

VOTE *Customs*

Customs

Overview

Departmental appropriations sought for Vote Customs in 2001/2002 total \$62.984 million. This is intended to be spent as follows:

- Policy Advice - \$2.376 million (4% of the Vote)
- Intelligence and Risk Assessment Services - \$2.967 million (5% of the Vote)
- Clearance of International Passengers, Crew and Craft - \$20.469 million (32% of the Vote)
- Compliance Checking of Import, Export and Excise Transactions - \$21.681 million (34% of the Vote)
- Revenue Collection, Accounting and Debt Management - \$2.482 million (4% of the Vote)
- Surveillance, Search and Containment - \$3.688 million (6% of the Vote)
- Investigation of Offences - \$6.690 million (11% of the Vote)
- Prosecution and Civil Proceedings - \$0.684 million (1% of the Vote)
- Technical Advisory Services - \$1.947 million (3% of the Vote).

New Zealand Customs Service expects to collect \$6,637 million of Crown revenue in 2001/2002.

Further details regarding the expenditure of these appropriations are included in Parts B1, C, D and E of this Vote. Details regarding Crown revenue are in Part F.

Footnotes

- Note 1** Costs incurred pursuant to sections 111 to 113 and 117 and 275 of the Customs and Excise Act 1996.
- Note 2** Costs incurred pursuant to sections 12 and 13 of the Goods and Services Tax Act 1985.

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 Customs

Related Key Government Goals

The appropriations in Vote Customs contribute most directly to the Key Government Goals of:

- Goal 1 - Grow an inclusive, innovative economy for the benefit of all
- Goal 2 - Restore trust in government and provide strong social services, and
- Goal 3 - Protect and enhance the environment.

Introduction

The New Zealand Customs Service (Customs) is New Zealand's primary border management agency implementing a range of government policies in the context of Customs, immigration and other border-related enactments. It is also responsible for managing the excise regime on domestic products and the collection of import duties, including Goods and Services Tax (GST) and excise equivalent duty on imported goods.

The appropriations will fund the purchase of Customs services in relation to border management and revenue collection, and include New Zealand's contribution to the World Customs Organisation's operations.

Over time, there have been increasing volumes of traffic across the border, both of people and goods. There is no sign that this trend is levelling off. As part of globalisation, there are an increasing number of international trade agreements with implications for border management, e.g. Closer Economic Relations (CER) with Australia, and the Closer Economic Partnership with Singapore. Such agreements create work for Customs in determining the point of origin of goods and levying the appropriate tariff or duty. New Zealand not only has a wider range of trading partners today but its traditional patterns of trade have changed in terms of sources, destinations, commodities traded and methods, e.g. internet purchases, international couriers.

There are more ports of entry that Customs is responsible for, with regional airports now accepting international flights and more international yachts arriving at small ports. At the same time tourist numbers continue to grow at increasing rates.

Because of this continuing increase in workload, Customs is required to expand its services in order to carry out the functions the Government requires. At the same time, the sector has increased its expectations of service and timeliness, e.g. streamlining of documentation, and there is a growing use of electronic transactions.

Customs' border management and revenue collection strategies aim to build capability to meet increased demand, maintain the integrity of the border and of the tax base, whilst minimising compliance costs. These community protection strategies are supported by an intelligence-driven risk management approach to interventions at the border and to post-importation audits and other post-border interventions. These strategies are designed to reduce illegal border and revenue related activity by enforcement and deterrence.

Alongside this is an expectation by Government, that all border-related government agencies (particularly Customs, the Ministry of Agriculture & Forestry and the Immigration Service) will work together more closely. This requires a whole of Government approach to border management issues.

Customs works closely with the commercial sector to develop efficient approaches to the clearance of imported and exported goods and the collection of revenues. This area of business facilitation aims for a high level of compatibility between Customs' systems and information requirements, and normal commercial practices. These needs change as a result of international commitments, improvements in best practice in both the government and private sectors, and as opportunities arise to implement new technology. An important objective is the minimisation of both compliance costs to the private sector and administrative and servicing costs of government.

