

VOTE *Customs*

Customs

Overview

Departmental Appropriations

Departmental appropriations sought for Vote Customs in 2006/07 total \$109.912 million. This is intended to be spent as follows:

- \$5.270 million (5% of departmental appropriations in this Vote) on policy advice.
- \$4.496 million (4% of departmental appropriations in this Vote) on intelligence and risk assessment services.
- \$35.590 million (32% of departmental appropriations in this Vote) on clearance of international passengers, crew and craft.
- \$43.438 million (39% of departmental appropriations in this Vote) on clearance of import, export, and excise transactions.
- \$2.755 million (3% of departmental appropriations in this Vote) on revenue collection, accounting, and debt management.
- \$6.572 million (6% of departmental appropriations in this Vote) on surveillance, search, and containment.
- \$8.992 million (8% of departmental appropriations in this Vote) on investigation of offences.
- \$851,000 (1% of departmental appropriations in this Vote) on prosecution and civil proceedings.
- \$1.948 million (2% of departmental appropriations in this Vote) on technical advisory services.

Crown Revenue

The New Zealand Customs Service expects to collect \$9,072 million of Crown revenue in 2006/07.

Details of how the appropriations are to be applied appear in Parts B1, C, D and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

GIF	Growth and Innovation Framework
OCO	Oceania Customs Organisation
WCO	World Customs Organisation

Minister Portfolio Table

21	Minister of Customs
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Customs

VOTE MINISTER: Minister of Customs

ADMINISTERING DEPARTMENT: New Zealand Customs Service

The Minister of Customs is the Responsible Minister for the New Zealand Customs Service

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

The New Zealand Customs Service (Customs) serves to protect New Zealand's borders and revenue in order that New Zealanders may live in safety while actively participating in the global community.

Link to Government Priorities

Customs' outcomes contribute to the government priorities as set out in the table below:

Government Priorities	Themes	Customs' Outcomes
Economic transformation	Growing globally competitive firms World class infrastructure An internationally competitive city - Auckland	Trade and Tourism Support Customs Revenue Border Management Assurance
Families – young and old	Healthy confident kids Safe communities Better health for all	Border Security Community Protection Customs Revenue Border Management Assurance
National identity	What we do Where we live How we are seen by the world	Border Security Community Protection Border Management Assurance

Outcomes

Customs' four outcomes for the community reflect the key areas in which Customs is seeking to have positive impacts for Government and citizens, through effective border management. These outcomes have been reworded and refocused to represent more clearly their scope and links with the related higher-level outcomes that are the primary focus of other agencies.

- **Border Security:** New Zealand is protected from threats to national security by Customs' situational awareness and readiness to respond
- **Community Protection:** New Zealand's community, economy and environment are protected from harm by effective and efficient border management
- **Customs Revenue:** New Zealand's economic, social and environmental goals are supported by the effective and efficient collection of Customs revenue
- **Trade and Tourism Support:** Sustainable economic growth is supported through effective and efficient border management

A new intermediate outcome has been defined to focus on the effectiveness of Customs' integrated border management system, which provides the base upon which the four community-focused outcomes are achieved.

- Border Management Assurance: New Zealand's sovereign interests are protected through Customs' management of New Zealand's border

An intermediate focus on the effectiveness of Customs' border management processes is needed as it is difficult to attribute impacts to particular border interventions because of the integrated nature of Customs' border management processes (ie, most outputs contribute to most outcomes). This outcome will assist in focusing development of our understanding of the level of assurance Customs provides to government.

Customs is also developing a further addition to its outcome framework, in recognition of a deepening understanding of New Zealand's approach to controlling its borders, and the New Zealand Customs Service's role in that.

Many different agencies have a role in providing advice to Government about border controls, addressing a range of issues including biosecurity, trade regulation, and immigration policy, amongst other areas of policy interest. The Government requires coherence, and knowledge about the collective effect of these border controls on the economy, the social fabric of society, national security, national identity and the environment. However, currently the Government's collective interest in border management is not clearly in any agency's focus.

