

Vote Customs

APPROPRIATION MINISTER(S): Minister of Customs (M21)

APPROPRIATION ADMINISTRATOR: New Zealand Customs Service

RESPONSIBLE MINISTER FOR NEW ZEALAND CUSTOMS SERVICE: Minister of Customs

Overview of the Vote

The Minister of Customs is responsible for the efficient and timely collection of Crown revenue forecast to be \$14,677 million in the 2018/19 financial year.

The Minister of Customs is also responsible for the departmental appropriations in the Vote for the 2018/19 financial year covering the following:

- a total of over \$10 million for services relating to clearance of craft crossing the border and the protection of New Zealand (through interventions, investigations and enforcement) from risk arising from international craft movements
- a total of nearly \$86 million for services relating to the facilitation and clearance of goods crossing the border and the protection of New Zealand (through interventions, investigations and enforcement) from risk arising from international trade
- a total of over \$65 million for services relating to the facilitation and clearance of passengers and crew crossing the border and the protection of New Zealand (through interventions, investigations and enforcement) from risk arriving from international travel
- a total of over \$15 million on information, intelligence and risk assessment services relating to people, goods and craft crossing the border, and goods that attract excise duties
- a total of over \$10 million on representing New Zealand in the international customs environment and providing services and support to the Minister
- a total of over \$5 million on policy advice to Ministers relating to border security, border management, and customs revenue
- a total of over \$10 million on collecting revenue on behalf of the Crown, and
- a total of over \$19 million for capital investment in departmental assets.

The Minister of Customs is also responsible for a capital injection of nearly \$3 million to the New Zealand Customs Service.

The Minister of Customs is also responsible for the non-departmental appropriations in the Vote for the 2018/19 financial year covering the following:

- a total of \$8 million to provide for doubtful debts on revenue collected for the Crown, and
- a total of \$60,000 for payment of New Zealand's annual contribution to the World Customs Organization's operating budget.

Details of these appropriations are set out in Parts 2-4.

Details of Appropriations and Capital Injections

Annual and Permanent Appropriations

Titles and Scopes of Appropriations by Appropriation Type	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Departmental Output Expenses			
Clearance and Enforcement Services Related to Craft (M21) This appropriation is limited to the provision of services relating to craft arriving in and departing from New Zealand, including clearance of craft, and protection of New Zealand's interests through interventions, investigations and enforcement.	8,955	8,862	10,530
Clearance and Enforcement Services Related to Goods (M21) This appropriation is limited to the provision of services relating to goods crossing the border, including clearance of goods, assessment and audit of revenue, trade compliance and supply chain security assurance, and protection of New Zealand's interests through interventions, audits, investigations and enforcement.	84,640	83,799	85,926
Clearance and Enforcement Services Related to Passengers and Crew (M21) This appropriation is limited to the provision of services relating to passengers and crew crossing the border, including collecting information, clearance of people and their possessions, and protection of New Zealand's interests through interventions, investigations and enforcement.	65,136	64,774	65,513
Information and Intelligence Services (M21) This appropriation is limited to the provision of information, intelligence and risk assessment services to external clients, and the operation of the National Maritime Coordination Centre.	14,103	13,999	15,302
International Services and Ministerial Servicing (M21) This appropriation is limited to the provision of international services, obligations, and assistance, and the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.	10,038	10,023	10,493
Policy Advice (M21) This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.	5,206	4,912	5,384
Revenue Collection (M21) This appropriation is limited to the provision of services relating to receipt and processing of revenues owing to the Crown and other agencies, revenue assurance, credit and debt management.	10,297	10,033	10,085
Total Departmental Output Expenses	198,375	196,402	203,233
Departmental Capital Expenditure			
New Zealand Customs Service - Capital Expenditure PLA (M21) This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.	14,831	14,831	19,340
Total Departmental Capital Expenditure	14,831	14,831	19,340
Non-Departmental Other Expenses			
Change in Doubtful Debt Provision (M21) Provisioning of Doubtful Debts on Customs Crown Revenue.	8,000	8,000	8,000
World Customs Organization (M21) New Zealand's contribution to the operating budget of the WCO.	60	60	60
Total Non-Departmental Other Expenses	8,060	8,060	8,060
Total Annual and Permanent Appropriations	221,266	219,293	230,633

Capital Injection Authorisations

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
New Zealand Customs Service - Capital Injection (M21)	-	-	2,742