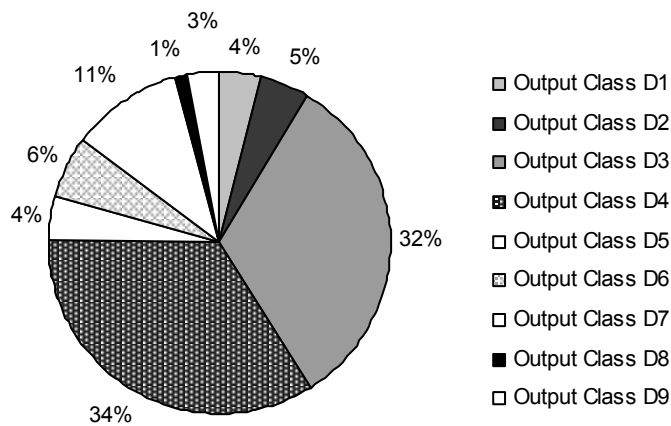
Customs plays a strong role internationally in supporting Government's wider strategic interests. In addition to its high profile within the World Customs Organisation, New Zealand customs officers are currently serving on attachment to East Timor and on specialist assignments to Angola, Bangladesh and Mozambique. Drug intelligence posts are maintained in Bangkok and Sydney, and Customs plays a prominent role in APEC matters of integrity, trade facilitation and technical training. A further post is maintained at Brussels as a joint venture with the Ministry of Foreign Affairs and Trade to concentrate on World Customs Organisation, World Trade Organisation and European Union matters.

Output Classes

The Minister of Customs will purchase the following classes of outputs in order to contribute to key Government goals:

- Output Class D1 Policy Advice
- Output Class D2 Intelligence and Risk Assessment Services
- Output Class D3 Clearance of International Passengers, Crew and Craft
- Output Class D4 Compliance Checking of Import, Export and Excise Transactions
- Output Class D5 Revenue Collection, Accounting and Debt Management
- Output Class D6 Surveillance, Search and Containment
- Output Class D7 Investigation of Offences
- Output Class D8 Prosecutions and Civil Proceedings
- Output Class D9 Technical Advisory Services

Figure 1 - Distribution of Vote Customs by output class



Source: New Zealand Customs Service

Links Between Key Government Goals and Vote Customs Output Classes

The Minister of Customs will purchase output classes in Vote Customs to contribute to Key Government Goals. The strongly relevant Key Government Goals are:

- Goal 1 - Grow an inclusive, innovative economy for the benefit of all
- Goal 2 - Restore trust in government and provide strong social services, and
- Goal 3 - Protect and enhance the environment.

The following table shows the link between each of the Vote Customs Output Classes and the relevant Government goals.

Vote Customs Output Classes	Key Government Goals
Output Class 1 - Policy Advice	Goals 1 – 3
Output Class 2 - Intelligence and Risk Assessment Services	Goals 1 – 3
Output Class 3 - Clearance of International Passengers, Crew and Craft	Goals 1 – 3
Output Class 4 - Compliance Checking of Import, Export and Excise Transactions	Goals 1 – 3
Output Class 5 - Revenue Collection, Accounting and Debt Management	Goal 1
Output Class 6 - Surveillance, Search and Containment	Goals 2 – 3
Output Class 7 - Investigation of Offences	Goals 1 – 3
Output Class 8 - Prosecutions and Civil Proceedings	Goals 1 – 3
Output Class 9 - Technical Advisory Services	Goals 1 – 3

Part A2 - Trends in the Vote

The time series of departmental and Crown flows detailed in the table on 'Trends in Vote Customs - Summary of Appropriations and Crown Revenue' for Vote Customs shows overall reductions in the costs of outputs purchased by the Crown from 1996/97 to 2001/02. It also reflects significant fluctuations in Non-Departmental expenses and Crown revenue.