Customs is now seeking to make this context clearer by engaging in discussion of a draft multi-agency outcome that represents what Customs and other border agencies are collectively seeking to achieve on behalf of government and the community:

- The Permeability of New Zealand's border is controlled to support the achievement of Government goals and strategies

This is intended to provide a frame of reference for a collective approach to border management, and should be helpful, over time, in underpinning inter-agency engagement over improvements to the coherence of New Zealand's overall system of border management.

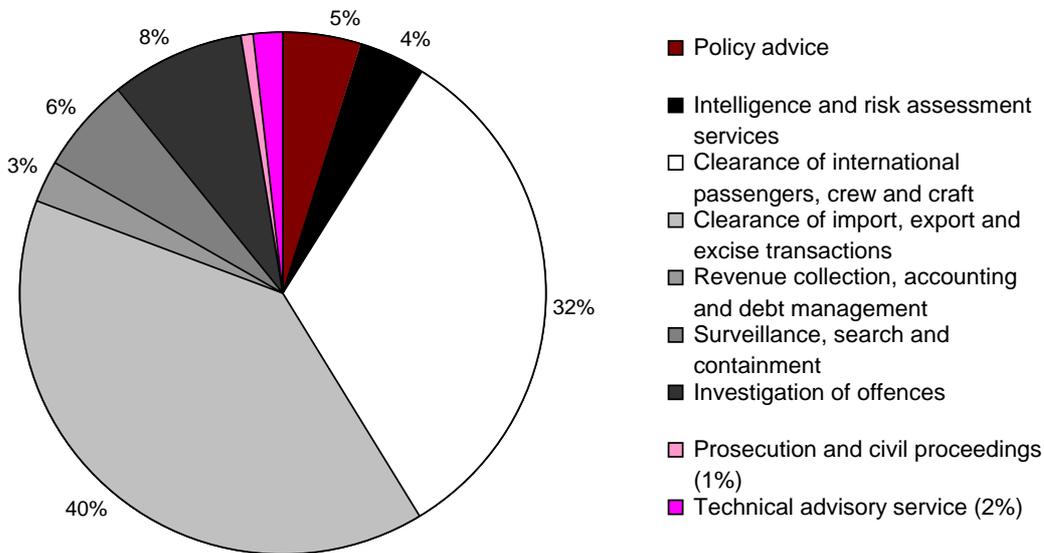
Output Expenses

Customs aims to achieve the outcomes identified by providing the following classes of outputs:

- Policy Advice.
- Intelligence and Risk Assessment Services.
- Clearance of International Passengers, Crew and Craft.
- Clearance of Import, Export, and Excise Transactions.
- Revenue Collection, Accounting, and Debt Management.
- Surveillance, Search and Containment.
- Investigation of Offences.
- Prosecution and Civil Proceedings.
- Technical Advisory Service.

Linkages between key outputs, key initiatives and departmental outcomes are detailed in Customs' *Statement of Intent 2006-07*.

Figure 1 - Distribution of Vote Customs by Output Expense



Source: New Zealand Customs Service

Part A2 - Trends in Vote

The departmental and Crown flows in Vote Customs are detailed in the Table on 'Trends in Vote Customs - Summary of Appropriations and Crown Revenue' for Vote Customs.

In recent years, additional funding has been provided to help Customs:

- respond to increased volumes of passengers and cargo, and to achieve agreed processing and clearance times
- increase its presence and intervention activity in the maritime environment, for example 100% boarding of marine vessels, and to maintain higher levels of interdiction at airports
- implement its Trade Security Strategy including an enhanced non-invasive inspection capability, the Secure Exports Scheme, and the Supply Chain Security Arrangement with the United States
- respond to increased community risk, especially the steady growth in the involvement of trans-national organised criminal syndicates in a range of criminal activities such as the smuggling of illicit drugs, goods infringing intellectual property rights and stolen property
- increase its international presence with new posts in Washington and Beijing to assist with law enforcement and trade facilitation
- fund organisational development and manage remuneration pressures, and
- increase its audit capability to protect and enhance the Government interest in Crown revenue from goods and people crossing the border.

