

Chapter 5

Customs and Excise Department

Overview

Role of Customs and Excise Department

5.1 First established in 1909, the Customs and Excise Service was a uniformed arm of the then Import and Export Department. Originally known as “the Preventive Service”, it was retitled as the Customs and Excise Service in 1977 to benchmark with similar forces in the world. The Customs and Excise Department became an independent Department in 1982.

5.2 The C&ED carries out its functions in accordance with the Customs and Excise Service Ordinance (Cap. 342), being responsible for protection against smuggling; protection and collection of Government revenue on dutiable goods; detection and deterrence of narcotics trafficking and abuse of controlled drugs; protection of intellectual property rights and consumer interests; and protection and facilitation of legitimate trade and upholding Hong Kong’s trading integrity. These diverse responsibilities straddle the programme areas of three different policy bureaux, namely the Security Bureau, the Commerce and Economic Development Bureau, and the Financial Services and the Treasury Bureau. As a gate-keeper guarding our boundary against smuggling and drug-trafficking, the C&ED plays a key role in maintaining Hong Kong’s status as an international port and trade centre. As a guardian of intellectual property rights, public revenue and consumer interests, the C&ED provides valuable services to all walks of life in Hong Kong.

Organisation Structure

5.3 The C&ED is headed by the Commissioner of Customs and Excise, who is underpinned by one Deputy Commissioner, four Assistant Commissioners, one Senior Principal Trade Controls Officer (a civilian post) and two Chief Superintendents in the directorate team. The C&ED mainly comprises two major constituents, namely the

Customs and Excise (C&E) Service and the Trade Controls Branch. The C&E Service is a Disciplined Service established under the Customs and Excise Service Ordinance whereas the Trade Controls Branch¹⁸ is staffed by the civilian grade of Trade Controls Officer. The C&E Service delivers its functions through the following four branches –

- (a) *the Boundary and Ports Branch* focuses on matters relating to import and export controls;
- (b) *the Intelligence and Investigation Branch* is mainly responsible for matters relating to narcotic drugs and anti-smuggling enforcement and issues relating to the protection of intellectual property;
- (c) *the Excise and Strategic Support Branch* deals with dutiable commodities, provides strategic support to the directorate, as well as being responsible for international customs liaison and cooperation; and
- (d) *the Administration and Human Resource Development Branch* takes care of overall staff management, training and development along with other administration support services.

Staffing

5.4 As at 1 January 2008, the C&E Service had 4 536 disciplined services posts, comprising eight directorate posts, 840 posts in the Inspector/Superintendent grade of the Officer cadre, and 3 688 posts in the Customs Officer (CO) grade of the Rank and File. Together, they constituted 81% of the C&ED's total establishment. Their distribution of non-directorate posts is summarised in *Table 5.1*.

¹⁸ As at 1 January 2008, the Trade Controls Branch had 431 staff in the Trade Controls Officer grade. The Trade Controls Branch is responsible for trade controls and consumer protection matters.

Table 5.1: Distribution of C&E non-directorate posts as at 1 January 2008

Branch	Customs Officer Grade	Inspector/ Superintendent Grade	Total	%
Boundary and Ports Branch	2 792	442	3 234	71.4%
Intelligence and Investigation Branch	761	207	968	21.3%
Excise and Strategic Support Branch	63	107	170	3.8%
Administration and Human Resource Development Branch	63	54	117	2.6%
Trade Controls Branch	9	23	32	0.7%
Departmental Headquarters	-	7	7	0.2%
Total	3 688	840	4 528	100%

Grade and Rank Structure

5.5 The C&E Service has four ranks at the directorate level (including the Chief Superintendent rank created in 1993), five ranks in the Officer cadre and three ranks in the Rank and File grade. Details of their rank structure and existing pay scales are at **Appendix 9**.

Relevant Considerations

Job Factors and Special Factors

5.6 We have taken into account the job factors and special factors in respect of the C&E duties. Some key features mentioned in the submissions received or during exchanges in the GSR are highlighted below –

- (a) The scope of responsibilities under the charge of the Department is diversified. Duties span from public security, food safety, trade facilitation, protection of intellectual property rights to anti-narcotics and anti-smuggling. In order for C&E staff to regulate, detect, investigate and, where appropriate, prosecute cases with a wide and diverse coverage, they must be equipped with a broad spectrum of knowledge and skills.