Output Trends 1996/97 - 2001/02

Changes in output expenditure since 1996/97 reflect a two-stage process. Initial reductions result from greater efficiencies in work practices and working conditions, a process that started in 1990/91. The increases in 1996/97 relate to the Customs Modernisation Programme project costs. The increase in costs for 1998/99 relates to the development of the Strategic Business Plan. The benefits of the Strategic Business Plan were realised from 1999/00 onwards. The increase for 2000/01 was mainly due to additional funding to manage the continual growth in passenger numbers at the main international airports. The increase for 2001/02 mainly relates to additional funding to manage the increased work volumes associated with goods processing.

Crown Expenditure and Revenue Trends 1996/97 - 2001/02

Other Expenses

Refunds and drawbacks of duties are payable under the Tariff Act 1988 in particular circumstances, as set out in the Customs and Excise Act 1996. The level of refunds and drawbacks has fluctuated significantly since 1994/95. There are now indications that a sustained reduction in the level of refunds and drawbacks can be achieved.

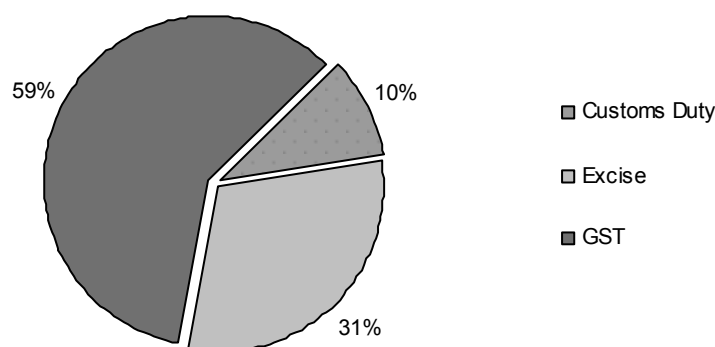
Capital Contributions

The capital contributions made in 1996/97 and 1997/98 relate to the Customs Modernisation Programme.

Crown Revenue

Crown revenue arises from customs duty and GST on imports, 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 2001/02.

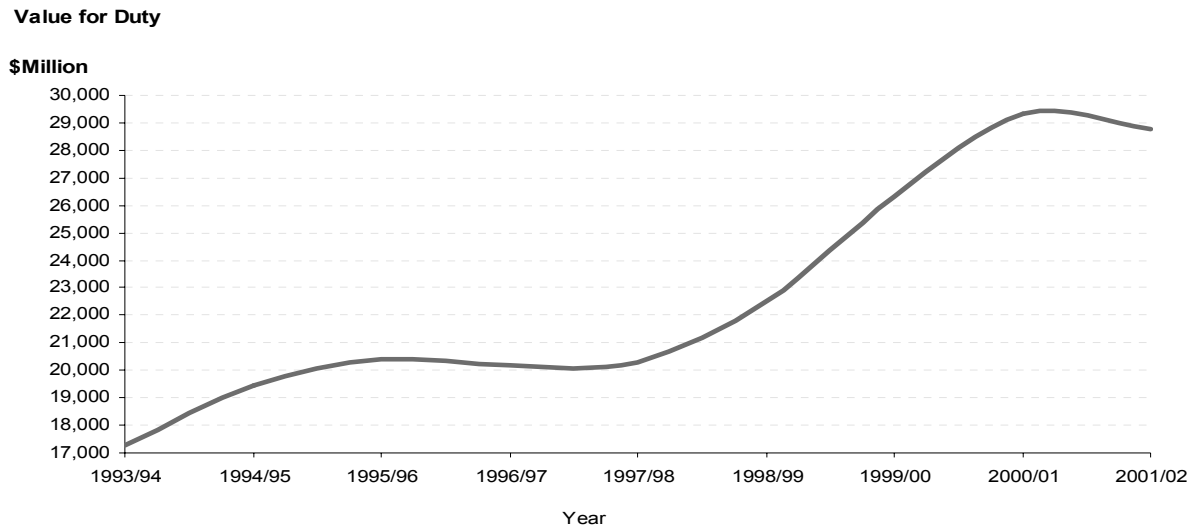
Figure 2 – 2001/02 Crown Revenue by Category