Supporting Information

Part 1 - Vote as a Whole

1.1 - New Policy Initiatives

Policy Initiative	Appropriation	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Drug Smuggling Networks: Strategic Disruption	Clearance and Enforcement Services Related to Craft Department Output Expenses	-	722	1,223	1,750	1,705
	Clearance and Enforcement Services Related to Goods Department Output Expenses	-	2,601	5,682	7,175	7,302
	Clearance and Enforcement Services Related to Passengers and Crew Department Output Expenses	-	1,770	4,395	5,406	5,519
	Information and Intelligence Services Department Output Expenses	-	700	1,578	1,999	1,936
	International Services and Ministerial Servicing Department Output Expenses	-	169	200	234	239
	Policy Advice Department Output Expenses	-	57	158	180	184
	Revenue Collection Department Output Expenses	-	166	281	415	427
	New Zealand Customs Service Capital Injection	-	2,742	658	356	150
Exports: Reducing Overseas Customs Delays for New Zealand Exporters	Clearance and Enforcement Services Related to Goods Department Output Expenses	-	850	-	-	-
Total Initiatives		-	9,777	14,175	17,515	17,462

1.2 - Trends in the Vote

Summary of Financial Activity

	2013/14	2014/15	2015/16	2016/17	2017/18		2018/19			2019/20	2020/21	2021/22
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Final Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	163,158	168,088	172,056	187,846	198,375	196,402	203,233	-	203,233	210,685	217,406	219,654
Benefits or Related Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	2,010	6,916	2,683	4,575	8,060	8,060	-	8,060	8,060	8,060	8,060	8,060
Capital Expenditure	22,982	17,305	18,874	5,154	14,831	14,831	19,340	-	19,340	12,655	12,655	12,655
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Multi-Category Expenses and Capital Expenditure (MCA)												
<i>Output Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Other Expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Capital Expenditure</i>	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Appropriations	188,150	192,309	193,613	197,575	221,266	219,293	222,573	8,060	230,633	231,400	238,121	240,369
Crown Revenue and Capital Receipts												
Tax Revenue	11,846,511	12,485,685	13,179,829	13,269,756	14,156,000	14,213,000	N/A	14,687,000	14,687,000	15,350,000	15,943,000	16,409,000
Non-Tax Revenue	-	-	-	-	-	-	N/A	80	80	80	80	80
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	11,846,511	12,485,685	13,179,829	13,269,756	14,156,000	14,213,000	N/A	14,687,080	14,687,080	15,350,080	15,943,080	16,409,080

Note - where restructuring of the vote has occurred then, to the extent practicable, prior years information has been restated as if the restructuring had occurred before the beginning of the period covered. In this instance Total Appropriations for the Budgeted and Estimated Actual year may not equal Total Appropriations in the Details of Appropriations and Capital Injections.

Adjustments to the Summary of Financial Activity Table Due to Vote Restructuring

There have been no restructuring adjustments to prior year information in the Summary of Financial Activity table.

1.3 - Analysis of Significant Trends

Significant changes in each appropriation category for Vote Customs are discussed below.

Departmental Output Expenses

Over the last five years (comparing the total for 2013/14 and the Estimated Actual for 2017/18), the net funding for Vote Customs has increased by \$33.244 million. The net change in the total appropriation primarily relates to additional operational funding for:

- managing our border through the implementation and ongoing operation of next-generation SmartGate automated passenger processing technology (funding of over \$1.400 million in 2015/16, over \$4.400 million in 2016/17, nearly \$5 million in 2017/18, and nearly \$4.400 million in outyears) and the extended risk screening of departing passengers (funding of nearly \$700,000 in 2015/16 and over \$1.300 million in outyears)
- Building Export Markets: Growing Secure Exports - funding of over \$1.600 million in 2015/16 and over \$1.500 million in outyears
- Modernising and Transforming the New Zealand Customs Service Workforce - funding of nearly \$800,000 in 2015/16 and over \$4.700 million in outyears, and
- Improving the Efficiency and Effectiveness of the Border Sector (a suite of initiatives in the Business Growth Agenda Export Markets work stream) - funding of over \$9.500 million in 2016/17, over \$8.700 million in 2017/18, and nearly \$5.700 million in outyears.

The increase also reflects the continued volume growth in the number of passengers and volumes of importation of goods and the associated increase in funding.