In 2006/07 additional Crown funding has been provided for:

- Remuneration and organisational development
- Implementing a Data Match for Student Loans.

Crown revenue is forecast to steadily increase from 2005/06 onwards, in line with forecast growth in import and export activity.

Departmental Output Trends: 2001/02 to 2006/07

Revenue Crown/revenue other

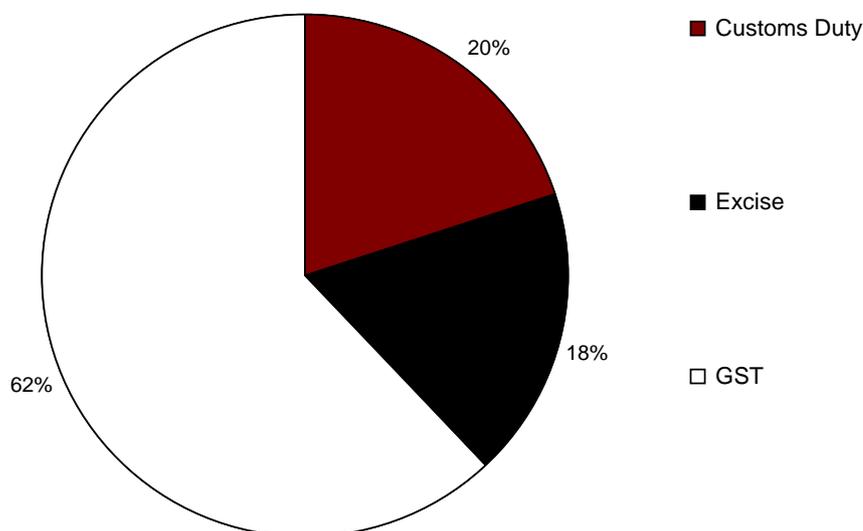
In recent years there has been an increase in funding to accommodate volume growth, enhance organisational capability and to enable new services to be delivered. This funding has been provided to enhance border security, whilst also enabling government requirements in respect of community protection, trade facilitation, and revenue collection to be met.

Non-Departmental Expenditure and Revenue Trends: 2001/02 to 2006/07

Crown revenue

Crown revenue is collected through customs duties and GST on imports and excise on alcoholic beverages, tobacco, and petroleum products. Figure 2 notes the proportion of collections by category of Crown revenue forecast to be collected in 2006/07.

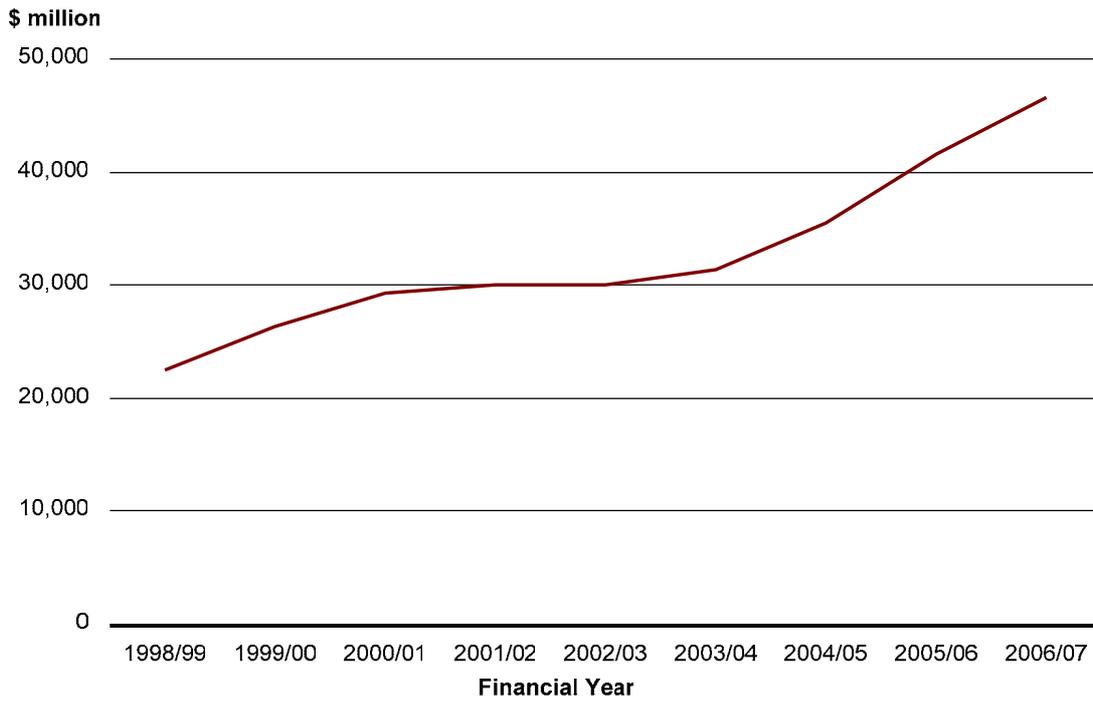
Figure 2 - 2006/07 Crown Revenue by Category