Source: New Zealand Customs Service

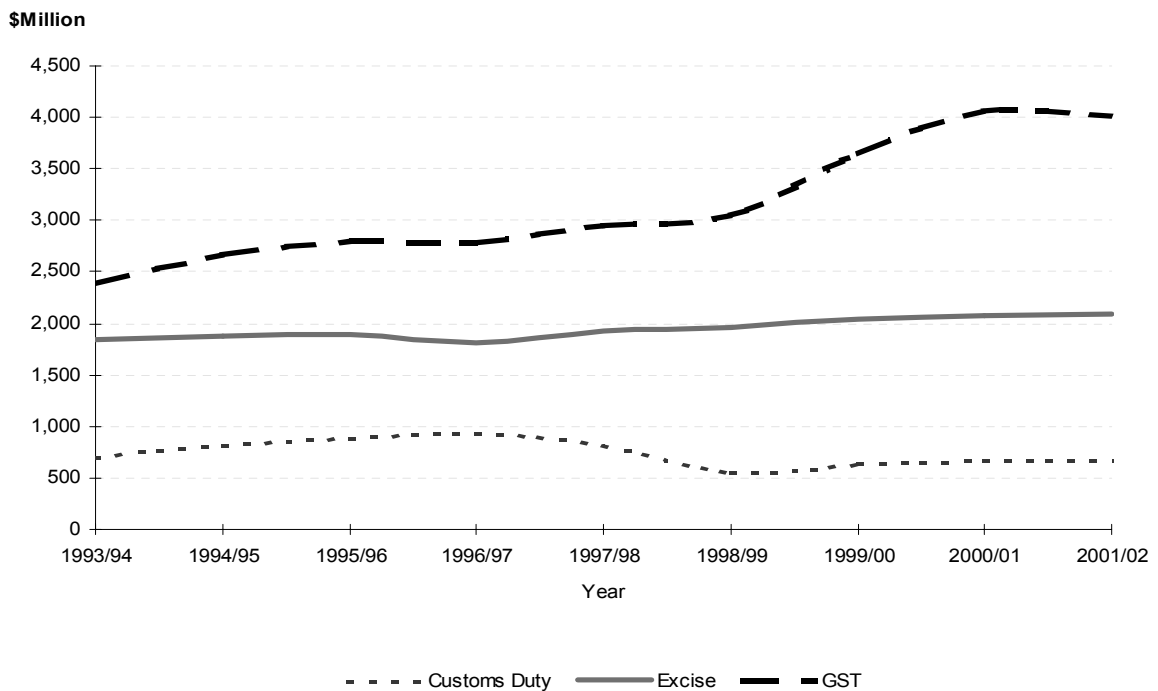
Figures 3 and 4 illustrate growth in import volumes and growth in Crown revenue collected by category.

Figure 3 - Total Import Values Subject to Duty 1993/94 - 2001/02



Source: New Zealand Customs Service

Figure 4 - Crown Revenue Collections by Category 1993/94 – 2001/02



Source: New Zealand Customs Service

Between 1994/95 and 1995/96 total revenue grew 4.0%. The 1996/97 year saw a small decline due to reductions in Excise Duty. There was an increase in Crown revenue of 13.6% in 1999/00, and it is expected there will be a growth of 8.2% in 2000/01. This growth in Crown revenue is mainly due to growth in GST and reflects the growth in volume of imports. In 2001/02 it is expected that there will be a decrease of 0.6%. There is a forecast decrease GST for 2001/02, which is mainly due to a forecast decrease of 2% in the value of imports.

Changing consumption patterns (for example, changing from leaded to unleaded petrol and reduced demand for tobacco products) and the indexation of excise duties has resulted in total excise duties remaining relatively static. The growth from \$1,815 million in 1996/97 to an estimated \$2,080 million in 2001/02 is 15.4%.

