



**Biosecurity New Zealand**  
Ministry for Primary Industries  
Manatū Ahu Matua



# **Border Clearance Levy**

## **Performance report for the year to 30 June 2018**

Prepared by the New Zealand Customs Service and Biosecurity New Zealand.

Prepared December 2018

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# 1 OVERVIEW

The Border Processing Levy, also known as the Border Clearance Levy (the Levy), came into force on 1 January 2016. The purpose of the Levy is to ensure that the New Zealand Customs Service (Customs) and the Biosecurity New Zealand (Biosecurity NZ) are resourced to manage risks at the border effectively.

The Levy has enabled agencies to clear increasing numbers of travellers and to invest in improvements to border services through investment in technology and staff capability. The Levy will enable ongoing investment to improve efficiency of protection, deliver improvements in the customer experience, and process arriving and departing travellers.

## **Air traveller clearance has become more efficient**

Customs continues investigating opportunities in the traveller clearance process, including the use of technologies similar to eGates, to improve the traveller experience and better manage the continued forecast volume growth.

Eligibility to use eGate was formally extended to arriving and departing electronic passport holders from China, and in December 2017 to ePassport holders from France, Germany the Netherlands and Ireland. This has increased the number of nationalities able to use eGate from five to ten<sup>1</sup>.

## **Significant changes are being implemented for processing cruise travellers**

Customs is now using advance data on low-risk cruise ship passengers departing from Australian ports to undertake pre-arrival risk assessment of those passengers. This reduces processing times, enabling greater focus on risk-related activity.

Biosecurity NZ is implementing a performance driven assurance model, to be undertaken at the port of first arrival. This replaces in-transit inspection on cruise vessels. It will reduce expenditure and improve biosecurity outcomes.

## **Investment in new initiatives will continue**

A number of initiatives to improve traveller experience while effectively protecting the border is being implemented or trialled which require further investment. These include development of digitised passenger arrival cards (which is intended for trial in 2019), the use of facial biometrics for identity purposes, evaluating new x-ray technology and trialling 'back of house' x-ray processing of baggage in parallel to traveller clearance activity.

## **Biosecurity NZ's levy rates will change from 1 July 2019**

Updated levy rates covering both Customs and Biosecurity NZ activities came into effect from 1 July 2018, based on projected costs and the memorandum account surplus balances. Customs set rates for three years, while Biosecurity NZ rates were set for one year only.

Biosecurity NZ levies cover activities relating to arriving travellers only. The proposed rate for non-cruise travellers is \$8.50 (current \$7.30), and for cruise travellers is \$3.81 (current \$5.34).

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<sup>1</sup> ePassport holders from New Zealand, Australia, the United Kingdom, the United States, Canada, China, France, Germany, Ireland and the Netherlands can use eGate.

## **Customs Introduction of an Activity Based Costing System (ABC)**

As signalled in last year's report Customs has been developing an ABC system to better identify and allocate costs based on the activities we undertake and the services we provide. ABC has been applied across the entire organisation analysing the activities that consume resources and allocating costs accordingly.

The methodology applied is a two-step process that uses cost drivers to attribute resources to activities, and then maps those activities to services. The cost allocations determined by ABC have been used for the first time in forecasting expenditure for the three years ending June 2021. While this has resulted in a forecast increase in the level of expenditure to be recovered by the Levy it provides a more robust, transparent and accurate assessment of the costs of providing passenger clearance services.

The ABC is being incorporated into Customs financial systems and will continue to be reviewed and updated as costs and their drivers change. It will be the basis on which Customs will calculate and report on actual and forecast costs going forward.

## 2 INTRODUCTION

Customs and Biosecurity NZ are the border agencies with the primary responsibility for processing individuals (both travellers and crew) arriving and departing New Zealand. The two agencies work together, along with other border agencies, to manage risk at the border.

Border clearance activities are primarily funded through the Levy. The Levy was first implemented on 1 January 2016 and is paid by all travellers entering or departing New Zealand not subject to specific exemptions.

Customs and Biosecurity NZ report annually on the performance of the Levy to support transparency and accountability.

### **The process for resetting the levy is legislated**

The Levy is authorised by section 413 of the Customs and Excise Act 2018 and section 140AA of the Biosecurity Act 1993.

The Levy is given effect by the:

- Biosecurity (Border Processing Levy) Order 2015
- Customs and Excise (Border Processing Levy) Order 2015

Customs reset its components of the levy rates effective 1 July 2018, for a period of three years ending 30 June 2021.

Biosecurity NZ reset its components of the levy rates effective 1 July 2018, for a period of one year ending 30 June 2019. New rates effective from 1 July 2019 are included in section 4.6 below.

