



Week 1 Roundup

Although national security is claimed to be a core component of both the Coalition and Labor platforms, it was nowhere to be seen this week.

National security barely got a mention. This was despite the funeral of Trooper David "Poppy" Pearce, 41, killed in Afghanistan 10 days ago, and the injury of a soldier in Iraq.

The only national security issue of contention this week was the rebuttal by the Attorney-General Philip Ruddock of the report by Victoria Police and Monash University which questioned whether the tough counter-terrorism legislation and covert approach to tackling domestic terrorism is as effective as claimed. The report advocated a better balance between "hard policing" and "soft policing" (also known as community policing). There were no media releases or coverage by Labor on the report.

The only identified national security interest group to advocate a position was the Australia Defence Association. It argued that Labor's affordable housing policy should not sacrifice the long-term operational effectiveness and the flexibility of the defence force and its basing.

And the Lowy Institute has put out a guide called the "Voters' guide to international policy".

Unnoticed developments

However there were two fascinating national security developments which were not picked up by the mainstream media this week.

The first is the discovery that the **banning of liquids, aerosols and gels on international flights is going to cost Australian taxpayers a massive \$15 million over the next four years.**

The second was that the **supplemental budget announced this week contained the lowest increase in national security expenditure for any budget since 2001.**

1 Massive cost of banning of liquids, aerosols and gels on international flights

Earlier this week, hidden on page 96 of a 263-page treasury document was the extraordinary finding that \$15 million will be lost by customs and tax because of the banning of liquids, aerosols and gels (LAGs) on international flights.

Since 31 March 2007, travellers have been unable to carry LAGs items greater than 100 millilitres in carry-on luggage on international flights. This includes alcohol and perfumes.

The loss in revenue occurs because the new procedures leave the verification of purchases at off-airport duty free shops open to be scammed. Prior to March 2007, people who bought duty free goods (eg cameras, electronic equipment, leather goods, perfume concentrates, jewellery, watches, sporting equipment, alcohol and tobacco) from off-airport duty free shops, had to show the physical bottles and their



About the AHSRC

The Australian Homeland Security Research Centre undertakes independent, evidence-based analysis of homeland security (the domestic dimensions of national security).

The Centre's vision is to be one of Australia's leading independent sources of research on domestic security policy and programs for the government, industry, the community and the media.

Many of the Centre's activities are run in partnership with other organisations which reflects its philosophy that collaboration is the key to ensuring optimal outcomes in national security.

The Centre is not aligned with any political party or funded by government grant. The Centre is fully self-supporting and is funded by its commissioned studies, events and sales of publications.

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receipt at Customs after they had checked in their luggage and entered the secure (sterile) side of the airport.

Now, as they can no longer carry on liquids, the goods have to be put into luggage on the insecure side, and only the receipts need to be shown to Customs on the sterile side. A result of these measures is that people can purchase copious amounts of duty free liquids, say they are taking it out of the country, but never do it.

The box below shows the actual information in the Mid-Year Economic and Fiscal Outlook 2007-08 (MYEFO). Underneath is the comment from a Customs spokesperson providing more detail on the revenue loss and how they are going to attempt to stop the scamming.

2 Lowest ever budget increase on security expenditure

Another interesting fact about the MYEFO was that it was the first budget document since September 11, 2001 that did not mention terrorism or national security.

The only new security measure budgeted for was the \$27m upgrade of information technology systems to improve border security arrangements for travellers entering Australia.

Below is the cumulative security expenditure since 2001.

Announcement	New initiatives \$m	Real national security cumulative initiatives \$m	Commonwealth claimed national security initiatives
2002-03 Budget	1300	1300	1300
2002-03 MYEFO	103	1403	
2003-04 Budget	411	1814	
2003-04 MYEFO	143	1957	
2004-05 Budget	755	2712	3200
2004-05 MYEFO	1200	3912	
2005-06 Budget	1100	5012	5600
2005-06 MYEFO	324	5336	
2006-07 Budget	1459	6795	8100
2006-07 MYEFO	161	6956	
2007-08 Budget	665	7621	10400
2007-08 MYEFO	27	7648	

Verification measures to support new arrangements concerning liquids, aerosols and gels and the sealed bag

Extract from the Mid-Year Economic and Fiscal Outlook 2007-08

The Government will introduce new regulatory arrangements to allow for the verification of export of liquids, aerosols and gels (LAGs) sold through the sealed bag scheme, to take account of changes in airport security arrangements.

Since 31 March 2007, travellers have been unable to carry LAGs items greater than 100 millilitres in carry-on luggage. As a result, it is no longer possible to verify that LAGs items have been exported by a physical check of items at the Customs barrier.

This measure will confirm the interim arrangements for export verification by allowing travellers to pack LAGs items in their checked luggage. Travellers will provide proof of export by way of a declaration on the goods dockets that will be handed to collection agents after the Customs barrier.

As this measure also affects goods and services tax revenue, it is subject to the unanimous agreement of the States and Territories.