Source: New Zealand Customs Service

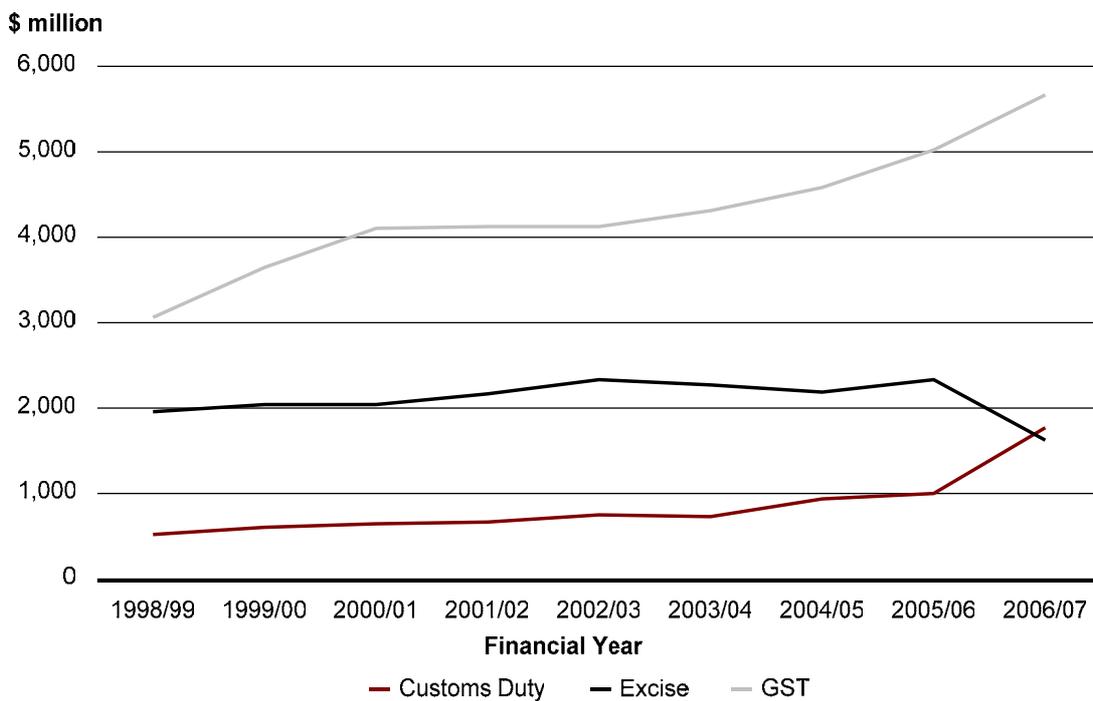
Figures 3 and 4 illustrate growth in import volumes and growth in Crown revenue collected by category.