- (b) The C&E staff have relatively longer conditioned hours of 51 per week. Over 81% of the staff have to work on shift (including around 32% having to work overnight shifts) and undertake outdoor duties, around half are deployed to work at locations involving longer travelling time, and only 17% are able to move to a five-day working week, including those who are subject to on-call requirement. The varying shift patterns and irregular working hours have posed hardship to the frontline operational officers.
- (c) The C&E officers are exposed to danger, risks and health hazards, particularly arising from enforcement against smuggling, drug trafficking and illicit trade of dutiable commodities, which invariably involve criminal activities of a syndicate nature. Many have to work under stressful environment such as searching toilets, rummaging filthy vessels, examining cargo at dirty warehouses, processing manifests at land boundary control points with polluted environment, as well as long-distance walk in remote hilltop or unpleasant hide-out sites during combat of smuggling activities. They also have to face physical and mental stress arising from the requirement to work under close public and media scrutiny as well as to carry firearms when necessary.

Changes Since Last Reviews

5.7 The management and staff have highlighted in their submissions new challenges as a result of the major changes, some of which are summarised below –

- (a) *New legislation* : The number of ordinances enforced by the C&ED has expanded by 77% from 30 ordinances in 1988 to 53 ordinances today, significantly increasing the scope and complexity of its functions, responsibilities and workload.
- (b) *Closer links with the Mainland* : Hong Kong's closer links with the Mainland, the introduction of the "Individual Visit Scheme" in 2003, the signing of

“Pan-Pearl River Delta Regional Cooperation Framework Agreement” in 2004, coupled with the vibrant economic developments in China, have all accelerated the growth in the volume of cross-boundary passenger and cargo flow. Front-line officers have to cope with increased caseloads and are expected to enhance professional and technological skills to support efficient and effective customs clearance.

- (c) *More active role in the international arena* : As enshrined in the Basic Law, Hong Kong is a separate customs territory. In recent years, the C&ED has been playing an increasingly active role in the international arena, including in the World Customs Organisation, the APEC and the signing of various Customs Cooperative Agreements with customs administrations worldwide. The phenomenal growth of Hong Kong as an international port, with its massive amount of daily air, sea and land traffic, means it is inevitably a prime target for smugglers of illicit cargo of drugs, dutiable commodities and counterfeit goods. The Department has to foster closer links with different customs jurisdictions on exchange of intelligence, implementation of new customs standards and enforcement. To cope with these challenges, the C&ED has developed into an organisation possessing a wide variety of skills, including the ability to use scientific analyses and employ high-tech equipment and complex software for enhancing effectiveness and efficiency in customs control. At the same time, it has to strike a fine balance in its dual roles as a law enforcement body and a trade facilitator.
- (d) *Changes in crime trend* : Criminal activities have become increasingly complex, particularly with the advancement of technology and increased cross-boundary movements. As syndicates keep adjusting their modes of operation to avoid detection and enforcement, the C&ED has to adopt new measures and equip staff with new knowledge and

skills in combating crimes. These measures often involve new legislation and legal proceedings, necessitating amendments to internal procedures on a frequent basis.

- (e) *Consumer protection, product safety, quality service etc.* : With the continuing development of the Hong Kong society, the C&ED has to cope with increasing public concerns and pressure over consumer protection and product safety. New international trends in the provision of customs service, growing public expectation and active media interest have significantly increased the workload and added pressure onto the Department.

5.8 Some workload indicators of the C&ED are given at **Appendix 10**. We observe significant increases in workload relating to frequent and voluminous traffic of people and vehicles at controls points as well as new drug trafficking methods and internet crimes. In this respect, the Department has used flexible staff deployment, risk management and advanced technology to tackle the substantial increases in workload.

Recruitment

5.9 We do not see recruitment problem in the entry ranks, namely the CO and the Inspector ranks, as evidenced by the sizeable numbers of applications received in recruitment exercises. Some statistics on the recent rounds of recruitment exercise are shown in *Table 5.2* for reference.

