not to accept employment in such areas. The Department has obtained a number of houses in country areas for married men, most notably in South Australia where nineteen such houses have been obtained. However, in the case of single officers, accommodation was said to be generally available only at hotels which were both costly and unsuitable for extended periods of residency. In South Australia, this situation had aggravated the training problem as it was difficult to provide relieving officers to replace officers brought to Adelaide for training. The Department was examining the possibility of designating certain convenient places in the country as training centres.

Q. 32 and Exhibit 80/3.

30. Mr Walsh informed us that additional problems existed in respect of the recruitment of Excise Officers, Grade 3. Excise Officers, Grades 1 and 2, are Fourth Division positions, which require an educational standard of about Intermediate level, but Excise Officers, Grade 3, are Third Division officers and thus require qualifications equivalent to the Leaving Certificate. The Department said that many Excise Officers, Grades 1 and 2, are either not interested or are unable to obtain the qualifications prescribed for Excise Officer, Grade 3. To overcome this problem, the Public Service Board has agreed to the employment of a number of Third Division Officers in Excise Officer, Grades 1 and 2, positions in order to technically train those officers for the position of Excise Officer, Grade 3. Another difficulty in the recruitment of officers for excise work had been a view that there were much greater opportunities for advancement in customs work but the development of a Junior Technical Training scheme had done much to overcome this problem by developing interchangeability between customs and excise staffs.

PART II—GENERAL ASPECTS OF THE DEPARTMENT'S ADMINISTRATION

CHAPTER 3—PERSONNEL BRANCH

Exhibit 80/3.

31. Until 1948, the personnel functions of the former Department of Trade and Customs were handled by Staff Sections in the Central Office in Canberra and each of the State Administrations. These Sections were responsible for recruitment, staff level variations and organisation changes, and also disseminated information and instructions on conditions of employment in the Commonwealth Service so far as they related to the Department. It was stated that, at that time, the Staff Sections were small and concentrated mainly on the processing of routine regular aspects of staff work while the senior officer of each Section, generally a Staff Clerk, acted as an adviser to the Chief Officer on staff functions.

32. In early 1948, an organisation and methods team from the Public Service Board examined the operations and organisation of the Central Office of the Department, resulting in the re-organisation of the Staff Section as a Personnel Branch with wider functions. The new Branch, under the control of an Inspector (Personnel), became responsible for the following matters: Q. 29 and Exhibit 80/3.

- (i) the staff administration of Central Office and liaison with the Public Service Board in respect of Central Office and the State Administration staff organisations;
- (ii) promotions of personnel of Collectors' staffs above the level of delegations vested in Collectors;
- (iii) interstate transfers of departmental personnel;
- (iv) compensation for accidents incurred by staff on duty;
- (v) organising the recruitment and training of staff for Central Office and State Offices.

After further examination by the Public Service Board, this pattern of Personnel Branch organisation at Central Office was adopted subsequently for the State Administrations.

33. We were informed that the Personnel Branches have since streamlined their methods and procedures and that there has been a growing tendency towards specialisation in specified fields. For example, in 1950, training was detached from other personnel functions and a new position of Inspector (Training) created in Central Office together with positions of Training Officer created in State Administrations. In 1954, a new organisation and methods unit responsible to the Inspector (Training) was created in Central Office which had the effect of further widening the field of personnel administration and of emphasising the need for specialisation. The rapid growth of responsibility in both training and organisation and methods work subsequently led to these functions being placed in separate Branches outside the ambit of the general personnel field. Exhibit 80/3.

34. In 1963, the Personnel Branch became a sub-section within a new Management Services Division. At the time of the Public Hearings, the responsibilities of the Personnel sub-section included every aspect of staff administration from recruitment to retirement including such diversities as accommodation for visiting officers, staff welfare and the review of delegations. Committee file 1965/5/80.

35. The total staff engaged on personnel work within the Central Office of the Department increased from three to seven in 1948 following a Public Service Board's organisation and methods review, but by 1965 the total number had reached sixteen officers. Exhibit 80/3.

CHAPTER 4—ORGANISATION AND METHODS SECTION

36. We were informed that "Organisation and Methods" techniques are employed to search for ways to improve efficiency and economy by continuously reviewing departmental administrative procedures, the allocation of functions, the design of office systems and to ensure the most economical selection and use of business equipment. Exhibit 80/3.

37. It was stated that although problems arising in the Commonwealth Administration had no doubt been approached previously in a logical and methodical manner, it was not until 1950 that the refined principles inherent in the system of Organisation and Methods were introduced in the Commonwealth Public Service. The description was a term borrowed from the British Treasury and the principles were introduced into the Department of Customs and Excise as a result of an examination conducted by the Commonwealth Public Service Board. Q. 1208.

38. The necessity to approach administrative problems on a logical and methodical basis as typified by the system of Organisation and Methods was manifested in a statement by Mr Marcusson in describing some of the current responsibilities of the Department of Customs and Excise. He said that in 1965 the Department had been obliged to prepare for, and implement, the new Brussels tariff, a task which had created a considerable demand for the training of officers. The Department had also been occupied in administering a new trade agreement which had been negotiated with New Zealand, and in the consideration of the assistance which could be extended to less developed countries under the General Agreement on Tariff and Trade. To a greater or lesser extent, all of these matters had made exceptional demands upon executive officers but it was felt that the solution to the pressure of work did not involve the simple addition of extra personnel. The present administrative costs of the Department approximated .16 of one per cent of the revenue collected and the Department felt that it must ensure that any improvements in administrative practices were genuine gains which were not offset by additional expenses. In this context, we note the example cited by Mr Walsh of the results of an Organisation and Methods review of the procedure adopted in the control of incoming overseas postal articles. At the time of our Public Hearings, costs savings of £36,000 (\$72,000) per annum had been achieved and it was expected that these savings would eventually reach £50,000 (\$100,000) per annum. Q. 1175. Q. 1213.

Exhibit 80/3.

39. We were informed that prior to 1956 the Organisation and Methods and Training Officer Groups constituted one unit of the administration of the Department of Customs and Excise. Typical assignments undertaken at that time had included a review of the central import licensing branch and the laboratory branch, a study of recruitment standards and procedures, and an initial evaluation of the usage of office machines. In 1956, following upon the re-organisation of the Department after the creation of the Department of Trade, a separate Organisation and Methods unit was established under the Assistant Comptroller-General (Management). Since that year, the unit has been more exclusively concerned with Organisation and Methods type projects and a cyclic review programme has emerged as the major source of planned assignments although *ad hoc* assignments continued to be undertaken, particularly in the fields of the design of official documents and machine usage.

Exhibit 80/3.

40. We were provided with a number of examples of the major projects reviewed by the Organisation and Methods Unit since 1956, of which the review relative to film censorship procedures is typical. It was stated that from time to time some attention had been given to the organisation of the Film Censor Branch, particularly in 1956-57 upon the advent of television. However, in 1964, a full-scale review of organisation and methods was launched as a result of which certain urgent improvements in respect of imported news film had been implemented. These improvements, together with other proposals still under consideration, were expected to make possible the more expeditious delivery of imported film from Customs control and a considerable reduction in the documentation associated with the censor screening and entry of film. It was also expected to result in the more economical employment of staff, particularly at senior levels.

Q. 1212 and
Committee file
1965/5/80.

41. It was stated that a successful campaign undertaken by the Department was that entitled "Operation Work Simplification" which was launched on 8th May, 1956, when the Minister for Customs and Excise, in a statement to the Press, announced a widespread overhaul of departmental working methods. The Minister indicated that the Department was determined to see that its procedures were in line with current thinking in private enterprise and that the aim of the revision was to minimise the demands made upon the public in the administration of the Customs and Excise function. The Minister pointed out that although the range of business handled by the Department was so vast that rules and procedures had to be formulated as a guide to officers, the Department handled a class of matter which made it essential that equal treatment be accorded all its clients. However, with the passage of time, the rules and procedures had become more complex and departmental flexibility had been reduced. The Minister stated that he considered that simplification could act as a check on this undesirable growth and, to this end, all Customs agents and importers were asked to submit to the Comptroller-General suggestions for the improvement of departmental practices. The Minister concluded his statement by stressing that he and the Department were anxious to gain the full co-operation of the public.

Committee file
1965/5/80.

42. The suggestions received as a result of the Minister's invitation were directed to the Organisation and Methods Section which discussed them with the responding organisations. Each suggestion was examined in detail and a report forwarded to the Comptroller-General, or Collector of Customs, on the merits of the proposal, together with a recommendation in respect of the course of action to be adopted. A letter was then forwarded by the Comptroller-General or Collector to the person or organisation responsible for the suggestion, expressing appreciation for their interest and informing them of any award which may have been made.

Q. 86 and
Committee file
1965/5/80.

43. We were informed that, coinciding with the Minister's Press Statement, a document outlining the scheme was issued to all staff. The Department said that the traditional reserved style of layout had been abandoned during the preparation of the document, which took the form of a highly coloured broad-sheet with a dramatically presented text designed to attract attention and to ensure that it was read by all officers. The broad-sheet had posed a number of questions for each officer to answer from the point of the performance of his own duties and invited any suggestions that might be made for the improvement of departmental procedures.

Q. 1230.

As a result of the first campaign, 247 suggestions were received in the following twelve months, a number which eventually amounted to 1,357 suggestions. Of the total suggestions received, 458 had been adopted and in one instance an officer had received an award of £250 (\$500). Other officers had received sums of £60 (\$120), £50 (\$100), and £35 (\$70), all of which were rewards for ideas which would eventually save the department substantial administrative costs.

44. The Department informed us that over the years the concept of "Operation Work Simplification" had led to an improvement in techniques, conditions, documents, equipment, procedures and staff management relations. These improvements had resulted from a variety of suggestions, ranging from the adoption of a day for the collection of all disposable material to the amendment of Customs publications and documents. The Department further informed

us that "Operation Work Simplification", when examined broadly, had been instrumental in amending 156 sections of the Customs Act since 1953. For example, amendments had been made to 30 sections of the Act relative to the movement of goods under bond and to 32 sections of the Act relative to the taking of customs declarations.

45. We were informed that the Organisation and Methods Section consists of nine officers, of whom four are occupying temporary positions. The Department is satisfied that the present structure is adequate to its needs as the emphasis of maintaining operational efficiency now devolves upon each supervisor who is expected to improve his own procedures without waiting for specialists to assist him. The manning of the section is undertaken on a rotational basis, each officer being assigned to the section for a period which, after an initial training course by the Public Service Board, is sufficient for him to acquire and employ a knowledge of the techniques used, but which, at the same time, would not restrict unduly the employment of his talents in other sections of the administration. The Public Service Board observer indicated that this philosophy was entirely in accordance with his Department's views on the subject of this type of specialist training.

CHAPTER 5—AUTOMATIC DATA PROCESSING

46. The implications of automatic data processing were first considered by the Department of Customs and Excise in August, 1960, when the Comptroller-General and other senior officers attended a one day seminar for Permanent Heads and senior Departmental executives on the current developments and future possibilities of the medium. In June, 1960, the Public Service Board had notified Departments that an interdepartmental committee[†] on automatic data processing had been established at the instance of the Prime Minister and in March, 1961, the interdepartmental committee performed a broad survey to establish the Commonwealth Government's requirements for automatic data processing facilities for "business type" processing.

47. Following upon this broad survey an interdepartmental working party was constituted in May, 1962, to examine the application of electronic data processing to imports and clearance procedures and the collection of associated statistics.* This party comprised two representatives of the Department and one representative each from the Public Service Board and the Bureau of Census and Statistics. The working party recommended that the most suitable area of the Department's work for the application of automatic data processing techniques was in the collection and assimilation of trade statistics. It was considered at that stage of the development of automatic data processing that the other areas of the Department's work did not warrant the application of automatic data processing methods.

48. The working party's recommendations were considered by an interdepartmental committee comprising senior officers of the Public Service Board, the Bureau of Census and Statistics and the Department of Customs and Excise. A decision was made to introduce a system based on daily automatic data processing by the Bureau of Census and Statistics after the Department of Customs and Excise had completed its processing of the relevant import documents. It was said that such a system would be able to perform at high speed more involved and accurate editing routines and should result in more accurate and timely statistics than had been possible by using the punched card process previously employed by the Bureau.

49. The implementation of the interdepartmental committee's recommendations was to be undertaken as a joint venture by the Bureau of Census and Statistics and the Department of Customs and Excise. To this end the Automatic Data Processing Section was established in February, 1963, to assist in the design and implementation of the system and to re-design forms and procedures within the Department.

50. Under the automatic data processing system, which replaced a system involving manual coding of punched cards, data is punched directly from documents into the machine process. This procedure was said to have been made possible by the re-design of departmental documents and by amendments to procedures which were the result of recommendations made by the Department's two representatives on the working party who had received training in statistical methods prior to the commencement of their investigations. The re-designed documents are based on a format which was subjected to practical tests during a field trial in Western Australia in February, 1964, when the basic procedures of the new system were also tested. These tests were conducted for one month and were said to have been very successful with a very low rate of queries.

[†] See Seventy-third Report of the Joint Committee of Public Accounts, PP No. 221 of 1964-65.

* The Department informed us that it could be regarded as the agent for the Bureau of Census and Statistics in the collection of accurate statistical data in respect of overseas trade while the Bureau is responsible for the processing, tabulation and distribution of statistical information through various bulletins and reports.

Exhibit 80/3.

51. We were informed that during October, 1964, an extensive training programme was undertaken to prepare departmental officers and the public for the introduction of the new forms and procedures in January, 1965, a date which would have coincided with the Bureau's plans to begin computer processing. The form changes, having taken place as scheduled, were said to have met with ready acceptance throughout the Department's customs organisation and with the public. However, the introduction of automatic data processing was postponed until early July, 1965.

Q. 1271 and Committee file 1965/5/80.

52. Mr Walsh told us that technical difficulties in the operation of the automatic data processing equipment had prevented the Bureau of Census and Statistics from achieving the original commencement date. Subsequently, the Department of the Treasury provided us with the following statement, prepared by the Bureau of Census and Statistics, setting out the reasons for the selection of the 1st July 1965, as the implementation date for automatic data processing of import statistics:

Committee file 1965/5/80.

"The timing of the introduction of a computer system for processing Import Statistics was influenced by four factors:

- (i) The introduction of the revised forms for customs entries which were designed to meet the particular needs of the A.D.P. system.
- (ii) The preparation of input data on punched paper tape in the format of the revised forms.
- (iii) The introduction by the Department of Customs and Excise of a new tariff classification for imports.
- (iv) The introduction of the new Australian Import Commodity Classification.

"The new forms for customs entries were introduced from 1st January 1965 and it was essential that the Customs staff and importers become experienced in the use of these forms before the system for processing the data was radically changed. The use of these forms from January to June, 1965 meant that procedural difficulties which inevitably occur with the introduction of new forms were overcome before the processing system was altered.

"From the date of introduction of the revised forms, data preparation operators commenced punching the data on to paper tape. Because a new form was involved and the data were being punched on a new medium, it was essential that 'live' data were punched for several months to test data preparation and paper tape handling aspects of the new system prior to its full implementation. Concurrently the data were punched on cards to continue the tabulation of Import Statistics using the Bureau's conventional punch card plant.

"Because the manual processing in the A.D.P. system would differ significantly from that of the previous system it was necessary to prove that the proposed new system could handle such things as the flow of data, computer edits, amendments to incorrect data, revenue balancing, etc. on a daily processing cycle before the full system was implemented. This is standard practice and known as parallel running.

"The introduction by the Department of Customs and Excise of the new Australian Tariff on 1st July 1965 together with the introduction of the new Australian Import Commodity Classification based on the Standard International Trade Classification (there are 6,000 items in A.I.C.C. and only 1,300 in S.I.T.C.) precluded any earlier implementation of an A.D.P. system. Had a computer-oriented system been implemented prior to 1st July 1965 it would have been essential to prepare two separate suites of programs, one to process the data prior to 1st July and the other to process data received on and after 1st July. As the new Tariff and the new A.I.C.C. introduced entirely new classifications and a new approach, and also because an essential feature of the A.D.P. system was the editing of the tariff item with the calculation by the computer of a rate-of-duty code from the rates specified on the tariff, it would have been an almost impossible and extremely expensive programming task to provide a system necessary to process the data by computer prior to 1st July 1965 and at the same time develop a separate system for processing data thereafter.

"The computer was fully operational from October, 1964 and, for example, all tabulations of taxation statistics were prepared on the computer before 31st May 1965—the due date—and this after proving the system and programmes on previous year's machine cards."

Q. 1276, Exhibit 80/3 and Committee file 1965/5/80.

Exhibit 80/3 Committee file 1965/5/80.

53. The Department of Customs and Excise informed us that tentative agreement had been reached with the Bureau of Census and Statistics for the development of a comparable system for the preparation of statistics on exports and it was expected that an early examination would be made of the existing export forms and procedures. Mr Walsh told us that the problem was to obtain the basic raw material to put into the computer and the writing of the programme. He said that information concerning export statistics is not as detailed or as specific as those relative to imports which have been extracted for a considerable period of time. It was the Bureau of Census and Statistics' responsibility to decide the categories in which it requires the export entries and when this has been decided, it would be the Department's duty to decide how to collect the required information. At the time of compilation of this report, a joint Departmental/Bureau of Census and Statistics working party had investigated export procedures in Sydney, Melbourne and Geelong. The Bureau of Census and Statistics had tentatively chosen 1st July 1966, as the implementation date for the collection of export entries.

54. In January, 1964, an interdepartmental committee on tobacco (comprising representatives of the Departments of Customs and Excise, Trade and Industry and Primary Industry) requested that statistics of the Australian tobacco sales be collected. A system to provide the Excise Sub-section with an analysis of sales by growers and by grades and prices from the 1964 sales season was said to have been developed in conjunction with the Bureau of Census and Statistics. In view of the value of the 1964 analysis, similar arrangements were made for the 1965 sales season after minor improvements were said to have been made to the original system. Catalogue sheets had been received at the time of our public hearing and it was said that the data was being punched on schedule. Exhibit 80/3.

55. We were informed that the examination of other areas of the Department's work for the possible application of automatic data processing would be undertaken when the procedures for the collection of statistics for the current automatic data processing programme had been satisfactorily established. Areas where these methods may be employed were said to include: Exhibit 80/3.

- (i) the processing of customs agents, carriage, warehouse and excise licences;
- (ii) the preparation of accounts for the supply of departmental publications; and
- (iii) the production of management statistics, e.g. staffing and analysis of results of the Prevention and Detection Section. (The Tobacco Sales Analysis System is an example of a successful system of this type.)

56. At the time of our inquiry, the organisation of the Automatic Data Processing Section comprised two positions of Clerk £2,491-£2,637 (s) (\$4,982-\$5,274), one of which had a tentative classification of £2,783-£2,929 (s) (\$5,566-\$5,858). Mr Walsh told us that, at the time of public hearing, the Department had retained all of the officers who had been trained by the Department in automatic data processing. Exhibit 80/3 and Q's 1261 and 1262.

CHAPTER 6—TRAINING OF PERSONNEL

57. In 1953, the Central Office of the Department recognised the need to develop the supervisory and administrative skills of officers occupying more responsible positions and created a position of Training Officer in the New South Wales and Victorian administrations. In 1956, the Public Service Board approved the creation of a Central Office Training Section, the staff of which comprised a Senior Training Officer and a Training Officer, Grade 1. The Department informed us that, in its proposal to the Public Service Board for a separate Training Section, it had been able to justly claim that training had been accepted at all levels and that the Department was building on its foundations. Exhibit 80/3.

58. In 1959, the Department sought from the Public Service Board a further re-organisation on the basis of results achieved and the work value of the Senior Training Officer. The Public Service Board approved an organisation of Principal Training Officer (reclassified from Senior Training Officer), a new position of Training Officer, Grade 2, and the retention of the existing position of Training Officer, Grade 1. Exhibit 80/3.