### **The Levy is designed to fund border activities only**

The Levy provides funding for a range of activities carried out by Customs and Biosecurity NZ for the purpose of clearing travellers. The specific activities that the Levy funding is used for are detailed in Appendix 1.

Customs and Biosecurity NZ both use memorandum accounts to transparently record expenditure and revenue associated with the Levy. Revenue and expenditure are monitored on a monthly basis, and reported annually via this report, but also in the Annual Reports that public sector agencies are required to table in Parliament in accordance with the requirements of the Public Finance Act 1989.

A requirement of the levy is that any surpluses or deficits remain tied to the specific service. Levy memorandum accounts prohibit surpluses being used to fund non-border processing activities, instead requiring they be returned through lower rates or re-invested in border related services.

### **A limited number of travellers are exempt from paying the levy**

Levy Orders set out a number of exemptions to paying the Levy. There are two classes of exempt travellers:

- Levy funded exempt travellers – the costs of these travellers are met through the Levy.
- Non-levy funded travellers – the costs of these travellers are met by the Crown.

Definitions of exempt travellers in both categories are provided at Appendix 2.

Traveller volumes which are used in levy calculations are for **levied travellers only**. All other volumes (e.g. travellers under two years old and other non-levy funded travellers) are excluded from the calculations.

Current levy rates are specified in Levy Orders and are detailed below.

**Table 1: Levy rates up to 30 June 2018 (excl. GST)**

	Customs	Biosecurity NZ	Total
<b>For travellers other than a cruise ship traveller</b>			
- Arrivals	\$7.45	\$8.38	\$15.83
- Departures	\$2.93	-	\$2.93
<b>For cruise ship travellers</b>			
- Arrivals	\$7.50	\$12.20	\$19.70
- Departures	\$3.10	-	\$3.10

**Table 2: Levy rates from 1 July 2018 (excl. GST)**

	Customs	Biosecurity NZ	Total
<b>For travellers other than a cruise ship traveller</b>			
- Arrivals	\$6.43	\$7.30	\$13.73
- Departures	\$2.56	-	\$2.56
<b>For cruise ship travellers</b>			
- Arrivals	\$10.40	\$5.34	\$15.74
- Departures	\$4.10	-	\$4.10

### **3 WORK PROGRAMME**

Our objective is to improve the overall efficiency of traveller clearance and effectiveness of our compliance efforts.

Border agencies, including Customs and Biosecurity NZ, have identified a number of projects and initiatives for improving efficiency and effectiveness across the border and delivering improvements in traveller experience. These include:

#### **Testing new x-ray technology and clearing baggage and travellers concurrently**

Biosecurity NZ will test new technology that is expected to enable faster, less intrusive, and more effective x-ray screening using three dimensional imaging. This initiative is aimed at detecting risk goods that may be hidden and normally go undetected using currently operated technology. Tests will begin in November 2018.

Biosecurity NZ will also trial the new x-ray technology in a “back of house” environment at Auckland Airport, with traveller bags screened before being put on baggage carousels. This initiative is aimed at reducing traveller time at the airport. The technology facilitates a less intrusive traveller experience.

#### **Changes to processing cruise ship travellers**

Customs is now using advance data on low-risk cruise ship travellers departing from Australian ports to undertake pre-arrival risk assessment of those travellers. This will reduce processing times and cost, while enabling greater focus on risk-related activity.

Biosecurity NZ is implementing a performance driven assurance model, to be undertaken at the port of first arrival. This replaces in-transit inspection on cruise vessels. It will reduce expenditure and improve biosecurity outcomes.

#### **Expansion of eGate eligibility**

Customs formally extended the eligibility to use eGate to arriving and departing electronic passport holders to France, Germany, the Netherlands and Ireland in December 2017. This has increased the number of nationalities able to use eGate from five to ten. The number of arriving and departing travellers that used eGate has increased 25.8 % over the prior year, to 7.251 million travellers.

#### **Changes to rosters**

Quarantine officers have historically been rostered 4 days on and 4 days off. Biosecurity NZ intends implementing changes to enable more flexible working while delivering clearance services more efficiently.

#### **Testing faster infringement processes**

The current system for processing biosecurity infringements ties up quarantine officers and travellers for longer than desirable. Biosecurity NZ will trial a streamlined process at Auckland Airport over the 2018/19 summer months.

#### **Increasing investment in assessment and enforcement**

Customs is investing to disrupt drug supply chains using a multipronged approach, partially funded through the Levy. Investment is in response to the growing risk presented by smuggling. Areas of new investment include:

- Developing enhanced intelligence and liaison capability to identify and target risk early, and strengthen informational sharing with partners, including overseas, and investigative capability to disrupt organised crime networks.
- A financial unit to target and investigate border related financial crimes through enhanced cash detection and financial analysis to identify and target the cross border smuggling of criminal proceeds and financial support.

