



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



# **Border Clearance Levy**

## **Performance report for the year to 30 June 2019**

Prepared by the New Zealand Customs Service and Biosecurity New Zealand

Prepared November 2019

---

**New Zealand Government**

# Contents

Page

---

<b>1</b>	<b>OVERVIEW</b>	<b>3</b>
<b>2</b>	<b>INTRODUCTION</b>	<b>4</b>
<b>3</b>	<b>TRAVELLER VOLUMES</b>	<b>6</b>
<b>4</b>	<b>CUSTOMS</b>	<b>8</b>
	4.1 Work Programme	8
	4.2 Financial Performance	9
	4.3 Financial KPIs	10
	4.4 Projected fee calculations	11
	4.5 Non-Financial Performance	12
	4.6 Detailed Breakdown of Costs	13
<b>5</b>	<b>BIOSECURITY NZ</b>	<b>14</b>
	5.1 Work Programme	14
	5.2 Financial Performance	15
	5.3 Financial KPIs	16
	5.4 Projected fee calculations	17
	5.5 Non-Financial Performance	17
	5.6 Detailed Breakdown of Costs	18
	<b>APPENDIX 1: ACTIVITIES FUNDED THROUGH THE LEVY</b>	<b>19</b>
	<b>APPENDIX 2: EXEMPTIONS</b>	<b>20</b>

# 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 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.

## **Efficiencies in air traveller clearance continue**

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 eGates was formally extended to Singapore in February 2019, Japan in September 2019 and the Republic of Korea in October 2019. This has increased the number of nationalities able to use eGates from ten to thirteen.<sup>1</sup>

## **Investment in new initiatives continues**

A number of initiatives to improve traveller experience while effectively protecting the border are being implemented or trialled which require further investment.

Customs has started rolling out its Customs Online app (COLIN) as part of its Frontline Mobility Project. COLIN is a new mobile gateway to existing Customs systems that will help speed up border operations. This will help to cut down on the amount of follow up work needed.

Biosecurity NZ has invested in a number of initiatives to improve traveller experience while effectively protecting the border. These include clearing baggage and travellers concurrently through the use of 3D technology in the 'back of house' environment at Auckland Airport with checked bags being screened before reaching the baggage carousels.

## **Biosecurity NZ's levy rates will change from 1 July 2020**

Updated levy rates for Biosecurity NZ activities will come into effect from 1 July 2020, based on projected costs and the memorandum account balances. Customs set rates for three years, while Biosecurity NZ rates are currently set for one year only.

Biosecurity NZ levies cover activities relating to arriving travellers only. The proposed rate for non-cruise travellers is \$10.16 (current \$8.50), and for cruise travellers is \$5.15 (current \$3.81)

## **Customs levy rates will change with the next reset**

Current indications are that the memorandum account will be in deficit earlier than forecasted in the performance report for 2018. This is largely because of a decline in the forecast of non-cruise traveller numbers and the deployment of new technology at the border. An out of cycle fee review is not being considered, however, the deficit will have to be addressed in the next fee review.

---

<sup>1</sup> ePassport holders from New Zealand, Australia, the United Kingdom, the United States, Canada, China, France, Germany, Ireland, Netherlands, Singapore, Japan and the Republic of Korea can use eGates

## 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 2019, for a period of one year ending 30 June 2020. New rates effective from 1 July 2020 are included in Table 4 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 (eg, 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

**Table 3: Levy rates from 1 July 2019 (excl. GST)**

	Customs	Biosecurity NZ	Total
<b>For travellers other than a cruise ship traveller</b>			
- Arrivals	\$6.43	\$8.50	\$14.93
- Departures	\$2.56	-	\$2.56
<b>For cruise ship travellers</b>			
- Arrivals	\$10.40	\$3.81	\$14.21
- Departures	\$4.10	-	\$4.10

**Table 4: Levy rates from 1 July 2020 (excl. GST)**

	Customs	Biosecurity NZ	Total
<b>For travellers other than a cruise ship traveller</b>			
- Arrivals	\$6.43	\$10.16	\$16.59
- Departures	\$2.56	-	\$2.56
<b>For cruise ship travellers</b>			
- Arrivals	\$10.40	\$5.15	\$15.55
- Departures	\$4.10	-	\$4.10

### 3 TRAVELLER VOLUMES

The total number of travellers in 2018/19 was 14.5 million. This was 355,000 (2.4%) less than forecast in last year's report (when setting levy rates effective from 1 July 2019).