Table 5.2: Recruitment statistics in the C&ED (most recent recruitment exercises)

Rank (year of recruitment exercise)	Target no. of recruits	Applications received	Offers made
Customs Officer (2006-07)	431	8 914	497
Inspector (2005-06)	67	6 692	70

Retention

5.10 In the Officer cadre, wastage figures (excluding natural wastage such as retirement) in the Inspector rank indicate only a small number of leavers. As for the Rank and File, wastage figures in the CO rank have been on the rise in recent years, although still within reasonable range (*Table 5.3*). We believe that the increased wastage rate in the CO rank might be partly attributable to employment of better-qualified candidates who might not wish to take jobs in a Rank and File grade as a long-term career. Taking 2007-08 as an example, over 57% of the CO leavers had degree qualification or above.

Table 5.3: Wastage from CO and Inspector of C&E ranks in the past five years

Recruitment ranks		2003-04	2004-05	2005-06	2006-07	2007-08
Customs Officer	Wastage	2	5	14	35	80
	As % of strength	0.1%	0.3%	0.7%	1.7%	3.5%
Inspector of C&E	Wastage	0	0	2	3	1
	As % of strength	-	-	0.5%	0.8%	0.2%

(Note : Natural wastage is excluded)

Career Progression

5.11 Promotion is not automatic but subject to a range of factors, such as availability of vacancies, operational needs, age profile of serving officers and individual merit. That said, we note from the statistics that the time taken for a CO to be promoted to the Senior and Chief Customs Officer ranks is relatively long, and seems to have become longer in recent years.

5.12 For the Officer ranks, progression from Inspector to Senior Inspector rank seems reasonable given that there are 300 Senior Inspector posts on the establishment against 419 posts in the Inspector rank. We note, however, promotion prospects beyond the Senior Inspector rank is quite limited because of the relatively small number of posts at Assistant Superintendent level and above.

5.13 Overall speaking, 61% of the C&E grades were serving on the maximum pay point of their respective ranks as at 1 January 2008, including 60% (1 559) of CO and 53% (218) of

Inspectors at the recruitment ranks. We appreciate the staff's sentiment about career progression, but have to point out that this is more a general phenomenon in the civil service.

Analysis and Recommendations

Customs Officer Grade

5.14 We have received requests to increase the pay level for the CO grade, including the introduction of incremental jumps in the early years of their service, to bring it on a par with the equivalent ranks in the Police Force.

5.15 As explained in Chapter 3 (paragraph 3.17 to 3.20), we do not support changing the entry qualifications at this juncture, including the request for introducing multiple entry points for higher qualifications in recruitment to the Rank and File. We recommend maintaining the current entry qualification arrangements and pay for the Customs Officer rank. Nevertheless, we have no objection to the request for removing the sub-entries below five passes in the HKCEE. The existing basic entry qualification to the CO rank on five passes in the HKCEE (GDS(R) 4) should remain unchanged. **(Recommendation 5.1)**

5.16 Recruitment to the CO rank is satisfactory. The rising wastage rate has caused some concern, although there is no problem in replenishing the workforce through recruitment. In Chapter 3 (paragraph 3.27), we express support for granting one incremental jump to the CO rank on completion of no less than five years of service and having passed the promotion examination. Coupled with the existing incremental jump for CO on completion of 12 months of service, this proposal will help retain and motivate officers in their early years of service. Furthermore, as reflected in paragraph 5.10, prudent and pragmatic recruitment strategy would help address the retention issue. **(Recommendation 5.2)**

5.17 Having considered the enhanced job factors, we see justifications for extending the scale maximum of the rank. Though not uncommon in many Rank and File hierarchies, a large proportion of the staff have been staying on the maximum pay point of the rank

scale for some years. This has caused some concern on morale and career progression. In recognition of the value and experience brought by the meritorious, loyal and long-serving staff, we propose in Chapter 3 (paragraphs 3.21 to 3.24) that more Long Service Increments should be given so that CO can receive an increment after satisfactory completion of 12, 18, 24 and 30 years of service. **(Recommendation 5.3)**

5.18 Taking into account the job factors, the increase in responsibilities in terms of scope and complexity over the years and other relevant considerations, we further recommend raising the maximum pay point of the CO rank by one point and increasing the minimum and maximum pay of the Senior Customs Officer rank by one pay point. As regards the Chief Customs Officer (CCO) rank, we notice that this rank has a greater command role and more leadership functions over the years, particularly following the implementation of process re-engineering measures and other initiatives resulting in delegation of certain less complex functions from the Officer cadre to the top tier of the Rank and File grade. This trend may continue. There are requests for the creation of a new rank above the CCO rank to improve the promotion prospects of the CO grade. As a matter of principle, a new rank should only be created based on functional justifications. Having considered the management's views, the current structure and roles of the grade, we consider the present command structure appropriate and do not see functional justifications for creating a new rank above the CCO rank. To recognise the increased responsibilities and functions of this rank over the years, we propose to raise the maximum pay point of CCO rank by two points and increasing the minimum by one pay point. With these improvements, the pay scale of the CO grade will be revised as set out below **(Recommendation 5.4)** –