### **Exploring potential on-line systems**

During early 2018, Biosecurity NZ trialled a proof of concept digital human kiosk at Auckland Airport, using biometric technology to interact with travellers answering a wide range of common questions. Its objective was to reduce the load on MPI staff during peak times. Potential use of digital humans as a border initiative is under review.

### **Continuing investment for a consistent traveller experience**

We will continue to invest in staff competency assessment programmes as a tool to maintain and improve consistency across all Biosecurity NZ points of intervention. This initiative is also aimed at further improving biosecurity outcomes.

### **Departure and arrival cards**

As of 5 November 2018, departure cards will no longer be required from travellers. This will enable modest efficiency gains and enhance traveller experience.

An option for a digital arrival card has also been developed by Thinksmash<sup>2</sup>, a joint industry-government initiative which aims to reimagine seamless travel experience while protecting New Zealand. This Group is currently working through the establishment of a proof of concept for a digital arrival card (intended for trial in 2019.)

### **Continuing examination of our cost drivers**

In 2017/18, Customs commenced the implementation of an ABC model. This model will enhance identification of the service cost drivers, and the allocation of costs to specific services. This will support future BCL actual and forecasting costings, including future Levy resets.

### **Review of the Levy**

Customs intends to undertake a review of the Levy before 1 July 2021. The review of the Levy will be informed by analysis of the ABC results. Any new Levy rates resulting from the review will commence from 1 July 2021.

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<sup>2</sup> The Thinksmash initiative involves representatives from Auckland International Airport Ltd (AIAL), Air New Zealand, Ministry of Primary Industries, Board of Airline Representatives NZ Customs, Datacom, IDEMiA, Ministry of Business Innovation and Employment (Immigration New Zealand) and Aviation Security

## 4 FINANCIAL PERFORMANCE

### 4.1 Expenditure on border clearance services

**Table 3: Customs 2017/18 cost breakdown (\$m excl. GST) – actual v forecast per last year’s report**

	2017/18 Forecast	2017/18 Actual	2017/18 Variance
Non-cruise	67.26	61.95	5.31
Cruise	2.91	1.92	0.99
<b>Total expenditure*</b>	<b>70.17</b>	<b>63.87</b>	<b>6.30</b>

\* excludes Crown funded costs

Expenditure was below that forecasted in the main due to the following.

- Across the 2017/18 financial year, between 96% - 97% of operational positions were filled. This was as a result of attrition, the consequential replacement of staff moving into new operational roles and the timing of cohort recruitment intakes. In 2018/19 Customs has been successful in recruiting to vacant positions to bring staffing levels up to 100%, to ensure the level of service and border protection are maintained.
- There were timing differences between the forecast and actual delivery of some of the capital programme resulting in savings in depreciation.

Both these under spends are one-offs in 2017/18 with expenditure in the current year expected to be at the higher forecast level.

Refer to Appendix 3 for detailed breakdown and comments on expenditure.

**Table 4: Customs cost breakdown (\$m excl. GST)**

	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Non-cruise	58.07	61.95	76.16	80.06	82.94
Cruise	2.29	1.92	2.26	2.42	2.56
<b>Total expenditure *</b>	<b>60.36</b>	<b>63.87</b>	<b>78.42</b>	<b>82.48</b>	<b>85.50</b>

\* excludes Crown funded costs

The increase in forecast costs is as a result of the following factors:

- As noted above the lower than forecasted expenditure in 2017/18 were one-offs with staffing and depreciation expected to return to budgeted levels.
- Applying ABC and the BCL Framework to 2017/18 results in an allocation of costs of approximately \$73.3 million related to those activities involved in the clearance of passengers.
- Customs was successful in gaining Government approval in Budget 2018 for a proposal for Strategic Disruption of Drug Smuggling Networks. A portion of the activity of this new work relates to passengers, which has added an additional \$1.8 million of costs in 2018/19 and \$5.1 million in future years.
- Capital investment to keep border management systems robust, resilient and effective, alongside managing volume growth, has added an additional \$1.0 million to \$4.0 million from year 1 to 3 of the Levy period.

- Increases in resources to process forecast increased volumes of passengers.

**Table 5: Biosecurity NZ 2017/18 cost breakdown (\$m excl. GST) – actual v forecast per last year’s report**

	<b>2017/18 Forecast</b>	<b>2017/18 Actual</b>	<b>2017/18 Variance</b>
Non-cruise	55.93	57.90	(1.97)
Cruise	2.08	2.15	(0.07)
Crown	0.59	0.61	(0.02)
<b>Total expenditure</b>	<b>58.60</b>	<b>60.66</b>	<b>(2.06)</b>

Investment in the biosecurity system was \$2.06 million (3.5%) higher than forecast, largely due to higher staff costs associated with implementing a more flexible collective employment agreement.