59. The most recent re-organisation occurred in 1964, when due to the increasing demands being made on the existing training resources, the Public Service Board approved the creation of a Senior Training Officer in the Central Office and new positions of Training Officer, Grade 1, in the New South Wales, Victorian and South Australian administrations. Exhibit 80/3.

60. It was stated that in the State Administrations, Training Officers are always selected from departmental officers possessing both an aptitude for training and a sound technical background. In the case of the Central Office, it has been possible to recruit Training Officers from within and without the Department due to a lesser need for specific technical knowledge and a greater demand for broader training experience. Exhibit 80/3.

61. We were informed that, prior to their commencement of duty, all Central Office personnel attend an instructional course for Training Officers provided by the Public Service Board. In senior training positions, officers attend an advanced course for Training Officers while State Branch Training Officers receive their training in a Departmental "Methods of Instruction" Course of five days duration. Exhibit 80/3.

62. Since 1957, each State Administration has submitted annually its training programme to Central Office for consideration but in 1963 the original system was revised, to permit a closer degree of control and oversight by Central Office, under which each State Administration submits a twelve month programme divided into two periods of six months. The first part of the programme schedules firm training arrangements, while the latter part details tentative arrangements only. Each part of the State Administration's programme is therefore reviewed every six months. At periodic intervals, and when other commitments require attention, State Administration training is inspected by either the Principal Training Officer or the Senior Training Officer of the Central Office. Exhibit 80/3.

Exhibit 80/3
and Committee
file 1965/5/80.

63. Induction training has been a feature of the training programme since the early 1950's. The current procedures provide that when recruits arrive at the Department a Personnel Officer or a Training Officer explains to them, in general terms, the functions and organisation of the Department and where their positions are placed in the overall scheme. Conditions and salaries are also discussed and the recruits are introduced to their supervisors who instruct them in the mechanics of their duties. Approximately three months after commencing duty, recruits attend a full time induction course which vary in length from two to three days, depending on work pressure and current staffing, during which the new officer is provided with an adequate background of the Commonwealth and Departmental administrations.

Exhibit 80/3
and Committee
file 1965/7/80.

64. In 1949, the Public Service Board prescribed an examination for Excise Officers under section 53 of the Public Service Act and, since its inception, the administrative training programme has provided training for these officers. In 1963 a number of Excise Officers were trained in the Methods of Instruction Course referred to earlier and, until its re-organisation in 1965, almost the entire staff of the Excise Sub-section had attended Supervision and Management Courses.

Exhibit 80/3.

65. During 1954, a conference of Senior Inspectors of Excise approved the first technical training plan to be attempted in the Excise Branch. The programme concerned was designed to provide training appropriate to the duties of Excise Officers, Grade 3, and to develop a correct approach to excise work. Lecture notes were prepared and, although it was intended that formal training would be undertaken whenever possible, these lecture notes became the basis for a system of "on the job" training since the implementation of the formal programme was restricted by the wide dispersion of the Department's staff.

Q.'s 42, 45, 57
and Exhibit
80/3.

66. In 1957, a conference of Senior Inspectors confirmed that the most important avenue of training was "on the job" experience and efforts were made to improve this type of training by the examination of questionnaires completed by officers located at excise establishments. The training received by this method has been augmented throughout the Commonwealth by an informal tutorial system which has developed and which has enabled officers to study for the Excise Officer, Grade 3 examinations under the guidance of experienced Excise Supervisors. The tutorials are of a voluntary nature conducted in the officers' free time, and we were informed that it was very rare for a tutor to claim overtime for this work. Mr. Fernon added that as the relevant examination could also be taken by officers outside the Department, the voluntary training performed, usually on Saturday mornings, enabled the officers from other Departments to study for the examination when no other method of conducting the classes existed.

Q. 50 and
Exhibit 80/3.

67. The Department informed us that while procedural training contributed to efficiency in certain areas, the problem of having trained staff reporting on a planned basis continued to pose a problem. It emphasised the importance of providing a flexible organisation and at the same time enabling officers to gain experience and develop and demonstrate their ability. In November, 1961, the Department therefore had commenced work on developing the system now known as the Junior Technical Training Plan. This system is designed to provide a form of planned, controlled staff rotation with formal courses and carefully supervised "on the job" training for officers engaged in both customs and excise work. We were told that the significant future of the scheme is that it attempts in a planned manner, to train and develop movement of staff between the customs and excise areas of work.

Exhibit 80/3.

68. The Department told us that it hoped to overcome eventually the deficiencies of State Excise Branch training through the implementation of the Junior Technical Training Scheme. However, the pressure of training commitments in the customs area, which had had an unstable staffing situation, had not permitted the system to become fully operative in the excise area.

Exhibit 80/3.

For example, in South Australia, the problem of domestic arrangements when moving staff on a pre-arranged roster was said to aggravate the situation but it was considered that these were problems of a nature which would not interfere unduly with the long-term aim of obtaining officers conversant with both customs and excise work.

Exhibit 80/3
and Q. 40.

69. The Department stated that in exercising its broad primary function of controlling goods, either being imported or exported through Australian ports, positions in the Department's organisation in which most control is vested are those of Invoice Examining Officers, which are positions requiring extensive technical knowledge. In 1952, the Central Office proposed a course of training for prospective Invoice Examining Officers due to an expected increase in the rate of staff turnover which would impair efficiency in this area of work. Prior to 1952, informal courses had been conducted in Queensland, New South Wales and Victoria, but following a Conference of Inspectors (Personnel) in 1952, pilot courses were conducted in Sydney and Melbourne in 1953 consisting of training periods of six weeks duration followed by a period of twenty weeks "on the job" training under the supervision of the Instructor.

These courses are prescribed under section 53 of the Public Service Act and officers are required to withstand appeals and pass an examination, including practical tests, before being eligible for promotion as Invoice Examining Officer. Courses had been introduced to all States and have become a consistent feature of the training programme. We were informed that a comprehensive review of the training was being undertaken at the time of our public hearings.

70. The Department also conducts courses in supervisor training, generally of six days duration, for officers of each State Administration and the Central Office. In 1963, a redesigned course was introduced into State Administration training programmes, to cater for Supervisors at lower levels and these courses of five days duration have been conducted in all States except South Australia. The Department told us that the most significant change in supervision training since its commencement in 1954 has been that the current courses are directed toward wider ranges of supervisory positions and cover, in detail, elementary supervision principles. The original courses, designed for senior officers, are now more correctly classified as Management Conferences. Since 1954, the Public Service Board's Management Conferences and the departmental Management Seminars have gradually superseded the original courses and now satisfy the managerial training requirements of the Department. As a result of the development, supervision training has been formulated to give grounding in the basic principles of management at all levels. Exhibit 80/3.
Committee file 1965/5/80.

71. We were informed that two departmental Management Seminars have been conducted—the first in 1960 and the second in 1963. These Seminars are residential courses of two weeks duration conducted in Canberra every three years and are designed to allow twelve senior Third Division officers to discuss principles of management with experienced administrators, either from within the Commonwealth Administration or from private enterprise. Exhibit 80/3.

72. The Department told us that it has consistently made use of the facilities provided by the Public Service Board and other bodies for the development of staff resources. These facilities were said to include Public Service Board Management Courses and certain other courses conducted for specialist officers concerned with such aspects as Training, Organisation and Methods, and Automatic Data Processing Programmes. Other outside training bodies whose facilities the Department has utilised are the Administrative Staff College, Mount Eliza; the University of Melbourne's Summer School of Business Administration; the Australian Institute of Management; the Australian Institute of Export; and various Technical Colleges. The Department also sponsors the membership of the Junior Chambers of Commerce for certain junior officers as an extension of departmental training. Exhibit 80/3
and Committee
file 1965/5/80.

73. In 1961–62, the Department provided an intensive nine months course in Customs Administration for a group of nine Fellows nominated by member countries of the Economic Commission for Asia and the Far East and in 1963 a second course was conducted. This latter course was of six months duration and was attended by Fellows from member countries of both the Economic Commission for Asia and the Far East and the Special Commonwealth African Assistance Plan. A third course was conducted during 1965. Exhibit 80/3.

CHAPTER 7—PUBLICATIONS SECTION

74. We were informed that the Department had been concerned for some years about the number of instructions it was necessary to issue throughout the Department, the methods used in preparing, issuing and storing these instructions and the amount of time spent by officers in keeping the various publications up to date. In May, 1960, the Department's Organisation and Methods Section was directed to conduct an investigation with a view to establishing an autonomous Publications Section. It was envisaged that such a section would receive departmental instructions in approved draft form from the responsible branches and proceed with their production and distribution. Exhibit 80/3
and Q. 66.

75. The subsequent report of the Organisation and Methods Section revealed that there existed two major problems associated with the handling of departmental publications. It was found that each branch in Central Office had been issuing its own instructions. Some of these were further amplified in the State Offices by circulars or orders, and, as a result, an overlap of subject matter occurred which tended to confuse officers referring to the instructions. In addition, it was found that a considerable amount of work was involved in bringing the publications up to date and many officers were maintaining some publications which they would use only if they were moved to another area of work. Exhibit 80/3
and Q. 60.

76. The organisation and method report recommended, *inter alia*, that prior to the establishment of a Publications Section, a temporary position of Director, Publications, should be obtained to allow an overall examination of publication problems to be performed. This officer's findings, together with those of the organisation and methods investigation, Exhibit 80/3.

Exhibit 80/3. provided the basis for the subsequent publications organisation. It was decided that a Publications Section should be established and that it should be responsible for:

- (i) economical and efficient production, distribution, use and storage of Departmental publications and amendments thereto;
- (ii) control of stock levels and sales of publications to the public;
- (iii) co-ordination of publications to eliminate duplication and conflict; and
- (iv) a continuous review of the form, context, necessity for, and basis for the distribution of, publications.

Exhibit 80/2. 77. The section was to be developed in two stages. During the first stage, it was responsible for "working" publications and the gazettal of Ministerial Determinations under Part 16 of the Customs Act and By-laws which were not directly associated with tariff changes. In the second stage it would assume responsibility for the publication of Parliamentary Papers and the balance of the Department's legal instructions.

Q.'s 67, 69, 77 and Exhibit 80/3. 78. We were informed that by replacing the "cut and paste" method of amendment by one involving reprint pages, interleaving folios evolved as a necessary form of interim advice to overcome both the time lag in preparing reprints and delays in receipt of reprints from the Government Printer. However, with the virtual abolition of import licensing in February, 1960, and the return to the tariff as the instrument of protection, the volume of amendments became so great that the system became too expensive and cumbersome and involved considerable duplication in the preparation, removal and insertion of amended pages. It was then decided that interleaving folios should be used only in exceptional circumstances. However, we were informed that this decision necessarily required the capacity to rapidly set-up and distribute reprint pages. Following extensive inquiries, it was decided to purchase two automatic typewriters as the nature of amendments to departmental publications was most suited to the application of the tape-punching and tape-reading facilities of these machines. This procedure enabled the Department to accurately and quickly produce master copies of reprinted pages for delivery to a reproduction unit in adjacent premises which had been established by the Government Printer to meet the needs of the Department.

Exhibit 80/3. 79. In addition to staffing, the other element necessary for the successful operation of the Branch was said to be an efficient storage and distribution system. This would permit minimum stock holdings of current pages and ease of access to ensure ready availability of either individual pages or complete volumes, while reprint pages would be delivered in bulk to State Offices where collation could be performed. Consequently, it was decided to purchase, where necessary, "Railex" vertical filing pockets with appropriate storage units.

Exhibit 80/3 and Committee file 1965/5/80. 80. As a result of discussions with the Public Service Board in February, 1963, an establishment of thirteen positions was considered appropriate for the new section. Two of these positions were to be transferred from the Personnel Sub-Section, four positions were transferred from the Publications Section of the Tariff Branch, which at that time was processing the publications work peculiar to that Branch, and two temporary positions of Clerk £2,029-£2,162 (\$4,498-\$4,768) were provided to undertake a revision and codification of the Department's procedural manuals. Subsequent to the establishment of the reproduction unit at Barton by the Government Printer and, as a result of the experience gained with the existing organisation, a re-organisation of staff was found to be necessary. As at May 1965, the staff of the Publications Section was as follows:

- Publications Officer, £2,450-£2,594 (s) (\$4,900-\$5,188).
- Clerk, £2,029-£2,162 (s) (\$4,058-\$5,324). (1 permanent, 2 temporary positions).
- Clerk, £1,663-£1,907 (s) (\$3,326-\$3,814) (temporary).
- Clerk, £1,053-£1,297 (s) (\$2,106-\$2,594) (2).
- Clerk, £529-£1,175 (s) (\$1,058-\$2,350) (2).
- Clerical Assistant Grade 2, £818-£874 (s) (\$1,636-\$1,748) (2).
- Clerical Assistant Grade 2, £364-£818 (s) (\$728-\$1,636).

Exhibit 80/3. Q. 78 and Exhibit 80/3. 81. We were informed that the Publications Section had progressed to full operational status during the first half of 1964, becoming an integral part of the Department's organisation, and that the smooth progress which had been achieved in the adoption of the Brussels Tariff was attributable in part to the existence of the Section. As evidence of the success obtained by establishing the Section, the Department pointed to continual requests which the Section has received from other areas of the Department for advice on, and the production of, a large variety of booklets and forms. It was considered that control of the Department's many and varied publications had been effectively established with the development of the Publications Section and that the original objectives in establishing the Section had either been achieved or were considerably advanced.

PART III. EXCISE CONTROL PROCEDURES

CHAPTER 8—RESPONSIBILITIES OF THE DEPARTMENT AND METHODS OF CONTROL

82. The Department of Customs and Excise has, among other functions, the duty of collecting customs and excise revenue in Australia. Customs duty is a duty imposed on goods imported into the country but excise is a duty imposed on commodities manufactured or produced in Australia. The distinction between the two types of duty is important since the customs tariff, which involves nearly 500 items sub-divided into 3,500 sub-items and paragraphs, is predominantly a device to protect local industry while the excise tariff, consisting of 21 items, is purely a means of raising revenue. Customs and excise revenue in Australia in 1964-65 amounted to £449.8m. (\$899.6m.) of which £315.6m. (\$631.2m.) was derived from excise duties. The excise receipts were received in respect of the following commodities:

Exhibit 80/2.
Table No. 3,
Estimates of
Receipts and
Summary of
Estimated
Expenditure
year ending
30/6/66.

	£ m.	(\$ m.)
Beer	130.1	(260.2)
Spirits	9.6	(19.2)
Tobacco	8.9	(17.8)
Cigars and cigarettes	85.5	(171.0)
Motor spirits and other petroleum products ..	74.1	(148.2)
Diesel fuel	4.6	(9.2)
Other	2.8	(5.6)
	<hr/> 315.6	<hr/> (631.2)

83. The legislation administered by the Department through the Excise Branch consists of: Exhibit 80/2.

- (i) *Excise Tariff* 1921-1965;
- (ii) *Excise Act* 1901-1965 and Regulations;
- (iii) *Distillation Act* 1901-1956 and Regulations;
- (iv) *Beer Excise Act* 1901-1958 and Regulations;
- (v) *Spirits Act* 1906-1952 and Regulations;
- (vi) *Coal Excise Act* 1949-1961 and Regulations;
- (vii) *Canned Fruit Excise Act* 1963 and Regulations;
- (viii) Excise By-Laws;
- (ix) Spirit Act By-Laws.

These various Acts and Regulations give to the Department the power to exercise controls to protect Commonwealth revenue. They also impose upon manufacturers and producers certain obligations to ensure that excisable goods manufactured are satisfactorily brought to account and that all revenue due is paid.

84. The essential elements of excise control are:

Exhibit 80/2.

- (i) Manufacturers and producers of excisable goods must be issued with a licence by the Department. Licences are renewable as at 1st January each year.
- (ii) An annual licence fee is payable in respect of a licence and a licensee must furnish to the Department a security for compliance with the Acts and Regulations these securities are normally of a documentary nature guaranteed by a bank or approved assurance company.
- (iii) The Department also may require and take securities from any persons to ensure compliance with excise acts and generally for protection of the revenue.
- (iv) Licensees must comply with legislative requirements as to the provision of secure storage facilities for excisable goods within factories.
- (v) Responsibility for the safekeeping of excisable goods within his factory is placed with the licensee. If the goods are outside the factory, responsibility lies with the person who has the custody, care or control of the goods.
- (vi) All operations in the manufacture of excisable goods are subject to the right of supervision by officers of the Department.
- (vii) Licensees must keep records relating to the production of excisable goods and submit returns to the Department as prescribed by legislation.
- (viii) Officers have access at all times to licensees' premises and to licensees' records required to be kept by legislation.

- (ix) Departmental records of production and delivery are also maintained for some products.
- (x) Excisable goods may be delivered in three ways from licensed premises, viz:
 - (a) for home consumption, i.e., for consumption in Australia;
 - (b) to a place approved by the Department for storage; and
 - (c) for exportation.
- (xi) Before excisable goods may be delivered from a licensee's premises, the licensee or owner must submit to the Department an "entry" detailing the name of the licensee or owner and the quantity and type of goods to be delivered. (Excise duty on goods removed from licensed premises to an approved storage place need not be paid until immediately prior to delivery from that place by the licensee or owner for home consumption. The Department also retains documentary and physical control over excisable goods moving within the Commonwealth between licensed premises or approved storage places.)
- (xii) Separate entry forms are prescribed in respect of goods to be delivered in each of the ways mentioned in paragraph (x) above. (A "passed" entry is in effect the documentary evidence of the Department's approval for the licensee to deliver the goods.)
- (xiii) Excise duty is payable before an entry for home consumption is passed by the Department. (In practice, an entry for home consumption is passed when the details thereon have been verified to the satisfaction of the Department and the amount of excise duty has been lodged with the Department.)
- (xiv) Excisable goods which are exported overseas are not liable to excise duty by virtue of the fact that they are not entered for home consumption in Australia.

Exhibit 80/2.

Exhibit 80/2.

85. There are currently three different control systems in operation in excise branches. The first involves occasional supervision in some circumstances (such as "under bond removals") and the submission of monthly returns by licensees to the Department. A percentage check of licensees' records is conducted each month by officers together with an examination of returns and licensees' stocks of excisable goods where practicable. This system applies to such commodities as beer, saccharine, cigarette papers, playing cards, matches and coal.

Exhibit 80/2.

86. The second control system exercised by the Department involves full-time supervision by Departmental officers of all physical operations at licensed premises allied with the maintenance, by officers at those premises, of detailed departmental records. This system applies to commodities such as tobacco, cigarettes, cigars, spirits, wines and liqueurs.

87. The third system of control operated by the Department involves the planned random supervision by officers of a licensee's physical operations and the submission of licensee's returns which are compared with his other operational and financial records. This system was applied to petroleum products in 1959 and included the unification of control of both locally refined and imported petroleum products. The same system was employed for the control of canned fruit when that product first became excisable in 1963.

88. The third system described above is known within the Department of Customs and Excise as the system of commodity control and constitutes one of the most significant alterations to departmental practices to be considered in recent years. Because of the significance of this method of control, we examined the departmental proposals in detail and initially sought from the Department information relative to the origin and development of the proposal.

Q. 2.

89. We were informed that some of the methods of control in the excise field are almost traditional and date back to the time of Federation. The Department stated that for many years it realised that it lacked efficient resources to carry out large-scale reviews of its methods even though there were no apparent deficiencies in fundamental practices. However, with manufacturers turning to advanced methods of control and administration in the last few years, it had become apparent to the Department that some review was necessary. This need first became apparent in relation to the procedures adopted in the collection of excise on petroleum products and resulted in the introduction of a system later known as the system of commodity control.