Annual appropriations for the purchase of departmental outputs is a total of \$203.233 million for 2018/19, an increase of \$4.858 million above the 2017/18 appropriation. The net change in the total appropriation primarily relates to:

- an increase of \$775,000 for the cost of providing services relating to passengers and crew crossing the border to meet the forecast increase in the volume numbers
- an increase of \$1.500 million for the cost of providing the clearance of goods across the border to meet the forecast volume increases
- an increase of \$6.185 million for the Drug Smuggling Networks: Strategic Disruption budget initiative
- an increase of \$850,000 for the Exports: Reducing Overseas Customs Delays for New Zealand Exporters budget initiative, and
- a decrease in costs of \$4.740 million as a result of the completion of time-limited initiatives.

Departmental output expenses are currently expected to increase to \$219.654 million by 2021/22. The increase mainly reflects the continued volume growth in the number of passengers, the increased volumes of importation of goods (and the associated increases in funding), and the additional funding in Budget 2018 for the Drug Smuggling Networks: Strategic Disruption initiative.

Departmental Capital Expenditure

The trend of the capital expenditure funding reflects the timing and level of capital expenditure for replacement and renewal of existing assets and additional capital investments.

The total forecast capital expenditure for 2018/19 is \$19.34 million, an increase of nearly \$5 million from the estimated 2017/18 spend of \$14.831 million. This increase relates to the planned investment in Border Management systems, the upgrade of core business systems and the additional capital investment for the Drug Smuggling Networks: Strategic Disruption initiative.

Non-Departmental Other Expenses

Almost all of the expense in this category is the amount provisioned for doubtful debts for the Crown Revenue managed by Customs.

The trend over the past five years reflects the assessment of the provision and write-off of debts based on the profile of the aged debtors. The increase in the actual in 2014/15 reflected some additional provisioning of doubtful debts relating to a small number of large clients.

The estimated/budgeted non-departmental other expenses remain steady for 2018/19 and the forecast outyears.

Crown Revenue

The New Zealand Customs Service collects Tax Revenue on behalf of the Crown by way of customs duty and GST on imports, together with excise duty on domestically manufactured alcohol, tobacco, and petroleum products, and excise equivalent duty on the same products imported into New Zealand. The GST on imports is the majority of the revenue.

The total Tax Revenue collected by the New Zealand Customs Service has increased each year over the last five years, and the Treasury forecasts the amount collected by the New Zealand Customs Service to continue to steadily increase each financial year to 2021/22.

Part 2 - Details of Departmental Appropriations

2.1 - Departmental Output Expenses

Clearance and Enforcement Services Related to Craft (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to craft arriving in and departing from New Zealand, including clearance of craft, and protection of New Zealand's interests through interventions, investigations and enforcement.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,955	8,862	10,530
Revenue from the Crown	8,890	8,890	10,421
Revenue from Others	65	65	109

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes for marine craft.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Craft output: Craft operators are encouraged to assist and comply			
Percentage of small marine craft arriving (estimated 600-700 small craft) that are boarded as soon as practicable after arrival in a New Zealand port	100%	100%	100%
Percentage of arriving commercial marine craft (including cruise ships) showing high risk or requiring administrative process (estimated 400-500 commercial craft) that are boarded while in a New Zealand port (see Note 1)	100%	100%	100%
Craft output: Craft operators' compliance is monitored			
Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction (see Note 2)	5%	8.0%	5%

Note 1 - Boarding will be required for craft showing a high (Priority 1) risk, craft visiting New Zealand for the first time, craft where information is incomplete, and craft where a visit is needed to complete an administrative process (such as immigration or bonding ships stores).

Note 2 - Secondary interaction means any interaction undertaken over and above the initial boarding and clearance function and may range from talking to the crew to a full rummage. This output maintains high levels of compliance, and acts as a check on risk assessments.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	722	1,223	1,750	1,705
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	389	371	371	371	371
Modernising and Transforming Customs' Workforce	2015/16	841	841	841	841	841
Managing our Border: Screening Departing Passengers	2015/16	268	268	268	268	268
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	28	28	28	28	28
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(7)	(5)	(5)	(5)	(5)

Reasons for Change in Appropriation

The increase in this appropriation for 2018/19 is due to:

- a fiscally neutral transfer of \$1.044 million from other appropriations to meet performance standards across all areas of responsibilities and to align the resource requirements with demand and activities, and
- an increase of \$722,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative.

This is offset by a decrease of \$191,000 due to the completion of time-limited funding initiatives.

Clearance and Enforcement Services Related to Goods (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to goods crossing the border, including clearance of goods, assessment and audit of revenue, trade compliance and supply chain security assurance, and protection of New Zealand's interests through interventions, audits, investigations and enforcement.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	84,640	83,799	85,926
Revenue from the Crown	18,909	18,909	17,126
Revenue from Others	65,731	65,731	68,800

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes, including the collection of due Crown revenue, for trade to and from New Zealand.

