Cargo and Culture:
The Customs Integrated Cargo System (B)

In February 2007 the Australian National Audit Office released a performance audit carried out in the Australian Customs Service with regard to the Integrated Cargo System (ICS).[1] The report noted that ICS, which was part of a larger project called Cargo Management Re-engineering, "had a significant impact on Australia's supply chain and international trading environment. Problems with the functionality and performance of the ICS … resulted in substantial disruption to the movement of cargo, particularly in the sea cargo environment. As widely reported, Australia's major ports were congested with a backlog of containers awaiting clearance and delivery for many weeks."[2]

With respect to the causes of the problems, the report found that "the management framework that Customs had in place to support this project lacked many of the basic fundamentals necessary to successfully implement a large ICT project. The outcomes to be achieved and the expected benefits from the project were never clearly defined. There was no overall Cargo Management Re-engineering project plan, financial management plan, project budget or proper assessment of the risks facing the project. There was also a lack of supporting documentation surrounding contractual arrangements. Delays in the early years of the project had major repercussions for the latter stages of the project. Project teams were continually under pressure to meet tight deadlines, which were not achieved. Delays with the project necessitated three amendments to the legislated implementation date. Customs underestimated the complexity and the risks associated with the project and failed to properly respond to emerging issues and changes in risks. The implementation was not supported by a coordinated implementation strategy or adequate business continuity planning.

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[1] Australian National Audit Office, Commonwealth of Australia, ANAO Audit Report No. 24 2006 – 2007, *Customs' Cargo Management Re-engineering Project*, 2007, available on-line at www.anao.gov.au This document is referred to in what follows as "ANAO Report".
[2] ANAO Report, p 16

Insufficient time was allowed for system testing, particularly end to end testing. Customs did not have quality assurance mechanisms to assess the readiness of third party software providers, the quality of their software or the preparedness of industry participants.

Problems with the Cargo Risk Assessment system also impacted on Customs' ability to clear cargo and to target and assess high risk cargo, increasing the risks to Australia's border security and Customs' revenue collection responsibilities."[3]

Examining the source of the difficulties, the Audit Office report found that "throughout the development of the business model, industry raised concerns about a number of issues and these were never resolved to their satisfaction. In considering these issues, Customs advised that it had to balance industry's concerns with its border protection requirements. That notwithstanding, if some of the issues raised by industry had been more thoroughly investigated by Customs early in the project, many of the problems faced when the ICS Imports Release was introduced in October 2005 may have been minimised. Many industry stakeholders interviewed by the Audit Office expressed the view that Customs did not understand their business processes or listen to the concerns they raised."[4]

With regard to managing contracts with the outside suppliers who built and tested ICS, the report noted, "There were many contracts and numerous variations and extensions to the CMR project contracts. The contracts reviewed by the ANAO more than doubled (that is, from the original value of $59 million to payments totaling $136 million). There were 13 contracts and 65 variations to these contracts. Customs was unable to provide any documentation outlining the method of procurement or approval for the expenditure of public money in 39 instances (61 per cent). These included six contracts and 33 contract variations, with a combined contracted value of $29.9 million."[5]

Testing of ICS as it was being developed was also problematic: "In the ANAO's view, Customs did not allow sufficient time for testing, reviewing test results or communicating the impact of these results to industry. Results highlighted high failure rates that required Customs' conditional acceptance of a number of Releases. A significant number of issues (including high priority incidents) were being identified in each round of UAT [user acceptance testing]. This meant a higher than expected number of system modifications had to be progressed prior to implementation. Incidents were being raised faster than the developers could resolve them. Consequently, a considerable number of manual work-arounds were put in place for the Imports implementation. This seriously affected the system's users and Customs' operational staff. The extent to which the system functionality met requirements became secondary to meeting the legislative deadline for implementation."[6]

Finally, with regard to implementation, the report noted, "Industry's lack of readiness was demonstrated in a survey completed on 10 October [2005] by the industry ICS User Representative. Only 13 per cent of the 211 respondents advised they were fully operational and less than 10 per cent supported the decision to go live. Customs was provided with individual survey responses over 10–11 October 2005. Individual survey

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[3] Ibid, p 17 - 18
[4] Ibid, p 51
[5] Ibid, p 87
[6] Ibid, p 111

responses reviewed by the ANAO clearly indicated the major concerns were that software had not been delivered by a number of software developers and, where it had been delivered, applications were not working and staff had not had adequate training. This was despite commitments being given by developers that their software would be ready, tested and made available to clients in advance of the cutover date."[7]

The ANAO report included seven recommendations for Customs, including the use of a sound project management framework, a review of contract management arrangements, the creation of standardised approaches to software development and testing, and a review of its strategy for communicating with industry. Overall, the report noted that, "Problems surrounding the implementation of the ICS … severely damaged Customs' reputation".[8] In response to the ANAO report, new Customs CEO Michael Carmody said, "Customs has accepted all recommendations with progress already having been made on a number of them. Customs acknowledges the failings in the way it went about implementing ICS."[9]

Two years following the release of ICS, claims against the Commonwealth government for damages caused by the system were still under consideration.[10] Customs had already paid out more than $1.8 million, and said it was close to settling 17 more claims for a total of $7.2 million. Other companies were reported to be pursuing large claims for consequential losses due to disruptions caused by ICS, which were said to have lasted until June 2006. Customs also reported that it was developing improvements to ICS, which would be implemented in 2008. Senator David Johnston was named Minister for Justice and Customs on 9 March 2007, replacing Senator Chris Ellison, who was appointed the Minister for Human Services. Murray Harrison remained the organisation's Chief Information Officer.

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[7] ANAO Report, p 130

[8] Ibid, p 145

[9] Customs Media Release, 7 February 2007, www.customs.gov.au/page.cfm?c=8490 accessed 14 October 2007

[10] Connors, Emma, "Bill rises for bungled Customs systems," *Australian Financial Review*, 12 October 2007, p 26