Exhibit 80/5.

90. The Department informed us that following a report by the Organisation and Methods Section that there appeared to be a duplication of administrative effort in the excise control of petroleum products, the Comptroller-General in 1956, Mr F. A. Meere (now Sir Frank Meere, retired), authorised the Organisation and Methods Section to examine critically all aspects of that control. The investigation revealed that four separate branches, viz. the Excise Branch, the Warehouse Branch, the Invoice Room and the Drawbacks Branch, were all involved in the excise control of the petroleum industry.

91. In January, 1958, a group of senior officers of the Organisation and Methods and Administrative Sections of the Department was constituted as an Oil Committee. As a result of its deliberations, this Committee produced the following recommendations: Exhibit 80/5.

- (i) A new branch to be known as the Petroleum Products Branch should be formed to assume excise control over the petroleum products industry.
- (ii) The control to be exercised should be based upon each company's own working documents supported by such returns as the Department would require.
- (iii) The full-time attendance of excise officers at the various warehouses and refineries should be abandoned.
- (iv) Legislation should be drafted authorising the Department to make such examinations as would be necessary for the collection and protection of the revenue in the field of product control and documentation.
- (v) A new system of selective random checks of company documents, and a reconciliation of goods to those documents, should be devised by the new branch.
- (vi) The new branch should also focus its attention upon losses in the industry and methods to control those losses.

92. In January, 1958, the Comptroller-General of the Department agreed in principle to these recommendations and in July of that year a conference took place between the Department and representatives of the oil industry to consider the departmental proposals. The conference was designed to obtain the industry's point of view and to stress the importance of eliminating any possible risks to the revenue. It was said that after hearing the proposals, each company praised the Department's attempt to simplify controls in the industry and the discussions which followed were then centred around the problems of implementing the new system. On 2nd September 1959, the Minister for Customs and Excise approved the Comptroller-General's proposals for simplifying the departmental controls over the petroleum industry. This approval marked the end of the first stage and the introduction of the actual programme in the industry. Exhibit 80/5.

93. Late in 1962, a departmental review was undertaken of all other excise procedures and activities. In that year, the Assistant Comptroller-General (Excise), assisted by a staff of three officers, embarked on a physical review and informal discussions were held with a view to determining whether the situation would justify the employment of a greater number of officers and the expenditure of larger sums of money to further investigate the situation. The discussions established that further investigations should be undertaken and in 1963, the Assistant Comptroller-General (Excise) and another officer visited almost every important establishment producing excisable goods in Australia. By the end of 1963, a detailed and comprehensive report was made available to the Comptroller-General of the Department who referred the report to the Senior Inspector of Excise in Victoria (a very senior and experienced officer) for his views. The Senior Inspector's report was then referred to the State Collectors of Customs, in February, 1964, and thereafter referred to the 1964 Conference of Senior Inspectors of Excise. The recommendations of the Senior Inspectors of Excise were referred to the Annual Collectors Conference, held in October, 1964, which decided that steps should be taken to examine in detail the application of a commodity control type system to excisable products in turn (apart from spirits) and that, where it proved to be desirable and practicable, the system should be applied, subject to staffing requirements. The Conference also decided that a closer examination should be undertaken of problems raised in respect of the wine and spirit industry and that a more detailed report should be prepared by the Central Office setting out how those problems might be overcome. Q. 1185.
Exhibit 80/5.

94. Following the Collectors Conference, the Collector of Customs for New South Wales recommended to the Comptroller-General that a trial based on the commodity control concept should be implemented at the Pyrmont, New South Wales, distillery of the Colonial Sugar Refinery Co. Ltd. This proposal was agreed upon and a six months trial period commenced from 1st May 1965. A review of the evidence received in respect of this trial undertaking is discussed in the chapter relative to the control of excise at distilleries. Q. 941 and
Exhibit 80/5.

95. In response to questions on the detailed nature of the system of commodity control, we were informed that it was based on five principles, the first of which was that all excisable commodities may be controlled in the same way regardless of their origin or situation. The Department did not believe that it was necessary for its records of the activities for a particular organisation to be maintained as, provided they were satisfactory, the licensee's records could be used by the Department in exercising its controls. The Department believed, secondly, that the full-time attendance of excise officers at each factory was not necessary, even though the presence of an excise officer acts as a deterrent to any irregular practices. Where the receipt of Q. 1177.

due revenue might be avoided, it was believed that the same degree of security could be achieved by planned random checks, of all phases of an organisation's operations by excise officers on a pattern known only to the Department. A third principle of the system was that licensees should be required to furnish to the Department an operational return at specified intervals, subject to the size of the enterprise. Existing legislation already required various factories to render returns, but the Department proposed to seek a return of activities in, say, a preceding month which would be compared with the transactions revealed in the company's own books to ensure accuracy. The return would also be reconciled with information gathered during the random examination conducted by excise officers over the period in order to ascertain whether due revenue had been received in respect of the production figures achieved. The underlying thought behind this principle was that the merchant must bear the responsibility of ensuring that due revenue is paid to the Commonwealth rather than having the extent of his liability assessed by an excise officer.

96. A fourth principle, which was stated to be embodied in the three principles enunciated above, was that of the random check itself during the exercise of which the Department hoped to adopt the techniques of random checks and random samplings in the same manner as that employed by an auditor. The Department proposed to review and list every operation undertaken and every document employed in a factory under review and to develop an examination procedure peculiar to the commodity being produced in that factory. These examination procedures would be compared with the results achieved in other States, and, in the event of a discrepancy being revealed during the performance of such an examination, the situation would be thoroughly explored to ascertain whether similar discrepancies could be expected at other factories.

Q. 1177. 97. The final of the five principles of commodity control related to procedures adopted in respect of the under-bond removal of excisable products. The procedures currently employed by the Department literally involve many thousands of documents since each entry consisted of from five to seven separate copies. Although the present system had proved to be effective, the Department hoped to have under-bond removals schedules by a manufacturer without the need to have a separate entry for each movement, with the result that the manufacture would have to complete one document each week instead of possibly hundreds.

Q. 1177. 98. We were informed that the employment of the five principles enunciated above would result in considerable savings to the Department in both manpower and money values, in addition to benefiting the merchant. It was said that they would be assisted by the removal of present restrictions in attending to their own affairs since operations could be undertaken without having to previously advise the Department, and without having a departmental officer present. At the same time, the responsibility would devolve upon the manufacturer to ensure that all due Commonwealth revenue was paid to the Department.

Q. 997 and Exhibit 80/2. 99. It was stated that the Department expected to achieve substantial savings in manpower in employing the system of commodity control but, at the same time, emphasised that due to the growth of the industries producing excisable commodities, excise officers presently employed in exercising detailed supervision would have their talents readily employed but with a different emphasis. Notwithstanding these assertions, we note that the New South Wales Administration had made no evaluation of future staff needs under the revised control system. Indeed, despite the fact that the system was undergoing a trial period at a distillery at Pyrmont, Sydney, a witness in New South Wales stated that before any evaluation of staff requirements and staff training could be undertaken, the Department would need to have clearly set out in principle what it was seeking to achieve and, after determining this principle, how it was to implement the necessary proposals. In this context, we note that although a physical review of all excise procedures was undertaken in Australia in 1962 and that in 1963 a detailed report was made available to the Comptroller-General and circulated to all State Collectors, senior officers in Western Australia, South Australia and New South Wales informed Your Committee that although they supported the principles inherent in the system of commodity control, they were uncertain how, in certain fields, these principles were to be implemented.

Q. 1003.
Q. 985.
Q. 980.
Exhibit 80/5.
Q's 581, 624 and 1010.

CHAPTER 9—THE PETROLEUM INDUSTRY

(A) PETROLEUM PRODUCTS OTHER THAN DIESEL FUEL

Exhibit 80/2. 100. The Department's functions in relation to petroleum products are primarily the collection of specified customs duties on imports and excise duties on locally refined products produced from either Australian or imported crude oil. The refining processes are subject to continuous control to the point of final delivery, for home consumption or exportation, of the finished excisable products, such as motor spirit, solvents and diesel fuel.

101. Until 1959, control over the various operations connected with petroleum refining and marketing was exercised by a number of branches of the Department, such as Excise, Warehousing, Invoice Room, Security, Drawbacks, Shipping and Investigation, but the complex structure of control over the rapidly expanding oil industry brought home to the Department the need for a critical reappraisal of this system. Consequently, a committee was established within the Department during 1957 to conduct a review into the work of regulating imports of crude oil and petroleum products, the supervision of production and storage, and the collection of duties. The committee was expressly required to examine the adequacy of the systems of control then existing and, after considering the adequacy of the systems, to recommend such changes as the circumstances appeared to warrant. Exhibit 80/2.

102. The committee recommended that both customs and excise controls should be administered by specialist sections to be established, under the Collector of Customs in each State, with an advising and co-ordinating section in Canberra, and in May, 1959 the Public Service Board approved the creation of Petroleum Products Branches in the Central Office of the Department and the State offices. The new Petroleum Products Branches, at the same time, took over the administration of the Diesel Fuel Tax Acts which, since 1957, had been administered by the Excise Branch. Q. 433 and Exhibit 80/2.

103. At the same time as the organisational structure was altered, it was proposed that detailed departmental records of operations would be dispensed with and that oil company records would be utilised subject to certain safeguards. The crown locked control points at storage tank outlets and other points in refineries and warehouses would become the responsibility of the oil companies and customs and excise officers stationed continuously at oil warehouses and refineries would be withdrawn. However, to ensure adequate protection of the revenue, it was proposed that officers in the new specialist sections in each State would make both regular and random inspections of all oil company records and physical operations. The system ultimately devised for the control of excisable petroleum products involved planning in advance the proposed random checks based on a technical knowledge gained prior to the examination. The object of the checks is to evaluate those areas in which risks to the revenue might exist and to test a company's system in order that the Department may be satisfied that the company's own internal check system will obviate any threats to the security of Commonwealth revenue. Q. 429.

104. The revised procedure was the forerunner of the system of commodity control, discussed earlier in this report, although the system applied to the petroleum industry is known as the Petroleum Products System and is based upon the following principles: Q. 429 and Exhibit 80/2.

- (i) Departmental officers must acquire specialist knowledge of oil company recording systems, physical operations and company supervisory techniques;
- (ii) Full-time departmental supervision of the industry is not exercised;
- (iii) No daily records are maintained by officers at the oil installations;
- (iv) Detailed records of a nature satisfactory to the Collector of Customs are to be maintained by all oil companies;
- (v) The oil companies are to submit regular returns of all operations;
- (vi) Departmental officers conduct planned random checks of all physical and recording operations;
- (vii) Strict controls are exercised over reported losses by using comparison and analysis techniques; and
- (viii) The control of supervision is unified at Central Office level.

105. In response to our questions on the nature of the records which the oil companies were required to maintain, we were informed that no particular form of document was prescribed by legislation and that the department did not feel it necessary that any prescribed form should be stipulated. The department was endeavouring continuously to simplify its techniques and indicated that it wished to avoid the use of mandatory returns which eventually may become redundant. The present Customs Act and Excise Acts stipulate that a manufacturer will submit documents as required by the Collector and, since sections of those Acts provide that the production to an officer of a document which is untrue in any particular is subject to penalty, the Department felt that its demands for adequate documentation were being satisfied. Q. 699.

106. We were informed that petroleum products installations may be broadly classified under two headings—viz: refineries in which crude oil is processed into various products and warehouses to which the finished product is transferred under bond. Exhibit 80/2.

107. Refineries have been built throughout Australia for the treatment of base materials to produce petroleum products of varying complexity to meet the expanding needs of present day industry. Excisable petroleum products are normally refined (or manufactured) from crude oil Exhibit 80/2.

Q. 196. which becomes subject to the Customs Tariff (in common with all imported commodities and articles) immediately upon its discharge from the overseas tanker. However, the crude oil, although in itself not subject to excise, becomes subject to excise control upon being transferred to the premises of a licensed refinery.

Q. 196. 108. After the quantity of any particular shipment of crude oil (or "feed stock") received into a licensed refinery has been established by tank dipping, the product is initially fed to distillation units. In this process, the feed stock is heated to a point at which a vapour is emitted, which, after being condensed, results in the production of bitumens, furnace oils, distillates and kerosenes, motor spirits, solvents and gases. In secondary processes, the heavier products are again broken down into lighter products, such as motor spirit, and ultimately, a finished blended product is piped to special storage tanks to await commercial distribution. The finished products are then removed from the refinery to intra-state marketing companies, interstate refineries or marketing companies or are exported. However, of the products manufactured only motor and aviation spirits, solvents, kerosenes and diesel fuels are excisable.

Q.'s 398 to 412, 454 and 738. 109. The Excise Act requires that refineries be annually licensed under the Act and that securities should be lodged against possible losses of revenue. The refinery may be licensed as both a factory and a warehouse at which the finished product is stored. The license fee for a petrol refinery is £1 (\$2) a year but the license in respect of its operations as a warehouse may reach £880 (\$1,760). This latter license is paid under the Customs Regulations (as opposed to the Excise Regulations) and is payable by virtue of the fact that the warehouse may on occasion store customable or imported products. The security is payable by virtue of the Excise Regulations which state that before a license to manufacture petrol is issued, security to the satisfaction of the Collector for compliance with the Act and the Regulations shall be furnished by the applicant. We note that although the security need not be lodged in cash, the extent of a guarantee required in respect of one oil company we inspected had been set in the Customs General Orders at £10,000 (\$20,000).

Exhibit 80/2. 110. After the issue of a license, the State Collector of Customs is empowered to physically examine all operations, records and equipment for any purpose connected with the protection of revenue. For this purpose, each licensed installation is closely examined by officers of the Petroleum Products Branch who record, in the form of a procedural statement, the following information:

- (i) a statement of all activities;
- (ii) a list of key personnel;
- (iii) particulars of storage tankage;
- (iv) a list of road waggons, etc.; and
- (v) statements outlining each individual operation in the installation.

Exhibit 80/2. 111. After compilation, a copy of the statement is submitted to the oil company in order to verify the accuracy of the details. The procedural statement then becomes the authority for the sequence of operations within the installation and the company is required to obtain the Collector's permission to vary a procedure or introduce a new operation. Each company is also required to provide a return, which is examined by inspectors from the Petroleum Products Branch, detailing its opening stocks, receipts of excisable products, deliveries for home consumption, transfers, losses and stocks at the end of each period. This return forms part of the company accounting system subject to audit by company officers and, when certified by the manager of the installation, must be submitted to the Collector, accompanied by such supporting documents as the Collector requires. On receipt of the return, it is examined by an inspector, random-checked to company documents by an investigation officer and finally approved by a senior inspector.

Exhibit 80/2. 112. It was stated that refining companies normally dispose of their products through separate marketing companies but that these companies usually have their own licensed installations which, in some cases, could be an extension of the refinery. Removals to separate installations are shown on company returns furnished to the Department but the movements are not physically supervised except on a random basis. The results are then fully checked by comparing and balancing receipts and deliveries shown on the returns of the companies concerned.

Exhibit 80/2. 113. We were informed that storage in customs warehouse tanks is controlled in a manner similar to that exercised in refineries. Although departmental check dips are made at regular intervals and reconciled with company records, careful measurement of refined products is essential to enable a consistent watch to be maintained on stocks and on storage, transport and handling losses. Refinery staffs maintain a system of four-hourly dips of commodity tanks, the results of which are recorded on documents available to branch inspectors but, in addition, the

Q. 440.

Department carries out random check dips of tanks during certain operations such as the transfer to other installations by pipeline, exportation or by coastal shipping movements. However, the measurement of bulk quantities of petroleum involves accurate measurement of volume and temperature, the accurate determination of specific gravity or density, and the calculation of weights and volumes at a standard temperature of 60°F. We were informed that the American Society for Testing Materials, the Institute of Petroleum in England, and other national standardisation bodies, all issue codes and procedures covering most aspects of petroleum industry activities and, as far as possible, the Department based its standards on those codes. Exhibit 80/2.

114. Under the provisions of the Excise Tariff, motor spirit, as a manufactured product, is a commodity attracting excise duty. Accordingly, it is at the point of production where the spirit emerges as a final product that it becomes excisable and any removal of consignments for home consumption must be necessarily preceded by the submission of an entry and the payment of the appropriate amount of duty as prescribed. The gallonage cleared on excise entries is taken into company records as a customs-cleared balance (i.e. a credit balance) against which deliveries may be made. Q. 443.

115. Deliveries may be consigned for home consumption by either road waggon, drums or rail tank cars. Road waggons used to transport the liquid product may carry up to 6,000 gallons held in as many as six compartments but each compartment is calibrated by a person or company approved by the Department. Identifiable dipsticks are carried on each waggon for each compartment and master dipsticks are held under lock by owners, while certificates of calibration are supplied to the Department by authorised calibrators and a chart of the dipsticks is held by the Department. If a consigning installation is equipped with meters for filling road waggons, it is not necessary to dip the consignment prior to its departure and duty is paid upon the gallonage revealed as the difference between the opening and closing meter readings for each day. All consignments other than metered loadings must be supported by a load slip which records the quantity in the tank compartments before loading, the quantity and grade of product to be loaded, and the actual total quantities in tank compartments after loading. At the close of each day, the company is required to list in sequence all load slips and the gallonage loaded, after which the total is deducted from the duty-cleared credit balance. Exhibit 80/2.

116. In exercising their control over consignments, departmental investigation officers, on a planned random basis, examine company records in order to ensure that all deliveries are properly accounted for. The checks undertaken include an examination of orders and invoices, a reconciliation of the gallonage recorded on load slips and the gallonage recorded in a daily summary, and the testing of meters on the installation for accuracy by comparison with a master meter. Consignments leaving the installation in rail cars or drums are subjected, again on a planned random basis, to detailed checks of a similar nature. Q. 196 and Exhibit 80/2.

117. A basic principle of the control exercised by the Department over petroleum products is that oil company licensees must account to the Collector's satisfaction for all goods held under excise control in their installations. However, one feature of the storage and distribution of petroleum products is the inevitable losses which occur. Most petroleum products are highly volatile liquids and, due to mechanical handling in very large containers, changes in temperature and pressure, some losses must be expected. We were informed that provided the evaporation and wastage rate is not unduly high the company is not usually called upon to pay duty in respect of the deficiencies. However, after the implementation of the petroleum products system, companies had become subject to examinations of a much more critical nature than previously and, since 1959, there had been some 50 occasions involving 478,000 gallons of motor spirit in which the Department had disallowed a loss which it regarded as excessive. Of this number of losses refused by the Department, 26 occurred in Western Australia involving 66,718 gallons. Q. 450. Q. 205. Q. 442. Q. 201. Q. 435.

118. The Department informed us that all loss statistics are recorded in detail and closely examined on a quarterly basis. In reviewing these statistics, the Department considers, among other aspects, the previous records and normal operating pattern of the installations, reported accidents or unusual circumstances, changes in company techniques and the efficiency and sense of responsibility displayed by company personnel. Exhibit 80/2.

(B) DIESEL FUEL

119. Diesel fuel is defined in the Customs and Excise By-Laws as a petroleum oil obtained from bituminous minerals of a type used or capable for use as fuel in diesel-engined road vehicles. Automotive diesel oil (commonly called distillate) and industrial diesel oil (usually called diesel fuel) are the two oils most widely used for this purpose and, accordingly, the term diesel fuel, whenever appearing, refers to both distillate and diesel fuel. Exhibit 80/2.

Q. 697. 120. The duty imposed on diesel fuel which is used in propelling road vehicles on public roads has been in existence since 4th September 1957. During the 1957 Budget Speech, the Treasurer stated that the Government had been impressed by the fact that operators of diesel-powered road vehicles, as compared with operators of petrol-driven vehicles, were not making a reasonable contribution to the cost of building and maintaining the roads they use and the Government has decided, therefore, to impose Customs and Excise duties equivalent to 1s. 0d. (10c) a gallon on automotive diesel oil consumed by road users. The rate is now \$0.125 per gallon.