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Trade			
Trade intermediate outcome: Importers and exporters are satisfied with the quality of service delivery			
Minimum percentage of importers and exporters satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey) (see Note 1)	85%	80.9%	85%
Trade intermediate outcome: Importers and exporters feel encouraged and assisted to comply			
Minimum percentage of importers and exporters that find it easy to comply with border agencies' requirements when lodging electronic documents or making payments (as measured by Customs' stakeholder survey) (see Note 1)	85%	72.7%	85%
Maximum percentage of X-ray inspections undertaken on Secure Exports Scheme (SES) containers (see Note 2)	0.05%	0.01%	0.05%
Minimum percentage of X-ray inspections undertaken on non-SES containers (see Note 2)	0.5%	0.5%	0.5%
Goods processing output: Legitimate goods cross the border with minimal interaction			
Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes (of an estimated between 9.5-10.5 million import transactions, 4.5-5.5 million export transactions, and 3,600-4,200 excise returns)	95%	99.8%	95%
Minimum percentage of import transactions that are deemed compliant based on risk assessment and proceed without further intervention (see Notes 3 and 4)	95%	98.7%	95%
Minimum percentage of export transactions that are deemed compliant based on risk assessment and proceed without further intervention (see Notes 3 and 4)	99%	99.8%	99%
Goods processing output: Traders' compliance is monitored			
Minimum percentage of a random sample of import entries that are found to be compliant through the transactional verification process	90%	90.0%	90%
Percentage of scheduled audit activities conducted (of an estimated 325-375)	New measure	100%	100%

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Protection (see Note 5)			
Protection intermediate outcome: The New Zealand public is protected through the interception of harm and potential harm			
Minimum value of harm (NZ\$) avoided through Customs' drug seizures, as measured by indicative data from the New Zealand Drug Harm Index (see Note 6)	\$500 million	\$1,000 million	\$500 million
Minimum losses (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs and proceeds of crime (see Note 6)	\$250 million	\$400 million	\$250 million
Protection intermediate outcome: The New Zealand public is confident that Customs protects New Zealand through the interception of harm and potential harm			
Minimum percentage of public confident that Customs protects New Zealand from external threats (see Note 7)	50%	53.2%	50%
Goods processing output: Goods that show risk are subject to further intervention			
Minimum percentage of total mail items that result in an enforcement consequence following risk assessment (see Note 8)	0.02%	0.04%	0.03%
Investigations output: Goods that show risk are subject to further intervention			
Percentage of investigation cases (estimated between 100-300 cases) finalised within 12 months of commencement	90%	74.1%	70%-85%
Minimum percentage of serious investigation cases (see Note 9) that lead to punitive action (see Note 10)	90%	95.0%	90%

Note 1 - All sample surveys are subject to sampling error and Customs' stakeholder survey has a 4% to 5% margin of error at 95% confidence level.

Note 2 - These measures indicate reduced intervention with export shipments where Customs can assure New Zealand's trade partners that the goods are secure. Exporters who are members of Customs' trusted trader programme, the Secure Exports Scheme (SES), can provide that assurance through their security processes, thereby reducing the need for inspecting their goods. These measures relate to full container loads.

Note 3 - The percentage of import transactions deemed compliant is lower than the percentage of export items deemed compliant because the nature of the risk is different between imports and exports; the nature of the traders involved is different, and risk for many exports is managed under the SES.

Note 4 - 'Intervention' means action by Customs to carry out further risk assessment. This may include, but is not limited to, document inspection, screening and search.

Note 5 - The following output classes also contribute to the Protection outcome: Clearance and enforcement services related to passenger and crew; Clearance and enforcement services related to craft; Information and intelligence services; Policy advice; and International services and ministerial servicing. Most protection activity involves illicit goods.

Note 6 - The value of drug harm avoided, and loss to importers of illegal goods through seizure of drugs and cash, is affected by drug importation activity.

Note 7 - This is measured by a survey of the New Zealand public. The measure gauges public confidence that Customs protects New Zealand against: people coming into or leaving New Zealand illegally; and illicit drugs, people with criminal or terrorist intent, cultural and heritage items, endangered species and flora and fauna, illegal and stolen goods, and indecent materials entering or leaving New Zealand.