Analysis by Appropriation Type: 2000/01 and 2001/02 Compared

Departmental Output Classes

Annual appropriations for the purchase of departmental outputs are expected to increase by \$1.297m for 2001/02 relative to 2000/01. The changes in total appropriation are a result of additional funding provided for the increased work volumes in goods processing and a research and development grant from the Ministry of Research, Science and Technology. This has been partly offset by a reduction in one off costs associated with employee contract negotiation costs, savings realised from the 1998 Strategic Business plan and a reduction in the capital charge rate.

Other Expenses

The estimate for 2001/02 reflects a decrease compared with 2000/01. This takes into account the estimated reduction in refunds as a result of the additional funding provided to manage the increased work volumes in goods processing. The significant increase in expenditure in 1997/98 is due to refunds as a result of the elimination of motor vehicle tariffs.

Trends in Vote Customs - Summary of Appropriations and Crown Revenue

Types of Appropriation	1996/97	1997/98	1998/99	1999/2000	2000/01		2001/02 Appropriations to be Used				Total \$000	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions			
							Annual \$000	Other \$000	Annual \$000	Other \$000		
Operating Flows												
Classes of Outputs to be Supplied	66,230	62,325	68,649	60,140	61,687	61,687	62,984	-	-	-	-	62,984
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	N/A	-	-	-
Other Expenses	34,345	74,340	27,788	25,328	30,249	30,249	-	-	44	26,700	44	26,744
Capital Flows												
Capital Contributions	8,095	1,244	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	108,670	137,909	96,437	85,468	91,936	91,936	62,984	-	44	26,700	44	89,728
Total Crown Revenue and Receipts	5,544,106	5,704,299	5,573,787	6,334,270	6,851,900	6,819,900	N/A	N/A	N/A	N/A	N/A	6,775,400

Part B - Statement of Appropriations

Part B1 - Details of 2001/02 Appropriations

Appropriations	2000/01				2001/02	
	Vote		Estimated Actual		Vote	
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000
Departmental Output Classes (Mode B Gross)						
D1 Policy Advice	2,154	-	2,154	-	2,376	-
D2 Intelligence and Risk Assessment Services	2,610	-	2,610	-	2,967	-
D3 Clearance of International Passengers, Crew and Craft	20,461	-	20,461	-	20,469	-
D4 Compliance Checking of Import, Export and Excise Transactions	20,506	-	20,506	-	21,681	-
D5 Revenue Collection, Accounting and Debt Management	2,520	-	2,520	-	2,482	-
D6 Surveillance, Search and Containment	4,010	-	4,010	-	3,688	-
D7 Investigation of Offences	6,657	-	6,657	-	6,690	-
D8 Prosecutions and Civil Proceedings	761	-	761	-	684	-
D9 Technical Advisory Services	2,008	-	2,008	-	1,947	-
						Description of 2001/02 Appropriations
						The provision of policy advice on the management of border and revenue risks and ministerial servicing.
						The production of intelligence assessments and the provision of alerts relating to goods and people crossing the border.
						The clearance of the international passengers, crew and craft arriving in and departing from New Zealand.
						The validation, compliance checking and audit of all imports, exports and excise transactions.
						The receipts and processing of import tariffs, goods and services tax and excise duty on fuel, tobacco and alcohol, and associated drawbacks and refunds.
						The search and containment of craft, and surveillance of airports, waterfronts, and coastlines.
						The proactive and reactive investigation of Customs and other offences.
						The prosecution of offences and civil proceedings relating to the hearing of applications for the release of seized goods.
						Customs rulings on tariff and excise classifications, concession interpretations, origin qualification and general advice to business.