Exhibit 80/2. 121. The Customs Tariff specifies the rates of duty applicable to imported diesel fuel as \$0.125 per gallon when used in propelling a road vehicle on public roads but free of duty when used otherwise. The Excise Tariff provides similar rates of duty for Australian-refined diesel fuel. Originally, By-Laws defined the dutiable fuel as "of the type used as fuel in diesel-engined road vehicles". However, it had been realised that there was an increasing tendency on the part of some operators of diesel-engined road vehicles to use the "industrial" type of fuel instead of the "automotive" type on which duty had been levied in the past. To overcome a situation in which the objects of the regulations were being defeated, the By-Laws were amended in May, 1959, to include the words "or capable of use".

Q. 365 and Exhibit 80/2. 122. We were informed that three classes of diesel fuel users existed, namely, road vehicle operators, dual users or persons who operate road vehicles and exempt equipment (such as earthmoving vehicles and stationary diesel engines) and persons who operate only exempt equipment. Diesel fuel may be purchased at the duty-free price by a person who is the holder of a diesel fuel certificate. This certificate may be issued by the Minister or his delegate to certify that a person specified in the certificate is a person who requires diesel fuel for use otherwise than in propelling road vehicles on public roads. Certificates were issued originally to persons whose annual duty-free usage exceeded 20,000 gallons but this necessitated all other users paying the duty-inclusive price and receiving rebates if their usage was in respect of exempt equipment. Most users of diesel fuel for exempt purposes were primary producers who, because of their relatively small annual usage, were not entitled to a diesel fuel certificate. In consequence, the certificate scheme was extended to all users who satisfied the Minister that they require diesel fuel for exempt purposes and to date approximately 250,000 certificates have been issued.

Exhibit 80/2. 123. The original system adopted by the Department in respect of diesel fuel revenue was based upon statistical controls under which oil companies were permitted to enter quantities of duty-free fuel in order to create a "bank" from which certificate holders could be supplied at a duty-free price. The companies were then required to submit schedules of duty-free sales to the Department showing the name of each purchaser, the certificate number and the quantity sold in each transaction. These sales schedules were then processed by the Bureau of Census and Statistics in a manner which revealed the total of each certificate holder's purchases, after which the totals were compared with the estimates of usage made by the certificate holder when application was originally made for the certificates.

Exhibit 80/2. 124. The tabulations from the Bureau of Census and Statistics revealed that many certificate holders had greatly exceeded their original estimated usage. Despite the excessive usage, total revenue receipts were below expectations but limited field investigations disclosed that practically all of the apparently excessive purchases by certificate holders had been due to increased usage of exempt equipment and to the purchase of additional tractors and other equipment. The field investigations also showed, however, that some operators of diesel-powered road vehicles were evading the payment of duty after certificates had been issued to them for the purchase of fuel for duty-free purposes.

Exhibit 80/2. 125. After considering the results of the inquiries made, the Department decided that the processing by the Bureau of Census and Statistics of the details of every duty-free purchase by certificate holders should be discontinued (a step which resulted in savings of £25,000 (\$50,000) per annum in salaries and machine hire) and launched a full-scale field investigation into the consumption of dutiable fuel by dual users and non-certificate holding road vehicle operators. This programme necessitated the obtaining of a list of diesel road vehicle operators in each State. The assistance of State Police and motor registration authorities was sought and records were made available to the Department which provided the name and address of each operator and the details of each vehicle registered by him.

Q. 376. 126. The field investigations were then extended to oil company agents, who had ready access to certificate numbers and could sell duty-free fuel to road operators, and an agency programme was undertaken at selected agencies located on the main transport routes which had a relatively high throughput of diesel fuel. The programme had not been finalised at the time of our inquiry, but of the 1,818 agencies investigated, £4,036 (\$8,072) extra revenue was collected

from 65 agencies. The combination of field investigations together with new entry procedures (discussed below) has led to more effective control and revenue has risen from £2.28 million (\$4.56 million) in 1959-60 to £3.98 million (\$7.96 million) in 1963-64, an increase of 74.5 per cent., whereas the number of diesel road vehicles has risen by only 57.3 per cent. Field investigations to the end of February, 1965, directly resulted in £146,509 (\$293,018) being paid as additional revenue, an increase which became evident almost immediately after the investigations were commenced. As a further deterrent to the use of duty-free fuel in road vehicles, prosecutions were launched where misappropriations of duty were considered to be serious enough to warrant such action. Approximately 200 prosecutions resulted in the recovery of £28,000 (\$56,000) revenue in addition to the payment of £11,000 (\$22,000) in fines and costs.

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127. At the same time as the field investigations were initiated, oil companies in each State were required to submit to the Collector of Customs a reconciliation between all sales made at a duty-paid price and actual duty payments made between September, 1957, and April, 1960. These reconciliations revealed that some companies in various States had paid too much duty whilst others, in certain cases, because of lack of understanding of the then somewhat unusual legislation, paid insufficient duty. Overall, the reconciliations produced additional revenue to the extent of £337,000 (\$674,000). After April, 1960, and with the unanimous support of the oil companies, a system of monthly reconciliations was developed until October, 1962, when a new system of entry was introduced. Prior to this date, oil companies had entered their products on both a duty paid and duty-free basis and some companies accumulated large duty-paid credits. This "bank" system, as it was then known, became more complex and difficult to administer and a review of the practice resulted in the adoption of a new system under which oil companies lodge a cash deposit with the Collector on the 1st and 15th of each month to cover estimated bi-monthly sales. At the same time, an amount equal to actual duty-paid sales during the previous fortnight is transferred to revenue from moneys lodged in a Collector's Trust Account. Stringent checks are maintained by Departmental officers to ensure that sufficient moneys are held to cover duty-paid sales. Exhibit 80/2.
Q. 422.

128. We were informed that the system of control over the payment of diesel fuel duties may be summarised as follows:

- (i) Oil companies deposit with the Department amounts equivalent to the duty related to their estimated duty sales for the forthcoming fortnight.
- (ii) Periodical reconciliations are submitted by the companies detailing duty-free and duty-paid sales.
- (iii) Schedules of duty-free sales to certificate holders are submitted to the Department by oil company agents.
- (iv) Oil companies, at the end of each period, transfer from deposit moneys an amount equal to the actual duty on duty-paid sales for the period.
- (v) Departmental officers check duty-paid sales and schedules of duty-free sales against company records.
- (vi) All sales on a planned random basis are verified by field investigation.

129. We were aware that the control measures adopted by the Department are very largely on a documentary basis which is an essential feature of the system of commodity control, or, as it is known in this field, the petroleum products system. However, we questioned the complex nature of the documentation involved and compared it with the control exercised over the product of a brewery. We were informed that the essential difference was that the products of the brewery released for "home consumption" are, without exception, subject to excise duty. On the other hand, the Department is not aware, at the time of releasing diesel fuel, what proportion of the product will be dutiable and what proportion will be sold as duty free sales, despite the fact that approximately 85 per cent of diesel fuel consumption is eventually for non-dutiable purposes. Q. 426.

130. We were informed that the commodity control system, which has been successfully established in the petroleum products industry, is capable of extension to other products. It was emphasised that the petroleum products system embraces both customable and excisable goods which are not immediately distinguishable. In addition, a customs warehouse may contain goods, some of which are subject to customs control and some of which are subject to excise control, and variations in the procedures relative to one type of duty is invariably reflected in the procedures relative to the other. A primary factor contributing to these difficulties was the number of different pieces of legislation which resulted in necessary variations in the handling Q. 2.

of different commodities. It was stated that the Department had been mindful of the situation and had commenced negotiations with the Attorney-General's Department to consolidate all excise acts with the ultimate objective of combining the customs and excise legislation in order to unify methods adopted in the treatment of customable and excisable goods.

131. In the following chapters of this report, the complexities of administering excise control over products not subject to the system of commodity control will be illustrated.

CHAPTER 10—BREWERIES

- Exhibit 80/2. 132. An excise duty at the rate of 11s. 4½d. (\$1.1375) per gallon applies to beer in accordance with the provisions of Item (1) of the Excise Tariff which prescribes the dutiable products as being ale, porter and other beer containing not less than 2 per cent of proof spirit and any other fermented liquors, not elsewhere included in the Item, containing not less than 2 per cent of proof spirit and which has been by proclamation dutiable under the Item.
- Customs Tariff.
- Exhibit 80/2. 133. Beer is a fermented liquor made from grain and the brewing process may be divided into four broad headings. The first process is that of malting, during which the grain is moistened and allowed to germinate and during which process the grain starches become almost completely converted to sugar by chemical reaction. The product then successively undergoes mashing, hopping and pitching processes during which the malt is ground and treated with hot water to dissolve out the sugars, undergoes a flavouring process and is subjected to rapid cooling to allow the addition of a yeast culture to start the fermentation process. At the conclusions of the fermentation process the liquor, after pasteurisation, cooling and filtering, arrives at the finished product stage where it is ready to be stored in bulk containers or bottles prior to sale. It is the finished product which is subject to excise duty.
- Q. 287.
- Q. 146. 134. In the making of beer at major breweries it is not possible to determine accurate stock holding figures in regard to brewing materials and beer in the process of manufacture. This situation arises from factors such as the development of bulk storage methods for materials, the use of complex equipment in the brewing process (for example, pressure vessels, and pasteurising and cooling chambers) and the continuous nature of present-day brewing methods. Consequently the Department's controls are largely exercised through the examination of prescribed records, which brewers are required to maintain under excise legislation, and random checks of the brewer's own stock control and financial records.
- Exhibit 80/2.
135. The prescribed records reveal the following information:
- (i) stocks of brewing materials and beer on hand and the opening duty paid balance at the beginning of each month;
 - (ii) the quantities of materials received daily;
 - (iii) the quantities of materials used and/or removed daily;
 - (iv) the quantity of material destroyed and/or wasted daily;
 - (v) the estimated quantity of beer made daily;
 - (vi) the quantity of beer received and/or transferred into the brewery daily;
 - (vii) the quantity of beer upon which duty is paid daily;
 - (viii) the quantity of beer removed daily on a duty paid, duty free transfer or under bond basis;
 - (ix) the quantity of beer destroyed and/or wasted in the brewery during the month;
 - (x) the quantity of material and beer on hand and closing duty paid balance at the end of the month.
- Exhibit 80/2. 136. This information is contained in the Brewer's Diary and Brewer's Delivery Book. A further basic document used in the excise control system is the brewer's cart note which is a prescribed form used by the brewery as a commercial invoice and which records particulars required by law with additional columns for charging purposes to a customer. A cart note must be raised in respect of each consignment of beer leaving the brewery and excise inspectors have the power to stop a vehicle transporting beer in order to examine the load and the associated cart note. Legislation provides that brewer's cart notes may only be printed with the approval of a Collector of Customs and during an examination of a brewer's records, officers ensure that only those cart notes, the printing of which has been authorised, are used in correct sequence by brewers and that stocks of the form are fully accounted for. Details recorded on brewer's cart notes are percentage checked by an officer against the Brewer's Delivery Book the daily totals of which are posted to the Brewer's Diary.
- Q.'s 145, 158 and 165.
- Q. 502.
- Q. 278.

137. It was stated that although the purely commercial accounts such as debtors' and creditors ledgers were available to the Department for inspection, excise officers do not examine these records. Indeed, during our inspection, an executive member of the brewing industry expressed strong opposition to the suggestion that the industry's commercial accounts should be subjected to such departmental inspection. We were informed that the status and qualification of an officer responsible for random checks of a brewery's stock control records was that of an Excise Officer Grade 3. These officers are not required to examine the brewery's financial records in a true sense and the simple checks employed to ensure the adequacy of the control system did not require such qualifications as accountancy. It was expected, however, that officers with accountancy qualifications would be very useful in the implementation of the commodity control system, a subject discussed earlier in this report. Q.'s 164 and 1306.
Q. 316.
Q. 159.
Q. 163.

138. The payment of duty is effected by the brewery "entering" a bulk quantity of beer for home consumption and paying sufficient duty to establish a credit against which quantities of the product may be released. In 1958, this system involving the establishment of credits superseded a system under which excise duty stamps were purchased and attached to every vessel and carton containing beer that left a brewery. The publican was required to cancel the stamp at the time the beer container was opened for use and Excise Officers checked that the stamps had been cancelled during frequent visits. After the abolition of the stamp system in 1958, a substantial degree of effort was obviated within the Department in printing, selling and accounting for millions of pounds worth of stamps. Q.'s 131 and 132.
Q. 286.

139. We were informed that although vessels containing beer may have capacities of 54, 36, 27 or 18 gallons, the Beer Excise Act provides an allowance for duty purposes of 2 gallons in respect of the largest container and one gallon in respect of the three smaller containers. It was stated that this was a traditional allowance the origin of which was not entirely clear. One school of thought believed that it was derived from the days when beer was brewed mainly in the wood and that the allowance was made for the brewing and sedimentation. A second belief was that it originated in the days when wooden vessels varied in capacity. The witness stated that it was expected that this allowance would be permitted while the use of wooden vessels continued but that it must eventually be reviewed in the light of the increasing use of steel containers. Q.'s 331 to 355, 730 and 1312.

140. Consignments of beer, in common with other excisable goods, may be classified as deliveries for: Exhibit 80/2.

- (i) home consumption;
- (ii) removal to an approved place; or
- (iii) for exportation.

141. Deliveries for home consumption are not physically supervised as the brewer is required by law to pay duty in advance and after the end of each day, when the quantity delivered in gallons is established, the duty equivalent is written off against the brewer's pre-paid credit balance. In the event of the contents of a keg of beer being spoilt, upon which duty has been paid, provision exists for a refund of the duty under section 41 of the Beer Excise Act. There is no provision for refunds of duty in respect of bottled beer but if bulk beer is found unfit for human consumption as a beverage, and not more than one-eighth of the total contents has been extracted from the vessel, the beer is either destroyed after the approval of the Collector has been sought or returned to a brewery for destruction within ninety days of the date of original dispatch. If a refund is claimed in a country town, the destruction is supervised by the local sub-collector of customs, but if such an officer is not available, the official postmaster officiates on behalf of the Department. After the Department ensures that the legislative requirements have been satisfied, the claim for the refund is processed. Exhibit 80/2 and Q.'s 275 and 278.
Q. 247.
Q. 248.

142. Removals to an approved place (i.e., a situation approved by a Collector to which excisable goods may be removed and stored under excise control without payment of duty) may be effected after a removal entry has been raised in respect of the consignment. A reconciliation is then effected by the Department between the consignor and consignee in order to establish that all beer removed is properly accounted for. In the case of beer removed from a brewery to a delivery store operated in conjunction with the brewery, the legislation permits such deliveries to be made without an excise entry. An acquittance is obtained on the brewer's cart note and a reconciliation is effected by the Department between the sending and receiving points. Q. 246.
Exhibit 80/2.

143. Beer may be exported upon the raising of an export entry and after an acquittance has been obtained from the shipping or aircraft company and departmental officer at the wharf or airport. Final verification of the export is made by examination of the outward ship's or aircraft papers.

Q.'s 303 to 314. 144. We were informed that beer may be delivered to a ship as a consignment to an overseas country, for interstate transfer under bond or for consumption on board the vessel. Consignments directed to overseas countries are not subjected to excise duty and duty payments in respect of interstate consignments may be deferred until such time as the stock is finally released from excise control (notwithstanding any deficiencies apparent on arrival at the next port, the duty remaining payable in respect of the entire original consignment). If the beer has been consigned for consumption on the ship during a journey around the Australian coast, duty is again payable after a comparison has been made between the value of the ship's stores on arrival at an Australian port and the value of the ship's stores at the port of its final departure.

Q.'s 255 to 257. 145. As with other excisable goods, beer consignments to a ship for export may consist of duty paid stock in which instance a "drawback" of excise duty may be allowed subject to satisfactory evidence of export and the observance of certain legislative requirements. A notice of intention to export under drawback, detailing the nature of the goods, must be lodged with the Department and a certificate tendered as to the acceptance of the cargo by the ship. On completion of the shipment, an export entry for the goods must be lodged after which the claim for a refund of the excise duty is processed.

Q. 293. 146. We questioned witnesses as to whether the present system of pre-payment of duty was, on the one hand, a system which provided the maximum protection to Commonwealth revenue but which, at the same time, was not unduly irksome to private industry. We were informed that the Act prescribed that no beer may leave a brewery without the pre-payment of duty but that no alternative system had been considered. Any suggestion that breweries may be permitted to lodge bonds and to pay duty after deliveries had been made would require amendment to the current legislation. However, the witness indicated that the current procedures appeared to present no difficulty to the industry.

CHAPTER 11—THE TOBACCO INDUSTRY AND CIGARETTE MANUFACTURING

Exhibit 80/2 and Q. 1037. 147. Although Australian grown tobacco leaf itself is not subject to an excise duty it is a proclaimed material in the terms of section 4 of the Excise Act. This proclamation brings the leaf under excise control and persons growing or dealing in tobacco leaf must be registered with the Department, keep accounts and furnish returns. The Department controls the production and movement of tobacco leaf from farm to factory by the collection, collation and comparison of statutory returns supplied by producers, brokers and manufacturers. Growers are visited twice a year during the growing period of the crop by field officers of the Department in order to estimate the quantity of leaf which will be available for sale and to provide a service to growers by assisting them with any difficulties encountered in the industry. However, we were informed that the Department was reviewing the necessity for such inspections.

Q. 1099. Q. 1174. 148. The Excise Act specifies that no person shall produce a proclaimed material to be used in the manufacture of excisable goods, such as tobacco leaf, unless he is registered as a producer and neither shall any person deal in tobacco leaf unless he is a registered dealer. In order to acquire registration a producer must submit a formal application with the Collector requesting registration as a producer. If the Collector is satisfied that the applicant is the owner or legal licensee of the property shown in his application, he shall furnish to the producer a Certificate of Registration. The Certificate has a two-fold function in that it is issued to the person who controls the property upon which the tobacco leaf is to be produced and designates the particular property in question. The registration therefore is not transferable. It was stated that the Department must ascertain that an applicant is the owner or legal lessee of a property shown in an application since experience has shown that the industry in Australia is largely established upon share farming basis and the Department wished to identify some person of standing in a district in the event of unaccounted quantities of tobacco leaf being detected.

Exhibit 80/2. Q. 1044. 149. In addition to the requirement of registration, a producer must maintain an account of the number of acres planted, the leaf produced and the quantity sold and must furnish annually to the Collector a declared return detailing his operations for the year in question. No difficulty had been experienced by the Department in acquiring returns but it had been found that some farmers, particularly immigrants, had difficulty in maintaining records and preparing the returns. This was an avenue in which field officers were of assistance in the industry and these officers provided every facility and help during their field inspections in the preparation and submission of the returns.

Exhibit 80/2. 150. In keeping with the control measures adopted by the Department a producer may only sell tobacco to a registered dealer who is normally either a broker or a manufacturer. A dealer is also obliged to maintain records and furnish a quarterly return to the Collector detailing statistics of all tobacco leaf purchased and sold by him during the quarter in question.