Note 8 - Enforcement consequence is comprised of Customs' Activity Reports raised at the International Mail Centre; and items referred to the Ministry for Primary Industries, New Zealand Post, or Ministry of Health. Activity Reports are raised when non-compliant items are found, and action is taken in response.

Note 9 - A serious investigation case involves, or has the potential to involve, serious community harm. Examples of serious investigation cases would include those involving more than \$250,000 drug harm (as calculated using the New Zealand Drug Harm Index), Class A or B drugs for supply, objectionable material involving child exploitation, or the importation of counterfeit medicines.

Note 10 - Punitive actions are actions resulting from a closed or completed serious investigation case where an offence has been committed and an offender has been identified, and where the result includes, but is not limited to: offender being placed before the Courts by Customs or New Zealand Police; seizure of goods; a formal warning to the offender; imposition of section 223 Customs and Excise Act penalty i.e. fine or other penalty; or an administrative penalty.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	2,601	5,682	7,175	7,302
Exports: Reducing Overseas Customs Delays for New Zealand Exporters	2018/19	-	850	-	-	-
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	4,468	2,902	2,902	2,902	2,902
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	564	564	564	564	564
Managing our Border: Screening Departing Passengers	2015/16	355	355	355	355	355
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(44)	(33)	(33)	(33)	(33)

Reasons for Change in Appropriation

The increase in this appropriation for 2018/19 is due to:

- an increase in funding of \$2.601 million for the Drug Smuggling Networks: Strategic Disruption budget initiative
- an increase of \$1.500 million to meet volume increases, and
- an increase in funding of \$850,000 for the Exports: Reducing Overseas Customs Delays for New Zealand Exporters budget initiative.

This is partially offset by:

- a decrease of \$2.169 million due to the completion of time-limited funding for the Improving the Efficiency and Effectiveness of the Border Sector initiative
- a decrease of \$952,000 due to the completion of time-limited funding for the Modernising and Transforming the Customs' Workforce and other initiatives, and
- a fiscally neutral transfer of \$544,000 to other appropriations to meet performance standards across all areas of responsibilities and to align the resource requirements with demand and activities.

Clearance and Enforcement Services Related to Passengers and Crew (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to passengers and crew crossing the border, including collecting information, clearance of people and their possessions, and protection of New Zealand's interests through interventions, investigations and enforcement.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	65,136	64,774	65,513
Revenue from the Crown	1,007	1,007	594
Revenue from Others	64,129	69,027	64,919

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve secure and efficient border processes for travel to and from New Zealand.

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Travel intermediate outcome: Travellers are satisfied with the service received during immigration processing			
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently (as measured by Customs' stakeholder survey) (see Note 1)	85%	82.7%	85%
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs provides a friendly welcome to New Zealand (as measured by Customs' stakeholder survey) (see Note 1)	85%	85.7%	85%
Travel intermediate outcome: Travellers feel encouraged and assisted to comply			
Minimum percentage of arriving international air passengers that find the information provided by Customs helpful (as measured by Customs' stakeholder survey) (see Note 1)	85%	82.7%	85%
Minimum percentage of arriving international air passengers who trust Customs (as measured by Customs' stakeholder survey) (see Note 1)	85%	94.0%	85%
Passenger processing output: Legitimate travellers cross the border with minimal intervention			
Minimum percentage of arriving international air passengers and crew (estimated 7.0-7.5 million passengers and crew) who are deemed compliant based on risk assessment and facilitated without further intervention (see Notes 2, 3 and 4)	98%	99.5%	98%
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	90%	95.5%	90%
Passenger processing output: Passengers who show risk are subject to further intervention			
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas (see Note 4)	0.6%-1.0%	0.5%	0.6%-1.0%
Percentage of arriving international air passengers and crew who are selected for further risk assessment who were subsequently subject to a full or partial baggage examination (see Note 5)	45%-55%	55.0%	45%-55%
Passenger processing output: Passengers can complete their transactions with government easily in a digital environment			
Minimum percentage of commercial air passengers using eGate	New measure	53.5%	55%

Note 1 - All sample surveys are subject to sampling error and Customs' stakeholder survey has a 4% to 5% margin of error at 95% confidence level.

Note 2 - All passengers and crew are assessed for risk, including screening against advance passenger information. Information is collected from all passengers and crew as part of the facilitation process. Passengers and crew may be subject to dog and X-ray screening, and may also be referred from Ministry for Primary Industries screening.

Note 3 - 'Intervention' means action by Customs to carry out further risk assessment. This may include, but is not limited to, further questioning, interview, or baggage search.