Rank	Existing Pay Scale	Recommended Pay Scale
Customs Officer	GDS(R) 2–13 plus two Long Service Increments, one each on completion of 18 and 25 years of in-rank service	GDS(R) 4*–14 (*sub-entry removed) plus four Long Service Increments, one each on completion of 12, 18, 24 and 30 years of in-rank service
Senior Customs Officer	GDS(R) 14–22	GDS(R) 15–23
Chief Customs Officer	GDS(R) 23–27	GDS(R) 24–29

Inspector/Superintendent of Customs and Excise Grade

5.19 We have received requests to increase the pay for the Inspector/Superintendent of the Customs & Excise grade to recognise the additional workload and responsibilities since the last reviews and to achieve pay parity with the Police Force. Some highlighted the similarities between the C&ED and Police Force in terms of their investigative, anti-narcotics and anti-smuggling functions. Others referred to the recommendations of the Rennie Committee on the pay relativity between the Police Inspector/Superintendent grade and the Inspector/Superintendent of C&E grade.

5.20 As stated in Chapter 1 (paragraphs 1.16 to 1.18), the Disciplined Services are all unique. Despite similarities in certain aspects, there remain significant differences in other areas that shape them into unique departments, rendering direct comparison inappropriate and impossible. In its comprehensive reviews in the early 1990s, the Standing Committee revisited the recommendations of the Rennie Committee and made some refinements as appropriate. The present relativities represent the outcome of careful and detailed deliberation over the years. In this GSR, our focus is placed on the job factors and special factors, recruitment, retention, career progression and morale of individual grades and ranks.

5.21 In the case of the Inspector/Superintendent of C&E grade, we note that there is no recruitment or retention problem. Also, as explained in Chapter 3 (paragraph 3.6 to 3.16), we do not support changing the entry qualifications. We therefore recommend maintaining the status quo in entry qualifications and entry pay for the Inspector rank. (**Recommendations 5.5**)

5.22 While we understand the sentiments and keen interests underlying the requests for through scale, we have explained in Chapter 3 (paragraphs 3.29 to 3.35) the unique historical background of through scale and re-affirmed the view of the Rennie Committee that the arrangement should not be further extended to other grades. In making this recommendation, we also note staff's concerns about advancement opportunities for mid-career officers and see the need to sustain morale and motivation. We therefore recommend introducing two new incremental jumps to the Inspector rank on completion of five years and eight years of in-rank service respectively, subject to

their having passed the qualifying examination for promotion to the Senior Inspector of C&E (**Recommendations 5.6**). Together with the existing incremental jump available to the Inspector rank upon completion of first year of in-rank service, the Inspector rank will have a total of three incremental jumps.

5.23 To recognise the growing responsibilities, increasing job complexity and diverse portfolio of the ranks in the Inspector/Superintendent of C&E grade, we recommend adjusting the minimum (save for the recruitment rank) and maximum pay of the various ranks upward by one pay point each (**Recommendation 5.7**) –

Rank	Existing Pay Scale	Recommended Pay Scale
Inspector of Customs and Excise	GDS(O) 5–20	GDS(O) 5–21
Senior Inspector of Customs and Excise	GDS(O) 21–25	GDS(O) 22–26
Assistant Superintendent of Customs and Excise	GDS(O) 26–31	GDS(O) 27–32
Superintendent of Customs and Excise	GDS(O) 32–35	GDS(O) 33–36
Senior Superintendent of Customs and Excise	GDS(O) 36–38	GDS(O) 37–39

5.24 There are concerns that certain posts in the grade are undertaking duties that are normally performed by a higher rank in other Disciplined Services with a similar portfolio. We have taken note of these concerns. As mentioned in paragraph 5.12, the number of posts at Assistant Superintendent level and above is relatively small. It is for the management to see whether there is a case to review the complement and ranking of the various ranks based on functional justifications, having regard to the expansion of the Department's functions and responsibilities in terms of scope, diversity and complexity over the years.