151. In Queensland and Victoria the sale of all tobacco leaf to cigarette and tobacco manufacturers is required by law to be effected through statutory tobacco leaf marketing boards. New South Wales did not have a tobacco leaf marketing board before August, 1965 and, since leaf production in that State is centred either in the far north or far south, arrangements had been made with the Queensland and Victorian boards to dispose of crops grown in areas adjacent to their boundaries. The marketing boards do not themselves handle the actual leaf but delegate this function to authorised selling agents in the two States. In Queensland the authorised agents are the North Queensland Tobacco Growers' Co-operative Association at Mereeba and the South Queensland Tobacco Growers' Co-operative Association in Brisbane. In Victoria, Elder Smith Goldsborough Mort & Co. Ltd. and Dalgety & New Zealand Loan Ltd., in Melbourne are the authorised State organisations. These firms, as registered dealers, must maintain records relative to tobacco leaf under their control and at the end of each quarter the information contained therein must be summarised in a return to be submitted to the appropriate State Collector of Customs. As a loss of revenue could occur through the use of tobacco leaf in the unlawful manufacture of tobacco products or the failure of a manufacturer to bring properly to account all of his purchases of Australian tobacco leaf, Excise Officers in the State branches of the Department visit the dealers' premises from time to time to verify the information contained in the return. In these examinations officers make reference to the dealers' records and, where necessary compare copies of documents appropriate to particular transactions, such as catalogue sheets relative to leaf received from producers and sold to manufacturers. In the event of unsalable tobacco leaf being destroyed, an operation carried out under the supervision of a department officer, verification may be made subsequently by reference to departmental "destruction certificate". "Loss of weight" figures are substantiated by weighing dockets and periodically the stocks of leaf held by dealers are subjected to physical check. In addition, cross-checks are made against producers and/or manufacturers, returns from information available in the Excise Branches.

Committee file
1965/5/80 and
Exhibit 80/2.

152. The dealer who is a manufacturer furnishes a return each quarter under similar headings to that of a broker but additional adjustments and official checks are applied to this return since tobacco leaf is a material susceptible to moisture. During the course of its movement from the field through the curing kiln and bulking shed to the final baling preparatory to sale, the tobacco is submitted to various heating and conditioning processes in order to allow the natural maturation processes to develop. When the leaf is bulked down in a producer's shed it contains very little moisture and is consequently extremely brittle and highly susceptible to damage. Prior to grading it is allowed to absorb moisture either through natural atmospheric conditions or by spraying with water but if the leaf has an excessive moisture content it may be rejected by the tobacco buyer on the grounds that the weight of the bale has been artificially inflated. Excessively moist tobacco leaf is also highly susceptible to mould but a bale of tobacco rejected on these grounds is normally re-dried by heat by the broker and re-offered for sale. The resultant loss of weight is brought to account in the broker's record.

Exhibit 80/2
and Q. 1163.

Q. 1084.

153. Since all tobacco leaf purchased by a manufacturer is immediately processed through a "re-drying" plant in order to stabilise the moisture content, Excise Officers record the weight of tobacco leaf, when it is received into a manufacturing dealers' store, from either brokers' invoices or interstate advices from other Collectors of Customs. The manufacturer is then held to account for this quantity of leaf which is adjusted from time to time as re-drying operations take place. The final figures are verified by an officer at an annual physical stock take.

Exhibit 80/2.

154. Machine made cigarettes are dutiable under the provisions of Item 8B of the Excise Tariff. The cigarettes may be manufactured from tobacco leaf which is either imported or Australian grown or from a mixture of imported and Australian grown leaf. However, imported tobacco leaf is subject to import duty under the provision of the Customs Tariff which provides for concessional rates of duty in respect of imported leaf tobacco which is manufactured into cigarettes containing not less than such proportion of Australian grown tobacco as the Minister for Customs and Excise may determine. In response to questions on the origin of the concessional rates of duty it was explained that in 1936, the then infant Australian tobacco industry received the attention of the Commonwealth Government which decided to encourage the growth of the industry through the medium of the Customs Tariff. The Government accepted the proposal that a concessional rate of duty should apply whilst Australian tobacco was used in the industry. Since 1936, the concession permitted has been periodically reviewed by the Central Tobacco Advisory Committee, comprising members of the Commonwealth and State Governments and representatives of the tobacco growers and manufacturers, and up to the present time the committee has recommended to the Government, through the Agricultural Council, a percentage of usage during manufacturing processes which would

Excise Tariff.

Exhibit 80/2.

Q. 1174.

Q. 171.

completely absorb the Australian tobacco crop. In the years since 1936, the percentage of Australian leaf required to be used in the manufacture of cigarettes has increased from 2½ per cent to the present 50 per cent, a level which it is expected will result in the consumption of the entire Australian crop over the next four years.

Exhibit 80/2.

Q.'s 175 and 1158.

Q.'s 1035 and 1167.

155. In addition to compliance with the blending percentage to gain concessions in respect of imported leaf, the manufacturer must hold a certificate issued by the Minister, must be licensed under the Excise Act to manufacture cigarettes, and must not dispose of the leaf so entered without the Minister's approval. The first condition was imposed to encourage manufacturers to support the Australian leaf sales. The issue of the certificate is dependent both upon the manufacturer holding reasonable stocks of Australian leaf at 31st December each year and his use of the prescribed percentage of Australian leaf throughout the full range of the manufactured product with the exception of goods produced for export. We were informed that an interpretation of the term "reasonable stocks" was a matter for decision by the Minister but the Department's recommendation was that an eighteen months, holding of stock on 31st December each year would be reasonable. A three months' variation either way would also be acceptable to the Department, depending on the manufacturing programme of the company. We were also informed that the legislation did not oblige Excise Officers to supervise the blending of the appropriate percentage of Australian and imported tobacco, but that Excise Officers did ensure that the percentages were maintained at the time the raw product was weighed into the manufacturing process.

Exhibit 80/2.

Q. 1154.

156. The duty concessions designed to encourage the use of Australian grown leaf amount to \$0.144 per lb. on tobacco leaf used in the manufacture of cigarettes but, as a general rule, customs duty is not paid on leaf at the time of importation. It is normally placed in a licensed customs warehouse and stored there until required for use when the verification of weight and the customs tariff classification of the leaf is established and import duty paid.

157. All factories producing excisable tobacco products are subjected to full-time supervision by officers of the Department of Customs and Excise and detailed records are kept by officers covering all pertinent factory operations. However, we were informed that the security measures employed by the manufacturers themselves significantly reduce the amount of detailed supervision required on the part of Excise Officers.

Exhibit 80/2.

158. Excise legislation requires the manufacturer to keep, in a form approved by the Collector, records entered daily covering:

- (a) the weight of raw material received into the factory;
- (b) the weight of product made in the factory;
- (c) the weight of product removed together with details of the names and addresses of persons to whom it is consigned and, in the case of cigarettes, the number consigned;
- (d) the amount of refuse and waste; and
- (e) the amount of duty paid.

Q. 1162.

159. At the same time the Excise Officer maintains a similar record but in addition details the number of cigarettes removed under bond to an approved place. In response to questions on the apparent duplication of effort, Mr A. E. Hutchison suggested that a need existed during the infancy of the tobacco manufacturing industry for Excise Officers to maintain records in order to record the various transactions which occurred within the factory and to ensure that due revenue was received. However, he agreed that the Department could accept the company's records subject to the right of the Department to verify the records after examination of stocks held by the manufacturer.

Q. 1330.

Q.'s 1111 and 1330.

Q. 1110.

Q. 1135.

160. Australian grown leaf itself is not subject to an excise duty since the provisions of the Excise Tariff relate only to manufactured tobacco and to cigarettes. To appreciate the excise procedures relative to cigarettes it must be understood that the excisable product includes the weight of the outer portion of each cigarette, i.e. the paper and the filter, if any, and not simply the tobacco content. Item 8 of the Excise Tariff stipulates that the cigarettes are dutiable at the rate of £2. 2s. (\$4.20) per pound weight of the product and although cigarettes are sold on a number basis a manufacturer planning the production of a new product must initially determine the weight of 1,000 cigarettes after manufacture. This weight, known as the "declared weight" is the basis on which Excise Duty is collected.

Exhibit 80/2 and Q. 1024.

161. The cigarette manufacturing operation commences with the machine blending of the leaf to a formula (which depends upon the brand of tobacco or cigarettes being produced) and it is at this point that the imported Australian blending percentage is introduced. The leaf passes through a series of machines which separate the leaf portion from the stem, bring the leaf to the

desired moisture content and reduce it to the desired size for the product to be manufactured. The processed raw material (at this stage known in the industry as “rag”) is then stored in an air-conditioned room of the factory in order to maintain the desired moisture content after which it is fed into a cigarette making machine which wraps it in paper, inserts a filter, if required, and attaches a cork tipping. The machine also may be regulated to produce a cigarette of a desired weight. Control of the excisable product is maintained at this point by Excise Officers Q. 1073. reconciling the number of cigarettes produced in the manufacturing process with the original quantity of raw material. Statistics are maintained also in respect of each company showing the Q. 1074. number of pounds of cigarettes which are produced for every 100 pounds of leaf input.

162. During the manufacturing process certain losses of materials become unavoidable but Q. 1117. allowances are made for these losses in respect of the imported leaf content only. The Customs Q. 1049. Regulations provide for an allowable loss of 15 per cent but we were informed that the Department examines each claim on its merit. If the product is unfit for merchandising it is destroyed under the supervision of an officer and a remission of excise duty allowed. Q. 1053.

163. The Department informed us that it was not practicable for every cigarette produced Exhibit 80/2. to be check weighed as machines may produce up to 2,000 cigarettes a minute. The weight control is maintained therefore by the check weighing by Excise Officers and company officials of random samples of each brand throughout each day's operations. The manufactured product then proceeds to packaging, cellophaning and cartoning machines after which it is removed to a bond store within the factory premises and is, for Departmental purposes, considered a manufactured product.

164. A vital part of excise control at tobacco factories is the stock taking of all material from the unmanufactured leaf stocks to the manufactured product. A monthly stocktake is made Q. 1166. of leaf which has not entered the manufacturing process and leaf undergoing manufacture, known as “process leaf”, is reconciled with the leaf received, quantities used and wastage. Regular stocktakes are also made of the manufactured product held in the bond store within the Q.'s 1114 and 1115. factory premises and in some instances bond store stocktakes are undertaken daily. At factories producing a number of brands, stocktakes are undertaken on a daily basis but by random selection.

165. Legislation requires that Excise Duty must be paid prior to the delivery of goods for home consumption. In some instances, the duty is lodged with the Excise Officer at the factory whilst in other cases the payments may be made at the Customs House. Official receipts and other prescribed documents, such as home consumption entries, are raised in either case and deliveries are effected against a balance of duty prepaid by the manufacturer. Duty is not accepted in excess of the duty payable on the total manufactured stock held in store at the time of payment. Exhibit 80/2 and Q. 1024.

166. Deliveries for home consumption are not physically supervised but a reconciliation Exhibit 80/2. is effected between figures revealed during stocktakes, the quantity of product manufactured and an examination of company documents which refer to the amount of product removed. Excise Officers also reconcile company returns of deliveries to stockholding balances at the end of each day and the duty equivalent of the quantity delivered is then written off the manufacturers prepaid credit balance.

167. Consignments from a bond store may be for removal to an approved place or for Exhibit 80/2. exportation under conditions similar to the removal of other excisable goods described earlier in this report. A provision also exists for a drawback (or refund of duty) in similar circumstances.

CHAPTER 12—WINERIES

168. During the process of wine making, grapejuice containing natural sugars undergoes Exhibit 80/2. a process of fermentation during which the sugars are converted to spirit (alcohol). In making an “unfortified”, or generally speaking, a “dry wine”, all the natural sugars are converted to alcohol allowing no sweetness to remain. Examples of dry wines are hock and claret, while sweet sherry and port are examples of fortified wines.

169. If a wine maker desires to make a fortified or sweet wine, he arrests fermentation at Exhibit 80/2. a certain stage by adding fortifying spirit. This action results in the wine retaining some of its natural sugars and therefore a degree of sweetness. The Department's interest in wine production Q. 222. stems from an excise duty imposed on the spirit which is added to the wines in the course of their manufacture. The authority for the collection of excise duty lies in the Excise Tariff where, at Item 2 (j), spirit for fortifying Australian wine, or for fortifying Australian grape “must”,

is described as dutiable at the rate of 4s. (\$0.40) per proof gallon. The Tariff also stipulates that the duties imposed by the sub-item apply to the spirit, regardless of whether or not it is mixed with wine or grape "must" at the time of entry for home consumption. If the spirit is mixed with wine or grape "must", the quantity for duty is the total quantity of spirit which has been added less any allowance for waste or evaporation which may be prescribed by regulations.

Exhibit 80/2
and Q. 744.

170. The excise regulations require that fortifying spirit to be eligible for use under Tariff Item 2 (j) must be made from fresh grapes, a provision aimed at providing for the total absorption of fresh grapes within the industry. We were informed that the Department ensures compliance with the regulations in this respect by periodical inspections of the raw materials used by distilleries in producing fortifying spirit.

Q. 616.

Q.'s 871 to 873
and Excise
Tariff.

171. Since it is only the fortifying spirit content of wine which is subject to duty, the procedures adopted by the Department to control the dutiable product are much more involved than those procedures associated with a brewer's production. Much closer supervision of fortifying spirit as a dutiable product is necessary due to the fact that in the first instance it is not possible to assess the amount of added spirit in a wine after fortification. This difficulty therefore prevents Excise Officers calculating the added spirit content in order to assess the duty payable upon the release of the product from excise control. A second difficulty arises in that the end use of fortifying spirit decides the rate at which that spirit is to be subject to duty. For example, duty on spirit, the end use of which is not described in the Excise Tariff, is payable at the rate of £6 2s. (\$12.20) per proof gallon; however, if the spirit is eventually used for fortifying Australian wine, or for making vinegar, duty is payable at the rates of 4s. (\$0.40) and 2s. (\$0.20) respectively per proof gallon.

Exhibit 80/2.

Q. 565.

172. Wines may be fortified "in bond" viz., subject to customs control or "out of bond". In the latter case the excise duty is paid by the wine maker on the spirit required before it is released from the distillery or approved storage point. Thereafter an Excise Officer supervises the delivery of the fortifying spirit and the ultimate addition of that spirit to the wine.

Q. 564.

Exhibit 80/2.

173. The greater proportion of Australian wine production is fortified in bond. For example, in 1963-64 in Western Australia, there were 10,800 proof gallons of spirit used in out of bond fortifications but approximately 47,000 proof gallons were used in wine manufacturing warehouses. The existence of such warehouses permits wine makers to take advantage of legislative arrangements allowing them to fortify wines on licensed premises after which the payment of excise duty on the added spirit may be deferred until the wine is to be delivered for home consumption. Large wine manufacturing warehouses are normally adjacent to distilleries, an arrangement which permits Excise Officers to attend more or less on a full time basis to the operations of both undertakings.

Q. 765.

Q. 565.

174. Because it is not possible to assess the added spirit in a fortified wine, a comprehensive set of Departmental records is maintained by officers in relation to the operations of wine manufacturing warehouses. The records of a number of establishments may be maintained at a central point with Excise Officers travelling to the various warehouses as required in order to supervise the addition of fortifying spirit. No records are maintained in respect of fortifications undertaken out of bond since the wine maker must apply to the Department for the release of fortifying spirit on a prescribed form stating the number of gallons of wine which he intends to fortify and the quantity of spirit to be used. This fortifying notice contains details of the duty paid and is the sole documentation that is maintained.

Exhibit 80/2.

Q. 747.

Q. 753.

175. In the operations of a wine manufacturing warehouse a continuous record is maintained of the fortified spirit added to wine and constant control is exercised over fortified wine stocks stored in the warehouse. The control measures effected, and the relevant records maintained by officers in such warehouses take the following form: spirit into the warehouse from a distillery or an approved place is recorded in a spirit group account in which the storage vessel for the spirit is also identified. When a wine maker wishes to fortify a wine, he lodges with the Excise Officer a "fortifying notice" detailing the wine to be fortified and the quantity and strength of spirit to be used. After the spirit has been added to the wine under the supervision of the Excise Officer, details of the fortification are recorded in a vintage account. This account reveals the number of gallons of wine after fortification, the amount in proof gallons of spirit added and the identifying number of the vessel or tank in which the wine is stored. The dutiable spirit content of the wine is then established on a "factor" system arrived at by dividing the wine gallons into the proof gallons of added spirit. After the wine has been fortified, it is subsequently "racked" by the wine maker, a process in which the clear wine is drawn off from the sediment. The sediment, known as "wine lees", is then transferred to a storage vessel

which is normally used to store the lees of a number of wine maker's products after racking. An officer enters the quantity of wine lees in his records, apportioning the quantity of added spirit contained in the lees, after which the lees are subsequently destroyed under supervision of an officer and excise duty remitted on the dutiable spirit content. Wine makers are also required to submit to the supervising Excise Officer an operation notice before carrying out transfers or blendings of wine, and in that event, the Excise Officer opens a fresh account to record the details of the total liquid quantity of the blended wines and the total proof gallons of added spirit contained therein.

176. Finally, the transactions recorded in the various accounts described above are summarised in a general control account in order to provide both a record of the total quantity of dutiable spirit (whether in wine or not) in the warehouse at any time and as an overall control of internal operations. Exhibit 80/2.

177. We were informed that officers charged with the duty of supervising wine manufacturing warehouses were qualified by practical examination as Excise Officers, and were also required to submit to written examinations prepared by the Public Service Board. In addition, each officer, who must have reached the age of twenty-one years, also takes part in a continuous programme of departmental instruction and on-the-job training. For example, Excise Officers in Western Australia, are each responsible for separate areas embracing one distillery and three active wine manufacturing warehouses and are responsible for ensuring that spirit brought into the control of a licensed warehouse is used in accordance with the Tariff Item and that the wine stored under bond is adequately accounted for until such time as duty has been paid. Q. 583. Q. 807. Q. 606.

178. All storage vessels in a warehouse containing spirit are secured by crown lock and, in the case of smaller wineries where the supervision may be only part-time, fortifications are only carried out after the Excise Officer has been notified and attends to release the spirit. Stocks of spirit and wine containing dutiable spirit are also test checked on a random basis each month, but apart from a 2½ per cent allowance for evaporation in respect of racked wines, no allowances for deficiencies in wine or spirit stocks are granted. Q. 563. Q. 223.

179. After considering the procedures adopted by the Department in the control of fortifying spirit we asked what objection there would be to a system under which fortifying spirit was made available in bulk to a manufacturer and taxed upon its release. We were informed that prior to 1927 there had been no provision for the fortification of wines in bond. A wine maker who wished to fortify wines had to pay duty on fortifying spirit but, owing to conditions in the industry at that time, some co-operative wineries representatives had approached the Government and asked for time to pay duty on the spirit. The representatives asked that they be permitted to add spirits to the wine and store it in bond until required, and that in the meantime the payment of duty be deferred. The Government agreed to the proposal and, in the first instance, allowed six months in which to pay, a period which was later extended to twelve months. It was indicated that, after further representations by the wine industry, the Government agreed to permit wine makers to manufacture fortified wines in bond without payment of duty until such time as the industry chose to have the product released from excise control. The practice of permitting wine manufacturers to so defer the payment of excise duty had continued from that time although in fact, under the present regulations, the spirit is liable to duty at any stage from the time of its delivery into the winery. We were informed that an objection to the earlier payment of duty at this stage, from the wine manufacturers, point of view, would be the period which might elapse between the time of the duty payment after the addition of spirit and the time of sale of the product which might be after a maturation process of twelve to eighteen years. In addition, large quantities of wine are exported from South Australia and if pre-payments of duty were to be made in respect of these exports, the Department would be involved in numerous calculations of drawback which, under the present method adopted by the Department, are calculated by a formula which results in only an approximation for refund purposes of the duty originally paid. Q. 224. Q. 876.