Note 4 - 0.6% to 1.0% of passengers and crew are selected for further risk assessment, and directed to secondary areas for further intervention. From this point on, passengers and crew are no longer being facilitated, and Customs is carrying out an enforcement role.

Note 5 - All passengers who are searched produce either intelligence information, or discovery of prohibited, restricted, or dutiable items, or both.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	1,770	4,395	5,406	5,519
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	1,675	1,111	1,111	1,111	1,111
Managing our Border: Expanding SmartGate	2015/16	4,990	4,386	4,386	4,386	4,386
Managing our Border: Screening Departing Passengers	2015/16	334	334	334	334	334
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	32	32	32	32	32
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(59)	(44)	(44)	(44)	(44)
Changes to Duty-Free Tobacco Concessions	2014/15	420	420	420	420	420

Reasons for Change in Appropriation

The increase in this appropriation for 2018/19 is due to:

- an increase in funding of \$1.770 million for the Drug Smuggling Networks: Strategic Disruption budget initiative, and
- an increase in funding of \$775,000 to meet volume increases.

This is offset by:

- a decrease of \$1.652 million due to the completion of time-limited funding for the Improving the Efficiency and Effectiveness of the Border Sector initiative and the Modernising and Transforming the Customs' Workforce initiative, and
- a fiscally neutral transfer of \$516,000 to other appropriations to meet performance standards across all areas of responsibilities to align the resource requirements with demand and activities.

Memorandum Account

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Border Clearance Levy			
Opening Balance at 1 July	8,551	8,551	13,811
Revenue	64,129	69,027	64,919
Expenses	(64,129)	(63,767)	(64,919)
Transfers and Adjustments			
Closing Balance at 30 June	8,551	13,811	13,811

Memorandum accounts record the accumulated balance of surpluses and deficits incurred for outputs provided to third party users of those services on a full cost recovery basis. The Border Clearance Levy memorandum account records both the revenues from, and costs of providing, the border clearance services relating to travellers arriving in and departing New Zealand.

The Memorandum Account allows for the fact that revenue and expenses may not necessarily equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years). The surplus forecast at the end of 2017/18 is due to higher-than-expected traveller volumes. The Border Clearance Levy rate payable to Customs by travellers was reviewed (for the first time) in the 2017/18 financial year and new reduced rates (calculated on updated border processing costs and forecasts of future traveller volumes) apply from 1 July 2018.

Information and Intelligence Services (M21)*Scope of Appropriation*

This appropriation is limited to the provision of information, intelligence and risk assessment services to external clients, and the operation of the National Maritime Coordination Centre.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	14,103	13,999	15,302
Revenue from the Crown	13,277	13,277	14,450
Revenue from Others	826	826	852

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve reduced risks to New Zealand's interests arising from international trade and travel.

How Performance will be Assessed and End of Year Reporting Requirements

Assessment of Performance	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Protection intermediate outcome: Users of information and intelligence products are satisfied with the service delivered			
Minimum percentage of external clients who are satisfied with intelligence and risk products (estimated between 500-600) disseminated by Customs	80%	90%	80%
Minimum percentage of external clients who are satisfied with Customs' management of alerts created by their agency (estimated between 75,000-80,000 alerts)	80%	90%	80%
Minimum percentage of requesting agencies and assets providers satisfied with National Maritime Coordination Centre's coordination of tasking	80%	80%	80%
Information and intelligence services output: Surveillance resources are allocated to areas of the highest risk			
Minimum percentage of accepted agency requests successfully completed (see Note 1)	80%	82.0%	80%

Note 1 - Requests are accepted if they are within the capability of the fleet resources. Acceptance is not determined by the availability of fleet resources.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	700	1,578	1,999	1,936
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	24	6	6	6	6
Modernising and Transforming Customs' Workforce	2015/16	863	863	863	863	863
Managing our Border: Screening Departing Passengers	2015/16	268	268	268	268	268
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	26	26	26	26	26
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(6)	(5)	(5)	(5)	(5)

Reasons for Change in Appropriation

The increase in this appropriation for 2018/19 is due to:

- an increase in funding of \$700,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative
- an increase of expense transfers across financial years for the Proceeds of Crime funded initiatives of \$326,000, and
- a fiscally neutral transfer of \$377,000 from other appropriations to meet performance standards across all areas of responsibilities to align the resource requirements with demand and activities.

This is offset by a decrease of \$204,000 due to the completion of time-limited initiatives.