Figure 3 - Total Import Values Subject to Duty 1998/99 - 2006/07



Source: New Zealand Customs Service

Figure 4 - Crown Revenue Collections by Category 1998/99 - 2006/07



Source: New Zealand Customs Service

Analysis by Appropriation: 2005/06 and 2006/07 Compared

Departmental output expenses

Annual appropriations for the purchase of departmental outputs are expected to increase by \$2.927 million for 2006/07 compared with 2005/06. The changes in total appropriations are mainly as a result of additional funding for remuneration (\$2.221 million) and capability for primary processing at international airports (\$0.200 million) approved as part of the 2005 budget round and the new initiatives approved in the 2006 budget round (\$0.823 million - see below for details). This is offset by reduction in baseline of \$0.317 million for one off activities that occurred in 2005/06.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Remuneration and organisational development in 2006/07 and outyears	Departmental Output Expense - Policy Advice	22	22	22	22	22
	Departmental Output Expense - Intelligence and Risk Assessment Services	32	32	32	32	32
	Departmental Output Expense - Clearance of International Passengers, Crew and Craft	287	287	287	287	287
	Departmental Output Expense - Clearance of Import, Export and Excise Transactions	250	250	250	250	250
	Departmental Output Expense - Revenue Collection, Accounting and Debt Management	22	22	22	22	22
	Departmental Output Expense - Surveillance, Search and Containment	44	44	44	44	44
	Departmental Output Expense - Investigation of Offences	51	51	51	51	51
	Departmental Output Expense - Prosecutions and Civil Proceedings	4	4	4	4	4
	Departmental Output Expense - Technical Advisory Service	13	13	13	13	13
	Sub Total	725	725	725	725	725
Customs Wellington Head Office Relocation and Modernisation	Departmental Output Expense - Policy Advice	0	130	242	242	242
	Departmental Output Expense - Intelligence and Risk Assessment Services	0	52	96	96	96
	Departmental Output Expense - Clearance of International Passengers, Crew and Craft	0	345	640	640	640
	Departmental Output Expense - Clearance of Import, Export and Excise Transactions	0	502	932	932	932
	Departmental Output Expense - Revenue Collection, Accounting and Debt Management	0	47	87	87	87
	Departmental Output Expense - Surveillance, Search and Containment	0	51	95	95	95
	Departmental Output Expense - Investigation of Offences	0	111	206	206	206
	Departmental Output Expense - Prosecutions and Civil Proceedings	0	10	19	19	19

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
	Departmental Output Expense - Technical Advisory Service	0	32	61	61	61
	Sub Total	0	1,280	2,378	2,378	2,378
Implementing a Data Match for Student Loans	Departmental Output Expense - Intelligence and Risk Assessment Services	98	98	98	98	98
Total Initiatives		823	2,103	3,201	3,201	3,201

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	57,090	65,453	79,138	95,668	106,985	106,985	109,912	-	-	-	109,912	113,064	113,809	113,809
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	46	42	37	38	44	44	-	-	44	-	44	44	44	44
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	57,136	65,495	79,175	95,706	107,029	107,029	109,912	-	44	-	109,956	113,108	113,853	113,853
Crown Revenue and Receipts														
Tax Revenue	6,955,721	7,219,924	7,298,434	7,565,000	8,350,000	8,350,000	N/A	N/A	N/A	N/A	9,072,000	9,415,000	9,645,000	9,855,000
Non-Tax Revenue	985	972	535	120	20	20	N/A	N/A	N/A	N/A	20	20	20	20
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	6,956,706	7,220,896	7,298,969	7,565,120	8,350,020	8,350,020	N/A	N/A	N/A	N/A	9,072,020	9,415,020	9,645,020	9,855,020