180. In common with other dutiable products, wines may be despatched from a warehouse as deliveries for home consumption (viz. consumption on the Australian market), deliveries to an approved place, or for exportation. If a wine manufacturer desires to have a quantity of his product released from excise control for home consumption, he prepares an "entry" detailing the number of gallons he desires to have released and the spirit content of the wine. The entry is lodged with the Excise Officer, together with payment of the appropriate amount of duty, and after verification by the Excise Officer of the correctness of the entry by comparison with departmental records, the wine is released. If a wine maker desires to transfer his product Q. s 753 and 821. Exhibit 80/2.

Exhibit 80/2. to an approved place, he is also required to submit a document entitled an "excise removal entry", since the control exercised over the movements of products on which no duty has been paid is both physical and documentary, and deliveries from wine manufacturing warehouses and receipts into an approved place must be supervised by Excise Officers.

Committee file
1965/5/80.

Q. 581.

181. We were informed that of a total departmental field staff strength of 191 officers in all States (excluding Tasmania) approximately 47 per cent is employed in the supervision of wine manufacturing and distilling establishments. In response to questions seeking evidence whether the Department had reviewed its procedures in order to establish whether a simpler control system was practicable, we were informed that discussions on the subject had taken place during an Excise Conference in 1964. Proposals not restricted to the excise control of the wine industry had been submitted to the Conference by the Head Office of the Department suggesting a revised system largely exercised through documentary control. This method, the commodity control system, has been discussed earlier in this report but again at this juncture, we note the response of the then Acting Collector in Western Australia who, in mentioning the new proposal, stated that the general thinking throughout the Department was one of agreement in principle but that difficulties were apparent in certain fields, one of which was the wine manufacturing industry. The witness stated that the problems of this industry were not those commonly met in the control of other industries producing excisable products, since differences existed in both the volume and the financially attractive nature of the commodity being controlled. Mr Slattery pointed to the difference in the rates of duty then applicable to a gallon of proof spirit at £5 12s. (\$11.20) and 6s. 6d. (\$0.65) for each 8,640 household matches.

Q. 893.

182. Mr Slattery also indicated that, in the wine and spirit industries, the Excise Officer had become a traditional figure and in some quarters performed a good deal of the clerical administration which, under the proposed new system, would devolve upon the industry itself. We note that Mr Slattery's views were supported by the Collector of Customs in South Australia, Mr G. A. Venning, although both officers emphasised that they were not opposed to the revisions but rather could see no way over the difficulties inherent in alternative methods of excise control.

CHAPTER 13—DISTILLERIES

Q. 873.

Exhibit 80/2.

183. Since the spirit produced by a distillery constitutes a dutiable product, which in the first instance attracts a rate of £6. 2s. (\$12. 20) per gallon, the Department of Customs and Excise maintains strict control over the operations and production of such establishments. The authority for the control is derived from the *Distillation Act* 1901-1956 and associated regulations which apply to the licensing of distillers, the distillation of spirits and the conditions regarding manufacture, delivery and internal control. The *Spirits Act* 1906-1952 and Regulations relate to the standards to be maintained in respect of the production of spirits, brandy, whisky, rum, industrial spirits and methylated spirits, while the rates of excise duties, which vary according to the nature of the spirit and the purpose for which the spirit will be used, are listed in the Schedule to the *Excise Tariff* 1921-1964.

Q. 125 and
Exhibit 80/2,

Q. 126.

184. The material from which a distiller may produce spirit is restricted by the nature of the licence issued by the Department of Customs and Excise. Three classes of licences are issued, viz. a general distiller's licence; a wine distiller's licence; and a vigneron's licence. A general distiller's licence authorises the distiller to produce spirits from any material but a wine distiller's licence permits the producer to distil spirits from wine or "lees of wine" only, which may include grape skins and other residue from wine-making. The vigneron's licence authorises the licensee to distil spirits from wine or lees of wine but the spirit produced may be used solely for fortifying wine of his own making.

Q.'s 643 and
1327.

Q. 1327.

185. The fee payable by a licensee in respect of a general distillery is £50 (\$100) per annum while wine distillers and vignerons pay licence fees of £25 (\$50) per annum and £5 (\$10) per annum respectively. It was suggested that the only reason for the different types of licences was to differentiate between the extent of the activities undertaken by different establishments. For example, a large distillery might produce different types of spirit such as brandy, whisky and rum in a continuing process while a vigneron may operate for only one month of the year when he makes spirit to fortify his own wine during the vintage season. The Senior Inspector of Excise in Western Australia, Mr M. W. Jarvis, could offer no explanation for the diversity of the fees other than that the levels were probably fixed at the time the *Distillation Act* was drafted. The question of the variation in licence fees was examined at the last conference of Senior Inspectors and it was generally agreed that there should be a uniform and standard licence fee. In the witness's own opinion, the fee should be simply on a nominal basis of perhaps £1 (\$2) per annum, but in later evidence it was suggested by a witness from the Central Office that the Department had no firm policy in the matter.

186. When a distiller desires to commence a manufacturing process, he gives notice to the Excise Officer of his intention to commence a distilling operation and advises the officer of the quantity of material in the wine charger (the container in which the raw material to be processed is deposited) and the spirit strength of that material. This information is verified by the Excise Officer on examination of the raw material in order to establish that certain legislative requirements are being satisfied since, for example, spirit produced for the manufacture of brandy should not be distilled to a strength greater than 40 per cent over-proof. Q. 805.

187. The principle of distillation remains the same regardless of the type of still used in production. The material to be distilled is heated and by virtue of the fact that spirit has a lower boiling point than water, spirit vapours are emitted in the first instance. These vapours are condensed to liquid form and the spirit so produced stored in a vessel known as a "receiver". During the distillation process, the wine charger is locked with the result that the distilled spirit can find its way to no other place than receivers situated in either the still house or spirit store. The receivers, which are also locked and further secured by a departmental lead seal, are dipped by the Excise Officer at 8 a.m. and 4 p.m. during the distillation process since, in some instances, the stills may be in operation throughout the night while the officer may not be in attendance. Exhibit 80/2.
Q. 806.
Q.'s 664 to 666
and Q. 795.

188. All operations in a distillery involving the production, movement within the distillery, and delivery or receipt of spirits are subject to physical supervision by Excise Officers. For the purposes of this supervision, a distillery consists of four divisions. These are: Exhibit 80/2.

- (i) *A material store* under the control of the distiller which houses all material in the distillery capable of use for the purposes of distillation;
- (ii) *The still house*, which is part of the distillery and contains the plant for producing spirits; (All receptacles within the still house are secured by distillers and crown locks and all pipes leading thereto and therefrom are sealed by the Excise Officer.)
- (iii) *The spirit store* where spirits are flavoured, coloured, blended, bottled and casked; (Spirits may also be stored in the spirit store during the process of maturation, during which period the stocks are secured by both distillers and crown locks.)
- (iv) *The spirit warehouse* in which is stored spirits contained in casks, drums and cases only; (These stocks are also secured by crown lock.)

189. Apart from the dipping of receivers and the control of the still output, the supervision exercised by Excise Officers is also extended to the verification of departmental records and stock levels reflected therein and the assessment of liquid and proof quantities of spirits contained in casks and drums. Stocks held in the spirit warehouse and deliveries consigned to and from the warehouse are also subject to the supervision of the Excise Officer, since the removal of spirit from one distillery to another is a frequent practice to enable distillers to blend various types of spirit. In the event of a consignment being received by a distillery, the Excise Officer must examine the removal entry and satisfy himself that the original consignment has arrived at the distillery intact before the stock is placed under crown seal. Exhibit 80/2.
Q. 859.
Q. 864.

190. The Excise Officer, in recording the production and movement of spirit, maintains eleven separate records, while the only account to be maintained by a distiller under existing legislation is a notice book which records the time, date, quantity and nature of material to be distilled. The Department agreed that the maintenance of these records by Excise Officers appeared to save wineries and distilleries from employing clerical staff but agreed that this procedure must be subject to review. However, any alteration in the existing arrangements would require legislative amendment by the Parliament. Q. 674 and
Exhibit 80/2.
Q.'s 633 to 635.

191. The existing arrangements for the payment of duty in respect of a distiller's product are similar to those governing the payment of duty by wine manufacturers. Spirit which has been aged in the wood for a required number of years and which is certified as a brandy or a whisky may be released from excise control upon the payment of duty at any time after the maturation period, but only at the convenience of the distiller. If the distiller desires to release some of his product, he prepares an entry and submits this with the required amount of duty to the Excise Officer who verifies the accuracy of the information contained on the entry. Thereafter, the distiller is at liberty to remove that portion of his stock upon which duty has been paid. Q.'s 120 to 122.

192. The ultimate consignment of the distiller's product may be either for home consumption, removal to an approved place or exportation as has been described in earlier chapters of this report. Exhibit 80/2.

Q.'s 646 to 661
and Q.'s 849 to
858.

193. Because of the extent of duty payable in respect of spirit, the Department has been obliged to exercise constant vigilance in respect of illicit distillations. It was stated that in recent years, an increase in the incidence of such activities has been evident due to a large extent to the influx of migrants into Australia, particularly on the part of those migrants of Southern European origin. This was explained by the fact that in Southern European countries it is lawful for a person to distil spirit for his personal consumption without any liability for the payment of duty.

Q. 660,
Exhibit 80/2
and Committee
file 1965/5/80.

194. In order to acquaint the migrant population of the legal position in Australia, the Department has arranged for the display of multi-language notices at post offices and police stations throughout the Commonwealth on varying occasions over several years. The notices have had the dual purpose of explaining the legal position and of inviting information which might lead to the detection of illegal distillation practices. As a result of these invitations, information received by the Department during the five years ended 1964-65 has resulted in 116 successful prosecutions in respect of illicit distillation practices and 208 successful prosecutions in respect of the illicit use or possession of spirits.

Q.'s 123 and
129.

195. The Director of the Excise and Petroleum Products section in the Head Office of the Department, Mr B. Ortlepp, informed us that in his opinion the supervisory measures effected by the Department in the control of distilleries were too involved. He felt that the detailed nature of the supervision and the extent of the records maintained by the Department were unnecessary and could be supplanted by a system of random checks such as that recognised today in the conduct of an audit. The Department felt that it was unnecessary for both the Department and a distiller to maintain records and that it should be incumbent on the distiller to maintain an efficient system of recording which should be subject to the examination of Excise Officers. During our hearings in the State of South Australia, we sought the further views on this subject of Branch officers and Mr Allen informed us that the records could be verified by a reconciliation between physical stocks and those values recorded in the distiller's books. However, there were a number of objections to such a proposed system since, for example, in the absence of an Excise Officer, it would not be possible to reconcile the quantity of grapes entering a winery and an associated distillery because the grapes may be eventually used for the manufacture of either fortified or unfortified wines or for the purposes of distillation. Another problem foreseen by the Branch officers was the difficulty in deciding the liability for the payment of duty in the event of discrepancies being found in consignments of spirit between one distillery and another during the absence of an Excise Officer. In order to avoid these problems, it would be necessary for the Department to detail an officer for attendance on each occasion that spirit was to be moved.

Q. 884.

Q. 885.

Q. 887.

Q. 886.

Q. 941.

196. Prior to the opening of our public hearings in Sydney, we were conducted over the distillery of the Colonial Sugar Refinery Co. Ltd. situated in Pyrmont. At this establishment, a trial period of the system of commodity control commenced from 1st May 1965, as a result of the recommendations of the 1964 Conference of State Collectors. On that date, all Excise Officers were withdrawn from the distillery and departmental books and records previously maintained by departmental officers were closed. Excise control over production has been exercised subsequently by one investigation officer, assisted by an Excise Officer, who base their examinations on returns submitted by the company in accordance with a pre-arranged agreement. The officers also conduct random examinations, not only of the company's own books and records but also of the physical operations in the distillery including the dipping of vats and the testing of the spirit produced. Further documentary controls are exercised in the examination of invoices raised by the company and which have been filed in strict numerical sequence with the Department. The information derived from these examinations permits the preparation of an "end user" record which is then compared with a card system, maintained by the Department, of people and organisations who have made prior application for the use of dutiable spirit. The records of end users are also subject to random examination by departmental officers and a reconciliation effected between stock holdings and the usage of the product.

Q. 940.

Q. 949.

197. It was indicated to us that the system being implemented at Pyrmont largely turned upon the records maintained by the company and returns submitted to the Department. However, although the Department was empowered by Customs and Excise legislation to demand any information pertinent to the protection of revenue, it was stated that the legislation is not wholly sufficient in this respect. The law stipulates that certain records shall be kept and this stipulation was described as unduly restricting the Department in the implementation of any alternative systems of excise control. The witness indicated that, ideally, any re-drafted legislation should authorise the Department to apply such controls and to prescribe such documents as it considered necessary.

198. It was stated that the company's reaction to the proposed introduction of the system ^{Q. 944.} of commodity control had been quite cordial and that, after six weeks, at the time of our hearing, the company's views had not changed. The company had found it necessary to employ one additional person to administer some of the clerical work which had devolved upon it under the new system, but the employment of an additional clerk had been offset against the discontinuance of overtime payments by the company to Excise Officers who, from time to time, had been required to work in the distillery outside of their ordinary working hours.

199. Despite the currency of the trial period at Pymont and the Department's stated ^{Q. 1205.} intention of extending the system to the Colonial Sugar Refinery distillery at Yarraville, Victoria, we were informed that the formal views of other manufacturers on the revised control system ^{Q. 968.} had not been sought. Although the new system was originally expected to be examined over a period of six months, it was felt, after some experience, that within three or four months the Department would be able to judge the success of the scheme. However, several uncertainties were evident in the operation of the revised system and the Department was then undecided as to which records should be maintained and what legislative amendments might be appropriate. The witness felt that the new system could quickly be introduced into the brewing industry, but that the implications of its introduction into the tobacco industry would have to be subject to a lengthy examination. The Department felt that it was sufficient to implement one pilot ^{Q. 1126.} scheme at a time and that a number of years may elapse before the new system was fully implemented throughout all industries producing excisable products.

CHAPTER 14—LIQUEUR PRODUCTION

200. The provisions of Item 5 of the Excise Tariff provide that liqueurs of a nature ^{Excise Tariff.} prescribed by Departmental By-Laws are dutiable at the rate of £5 12s. (\$11.20) per proof gallon and that liqueurs not elsewhere included in the Tariff are dutiable at the rate of £6 2s. (\$12.20) per gallon. The Department informed us that nearly all liqueurs made in Australia ^{Exhibit 80/2.} attract duty at the rate of £5 12s. (\$11.20) per gallon but that to be dutiable at this rate they must conform to a formula previously submitted to and approved by the Comptroller-General of Customs. The approval of the formula is subject to the recommendations of the Commonwealth ^{Q. 552.} Analyst who ensures that the sweetness and flavouring of the product is appropriate to the standard of liqueur being produced and that the added ingredients of the liqueur do not constitute less than 40 per cent of the product. This procedure allows the Department to ^{Q. 554.} exercise some form of quality control over liqueurs for the local and overseas markets.

201. We were informed that a person may manufacture liqueurs in a licensed excise factory, ^{Exhibit 80/2.} a customs warehouse or a distillery but that, when the volume of production is sufficient, such establishments operate under the full-time supervision of an Excise Officer. The pro- ^{Q. 535.} duction of smaller enterprises is controlled by the Department through the supervision of an Excise Officer who attends on a part-time basis as required by the manufacturer.

202. The receipt of spirit from a distillery into a liqueur factory is supervised by an ^{Q. 511.} Excise Officer, who verifies the quantity received after reference to the relevant removal entry, while the manufacture of liqueurs is supervised in order to verify the quantity of spirit and ^{Q. 532 and Exhibit 80/2.} other ingredients used in the compounding of the formula. Apart from the aspect of quality control, supervision is necessary in order to ensure that the amount of spirit prescribed by the formula is added to the product, since any failure to follow the approved formula would result in the spirit being dutiable at £6 2s. (\$12.20) per proof gallon instead of £5 12s. (\$11.20) per proof gallon. When bottling operations occur, an officer conducts a random check of bottle sizes being used in order to establish the average content per bottle and after the bottles have been cased, the product is stored under crown lock pending its release from excise control after the payment of duty.

203. Before a licensee may commence the manufacture of any liqueur, he is required to ^{Exhibit 80/2.} notify the Department of the proposed process. The form of notification includes the name of the liqueur, the quantity and type of spirit to be used, the nature and country of origin of the ingredients and the method of manufacture to be employed. We were informed that the existing legislation prescribes no other returns or documents to be prepared or maintained ^{Q. 519.} by the manufacturer with the result that, in order to exercise adequate documentary control, departmental officers must maintain suitable records. These records are:

- (i) *A spirit group account* in which is recorded the receipt of spirit into the factory and its disposal during the manufacture of liqueurs;
- (ii) *A batch account* in which is recorded the details of the manufactured liqueurs, the deliveries in bulk, transfers for further blending and quantities bottled;

- (iii) *A case account* which records particulars of deliveries for home consumption, removals to approved places or consignments for export; and
- (iv) *A monthly return* which is a summary of the operations in the factory during the preceding month. This return is balanced by the excise officer and forwarded to the Senior Inspector of Excise at the end of each month. The return is then checked against the factory accounts by an excise supervisor.

Q. 530. 204. It was stated that the Department did not feel that it should be responsible for the maintenance of records relevant to the control of excise in the industry. Mr Slattery agreed that if existing legislation was re-drafted it would give the Department the opportunity to avoid the amount of detailed physical and documentary supervision currently exercised. However, although any revised system may result in a reduction in the staff numbers presently required, the employment of other staff possessing higher qualifications may become necessary and, it was indicated, the Department was not sure, even in that event, whether it could dispense entirely with all of the duties presently undertaken.

Exhibit 80/2. 205. The existing excise legislation requires that liqueurs must be bottled under the control of the Department of Customs and Excise since manufacturers are not permitted to pay duty on and deliver liqueurs in bulk for home consumption. A manufacturer who desires to have his product released from excise control in order to effect home consumption deliveries must submit an excise entry, together with the duty payable, to the excise officer who verifies the accuracy of the details on the entry with departmental records. The duty payable is calculated by multiplying the liquid gallons of liqueur by the spirit strength of the product and the excise officer, after verifying the accuracy of the details on the entry, releases the product to the manufacturer.

Q. 87. 206. In response to questions as to the authority possessed by the Department to maintain standards of quality, we were informed that a Royal Commission held into the Tariff structure early in this century had considered the quality of spirits being produced. As a result of that inquiry, subsequent legislation stipulated that certain standards must be maintained in the production of spirits. The provisions of section 13 of the *Spirits Act 1906-1952* read as follows:

Spirits Act 1906-1952. "If, after examining a sample of any spirits subject to the control of the Customs, a Commonwealth analyst certifies that the spirits are of bad or inferior quality and unsuitable for human consumption, the Minister may order that the spirits shall not be delivered until they have been methylated and thereupon the spirits shall be methylated accordingly before they are delivered or, in the case of imported spirits, the Minister may permit the spirits to be exported or to be re-distilled in Australia".

Q. 87. 207. Prior to 1948, there was no item in the Excise Tariff dealing specifically with liqueurs and the Tariff merely provided that a manufacturer could obtain spirit for the production of liqueurs. Due to the quality of the product being made by very small producers, the Department moved to have this type of product brought under control in order to excise some control over the quality of the product being produced. The Tariff was amended accordingly, and liqueurs brought into the Tariff in their own right as a result of which manufacturers become obliged to comply with the provisions of the Act and to be licensed. At the same time, in order to be consistent with the provisions of the *Spirits Act* relative to quality, the Department sought the promulgation of a By-Law to provide that a manufacturer's formula must be approved by the Department before production commenced.

208. A further quality control authority in relation to liqueurs exported is contained in Item 9 of the First Schedule to the Customs (Prohibited Exports) Regulations. The First Schedule lists goods, the exportation of which is prohibited absolutely, and Item 9 reads as follows:

Customs (Prohibited Exports) Regulations. "Wines (fortified and unfortified) and potable spirits (including liqueurs) declared in writing by the Minister to be of such quality that their exportation would be harmful to the reputation of Australian wine and potable spirits in a country to which they were exported".