5.25 There are requests that the three ranks of Assistant Superintendent, Superintendent and Senior Superintendent should be re-structured into two ranks to improve efficiency, succession planning and staff morale. We note that ranks exist on specific functional grounds and do not consider there are valid functional justifications for changing the structure of the three ranks. That said,

we support the Department's ongoing efforts to explore and implement, where appropriate, process re-engineering measures to improve efficiency. For better succession planning, we also encourage the management to make better use of the existing mechanism to facilitate early identification of talent for promotion based on a robust performance management system.

The Directorate

5.26 In its proposals to the GSR, the management emphasises the need for additional directorate posts to strengthen the directorate structure in order to cope with increasing challenges. The Department's requests include creation of one additional post of Deputy Commissioner and two additional posts of Assistant Commissioner, as well as upgrading the headship of the seven major formations in the C&E Service from Senior Superintendent to Chief Superintendent rank.

5.27 As a preliminary observation and without prejudice to examination of further details in due course, there might be a case for the C&ED to consider whether the current directorate structure should be strengthened in view of the Department's increasingly diverse portfolio and the overall management responsibilities over some 5 600 staff. There is established mechanism for creation of posts in existing ranks. It is for the management to formulate forward-looking and strategic plans, review the directorate complement and, where appropriate, pursue relevant proposals under the normal procedures.

5.28 We will set out our recommendations on the directorate pay scales in Chapter 11 (paragraph 11.10).

Conditioned Hours of Work

5.29 The conditioned hours of works of the C&E grades are 51 hours per week, being the longest among all Disciplined Services except the Fire Services Department's operational staff in the Fire Stream. Both the management and the staff associations have represented to us that it is unfair that they have to work longer hours than their counterparts, including three hours more than the Police Force and seven hours more than the Immigration Department. They

emphasise that the long conditioned hours of work, together with the varying shift patterns and the travelling time to border control points, have disadvantaged the C&E staff in respect of personal “disposable time”, affecting their morale, family life and healthy living.

5.30 The C&ED has been discussing with the Administration for quite some time for a reduction of its conditioned working hours from 51 to 48 hours per week. Whilst a mutually agreed and practicable solution has yet to be reached, the C&ED has implemented on a trial basis new shift patterns and rosters in selected sections based on 48 hours per week. The Department achieved this by efficiency measures, process re-engineering and wider use of technology. We were given to understand that through this arrangement, around 85% of the disciplined services staff in the Department in practice are working 48 hours a week, while the remaining 15% work 51 hours a week. Meanwhile, eligibility for overtime allowance continues to be based on work in excess of conditioned hours of 51 per week.

5.31 As mentioned in Chapter 3, there are no uniform conditioned hours across the civil service or the Disciplined Services. Furthermore, a reduction in conditioned hours without corresponding downward pay adjustment is in effect an improvement to pay and conditions of service. We are also mindful of possible implications to other Disciplined Services. Nonetheless, we maintain the stance that we are open to proposals for reducing the conditioned hours of work, subject to the three pre-requisites of being cost neutral, not involving additional manpower and maintaining the same level of service to the public. These conditions are consistent with those principles guiding the reduction of conditioned hours for the Police Force from 51 to 48 per week in 2001 as well as those on the recent implementation of five-day week in the civil service.

5.32 We have examined the Department’s proposal in consultation with the management and staff. The management advised that, with modern technology and improved efficiency over the years, the C&ED would be able to reduce the number of hours of work from 51 to 48 per week whilst maintaining the current levels and standards of service. The Department has also undertaken to absorb any extra expenditure through efficient control of overtime work and savings from other activities. On the clear understanding that the three conditions could be achieved, we confirm our support for the

C&ED's request for reducing the conditioned hours of work from 51 to 48 per week. (**Recommendation 5.8**)

Summary of Key Recommendations

5.33 In summary –

- (a) we recommend that the pay scales of the non-directorate ranks of the C&E Service should be enhanced as detailed in **Appendix 11**; and
- (b) we support the Department's request to reduce its conditioned hours of work from 51 to 48 per week, on the clear understanding that the three pre-requisites of being cost neutral, not involving additional manpower and maintaining the same level of service to the public could be met.