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Clearance of Import, Export and Excise Transactions (M21)	41,480	-	41,480	-	43,438		- The provision of services relating to validation, checking, inspection, clearance and audit of import and export consignments and excise returns. Reason for Change: Latest costing allocation data and remuneration profile.
Clearance of International Passengers, Crew and Craft (M21)	34,649	-	34,649	-	35,590		- The clearance of international passengers, crew and craft arriving in and departing from New Zealand. Reason for Change: Latest costing allocation data and remuneration profile.
Intelligence and Risk Assessment Services (M21)	4,231	-	4,231	-	4,496		- The provision of intelligence and risk assessments that inform intervention strategies, including alerts for goods, people and craft. Reason for Change: Latest costing allocation data, remuneration profile and IRD matching.
Investigation of Offences (M21)	8,993	-	8,993	-	8,992		- The proactive and reactive investigation of serious transnational crime, transnational crime and other border and revenue offences. Reason for Change: Latest costing allocation data and remuneration profile.
Policy Advice (M21)	5,449	-	5,449	-	5,270		- The provision of policy advice and related services relating to border security, border management and Customs revenue. Reason for Change: Latest costing allocation data and remuneration profile.
Prosecutions and Civil Proceedings (M21)	895	-	895	-	851		- The prosecution of offences and civil proceedings relating to the hearing of applications for the release of seized goods. Reason for Change: Latest costing allocation data and remuneration profile.
Revenue Collection, Accounting and Debt Management (M21)	2,733	-	2,733	-	2,755		- The provision of services relating to receipt and processing of revenues owing from import tariffs, goods and services tax and excise-equivalent duties on imported goods and excise duty on domestically manufactured fuel, tobacco and alcohol products. Reason for Change: Latest costing allocation data and remuneration profile.
Surveillance, Search and Containment (M21)	6,651	-	6,651	-	6,572		- The targeted surveillance, search and containment of risk craft, persons or goods. Reason for Change: Latest costing allocation data and remuneration profile.

	2005/06				2006/07		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2006/07 Appropriations
Departmental Output Expenses (General) - cont'd							
Technical Advisory Services (M21)	1,904	-	1,904	-	1,948	-	- The provision of Customs rulings on tariff and excise classifications, concession interpretations, origin qualification and general advice to business. Reason for Change: Latest costing allocation data and remuneration profile.
Total Departmental Output Expenses (General)	106,985	-	106,985	-	109,912	-	
Other Expenses to be Incurred by the Crown							
World Customs Organisation (M21)	44	-	44	-	44	-	- New Zealand's contribution to the operating budget of the WCO.
Total Other Expenses to be Incurred by the Crown	44	-	44	-	44	-	
Total Appropriations	107,029	-	107,029	-	109,956	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice

Under this Output Class the New Zealand Customs Service provides policy advice and related services in relation to border security, border management and Customs revenue.

This includes analysis and advice to the Minister, Cabinet and Cabinet Committees, Parliamentary Select Committees, inter-departmental committees and other government agencies, as well as advice and assistance to overseas customs agencies and relevant international forums.

Intelligence and Risk Assessment Services

Under this Output Class the New Zealand Customs Service provides intelligence and risk assessments that inform intervention strategies, including alerts for goods, people and craft crossing the border.

Clearance of International Passengers, Crew and Craft

Under this Output Class the New Zealand Customs Service produces services relating to the clearance of international passengers, crew and craft arriving in and departing from New Zealand. This includes the profiling of potential risks and applying any alert instructions that might exist in respect of passengers and crew.

Services provided include ensuring that arriving and departing craft comply with the law, that passengers and crew comply with Customs, Immigration, Police and national security requirements, and that the import and export of goods complies with the law. Particular attention is paid to preventing the entry of controlled drugs and the illegal import or export of other controlled items.

Clearance of Import, Export and Excise Transactions

Under this Output Class the New Zealand Customs Service provides services relating to the validation, checking, inspection, clearance and audit of import and export consignments, and excise returns.

Services provided include the screening of import and export mail items.