Revenue (\$m)

2007-08	2008-09	2009-10	2010-11	
Australian Customs Service	-0.1	-0.3	-0.4	-0.4
Australian Taxation Office	-0.9	-3.7	-4.6	-4.6
Total	-1.0	-4.0	-5.0	-5.0

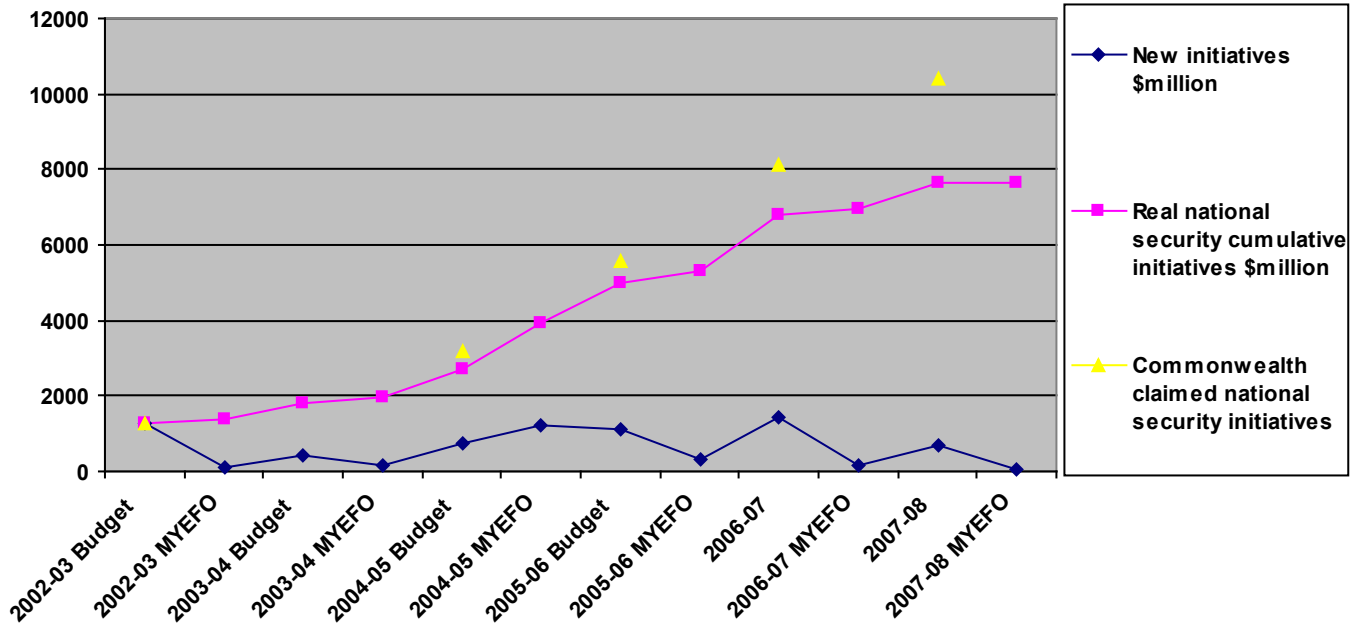
Comment from a Customs spokesperson

The cost to revenue reflects the risk that some persons may purchase the LAGs goods and then consume them domestically rather than ensuring they are exported (as generally required to access duty free tax concessions). The revenue risk arises because the proposal involves moving from an active export verification process to one where travellers verify that they have exported LAGs goods.

To monitor any potential exploitation of the new arrangements over time, Customs intends to use existing regulatory powers relating to duty free licences to require additional reporting of sales information on certain LAGs goods.

This is in addition to current requirements to report all 'missed dockets' relating to any duty or tax free purchases that are not export-verified. The Government has asked the ATO and Customs to monitor this data and if evidence of any significant non-compliance emerges, that compliance enhancement options be considered.

Furthermore, under the new arrangements, duty and tax free stores will be required to explain the new arrangements to travellers, ensure that travellers sign declarations where they have exported the goods and reconcile unsigned declarations.



Border Control System – upgrade

Extract from the Mid-Year Economic and Fiscal Outlook 2007-08

The Government will provide \$88.4 million over four years to implement a stronger and more flexible border control system for Australia.

This funding will enable enhanced electronic connectivity between the Department of Immigration and Citizenship and the Australian Security Intelligence Organisation; improved analysis and security checking of travellers to Australia; and higher quality data matching systems. The incorporation of more efficient systems will help to ensure that appropriate security requirements do not slow down business and tourism travel.

This system will enable border control authorities to check the travel and certain behavioural patterns of visa applicants to determine if they might constitute a security threat to Australia. Current security checking arrangements already cover such matters as criminal history and terrorist connections, including training with terrorist organisations and financing of terrorist acts. The new measures will include, amongst other techniques, matching movement and financial data with associations a person may have overseas or in Australia to provide a more comprehensive picture and targeted security advice.

Expense (\$m)

2007-08	2008-09	2009-10	2010-11	
2007-08	2008-09	2009-10	2010-11	
Department of Immigration and Citizenship	16.2	9.1	9.0	9.2
Australian Security Intelligence Organisation	3.8	4.7	4.8	4.9
Total	20.0	13.8	13.8	14.1
<i>Related capital (\$m)</i>				
Department of Immigration and Citizenship	17.7	-	-	-
Australian Security Intelligence Organisation	9.0	-	-	-
Total	26.7	-	-	-

This measure involves \$17.7 million in capital funding in 2007-08 for the Department of Immigration and Citizenship and \$9.0 million in capital funding in 2007-08 for the Australian Security Intelligence Organisation, which includes funding for IT system upgrades.

3rd Mass Transport, Mass Gathering and Precinct Security Conference

7 - 8 November 2007

Hilton on the Park, Melbourne

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