Personnel costs will increase, with a second tranche of increases associated with the collective employment agreement taking effect. Further cost pressure is possible when the current agreement expires on 31 March 2019.

The expenditure forecast includes \$0.7m per annum from 2019/20 to cover operating costs relating to border improvement projects, for example implementation of a performance-based verification scheme.

Following review of compliance results from cruise programme audits, the in-transit inspection on cruise vessels has been replaced from 2018/19 by a performance driven assurance model undertaken at the first port of arrival.

**Table 6: Biosecurity NZ cost breakdown (\$m excl. GST)**

	<b>2016/17 Actual</b>	<b>2017/18 Actual</b>	<b>2018/19 Forecast</b>	<b>2019/20 Forecast</b>	<b>2020/21 Forecast</b>
Non-cruise	47.81	57.90	59.74	61.63	62.85
Cruise	2.07	2.15	1.61	1.64	1.67
Crown	1.21	0.61	-	-	-
<b>Total expenditure</b>	<b>51.09</b>	<b>60.66</b>	<b>61.35</b>	<b>63.27</b>	<b>64.52</b>

## 4.2 Traveller Volumes

The total number of travellers in 2017/18 was 13.9 million. This was 98,000 (0.7%) less than forecast in last year's report (when setting levy rates effective from 1 July 2018) - 37,000 more through the cruise pathway but 136,000 less through non-cruise.

**Table 7: Number of 2017/18 travellers (000's) – actual v forecast per last year's report**

	2017/18 Forecast	2017/18 Actual	2017/18 Variance
<b>Arrivals</b>			
- Levied passengers	6,766	6,675	(91)
- < two years old	87	84	(3)
- Prepaid	-	-	-
<b>Total non-cruise arrivals</b>	<b>6,853</b>	<b>6,759</b>	<b>(94)</b>
<b>Departures</b>			
- Levied passengers	6,695	6,655	(40)
- < two years old	86	84	(2)
- Prepaid	-	-	-
<b>Total non-cruise departures</b>	<b>6,781</b>	<b>6,739</b>	<b>(42)</b>
<b>Arrivals</b>			
- Levied passengers	206	224	18
- < two years old	-	1	1
- Prepaid	-	-	-
<b>Total cruise arrivals</b>	<b>206</b>	<b>225</b>	<b>19</b>
<b>Departures</b>			
- Levied passengers	206	224	17
- < two years old	-	1	1
- Prepaid	-	-	-
<b>Total cruise departures</b>	<b>206</b>	<b>225</b>	<b>18</b>
Total arrivals	7,059	6,984	(75)
Total departures	6,987	6,964	(23)
<b>Total travellers</b>	<b>14,046</b>	<b>13,948</b>	<b>(98)</b>

**Table 8: Number of travellers (000's)**

	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
<b>Arrivals</b>					
- Levied passengers	6,316	6,675	7,042	7,401	7,749
- < two years old	81	84	89	94	98
- Prepaid	81	-	-	-	-
<b>Total non-cruise arrivals</b>	<b>6,478</b>	<b>6,759</b>	<b>7,131</b>	<b>7,495</b>	<b>7,847</b>
<b>Departures</b>					
- Levied passengers	6,257	6,655	7,021	7,379	7,725
- < two years old	80	84	89	94	98
- Prepaid	72	-	-	-	-
<b>Total non-cruise departures</b>	<b>6,409</b>	<b>6,739</b>	<b>7,110</b>	<b>7,473</b>	<b>7,823</b>
<b>Arrivals</b>					
- Levied passengers	192	224	295	309	324
- < two years old	-	1	1	1	1
- Prepaid	-	-	-	-	-
<b>Total cruise arrivals</b>	<b>192</b>	<b>225</b>	<b>296</b>	<b>310</b>	<b>325</b>
<b>Departures</b>					
- Levied passengers	191	223	295	309	324
- < two years old	-	1	1	1	1
- Prepaid	-	-	-	-	-
<b>Total cruise departures</b>	<b>191</b>	<b>224</b>	<b>296</b>	<b>310</b>	<b>325</b>
Total arrivals	6,670	6,984	7,427	7,805	8,172
Total departures	6,600	6,963	7,406	7,783	8,148
<b>Total travellers</b>	<b>13,270</b>	<b>13,947</b>	<b>14,833</b>	<b>15,588</b>	<b>16,320</b>

The forecast growth in non-cruise travellers has been calculated using tourism projections by the Ministry of Business, Innovation and Employment (MBIE). The MBIE forecast covers arriving foreign visitors, however is considered indicative of growth in total traveller numbers.

The growth rates used are 5.5% for 2018/19, 5.1% for 2019/20 and 4.7% for 2020/21.