This includes services relating to various levels of intervention to detect error or fraud, to ensure import and export control systems are complied with, and to ensure that the correct classification, origin and value are declared and appropriate duties and taxes are being paid, and refunds, drawbacks and revenue foregone are correctly assessed.

Revenue Collection, Accounting and Debt Management

Under this Output Class the New Zealand Customs Service provides services relating to the receipt and processing of revenues owing from import tariffs, goods and services tax and excise-equivalent duties on imported goods and excise duty on domestically manufactured fuel, tobacco and alcohol products. This includes the cost of paying approved refunds and drawbacks of tariffs, excise and excise-equivalent duties.

Customs also provides services relating to credit control and the management of debt and the receipt and processing of fees and levies on behalf of other agencies.

Surveillance, Search and Containment

Under this Output Class the New Zealand Customs Service provides services relating to the mobilization or deployment of resources against a perceived risk or threat. Operations primarily involve targeted surveillance, search and containment of risk craft, persons or goods.

Investigation of Offences

Under this Output Class the New Zealand Customs Service provides proactive and reactive investigative responses to serious transnational crime, transnational crime and other border offending and revenue offences.

This includes the investigation of specific offences, and/or information/intelligence held or received involving any known or suspected border offending.

Prosecution and Civil Proceedings

Under this Output Class the New Zealand Customs Service provides services relating to the prosecution of offences under the Customs and Excise Act 1996 and civil proceedings provided for under that Act relating to the hearing of applications for the release of seized goods.

Technical Advisory Services

Under this Output Class the New Zealand Customs Service provides services relating to the supply of binding rulings to external clients on tariff and excise classification, the application of tariff concessions, eligibility under the rules of origin and the interpretation of rules of origin. Customs also provides to external clients export classifications and general Customs information.

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

The World Customs Organisation (WCO)

The World Customs Organisation (WCO) is an intergovernmental body with over 160 Member administrations worldwide. It was formed as the Customs Cooperation Council in 1950, but adopted the working name of the World Customs Organization in 1994 to better reflect its transition to a global institution.

The mission of the WCO is to enhance the effectiveness and efficiency of Customs administrations. It does this through the establishment and promotion of international instruments that promote simplified customs procedures; encouraging cooperation between Members; and by fostering integrity, human resource and management development.

Through these actions, the WCO seeks to enhance the economic wealth and social protection of its Members through the creation of an honest, transparent and largely predictable customs environment. This environment facilitates the movement of international trade, travel, and transport while ensuring that effective action is taken against illegal activity threatening customs borders.

The WCO maintains and develops a network of international partnerships including trade and commerce bodies such as the World Trade Organisation, law enforcement agencies including Interpol and the transport bodies such as International Air Transport Association. It provides a coordinated customs voice into these and many other international organisations.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for New Zealand Customs Service	Estimated Actual 2005/06 \$000	Projected 2006/07 \$000	Explanation of Projected Movements in 2006/07
Opening Balance	35,756	40,292	
Capital Injections	4,536	-	
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	-	-	
Other Movements	-	-	
Closing Balance	40,292	40,292	

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2005/06		2006/07	Description of 2006/07 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Tax Revenue				
Customs Duty	1,009,000	1,009,000	1,773,000	Customs duty is duty to which imported goods are subject under the Tariff Act 1988.
Excise Duty	2,296,000	2,296,000	1,629,000	Excise duty is imposed under the Customs and Excise Act 1996 on alcohol products, tobacco and tobacco products and petroleum products.
Goods and Services Tax	5,045,000	5,045,000	5,670,000	GST is imposed on imported goods under sections 12 and 13 of the Goods and Services Tax Act 1985.
Total Tax Revenue	8,350,000	8,350,000	9,072,000	
Non-Tax Revenue				
Sale of Seized Goods	20	20	20	Proceeds from the disposal of goods forfeited to the Crown, to recover non-payment or short payment of duties or for other illegalities.
Total Non-Tax Revenue	20	20	20	
Total Crown Revenue and Receipts	8,350,020	8,350,020	9,072,020	