Committee file 1965/5/80. 209. It was stated that, after the wine and spirit industry had been notified in 1948 of the Department's new controls over liqueur manufacturing, the General Secretary of the Federated Wine and Spirit Merchants' Association of Australia had written to the Department expressing his appreciation on behalf of his Association of the Department's proposals. He considered that the proposals would have a very beneficial effect on the quality of Australian manufactured liqueurs.

CHAPTER 15—MATCH PRODUCTION

Exhibit 80/2 and the Excise Tariff. Q. 189. 210. The Department informed us that matches are dutiable under the provisions of Item 15 of the Excise Tariff at the rate of 6s. 6d. (65 cents) per 8,640 matches. The practice of imposing a duty on matches originated in the United Kingdom and was introduced into Australia in 1932.

211. It was stated that there are only three licensees producing matches in the Commonwealth and that, since each establishment requires little physical supervision, the Department found the excise control of the industry to be an easy task. Departmental control is largely based upon monthly returns submitted by manufacturers and considerable progress had been made toward implementing the system of commodity control. Q.'s 184 and 192.

212. Current legislation requires that any person licensed to manufacture matches shall keep records in a form approved by the Collector showing the quantity of each type of match manufactured, the quantity of each type of match removed from the factory and details of excise payments made. At the end of each calendar month, the manufacturer is also required to summarise the information and to submit it in a form of a declared return to the Collector of Customs within seven days. The Excise Regulations, issued pursuant to powers contained in the Excise Act, also provide that the return shall be verified by a declaration in accordance with a prescribed form. We note that the same regulations provide for a penalty of £100 (\$200) in respect of the production of a document to any excise officer which is untrue in any particular. Q. 462 and Exhibit 80/2.
Excise Regulations.

213. Excise legislation provides that excise duty must be paid by the manufacturer before his product may be released for home consumption. In practice, the manufacturer prepays duty and establishes credits against which deliveries may be made. It was stated that the legislation does not stipulate that duty credits must be established prior to the release of the product but that the practice is a device adopted by the manufacturers in order to avoid the preparation of an entry on the occasion of each consignment. Q.'s 466 and 467.

214. We were informed that because of existing practices in the trade of packing varying numbers of matches into numerous types of containers, legislation requirements made it mandatory that the approximate number of matches be printed on each container. In order to ensure that not more than the stated number of matches is being delivered, Excise Officers visit factories at irregular intervals and count representative samples of each product to ensure that the quantity exhibited on each container is accurate. Current legislation does not prescribe that these examinations should be undertaken but the Department makes the examinations to ensure that all due revenue is received. Officers also extend their random examinations on a quarterly basis to the company sales records in order to compare delivery orders, which must be raised in respect of each consignment with the company's sales ledger. Stocktakes are also conducted during the visits to the factory. Q. 492 and Exhibit 80/2.
Q. 464 and Exhibit 80/2.
Q. 476.

215. Deliveries are not supervised by an officer of the Department as, for example, in Western Australia, the integrity and commercial standing of the company's control procedures are regarded as a fair basis of control for excise purposes. The delivery of matches is supervised by a responsible member of the company concerned and we were informed that the Department feels that its procedures in this respect are quite acceptable. Notwithstanding the confidence placed in the manufacturer in regard to deliveries for home consumption, removal of the product to an approved place (when payment of duty is involved) is strictly supervised by Excise Officers on both a physical and documentary basis. Q. 471 and Exhibit 80/2.
Q. 481.
Q. 185 and Exhibit 80/2.

PART IV—CONCLUSIONS

CHAPTER 16—CONCLUSIONS

216. Your Committee's inquiry into the activities of the Department of Customs and Excise, specifically in the field of excise collection and generally into associated administrative procedures, has indicated that effective control is being exercised over a wide range of activities which, in 1964-65, contributed some £315m. (\$630m.) to Commonwealth revenue.

217. Although there were manifold aspects of the Department's administration which were not subjected to inquiry (for example we did not inquire into the customs field of administration), ample evidence is available to indicate that the Department's executive staff has constantly reviewed the practices adopted by the Department in an endeavour to simplify procedures to the maximum degree consistent with the proper discharge of departmental responsibilities. These efforts are exemplified in the evidence relative to the work simplification programme adopted by the Department in 1956 and the implementation of the commodity control type of administration in the petroleum products industry in 1959. However, whether the Department, in fact, has succeeded in simplifying its procedures to the required degree is a question which Your Committee feels will bear closer examination.

218. An examination of the pre-Federation and post Federation history of excise collections indicates that the Department is steeped in tradition, as reflected by the retention of such terms as "jerquer", (an officer performing internal audit functions), "Collectors" (the Chief Officers in each State branch of the administration) and an assertion, in evidence, that the

Excise Officer has become a traditional figure in the wine and spirit industries. The Department's first attempt to remove the traditional colouring of its procedures appears to have been through the work simplification programme which was instrumental in effecting over two hundred amendments to legislation governing the activities of the Department. The success of this programme appears to have been a motivating factor also in the subsequent revision of the departmental procedures adopted in the petroleum industry in 1959 when Customs and Excise Officers stationed at petroleum installations were withdrawn and departmental records were closed. After 1959, the control measures were centred upon the records maintained by the industry, random examinations of both a physical and documentary nature and the submission of periodical returns by licencees.

219. After the introduction of the petroleum products system of control, the Department appears to have faltered in maintaining the momentum of its re-appraisal of existing procedures. In 1962, a review of all other procedures relative to the collection of excise was undertaken and by 1963 a detailed report was made available, recommending that the system employed in the excise control of petroleum products should be extended to all industries producing excisable products and that the control in the Central Office and in each State be unified in respect of the Excise, Warehousing, Petroleum Products and Drawback Branches. This report was circulated to all State Collectors, in the first instance, and then referred for recommendation to the April 1964 Conference of Senior Inspectors which recommended, *inter alia*, that the full time attendance of Excise Officers at establishments producing excisable products should be discontinued wherever practicable, that necessary records should be maintained by licencees and not by departmental officers, and that licencees should be required to submit periodical returns. The Conference also recommended that random checks should be implemented and that the control function should be unified at the State level.

220. The recommendations of the Senior Inspectors' Conference were considered six months later by the State Collectors at their annual conference. The Collectors agreed that the petroleum products (commodity control) system had been successful and could be applied to other Departmental activities, but that no action should be taken at that time upon the unification proposals and that the recommendations concerning the implementation of the petroleum products system should be accepted only in respect of the employment of random checks. The Conference summarised its attitude in a formal decision, stating that steps should be taken to examine in detail the application of a commodity control type system to excisable products in turn (other than spirits) and that a more detailed report on the wine and spirit industry should be prepared.

221. Your Committee is conscious of the fact that the Department has a substantial responsibility in formulating any alternative procedures and that the procedures currently employed in respect of various excisable commodities have proved over many years to be adequate. We are also conscious, however, that although the proposals concerning the extension of a system of commodity control were implemented in the petroleum products industry some seven years ago, the Department had, at the time of our hearing, only recently extended the system to an additional industry and then only on a trial basis. We feel that whatever the merits of the proposed system may, or may not be, individual senior officers have had an adequate period in which to either unqualifiedly embrace or reject the proposal. In this context, we also find it difficult to accept the Department's view that, if the new system is finally accepted, a period of several more years may elapse before it is fully implemented as the implication of the revised system in certain industries will need to be the subject of a lengthy examination. Another disturbing feature of the Department's apparent indecision over the proposal is the failure to make any assessment of staff requirements necessary to successfully implement the new system as it was stated, before any evaluation could be made the Department would need to establish what it was trying to achieve and, after this principle had been determined, how the necessary proposals were to be implemented.

222. The proposals concerning the basic revision of excise control procedures have been subject to expert examination within the Department and Your Committee would not attempt to weigh their merits and demerits. However, we believe that it may be competently observed that certain outmoded provisions are still contained in the legislation governing some of the detailed aspects of the Department's administration. For, example, we question whether the allowances in respect of the contents of stainless steel beer kegs may continue to be justified. Although witnesses were not sure of the origin of the allowance, it was suggested that it was designed to cater for the losses incurred through the use of wooden kegs. Since a significant proportion of brewers currently use steel containers, we consider that the legislation providing for this allowance should be reviewed.

223. The various levels at which the cost of distillers' licences appear to have been arbitrarily fixed is also worthy of comment. We were informed that the Department could offer no explanation of the variation in the fees, other than that the levels were probably established at the time the Distillation Act was drafted, and that the Department had no firm policy on the matter. It was suggested that the fees payable might be regarded as a reflection of the extent of the licensee's activities but we find this to be an unconvincing argument in favour of the anomaly. The licence fees would appear to contribute very little to the consolidated revenue and it is difficult to regard the fees as a form of security in the protection of that revenue. We feel that immediate consideration should be given to the establishment of a uniform fee at a level appropriate for the purposes of licensing but not less than an amount sufficient to recover the administrative expenses involved.

224. In respect of the broader aspects of excise control which have been exercising the minds of senior departmental officers, we would reiterate that a sufficient period would appear to have elapsed to allow the Department to determine its final policy in respect of the commodity control system and we trust that a more decisive attitude will govern future thinking within the Department. Your Committee intends to observe future activities in this respect and we will note with interest the outcome of what we trust will be early and conclusive deliberations.

For and on behalf of the Committee

RICHARD CLEAVER,

Chairman.

DAVID N. REID,

Secretary,

Joint Committee of Public Accounts,

Parliament House,

Canberra, A.C.T.

23rd March 1966.

APPENDIX No. 1

INDEX TO EXHIBITS

Exhibit No. 1—Statement of Organisation and Functions of the Department.

Exhibit No. 2—Statement showing the procedures involved in the control of excise collections in State Branches.

Exhibit No. 3—Historical statement on the development of excise collection in Australia together with statements on the Personnel, Training, Organisation and Methods, Publications and Automatic Data Processing functions of the Department.

Exhibit No. 4—Table of officers occupying senior State positions.

Exhibit No. 5—Statement on the origin and development of the Commodity Control System.

Exhibit No. 6—A brief history of Australian Customs activities prior to Federation.

APPENDIX No. 2

A BRIEF COLONIAL HISTORY OF CUSTOMS AND EXCISE COLLECTIONS
IN AUSTRALIA

Committee file
1065/5/80.

The collection of customs duties in Australia may be said to have originated in the content of a dispatch in April, 1799 to the then Governor of New South Wales, Captain John Hunter, directing him to open a shipping register in Sydney, the first entry in which was made on 3rd November 1799. Shortly after the establishment of the register, Governor Hunter, faced with the problem of financing the construction of a gaol to cope with the growing lawlessness in the colony, considered the imposition of tariff duties as a suitable source of funds for the project. The following year, William Balmain was appointed as Naval Officer of the Port of Sydney Cove, his duty being to administer the colony's first customs tariff which consisted of three items, viz.: spirits and other strong drinks at 1s. per gallon; wine at 6d. per gallon; and beer at 3d. per gallon. The duties were more in the nature of a levy, following the payment of which persons were permitted to land specified goods, and after the completion of the Sydney gaol the customs revenue was used to pay for the building of the Parramatta gaol and the bridge across the Tank Stream near what is now known as Bridge Street in Sydney. This traditional means of raising revenue was to be adopted later by the other Australian colonies with equal success.

In 1803, Lieutenant Bowen established the first settlement in Van Dieman's Land at Risdon Cove on the River Derwent. The following year, when Lieutenant Colonel Collins moved the main settlement to a suitable deepwater berth at Sullivan's Cove, the first development of a customs service began in that colony. Lieutenant-Colonel Collins proclaimed the posting of a guard on board each ship to prevent goods being landed without a permit and required the commander of each vessel to produce a manifest and to provide a bond of £200 that the ship's hatches would not be opened until ordered. Ships not commanded by the King's officers could only land goods at a public landing place and could not move from that point after tattoo. A duty of 1s. per gallon was imposed on spirits landed from ships with special permits to carry such cargo east from the Cape of Good Hope while spirits landed from other ships were dutiable at 2s. per gallon. In 1807, the First Naval Officer, Mr William Collins, was vested with the full duties of Customs Officer and in 1817 the first bond for the storage of spirits was opened, duty being payable on the quantity ascertained by the Government gauger prior to removal from the wharf. By this time, duty on spirits had risen to 10s. per gallon and tobacco had become dutiable at 6d. per pound.

In the north, the Moreton Bay settlement, then the northern part of the colony of New South Wales, was primarily a grazing area but by 1846 the growth of the settlement resulted in Moreton Bay being proclaimed a port of entry and clearance and in the establishment of the first Customs House in the area. In the early days the commissariat store attached to the military establishment at the North Quay Garrison area served as a Customs House and Bond but, following the vote of £1,000 for provision of customs facilities in 1848, a Customs House was erected in 1849 on a site where the present Customs House now stands.

Upon the establishment of the Swan River colony in 1829, the need for development of the new settlement led to the payment of bounties, in respect of imports, rather than the imposition of tariff charges. The bounty took the form of a grant of 40 acres of land for every £3 in the form of capital, stock, implements of husbandry, etc., and payments were continued until 1832 when the first tariff for revenue purposes was introduced. This was restricted to imported spirits until 1839, when tobacco and wines were added to the tariff.

The collection of duties in South Australia was sanctioned in the British Act of Parliament responsible for the creation of the colony which was proclaimed on 28th December 1836. On 25th April 1838 the first ordinance was passed for the collection of import duties on wines, spirits and tobacco. The ordinance also provided for the warehousing of these goods and for the prevention of their clandestine removal. The first ordinance to regulate internal distillation in South Australia was passed on 15th June 1842 but the legislation involved only the licensing of distillers.

Meanwhile, by 1825, the original colony at Sydney Cove had developed rapidly and the New South Wales Legislative Council was seriously considering the introduction of a stable customs tariff system capable of handling the import and export business of a busy port. On the 9th April 1827 John Thomas Campbell was appointed as the first Collector of Customs. However, the new collector soon found his office accommodation to be inadequate and, after representations to the Governor, the Customs House was moved in July, 1827 into the former quarters of the Superintendent of Police. During this period an *ad valorem* ("according to value") duty of 5 per cent had been levied on all imported merchandise and in 1830 a duty of 2s. 6d. per proof gallon was imposed on spirits produced in the colony. Spirits of British or West Indian origin imported directly from the United Kingdom attracted a duty rate of 6s. 6d. per gallon while all other spirits were charged 8s. 6d. per proof gallon. Unmanufactured tobacco paid 1s. 6d. and manufactured tobacco 2s. per pound.

The rapid expansion of the Department at this time necessitated a further move and on 12th April 1830 the Customs House opened at Unwins Building in Argyle Street, a property rented for £250 per annum. This building is today a part of Argyle Bond. During the week preceding the opening of the Customs House, the first Customs Act in Australia came into force, being an Act for the general regulation of the customs of New South Wales and its dependencies.

Further alterations were made to the tariff on 1st April 1840 when the duty on spirits distilled from grain was raised from 3s. per proof gallon to 5s. and distillation of spirits from any article other than grain was prohibited. From 15th September 1840 the duty on British and colonial spirits imported direct from the United Kingdom was increased to 9s. per gallon while other spirits were increased to 12s. per gallon. On 29th September 1840 the excise on colonial spirit distilled from grain was again raised to 6s. 6d. per gallon, but after 12th December 1843 the duties on spirits distilled in the colony were reduced by one-half without differentiation between countries of origin.

By the year 1844 additional space was required by the customs administration and work was started on another Customs House in Sydney on the site of the present structure. The colony at the time was passing through a financial crisis, many workers being near starvation, and Governor Gipps decided to employ a number of the unemployed at low wages on the construction of the new Customs House. The rectangular sandstone building of two storeys was opened by the Governor on 17th April 1845 and stood until 1885 when it was demolished to make way for a larger structure which still stands as part of the present Customs House. Indeed, the erection of the Customs House at the various settlements appears to have been a matter involving departmental prestige for history records that much care was taken in decorating the interior of the Melbourne Customs House, the highlight of which was the Long Room regarded as one of the most beautiful chambers of its kind in that city at the time of its construction in 1839. A year later during completion of the new Customs House between Murray Street and Salamanca Place in Hobart, convicts dug a hole through a two foot thick wall into a bond in the vaults and removed twenty-eight gallons of brandy. The theft, however, served one good purpose in that it hastened the completion of the building.

The development of customs practices, as reflected in the growth of the tariff at Sydney, was not restricted solely to that centre. In September, 1843 the Collector at Hobart, an office established in 1827 was directed by the Board of Customs to inquire into the administration at Port Phillip. One important result of the inquiry was that the Port of Melbourne was raised to a state of collectorship independent of control from Sydney and responsible only to the Customs Commissioners in London. Mr James Nelson Castle was the first appointed Collector of Customs and many important advances were made during his term of office, most of them having their origin in the separation of the district politically from New South Wales and the acquisition of responsible government. The separation was effected on 5th August 1850 with the passing of an Act for the better government of Her Majesty's Australian Colonies, which amongst other matters authorised the Legislative Council of Victoria to levy duty through the customs on imported goods. For the time being, however, the colony was content to continue the tariff that was in operation prior to its separation from New South Wales. This tariff covered such items as spirits, wine, beer, tobacco, sugar, tea and coffee and in the year 1852, returned the colony £329,627 in revenue.

On 13th August 1852 Victoria introduced its first Tariff Act, the Schedule of which comprised generally the items carried forward from the earlier New South Wales tariff (with the notable omission of beer) and on 31st December of the same year the Legislative Council passed the colony's first Customs Act entitled the "Act for the General Regulation of the Customs in the Colony of Victoria". This Customs Act set out in detail the procedure to be followed in connection with the boarding and clearance of vessels, the sealing of stores which were declared to be dutiable in the same way as merchandise, the discharge and loading of goods, transshipments overseas and within the limits of the colony, smuggling, the entry of goods, warehousing and other matters.

Both the Tariff and the Customs Acts were amended in 1854. The effect of the Tariff Act introduced on 19th January was to double the duty on wine and to add to the list of dutiable articles, ale, porter, spruce and other beer, cider and perry on all of which a duty of 6d. per gallon was imposed. The Customs Act of 8th April added the provision that the importer of free goods was to declare upon the entry the value of the goods, the penalty for a false declaration being fixed at a maximum of £50. It also provided for the levying of a fee for licensed warehouses, a step designed to check the inordinate growth of bonded stores.

During this period a major problem arose concerning the collection of duty on goods crossing the River Murray, as Victoria in common with New South Wales and South Australia had control of its own tariff legislation. The Victorian Legislative Council appreciated the position and wrote a clause into the Victorian Customs Act of 1854 authorising the Governor to make regulations and to enter into agreements with the Governors of the other States concerned. However, no satisfactory arrangements could be made and there remained no alternative but to set up customs stations along the border. The people most affected by this situation were the settlers in the Riverina district of New South Wales who were faced with the alternative of obtaining their goods from Sydney, a costly and time wasting endeavour, or from Melbourne, in which case they paid both the Victorian and New South Wales rates of duty. To retain the trade and to avoid the imposition of two duties, bonded warehouses were established on the Victorian side of the Murray River for the purposes of storing goods until such time as they were sold for removal into New South Wales. This removed the problem of double payments of duty by the settlers in New South Wales but led to a further complication in smuggling practices. The position did not improve until 1867 when Victoria agreed to pay to New South Wales the duty estimated to have been collected by Victoria on goods which were imported through Melbourne into the Riverina district and on which no duty was paid to the New South Wales customs. In return, New South Wales agreed to pay Victoria the duties collected on goods imported from South Australia by way of the Murray. The agreement worked as well as could be expected in the circumstances but further differences arose between the States and although efforts were made to improve the situation it was only with the advent of Federation that the problem was satisfactorily resolved.