The projection of cruise traveller numbers in 2018/19 through to 2020/21 has been provided by Cruise Lines International Association (CLIA) Australasia.

### 4.3 Revenue

The revenue reflects continuing growth in traveller volumes. A record 6.98 million arriving travellers were processed in 2017/18.

**Table 9: Customs revenue (\$m excl. GST)**

	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Non-cruise	65.40	70.30	63.24	66.48	69.60
Cruise	2.03	2.37	4.28	4.48	4.70
<b>Total revenue</b>	<b>67.43</b>	<b>72.67</b>	<b>67.52</b>	<b>70.96</b>	<b>74.30</b>

Customs processing of rising air traveller numbers was assisted by the increased number of eGates and the increased use of them - both with more travellers having ePassports and the increase from 5 to 10 nationalities able to use the eGates.

**Table 10: Biosecurity NZ revenue (\$m excl. GST)**

	2016/17 Actual	2017/18 Actual	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Non-cruise	53.32	55.94	51.41	62.91	65.87
Cruise	2.34	2.74	1.58	1.18	1.23
Crown	2.05	1.76	-	-	-
<b>Total revenue</b>	<b>57.71</b>	<b>60.44</b>	<b>52.99</b>	<b>64.09</b>	<b>67.10</b>

#### 4.4 Memorandum account position

Memorandum accounts enable a long-run perspective to fee setting and cost recovery. Revenue and expenses may not necessarily equate in any given financial year, with balances expected to trend to zero.

The current levy rates, effective from 1 July 2018, were based on forecasts prepared in July 2017 for border processing costs, traveller volumes, and surplus balances.

**Table 11: Customs memorandum account movement (\$m excl. GST)**

	Opening balance	Revenue	Expenditur e	Surplus/ (deficit)	Closing balance
<b>2017/18</b>					
Non-cruise	9.21	70.30	61.95	8.35	17.56
Cruise	(0.66)	2.37	1.92	0.45	(0.21)
<b>Total account</b>	<b>8.55</b>	<b>72.67</b>	<b>63.87</b>	<b>8.80</b>	<b>17.35</b>
<b>2018/19</b>					
Non-cruise	17.56	63.24	76.16	(12.92)	4.64
Cruise	(0.21)	4.28	2.26	2.02	1.81
<b>Total account</b>	<b>17.35</b>	<b>68.22</b>	<b>78.42</b>	<b>(10.20)</b>	<b>6.45</b>
<b>2019/20</b>					
Non-cruise	4.64	66.48	80.06	(13.58)	(8.94)
Cruise	1.81	4.48	2.42	2.38	4.19
<b>Total account</b>	<b>6.45</b>	<b>70.96</b>	<b>82.48</b>	<b>(11.20)</b>	<b>(4.75)</b>
<b>2020/21</b>					
Non-cruise	(8.94)	69.60	82.94	(13.34)	(22.28)
Cruise	4.19	4.70	2.56	2.14	6.33
<b>Total account</b>	<b>(4.75)</b>	<b>74.30</b>	<b>85.50</b>	<b>(11.20)</b>	<b>(15.95)</b>

The Biosecurity NZ memorandum account will move into a deficit position during the 2018/19 year. When setting current rates the forecast 30 June 2018 surplus was \$9.55 million.

**Table 12: Biosecurity NZ memorandum account movement (\$m excl. GST)**

	Opening balance	Revenue	Expenditure	Surplus/ (deficit)	Closing balance
<b>2017/18</b>					
Non-cruise	6.00	55.94	57.90	(1.96)	4.04
Cruise	0.35	2.74	2.15	0.59	0.94
Crown	1.39	1.76	0.61	1.15	2.54
<b>Total account</b>	<b>7.74</b>	<b>60.44</b>	<b>60.66</b>	<b>(0.22)</b>	<b>7.52</b>
<b>2018/19</b>					
Non-cruise	4.04	51.41	59.74	(8.33)	(4.29)
Cruise	0.94	1.58	1.61	(0.03)	0.91
Crown	2.54	-	-	-	2.54
<b>Total account</b>	<b>7.52</b>	<b>52.99</b>	<b>61.35</b>	<b>(8.36)</b>	<b>(0.84)</b>
<b>2019/20</b>					
Non-cruise	(4.29)	62.91	61.63	1.28	(3.01)
Cruise	0.91	1.18	1.64	(0.46)	0.45
Crown	2.54	-	-	-	2.54
<b>Total account</b>	<b>(0.84)</b>	<b>64.09</b>	<b>63.27</b>	<b>0.82</b>	<b>(0.02)</b>
<b>2020/21</b>					
Non-cruise	(3.01)	65.87	62.85	3.02	0.01
Cruise	0.45	1.23	1.67	(0.44)	0.01
Crown	2.54	-	-	-	2.54
<b>Total account</b>	<b>(0.02)</b>	<b>67.10</b>	<b>64.52</b>	<b>2.58</b>	<b>2.56</b>