International Services and Ministerial Servicing (M21)

Scope of Appropriation

This appropriation is limited to the provision of international services, obligations, and assistance, and the provision of services to Ministers to enable them to discharge their portfolio (other than policy decision-making) responsibilities.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,038	10,023	10,493
Revenue from the Crown	8,753	8,753	8,502
Revenue from Others	1,285	1,285	1,991

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the provision of international policy advice and services to ensure New Zealand's interests are effectively represented in international customs policy and the maintenance and development of relationships, and the provision of services and support to the Minister.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
International services and ministerial servicing intermediate outcome: Minister's satisfaction			
Minister's satisfaction with advice and support in relation to international services and ministerial servicing	Meets expectations	Meets expectations	Meets expectations
International services and ministerial servicing output: Delivery of draft responses and replies			
Minimum percentage of draft replies to ministerial correspondence (estimated between 40-70 items) that are provided within 20 working days or as agreed with the Minister (see Note 1)	90%	92.0%	90%
Percentage of draft responses to parliamentary questions (estimated between 50-80 items) that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%	100%

Note 1 - For the purposes of this measure, "working day" means a working day as defined in the Official Information Act 1982.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	169	200	234	239
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	21	5	5	5	5
Modernising and Transforming Customs' Workforce	2015/16	1,250	1,250	1,250	1,250	1,250
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	796	796	796	796	796
Managing our Border: Screening Departing Passengers	2015/16	67	67	67	67	67
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(8)	(6)	(6)	(6)	(6)

Reasons for Change in Appropriation

The increase in this appropriation for 2018/19 is due to:

- a fiscally neutral transfer of \$291,000 from other appropriations to meet performance standards across all areas of responsibilities to align the resource requirements with demand and activities
- an increase in funding of \$243,000 to provide services to the Pacific region under the Pacific Partnership on behalf of the Ministry of Foreign Affairs and Trade, and
- an increase in funding of \$169,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative.

This is offset by a decrease of \$248,000 due to the completion of time-limited initiatives.

Policy Advice (M21)

Scope of Appropriation

This appropriation is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	5,206	4,912	5,384
Revenue from the Crown	5,186	5,186	5,349
Revenue from Others	20	20	35

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve timely policy advice that contributes to secure and efficient border processes and the collection of due Crown revenue.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Policy advice intermediate outcome: Minister's satisfaction with policy advice			
Minister's satisfaction with policy advice, as measured by the common satisfaction survey (minimum percentage score) (see Notes 1 and 2)	75%	85%	75%
Policy advice output: Quality of policy papers			
Median technical quality assessment score (percentage) for a sample of policy papers as assessed by NZIER with a robustness of at least 75% (see Note 3)	75%	75%	75%
Policy advice: cost-effectiveness			
Maximum total cost (NZ\$) of professional staff per hour of producing outputs (see Note 4)	\$107	\$120	\$120

Note 1 - A score of 70% corresponds to 'meets expectations'.

Note 2 - Reporting of this indicator is provisional on the Minister completing the assessment.

Note 3 - The higher the robustness score, the stronger the methodological quality of the completed assessment. The estimated robustness is based on NZIER carrying out a review of at least 10 randomly selected Policy Advice output papers.

Note 4 - Based on the allocation of FTEs to output Policy Advice appropriated by the Policy Advice output appropriation.

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	57	158	180	184
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	154	3	3	3	3
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	7	7	7	7	7
Managing our Border: Screening Departing Passengers	2015/16	67	67	67	67	67
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(4)	(2)	(2)	(2)	(2)
Modernising and Transforming Customs' Workforce	2015/16	808	808	808	808	808

Reasons for Change in Appropriation

The increase in this appropriation for 2018/19 is due to:

- an increase of \$766,000 of expense transfers across financial years for the Secure Trade Lane initiative, and
- an increase in funding of \$57,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative.

This is offset by a fiscally neutral transfer of \$645,000 to other appropriations to meet performance standards across all areas of responsibilities to align the resource requirements with demand and activities.

Revenue Collection (M21)

Scope of Appropriation

This appropriation is limited to the provision of services relating to receipt and processing of revenues owing to the Crown and other agencies, revenue assurance, credit and debt management.