The first tariff to operate in the colony of Queensland was contained in an Act of the New South Wales Parliament passed in 1855. The duties imposed were the familiar revenue duties on imported stimulants but, with impositions also on sugar, treacle and coffee. The excise duties on spirits in force under the New South Wales Act of 1855 continued to operate in Queensland after separation and comprised 6s 5d. per gallon on spirits made or distilled from sugar, on which customs duties had been paid, and 7s. per gallon on spirits made or distilled wholly from materials not subject to customs duty. Many amendments were subsequently made to the tariff of 1855 and the range of goods included in the schedule gradually widened. A list of exemptions was introduced in 1866 and at the same time the Distillation from Sugar Act provided that the excise duty on spirits was to be two-thirds of the customs duty payable on the same article from time to time. Under the Queensland *Spirits Duty Act* 1880 the excise on spirits not exceeding proof spirit was altered to 10s. per gallon and in proportion for any strength above proof. This duty was increased to 12s. per gallon in 1890 after the *Beer Duties Act* 1885 had imposed an excise duty of 3d. per gallon on beer with an annual license fee of £5 in respect of every brewery.

Evidence of the colony's growth is shown by the increase in revenue collections. In 1846-47 the total collection was only £20 but by 1861 this sum had increased to £159,486 and in 1881 to £259,156. By 1900 it reached £926,864. Over the same period the staff at the Head Office of the Customs Department at Brisbane increased from twelve to seventy-two officers.

Queensland with its 3,236 mile coastline found it necessary, as the colony continued to grow, to establish outports. Prior to Federation these outports were established primarily for the protection of the customs revenue at the many bays and rivers along the Queensland coast. In many of the smaller offices, the customs officers were the first Government officials and many different functions were performed in addition to those relative to the Customs Department. For example, postal services, lands administration, functions of the Clerk of Petty Sessions, the duties of water police, magistrates and the collection of harbour dues were all tasks undertaken by these officers.

Port Adelaide (or the Port of Adelaide as it was first designated) was on 25th March 1837 the first of the South Australian ports to be proclaimed. Port Lincoln and Port Robe (Guichen Bay) were both proclaimed on 13th February 1847 although early records indicate the presence of a Collector of Customs at Port Lincoln in 1840. From that time until 1889, other outports were proclaimed until a total of forty existed. Today many exist in name only and not as legal ports.

The British Treasury controlled the appointment of customs officials in the colony of South Australia until 1846. The first appointment as Collector was a Captain Thomas Lipson R. N. who arrived in September, 1836 and whose appointment was followed in January, 1841 by that of Robert Richard Torrens, an accomplished young officer who was a graduate of Dublin University with experience in the London and Cork Customs Houses and who was to later perpetuate his name as the originator of the Torrens system of land titles. In addition to the duties imposed under the initial Act of 1838, Torrens had of his own accord imposed *ad valorem* duties on a wide range of merchandise. A later Act imposed 5 per cent *ad valorem* duty on a number of items of merchandise and further Acts to amend customs duties continued regularly until 1894 when, on 21st November the last pre-Federation amending Act was assented to. The import duties collected under the 1838 Act on wines, spirits and tobacco were a meagre total compared with later collections. The earliest figure available for customs duty is £25,627 in 1840 against probable administrative costs of slightly over £2,000. In the several following years, figures declined slightly but from 1847 onwards, duty collections increased rapidly. In 1853 revenue had increased to £171,299, in 1873 to £361,999 and by 1900 to £645,074 which included the excise duty of 2d. per gallon on beer first imposed on 25th September 1894.

With the growth of interstate land and river movement of goods, South Australia experienced the same difficulties as New South Wales and Victoria and was obliged to establish customs stations on the borders of these States where goods were being exchanged. Thus, South Australia had border customs stations on her boundaries with Victoria, New South Wales and Queensland and outstations on the River Murray and Lake Alexandrina to control the river trade between the States. The navigation of the River Murray upstream by the "Lady Augusta" during the latter part of 1853, and its 1,450 mile return journey in October of that year from 150 miles beyond Swan Hill with a cargo of wool from New South Wales and Victoria, opened up a trade which necessitated the immediate customs control of the river shipping.

In the 1864-65 Financial Estimates the Collector of Customs was also described as Inspector of Distilleries, President of the Marine Board and Stipendiary Magistrate for the purpose of carrying out the provisions of the Marine Board Act while the Chief Clerk was also Acting Registrar of Shipping. From modest beginnings in 1836 the staff numbers in the South Australian Customs Department increased to twenty-eight in 1851 and by 1883 had reached a total of 102 officers. Fifty-eight officers were situated at Port Adelaide, eight at the city of Adelaide, thirty-four at outports and outstations and two in the Northern Territory which had been placed under the control of the South Australian Government in July, 1863. By 1889, there was a Senior Inspector of Distilleries and two Inspectors, an establishment which seems to have been the genesis of the Excise Branch of the Department. The *Distillation Act* 1884, the first Distillation Act of modern appearance, meanwhile had provided for the effective supervision of distilleries.

The growth of excise activities involving principally the expansion of the wine industry and the consequential increased production of brandy played an important part in the early history of South Australia. Distillation was first controlled by an Act of 1842 and an amending Act of 1851, but the later rapid expansion of the wine industry resulted in an Act being passed in 1858 aimed at encouraging the establishment of vineyards in South Australia by permitting distilleries to be established. Later Acts broadened the scope of the permissible activities of distillers and resulted in many provisions now existing in the Commonwealth Distillation and Spirits Acts. Meanwhile wine exports (the produce of the colony) were steadily increasing. Exports amounted to 23,481 gallons, in 1865, 59,174 gallons in 1874 and had reached 391,233 gallons by 1896. Brandy exports were modest in comparison with today's figures, totalling a meagre 2,890 gallons in 1896, the major portion of which, 888 gallons, being consigned to New Zealand followed by Queensland and Western Australia with 475 and 464 gallons respectively.

The first excise duty imposed on beer in South Australia was levied under the provisions of an Act of 1894 at the rate of 2d. per gallon. Breweries had flourished from the earliest days of the colony but this constituted their first control under an excise levy.

Import duties in Western Australia were confined to spirits, wine and tobacco until the year 1842 when on 21st July an Act was passed to impose a 2½ per cent *ad valorem* duty on all goods imported into the colony and not already subject to duty. This was the first general tariff. An Act of 1843 slightly increased the duties on spirits, wines and tobacco and further changes in 1844 imposed specific import duties on beer and other commodities. In 1860 an amending ordinance was passed whereby the previous measures relative to customs were repealed or consolidated and the Customs Ordinance of 1860 became the foundation of the legislation to be passed concerning the Customs Department and its tariffs for the remainder of the century.

In July, 1863 the first Wine Distillation Act was passed. This legislation was evidently drafted along lines similar to the earlier South Australian Act being "an ordinance to encourage the cultivation of the vine by permitting distillation of the produce thereof under certain restrictions". Subsequent changes to the customs tariff prior to Federation were mainly taxation measures aimed at producing sufficient revenue to cope with the continued expansion of the colony. One notable exception to this trend was an attempt made in 1876 to frame a tariff on more scientific lines than had hitherto been adopted. A Committee was appointed to consider a revision of the tariff and in its report presented the first reasoned criticism of the tariff in Western Australia. It was a genuine attempt to combine a revenue tariff with one that would protect certain of the industries of the young colony and spread the burden of taxation equitably over the various sections of the community. Although the report did not meet with the wholehearted support of the Legislative Council the Tariff Act of 1872 was repealed and in 1876 a new Act introduced incorporating changes arising out of the Committee's recommendations.

In 1887 the tariff was again examined in the light of the colony's overall development. A commission was appointed by the Governor to inquire into the operation of the customs tariff of the colony with a view to considering whether any alteration might be made to further promote the trade, settlement and production of the colony. A Tariff Bill embodying the recommendations of the commission was introduced in 1888 and in subsequent debates members ranged themselves into two opposing camps of free traders and protectionists. The Bill subsequently passed into law.

The growth of Western Australia's population and trade from the 1830's until Federation demanded a corresponding growth in the customs service. From a total strength of thirteen officers in 1846 the customs staff grew to twenty officers in 1865 and to sixty-nine officers in 1891. In view of the great increases in activities and responsibilities it was felt that the Department should be re-organised and its methods modernised. For this purpose, Dr H. N. P. Wollaston J.P., L.L.D. then Chief Clerk in the Department of Trade and Customs, Victoria was invited in 1891 to visit Western Australia and to investigate the work of the Department and to suggest improved methods.

Dr Wollaston suggested important changes in the internal organisation of the Department, submitting pro formas for improved books, accounts and returns and recommending certain proposals, which, on their adoption, revolutionised the methods of handling goods on the wharves and greatly improved the procedure in connection with Bonds. It was on Dr Wollaston's recommendation also that the Fremantle jetties were handed over to the Railway Department and the practise was discontinued of customs officers accepting the responsibility for tallying goods landed.

Apart from the passing of the first *Distillation Act* 1863, little has been recorded of the excise activities of the Department in Western Australia prior to Federation. It is known, however, that there were 36 breweries licensed in Western Australia in 1901 when beer excise duty was 2d. per gallon. In the early days before aircraft, fast diesel trains and good roads, the inspection of breweries was a formidable task for the Excise Officer. Cobb & Co. coaches and camel teams in the more remote areas were the means of transport for an officer who may have to travel 250 miles to Albany, 320 miles eastward to Esperance, 570 miles north to Wiluna via Kalgoorlie, 440 miles west to Geraldton, and 300 miles south to Perth and home.

The first Collectors of Customs in Tasmania were appointed in the year 1827 following the establishment of the Department of Customs in the colony. By 1835, revenue amounted to £70,000 per annum and plans were made for the construction of a Customs Office on the site of the present Prince's Wharf. Construction of a wharf shed at Launceston was also sought as officers experienced great difficulty in gauging casks in the rain and determining a "moderate degree of temperature" to ascertain spirit strength.

Tariff amendments in 1848 recognised, for the first time, under-proof spirits which were previously dutiable at the same rates as proof strength and over-proof spirits. *Ad valorem* rates were increased from 5 per cent to 15 per cent on foreign goods but the list of exemptions from duty was increased. The first excise duty on beer was imposed in 1880 at 3d. per gallon, a duty collected by the sale of stamps with an incentive discount of 2½ per cent for purchases exceeding £5.

Collections of customs revenue increased from £80,000 in 1848 to £450,000 in 1882 but in 1901 the Customs Department of Tasmania was transferred to the Commonwealth and the State lost its most important source of revenue.

APPENDIX No. 3

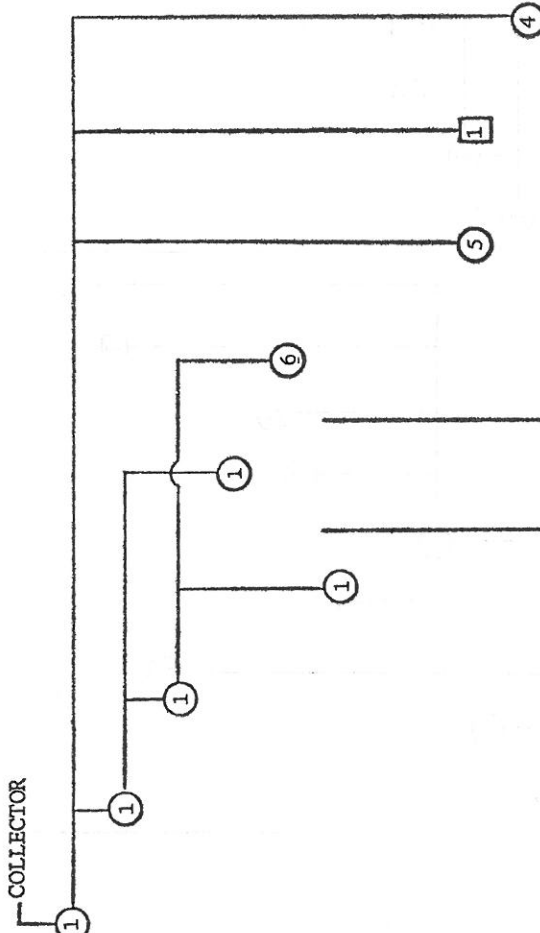
DEPARTMENT OF CUSTOMS AND EXCISE

ORGANISATION

1. Central Office.
 2. Central Office—Excise Sub-section.
 3. Central Office—Petroleum Products Sub-section.
 4. New South Wales—Excise Branch.
 5. New South Wales—Petroleum Products Branch.
 6. Victoria—Excise Branch.
 7. Victoria—Petroleum Products Branch.
 8. Queensland—Excise Branch.
 9. Queensland.—Petroleum Products Branch.
 10. South Australia—Excise Branch.
 11. South Australia—Petroleum Products Branch.
 12. Western Australia—Excise Branch.
 13. Western Australia—Petroleum Products Branch.
 14. Tasmania—Excise Section.
 15. Tasmania—Petroleum Products Branch.
-

DEPARTMENT OF CUSTOMS AND EXCISE NEW SOUTH WALES							
ORGANISATION CHART - PETROLEUM PRODUCTS BRANCH							
<div>○ PERM. □ TEMP.</div> <div>ASSISTANT COLLECTOR (ADMIN.)</div>							
DESIGNATION	P	T	EXECUTIVE	INDOOR	DIESEL FUEL	INVESTIGATION	RELIEF
THIRD DIVISION	1	-					
SENIOR INSPECTOR	1	-					
INSPECTOR	1	-					
INSPECTOR	2	-					
CLERK	2	-					
INVESTIGATION OFFICER	5	1					
INVOICE EXAMINING OFFICER	1	-					
INVESTIGATION OFFICER	4	-					
ASSISTANT INVESTIGATION OFFICER	1	-					
EXAMINING OFFICER	1	-					
CLERK	1	-					
CLERK	1	-					
CLERK (REGISTER)	2	-					
ASSISTANT EXAMINING OFFICER	1	-					
CLERK	1	-					
CLERK	2	1					
FOURTH DIVISION							
LOCKER GRADE 2	2	-					
CLERICAL ASSISTANT GRADE 2	2	-					
CLERICAL ASSISTANT GRADE 1	1	-					
ACCOUNTING M/C (F) GRADE 3	1	-					
TYPIST (F)	1	-					
Section							
Branch							
TOTAL NO. OF OFFICES	29.5	34	1	8	13	10	2

<div>○ PERM. □ TEMP.</div> <div>DEPARTMENT OF CUSTOMS AND EXCISE VICTORIA ORGANISATION CHART EXCISE BRANCH</div>	
DESIGNATION	P T
THIRD DIVISION	
SENIOR INSPECTOR	1
INSPECTOR	1
SUPERVISOR	3
INVESTIGATION OFFICER	1
CLERK	4
EXCISE OFFICER GRADE 3	1
CLERK	22
	3
FOURTH DIVISION	
EXCISE OFFICER GRADE 2	19
INQUIRY OFFICER GRADE 2	1
EXCISE OFFICER GRADE 1	19
INQUIRY OFFICER GRADE 1	1
CLERICAL ASSISTANT GRADE 3	1
ACCOUNTING MACHINIST GRADE 3	1
TYPIST	1
Section	
ADW	
Breweries & General	
Distilleries	
Tobacco	
Head Office	
Canned Fruit	
Relief Inquiry	
Branch	
EXCISE BRANCH	
TOTAL NO. OF OFFICES	79 79
	2
	12
	21
	17
	13
	6
	6
	2

○ PERM. □ TEMP.			DEPARTMENT OF CUSTOMS AND EXCISE QUEENSLAND ORGANISATION CHART EXCISE BRANCH		
DESIGNATION	P	T			
THIRD DIVISION					
SENIOR INSPECTOR	1	-			
SUPERVISOR	1	-			
SENIOR CLERK	1	-			
CLERK	1	-			
EXCISE OFFICER GRADE 3	6	-			
CLERK	1	-			
FOURTH DIVISION					
EXCISE OFFICER GRADE 2	5	1			
EXCISE OFFICER GRADE 1	4	-			
Section			EXECUTIVE	CANNED FRUITS	BREWERIES AND MISCELLANEOUS
Branch			EXCISE		
TOTAL NO. OF OFFICES	201	21	4	1	16

DEPARTMENT OF CUSTOMS AND EXCISE - SOUTH AUSTRALIA ORGANISATION CHART - PETROLEUM PRODUCTS BRANCH		
○ PERM. □ TEMP.		
DESIGNATION	P	T
THIRD DIVISION SENIOR INSPECTOR INVESTIGATION OFFICER CLERK INVESTIGATION OFFICER CLERK EXAMINING OFFICER GAUGER ASST. INVESTIGATION OFFICER CLERK FOURTH DIVISION LOCKER GRADE 2 CLERICAL ASSISTANT GRADE 2	1 1 1 1 1 2 1 1 1 1 2 1 1	1 1 1 1 1 1 1 1 1 1 1 1 1
Section	PETROLEUM PRODUCTS	
Branch	PETROLEUM PRODUCTS BRANCH	
TOTAL NO. OF OFFICES	14	15
	8	

<div><div><div>○</div><div>PERM.</div></div><div><div>□</div><div>TEMP.</div></div></div> <div>DEPARTMENT OF CUSTOMS AND EXCISE - WESTERN AUSTRALIA</div> <div>ORGANISATION CHART - EXCISE BRANCH</div>											
DESIGNATION	P	T									
THIRD DIVISION	1	-	COLLECTOR								
SENIOR INSPECTOR	1	-									
EXCISE SUPERVISOR	1	-									
CLERK	1	-									
CLERK	1	-									
EXCISE OFFICER GRADE 3	3	-									
CLERK	1	-									
FOURTH DIVISION	4	-									
EXCISE OFFICER GRADE 2	3	-									
EXCISE OFFICER GRADE 1											
Section			EXECUTIVE	BREWERIES	DISTILL- ERIES	TOBACCO FACTORY & GENERAL	LIQUEUR FACTORY	GENERAL FIELD	EXCISE WORK	INVESTIGAT- IONS (CANNED FRUITS)	
Branch			EXCISE BRANCH								
TOTAL NO. OF OFFICES	15	15	4	2	2	2	1	1	2	1	1

PERM.

TEMP.

DEPARTMENT OF CUSTOMS AND EXCISE TASMANIA

ORGANISATION CHART EXCISE SECTION

DESIGNATION	P	T
THIRD DIVISION		
INSPECTOR	1	-
INVESTIGATION OFFICER	1	-
EXCISE OFFICER GRADE 3	1	-

ASSISTANT COLLECTOR

1

1

1

Section	Excise	
Branch	Shipping	
TOTAL NO. OF OFFICES	3	2

<div><div>○ PERM.</div><div>□ TEMP.</div></div> <div>DEPARTMENT OF CUSTOMS AND EXCISE TASMANIA</div> <div>ORGANISATION CHART INVOICE AND PETROLEUM PRODUCTS BRANCH</div>		
DESIGNATION	PT	
THIRD DIVISION		
INSPECTOR	1	
INVESTIGATION OFFICER	1	
INVESTIGATION OFFICER	1	
CLERK	1	
CLERK	1	
FOURTH DIVISION		
LOCKER GRADE 2	1	
<pre>graph TD; AC((1)) --- IO1((1)); AC --- IO2((1)); AC --- IO3((1)); IO1 --- CL1((1)); IO1 --- CL2((1)); IO1 --- LG2((1)); IO2 --- CL3((1)); IO3 --- LG3((1));</pre>		
Section		PETROLEUM PRODUCTS
Branch		INVOICE AND PETROLEUM PRODUCTS
TOTAL NO. OF OFFICES	6	1 5