Total Appropriations for Departmental Output Classes (Mode B Gross)	61,687	-	61,687	-	62,984	-
Other Expenses to be Incurred by the Crown						
World Customs Organisation	49	-	49	-	44	-
Refunds/Drawbacks of Customs Duty (see note 1)	-	25,500	-	25,500	-	22,000
Refunds/Drawbacks of Excise Duty (see note 1)	-	4,500	-	3,700	-	4,500
Refunds/Drawbacks of Goods and Services Tax (see note 2)	-	200	-	1,000	-	200
Total Appropriations for Other Expenses to be Incurred by the Crown	49	30,200	49	30,200	44	26,700
Total Appropriations	61,736	30,200	61,736	30,200	63,028	26,700

New Zealand's contribution to the operating budget of the WCO.

New Zealand Customs Service refunds duties payable under the Tariff Act 1988 in particular circumstances set out in the Customs and Excise Act 1996. These include duties paid in error and duties paid on goods which are subsequently found to be faulty, damaged or pillaged. Drawback of duty is payable on imported goods which are subsequently re-exported.

Excise duty refunds made primarily for remission of penalty duty and refund of excise duty for goods entered for home consumption and subsequently exported.

Refund of GST paid on imports by persons not registered as GST taxpayers, in the same circumstances as refunds/drawbacks of Customs duties are made.

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

For a more detailed analysis of Departmental Output Classes, including financial and non-financial performance measures, please refer to the New Zealand Customs Service's Departmental Forecast Report (DFR).

Output Class D1 - Policy Advice

Description

Under this Output Class the Minister of Customs purchases policy advice from the New Zealand Customs Service, including policy advice on the management of border and revenue risks, technical advice in relation to international trade agreements and instruments, and ministerial servicing.

The scope of the policy advice provided to the Minister includes:

- border management strategies
- Customs issues relating to the development and implementation of international trade instruments and Conventions and their associated regulatory frameworks
- reviews of output demand and production efficiency
- strategies for the integration of stakeholder expectations into business planning and service culture.

The Output Class also covers analysis and advice to other agencies and to Ministerial and Interdepartmental Committees on the development, implementation and review of policies involving Customs interventions at the border.

Output Class D2 - Intelligence and Risk Assessment Services

Description

Under this Output Class the Minister of Customs purchases from the New Zealand Customs Service the production of intelligence assessments and associated intervention strategies for the management of risks to border policies developed by or with other agencies, and the provision of alerts relating to goods, people and craft crossing the border.

Output Class D3 - Clearance of International Passengers, Crew and Craft

Description

Under this Output Class the Minister of Customs purchases from the New Zealand Customs Service the clearance of international passengers, crew and craft arriving in and departing from New Zealand. The Output includes the profiling of potential risks and applying any alert that might exist in respect of passengers and crew. The Output Class also includes the designation by statutory procedure of Customs airports and sea ports to enable controls to be exercised by border agencies in a secure environment over the arrival and departure of craft and the processing of passengers

and their accompanying effects. Services are provided under this Output Class to ensure that arriving and departing craft comply with the law, to ensure passengers and crew comply with customs, immigration, Police and national security requirements, and to ensure 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.

Output Class D4 - Compliance Checking of Import, Export and Excise Transactions

Description

Under this Output Class, the Minister of Customs purchases from the New Zealand Customs Service the validation, compliance checking and audit of import, export and excise transactions, including those occurring through cargo, mail and international courier systems.

The Output Class includes maintaining systems and arrangements for the receipt and validation of electronic entries and the processing of manual entries for all goods entering or leaving New Zealand and for excisable products. The output also includes administration of certain licensing and permit regimes, systems involving temporary importation of goods, the administration of the administrative penalty regime for non-complying import entries, intelligence directed and random compliance checks including those arising from complaints by businesses which believe another is gaining competitive advantage by making incorrect Customs declarations affecting duty or GST, and intelligence directed and reactive audits.

Output Class D5 - Revenue Collection, Accounting and Debt Management

Description

Under this Output Class the Minister of Customs purchases 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 class includes the payment of approved refunds and drawbacks of tariffs, excise and excise-equivalent duties. The Minister also purchases under this Output Class, services relating to credit control and the management of debt and the receipt and processing of fees and levies on behalf of other agencies.