#### 4.5 Financial KPIs

Customs NZ has the following measures for Traveller costs:

**Table 13a: Customs NZ financial KPIs**

Performance Measure	2016/17 Actual	2017/18 Actual	2018/19 Forecast
Expenditure per traveller			
- Cruise – arriving	\$8.59	\$6.16	\$5.51
- Cruise - departing	\$3.36	\$2.40	\$2.14
- Non-cruise – arriving	\$7.22	\$7.38	\$8.60
- Non-cruise - departing	\$1.88	\$1.91	\$2.22
Corporate overheads as % of total expenditure	23%	20%	20%

Biosecurity NZ has developed financial performance measures for the Levy:

**Table 13b: Biosecurity NZ financial KPIs**

<b>Performance Measure</b>	<b>2016/17 Actual</b>	<b>2017/18 Actual</b>	<b>2018/19 Forecast</b>
Expenditure per arriving traveller			
- Cruise	\$10.78	\$9.60	\$5.46
- Non-cruise	\$7.57	\$8.67	\$8.51
Corporate overheads as % of total expenditure	19%	18%	18%

#### 4.6 Projected fee calculations

Recent legislative changes enable the biosecurity rates to be reset for periods of up to 3 years, rather than annually as previously required.

Rates have been calculated based on the current forecast of expenditure and travellers over the next 2 years – this spreads recovery/return of the forecast opening memorandum balance. There is currently uncertainty around levels of acceptable risk and consequent biosecurity investment. We expect to have greater clarity around these matters by March 2019.

Biosecurity NZ therefore intends formally reviewing these rates later in 2019, to set rates for the year 1 July 2020 to 30 June 2021.

**Table 14a. Biosecurity NZ rate calculations – Cruise arrivals**

		<b>2019/20 - 2020/21</b>
A	Estimated costs for the levy period	\$3.31m
B	Estimated surplus/(deficit) as at 30 June 2019	\$0.91m
C	Estimated traveller volumes over the levy period	0.63m
	<b>Levy rate = (A-B)/C</b>	<b>\$3.81</b>

**Table 14b. Biosecurity NZ rate calculations – Non-Cruise arrivals**

		<b>2019/20 - 2020/21</b>
A	Estimated costs for the levy period	\$124.48m
B	Estimated surplus/(deficit) as at 30 June 2019	(\$4.29m)
C	Estimated traveller volumes over the levy period	15.15m
	<b>Levy rate = (A-B)/C</b>	<b>\$8.50</b>

## 5 NON-FINANCIAL PERFORMANCE

### 5.1 Non-Financial Performance

Customs and Biosecurity NZ have developed non-financial performance measures for the Levy. The results against these measures for the 2017/18 financial year are shown in Table 15 below.

**Table 15a. Customs performance measures**

Performance Measure	Target	2016/17 Actual	2017/18 Actual
<i>Travel intermediate outcome: Travellers are satisfied with the service received during immigration processing</i>			
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently (as measured by Customs' stakeholder survey) <sup>3</sup>	85%	82.7%	78.8%
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)	85%	85.7%	86.0%
<i>Travel intermediate outcome: Travellers feel encouraged and assisted to comply</i>			
Minimum percentage of arriving international air passengers that find the information provided by Customs helpful (as measured by Customs' stakeholder survey)	85%	82.7%	85.5%
Minimum percentage of arriving international air passengers who trust Customs (as measured by Customs' stakeholder survey)	85%	94.0%	91.9%
<i>Passenger processing output: Legitimate travellers cross the border with minimal intervention</i>			
Minimum percentage of arriving international air passengers and crew who are deemed compliant based on risk assessment and facilitated without further intervention	98%	99.5%	99.5%
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	90%	94.3%	95.9%
<i>Passenger processing output: Passengers who show risk are subject to further intervention</i>			
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.6%-1.0%	0.5%	0.5%

<sup>3</sup> We undertook two rounds for the survey of arriving international air passengers' satisfaction in 2017/18 and all the performance measure results are the aggregate of these two rounds. The total sample size of the survey from the two rounds was 12,879 passengers, and we received a total of 1,663 responses. This survey had a margin of error of 2.30%.

Performance Measure	Target	2016/17 Actual	2017/18 Actual
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	45%-55%	44.4%	56.4%
<i>Passenger processing output: Passengers can complete their transactions with government easily in a digital environment</i>			
Minimum percentage of eligible arriving New Zealand and Australian international air passengers who use SmartGate	70%	75.8%	83.0%
Minimum percentage of eligible departing New Zealand and Australian international air passengers who use SmartGate	65%	67.0%	75.3%

Explanation of variances for Customs standards not achieved:

*Arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently*

The overall results from the passenger survey were positive and this is the only measure that was below the standard. Comments from passengers suggest that a key reason was the ongoing renovation work that is taking place at Auckland International Airport, which while not a Customs activity, has had an impact on the overall passenger processing experience.

*Arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas*

Enhanced risk assessment and better targeting of interventions to risk has resulted in lower levels of interaction with compliant passengers.

**Table 15b. Biosecurity NZ performance measures**

Performance Measure	Target	2016/17 Actual	2017/18 Actual
Complaints relating to biosecurity clearance service	< 0.01%	0.0013%	0.0011%
Percent of airlines participating in an NZ biosecurity awareness programme	100%	88.5%	100%
% of international air travellers that comply with biosecurity requirements on leaving the airport	> 98.5%	98.8%	98.7%
Average processing time at Auckland Airport for compliant passengers	< 10:00 mins	7:24	7:31
Cruise line accreditation scheme	100%		
- cruise lines accredited		15%	27%
- port visits by accredited vessels		78%	84%

Performance Measure	Target	2016/17 Actual	2017/18 Actual
Number of passengers with seizures per 1,000 cruise ship travellers	< 10 per 1,000	1.3	1.0
- accredited vessels		1.0	0.9
- non-accredited vessels		2.4	1.3

## Appendix 1: Activities funded through the levy

Stage of the process	Customs	Biosecurity NZ
Pre-border activities	<ul style="list-style-type: none"> <li>• Identification of persons of interest from advanced information</li> <li>• Planning processes for significant operations/events</li> <li>• Intelligence/information sharing with other agencies and administrations to inform risk identification and operational activity</li> <li>• Forecasting and supporting analysis</li> <li>• Provision of co-ordination functions (including for ad hoc arrivals)</li> </ul>	<ul style="list-style-type: none"> <li>• Screening for targeted interventions - identifying travellers of biosecurity interest</li> <li>• Co-ordination of resourcing and tasking of border activities</li> <li>• En-route biosecurity clearance - where possible</li> <li>• Management of craft applications for arrival at non-approved Places Of First Arrival</li> </ul>
At border activities	<ul style="list-style-type: none"> <li>• Primary-line processing (manual and via SmartGate): validation of identity, completion of immigration processes, identification of persons of interest</li> <li>• Secondary activities and processes i.e. interaction with persons of interest, questioning and search activities</li> <li>• En-route and alongside processing of cruise passengers</li> <li>• On-site support to secondary and verification activities and processes (i.e. more involved questioning and intervention with persons of interest, assistance around examination of electronic devices)</li> <li>• Customer service functions</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of arrival documentation against biosecurity requirements</li> <li>• Verification of compliance to biosecurity requirements of travellers</li> <li>• Application of intervention tools e.g. communications, searches, detector dogs, x-ray</li> <li>• Collection of information relating to pathways and effectiveness of interventions</li> </ul>

<b>Stage of the process</b>	<b>Customs</b>	<b>Biosecurity NZ</b>
Post-border activities	<ul style="list-style-type: none"> <li>• Investigative activity (including surveillance and monitoring of persons of interest once they move beyond the border process)</li> <li>• Processing of the reporting that is completed (i.e. activity and information reports) including review and management of entities/alerts/profiles</li> <li>• Post-seizure analysis (including supporting frontline briefing processes)</li> <li>• Debriefing processes for significant operations/events</li> <li>• Information-sharing with other agencies/administrations</li> <li>• Storage and disposal of seized goods</li> <li>• More involved analysis and intelligence processes (i.e. strategic assessments, analysis and refinement of profiles and alerts)</li> </ul>	<ul style="list-style-type: none"> <li>• Review and management of high-risk travellers</li> <li>• Verification of the process for the disposal of risk goods seized from travellers</li> <li>• Investigations into non-compliance</li> <li>• Compliance monitoring and analysis to measure performance of pathways</li> </ul>

## Appendix 2: Exemptions

### Levy funded travellers

- (a) a traveller under the age of 2 years:
- (b) a traveller who arrives in, or departs, New Zealand on an international aircraft otherwise than as a passenger:
- (c) a traveller who arrives in, or departs, New Zealand on a cruise ship otherwise than as a passenger:
- (d) a traveller who—
  - (i) arrives in New Zealand on an aircraft; and
  - (ii) is not required to report to a Customs officer at an arrival hall because the traveller is in transit to a place outside New Zealand:
- (e) a traveller who, having arrived in New Zealand as referred to in paragraph (d), departs New Zealand on an aircraft for the place outside New Zealand without having been required to enter a departure hall:

### Non-levy funded travellers

- (f) a traveller who arrives in, or departs, New Zealand on any of the following:
  - (i) a craft being operated by the New Zealand Defence Force or the defence forces of any Government other than that of New Zealand:
  - (ii) a craft being used wholly for diplomatic or ceremonial purposes of any Government:
  - (iii) a craft being used wholly for the purposes of a mission being carried out or organised by any Government that is a humanitarian mission or a mission in response to an emergency or a crisis:
  - (iv) a craft being used for the purposes of an official expedition of a Contracting Party<sup>4</sup>:
  - (v) a non-passenger commercial craft;
- (g) a traveller who arrives in New Zealand after having been rescued at sea:
- (h) a traveller who arrives in New Zealand wholly for the purpose of seeking temporary relief from stress of weather:
- (i) a traveller who, having arrived in New Zealand as referred to in paragraph (h), departs New Zealand as soon as is reasonably practicable:
- (j) a traveller who departs New Zealand on a craft on a journey—
  - (i) that is not intended to go beyond the exclusive economic zone; and
  - (ii) that is not intended to include a meeting with any craft or persons entering the exclusive economic zone from a point outside New Zealand:
- (k) a traveller who arrives in New Zealand on a craft—
  - (i) that has returned to New Zealand after a journey that did not extend beyond the exclusive economic zone; and
  - (ii) that did not meet during that journey with any other craft or persons entering the exclusive economic zone from a point outside New Zealand:
- (l) a traveller who arrives in, or departs, New Zealand before 1 January 2017 on an international aircraft as a passenger being carried on a ticket that was purchased, and fully paid for, before 1 January 2016:
- (m) a traveller who arrives in, or departs, New Zealand before 1 January 2017 on a cruise ship as a passenger on an international cruise and whose place on the cruise was purchased, and fully paid for, before 1 January 2016.

<sup>4</sup> **Contracting Party** has the meaning given by section 7(1) of the Antarctica (Environmental Protection) Act 1994; **official expedition**, in relation to a Contracting Party, has the meaning given by section 7(1) of the Antarctica (Environmental Protection) Act 1994.

## Appendix 3: Detailed breakdown of Agency costs

Customs	2016/17		2017/18	
	\$m	%	\$m	%
Direct costs:				
- Personnel	27.64	46	27.98	44
- IT and equipment	10.32	17	12.73	20
- Accommodation	1.77	3	1.64	2
<b>Total direct costs</b>	<b>39.73</b>	<b>66</b>	<b>42.35</b>	<b>66</b>
Operational support:				
- Finance and legal	0.33	1	0.38	1
- Operations workforce	1.92	3	3.23	5
- Operations management	1.45	2	1.16	2
- Human resources	1.09	2	0.92	1
- Accommodation	1.09	2	1.55	2
- Other	1.38	2	1.75	3
<b>Total operational support</b>	<b>7.94</b>	<b>12</b>	<b>9.00</b>	<b>14</b>
Corporate support:				
- Border management	6.52	11	7.94	13
- Occupancy	3.06	5	1.55	2
- Planning and development	2.92	5	2.70	4
- Other	0.89	1	0.33	1
<b>Total corporate support</b>	<b>13.39</b>	<b>22</b>	<b>12.52</b>	<b>20</b>
<b>Total expenditure</b>	<b>60.36</b>	<b>100</b>	<b>63.87</b>	<b>100</b>

Biosecurity NZ	2016/17		2017/18	
	\$m	%	\$m	%
Direct costs:				
- Personnel & Contracts	30.52	60	37.20	61
- Travel, IT and equipment	0.98	2	1.01	2
- Accommodation	0.69	1	1.40	2
- Other	1.05	2	1.18	2
<b>Total direct costs</b>	<b>33.24</b>	<b>65</b>	<b>40.79</b>	<b>67</b>
Operational support:				
- Border management	4.72	9	3.55	6
- Process improvement	1.42	3	1.67	3
- Accommodation	1.38	3	1.51	2
- Planning & development	0.72	1	2.17	4
<b>Total operational support</b>	<b>8.23</b>	<b>16</b>	<b>8.90</b>	<b>15</b>
Corporate support:				
- IT applications	3.78	7	4.30	7
- Finance & legal	3.13	6	2.36	4
- Human resources	0.81	2	1.23	2
- Other	1.90	4	3.08	5
<b>Total corporate support</b>	<b>9.62</b>	<b>19</b>	<b>10.97</b>	<b>18</b>
<b>Total expenditure</b>	<b>51.09</b>	<b>100</b>	<b>60.66</b>	<b>100</b>

Cost profiles across the two agencies differ, as does the categorisation of costs, e.g. IT and equipment costs are treated by Customs as direct costs while Biosecurity NZ treat IT applications costs as corporate support costs.