Expenses and Revenue

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	10,297	10,033	10,085
Revenue from the Crown	9,697	9,697	9,447
Revenue from Others	600	600	638

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the collection of due Crown revenue for New Zealand.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Revenue intermediate outcome: Revenue clients are encouraged and assisted to comply			
Minimum percentage of revenue that is collected electronically	95%	99.3%	95%
Minimum number of clients that meet credit criteria and have access to the deferred payment scheme	9,000	9,250	9,000
Revenue output: Due revenue is collected			
Minimum percentage of revenue that is collected by the due date	98%	99.0%	98%
Revenue output: Revenue clients' compliance is monitored			
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.06%	0.06%
Minimum additional revenue (NZ\$) owed that is identified through the trade compliance programme	\$15 million	\$30 million	\$15 million

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2017/18 Final Budgeted \$000	2018/19 Budget \$000	2019/20 Estimated \$000	2020/21 Estimated \$000	2021/22 Estimated \$000
Current Government						
Drug Smuggling Networks: Strategic Disruption	2018/19	-	166	281	415	427
Previous Government						
Improving the Efficiency and Effectiveness of the Border Sector	2016/17	1,305	1,283	1,283	1,283	1,283
Building Export Markets: Growing Secure Exports to China and ASEAN	2015/16	996	996	996	996	996
Managing our Border: Screening Departing Passengers	2015/16	78	78	78	78	78
Share of Costs for Budget 2015 Whole-of-Government Initiatives	2015/16	(8)	(6)	(6)	(6)	(6)

Reasons for Change in Appropriation

The decrease in this appropriation for 2018/19 is due to:

- the completion of time-limited funding of \$335,000 for the Improving the Efficiency and Effectiveness of the Border Sector initiative and other time-limited funding initiatives, and
- a fiscally neutral transfer of \$43,000 to other appropriations to meet performance standards across all areas of responsibilities and to align the resource requirements with demand and activities.

This is offset by an increase in funding of \$166,000 for the Drug Smuggling Networks: Strategic Disruption budget initiative.

2.3 - Departmental Capital Expenditure and Capital Injections

New Zealand Customs Service - Capital Expenditure PLA (M21)

Scope of Appropriation

This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.

Capital Expenditure

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Forests/Agricultural	-	-	-
Land	-	-	-
Property, Plant and Equipment	7,456	7,456	7,440
Intangibles	7,375	7,375	11,900
Other	-	-	-
Total Appropriation	14,831	14,831	19,340

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve the renewal and replacement of life-expired assets in support of the delivery of the New Zealand Customs Service's services.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles, and office equipment and plant	Achieved	Achieved	Achieved

End of Year Performance Reporting

Performance information for this appropriation will be reported by the New Zealand Customs Service in its annual report.

Reasons for Change in Appropriation

The increase in the capital expenditure appropriation relates to the planned investment in the Border Management system, the upgrade of core business systems and the additional capital investment for the Drug Smuggling Networks: Strategic Disruption initiative.

Capital Injections and Movements in Departmental Net Assets

New Zealand Customs Service

Details of Net Asset Schedule	2017/18 Estimated Actual \$000	2018/19 Projected \$000	Explanation of Projected Movements in 2018/19
Opening Balance	157,984	163,244	
Capital Injections	-	2,742	An increase in funding for the Drug Smuggling Networks: Strategic Disruption budget initiative.
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	5,260	-	
Other Movements	-	-	
Closing Balance	163,244	165,986	

Part 3 - Details of Non-Departmental Appropriations

3.4 - Non-Departmental Other Expenses

Change in Doubtful Debt Provision (M21)

Scope of Appropriation

Provisioning of Doubtful Debts on Customs Crown Revenue.

Expenses

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	8,000	8,000	8,000

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve provisioning for doubtful debts on revenue collected by the New Zealand Customs Service on behalf of the Crown.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.06%	0.06%

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Customs (the Appropriation Minister) in a report appended to the New Zealand Customs Service's annual report.

World Customs Organization (M21)

Scope of Appropriation

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

Expenses

	2017/18		2018/19
	Final Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	60	60	60

What is Intended to be Achieved with this Appropriation

This appropriation is intended to achieve New Zealand meeting its commitment as a member of the World Customs Organization (WCO) to contribute to the running costs of the WCO.

How Performance will be Assessed and End of Year Reporting Requirements

	2017/18		2018/19
	Final Budgeted Standard	Estimated Actual	Budget Standard
Assessment of Performance			
New Zealand's contribution to the operating budget of the WCO paid by the due date	Achieved	Achieved	Achieved

End of Year Performance Reporting

Performance information for this appropriation will be reported by the Minister of Customs (the Appropriation Minister) in a report appended to the New Zealand Customs Service's annual report.