The services provided under this Output Class are accounted for and reported on in compliance with the Public Finance Act and agreed Treasury timeframes.

Output Class D6 - Surveillance, Search and Containment

Description

Under this Output Class the Minister of Customs purchases from the New Zealand Customs Service services to control the risk of craft being used for the illegal entry or removal of people and goods from New Zealand.

The controls are exercised through the monitoring of wharf, tarmac and coastal activities, and through the undertaking of targeted operations against craft identified through intelligence processes as a risk to the border. Operations can involve targeted surveillance, search or containment of risk craft, together with searching of persons associated with that craft.

Output Class D7 - Investigation of Offences

Description

Under this Output Class, the Minister of Customs purchases proactive and reactive investigative responses to:

- fraud against border and excise tax regimes
- cross border traffic in controlled drugs
- cross border traffic in endangered species
- breaches of United Nations trade sanctions
- the importation of objectionable material
- the illegal importation of firearms and other offensive weapons
- attempts by international crime syndicates to become established in New Zealand
- the importation of unsafe, injurious, deceptive or restricted items
- the importation of fake or pirated goods
- the illegal export of strategic goods, hazardous wastes and radioactive material
- the illegal export of antiquities, and items of historical or cultural importance, and items identified for conservation purposes
- breaches of border controls relating to the reporting of craft, people and goods arriving and departing New Zealand
- other offences under the Customs and Excise Act 1996

The New Zealand Customs Service works co-operatively with other enforcement agencies, in particular with the Police (drugs and organised crime), the Department of Internal Affairs (objectionable material), the Ministry of Agriculture and Forestry/Department of Conservation (endangered species) and the Serious Fraud Office (fraud). Co-operative activity includes joint investigations and preparation of evidential material for the agency undertaking the relevant prosecution.

Output Class D8 - Prosecutions and Civil Proceedings

Description

Under this Output Class, the Minister of Customs purchases from the New Zealand Customs Service, 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.

Output Class D9 - Technical Advisory Services

Description

Under this Output Class the Minister of Customs purchases 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. The Minister also purchases the supply to external clients of export classifications and of general Customs information.

The Output Class includes the supply of technical advice and training to other Customs administrations, particularly those of the smaller Pacific Island nations.

Part D - Explanation of Appropriations for Other Operating Flows

Part D3 - Other Expenses

The WCO was formed as the Customs Cooperation Council in 1950, when the Convention formally establishing it was signed in Brussels. Its headquarters remain in Brussels.

The Organisation is an intergovernmental body with over 140 member administrations worldwide.

Under its Convention the WCO's functions include:

- promoting cooperation amongst members on all customs matters
- examining technical aspects of customs systems and procedures with a view to promoting the highest degree of harmonisation and uniformity amongst members
- promoting the uniform application and interpretation of conventions
- promoting the exchange of information on Customs regulations and procedures amongst members.

The WCO promotes standardisation and harmonisation of Customs systems worldwide, through the adoption and application of its various international instruments, in the interests of international trade efficiency.

New Zealand is a full participating member of the WCO.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

There are no appropriations in respect of Capital Contributions.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 2001 \$ million	Forecast Net Worth 2002 \$ million
New Zealand Customs Service	30 June	13.942	13.942

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	2000/01		2001/02	Description of 2001/02 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Current Revenue				
Tax Revenue				
Customs Duty	685,500	665,500	671,000	Customs duty is duty to which imported goods are subject under the Tariff Act 1988.
Excise Duty	2,083,500	2,082,700	2,084,500	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	4,082,200	4,071,000	4,019,200	GST is imposed on imported goods under sections 12 and 13 of the Goods and Services Tax Act 1985.
Total Tax Revenue	6,851,200	6,819,200	6,774,700	
Non-Tax Revenue				
Sale of Seized Goods	700	700	700	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	700	700	700	
Total Current Revenue	6,851,900	6,819,900	6,775,400	
Total Crown Revenue and Receipts	6,851,900	6,819,900	6,775,400	