**Table 5: Number of 2018/19 travellers (000's) – actual v forecast per last year's report**

	<b>2018/19 Forecast</b>	<b>2018/19 Actual</b>	<b>2018/19 Variance</b>
<b>Arrivals</b>			
- Levied passengers	7,042	6,901	(141)
- < two years old	89	85	(4)
<b>Total non-cruise arrivals</b>	<b>7,131</b>	<b>6,987</b>	<b>(145)</b>
<b>Departures</b>			
- Levied passengers	7,021	6,855	(166)
- < two years old	89	85	(4)
<b>Total non-cruise departures</b>	<b>7,110</b>	<b>6,940</b>	<b>(170)</b>
<b>Arrivals</b>			
- Levied passengers	295	275	(20)
- < two years old	1	1	-
<b>Total cruise arrivals</b>	<b>296</b>	<b>276</b>	<b>(20)</b>
<b>Departures</b>			
- Levied passengers	295	275	(20)
- < two years old	1	1	-
<b>Total cruise departures</b>	<b>296</b>	<b>276</b>	<b>(20)</b>
Total arrivals	7,427	7,263	(165)
Total departures	7,406	7,216	(190)
<b>Total travellers</b>	<b>14,833</b>	<b>14,479</b>	<b>(355)</b>

**Table 6: Number of travellers (000's)**

	2017/18 Actual	2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
<b>Arrivals</b>					
- Levied passengers	6,675	6,902	7,136	7,412	7,730
- < two years old	84	85	88	92	96
<b>Total non-cruise arrivals</b>	<b>6,759</b>	<b>6,987</b>	<b>7,224</b>	<b>7,504</b>	<b>7,826</b>
<b>Departures</b>					
- Levied passengers	6,655	6,855	7,088	7,364	7,679
- < two years old	84	85	88	92	96
<b>Total non-cruise departures</b>	<b>6,739</b>	<b>6,940</b>	<b>7,176</b>	<b>7,456</b>	<b>7,775</b>
<b>Arrivals</b>					
- Levied passengers	224	275	284	295	308
- < two years old	1	1	1	1	1
<b>Total cruise arrivals</b>	<b>225</b>	<b>276</b>	<b>285</b>	<b>296</b>	<b>309</b>
<b>Departures</b>					
- Levied passengers	223	275	284	295	308
- < two years old	1	1	1	1	1
<b>Total cruise departures</b>	<b>224</b>	<b>276</b>	<b>285</b>	<b>296</b>	<b>309</b>
Total arrivals	6,984	7,263	7,509	7,800	8,135
Total departures	6,963	7,216	7,461	7,752	8,084
<b>Total travellers</b>	<b>13,947</b>	<b>14,479</b>	<b>14,970</b>	<b>15,552</b>	<b>16,219</b>

The forecast growth in non-cruise travellers has been calculated using tourism projections by the Ministry of Business, Innovation and Employment (MBIE), estimated as at April 2019. The MBIE forecast covers arriving foreign visitors, however is considered indicative of growth in total traveller numbers.

The growth rates used are 3.6% for 2019/20, 3.9% for 2020/21 and 4.3% for 2021/22.

The projection of cruise traveller numbers in 2019/20 through to 2021/22 has been confirmed by Cruise Lines International Association (CLIA) Australasia.

## 4 CUSTOMS

### 4.1 Work Programme

Customs continues to focus on the traveller experience by enhancing the efficiency of traveller clearance and improving the effectiveness of our compliance efforts. Our current work programme includes:

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

Customs formally extended the eligibility to use eGates to arriving and departing electronic passport holders to Singapore in February 2019, Japan in September 2019 and the Republic of Korea in October 2019. This has increased the number of nationalities able to use eGates from ten to thirteen.

Customs is currently investigating extension of eGate eligibility to Sweden, Switzerland and Austria in coming months. In 2018/19 58.1% of arriving and departing travellers used eGates, this was an 11.6% increase from 2017/18. This represented 8.095 million passengers.

#### **Investment and deployment of new initiatives**

Customs is investing in new initiatives to increase efficiency and risk prevention at the border. Areas of new investment include:

- Customs has started phasing in the Customs Online app (COLIN) as part of its Frontline Mobility Project. COLIN is an Application Programming Interface (API) Gateway that enables frontline officers to access information and complete activity reports away from the office via an app on their mobile phone. COLIN will be implemented for the airport passenger stream in the first quarter of the 2020 calendar year. Using COLIN at our international Airports means Customs Officers will be able to complete their passenger inspections and the reporting of those on the spot meaning a faster and more consistent experience for passengers who are subject to an inspection. Overall it will result in more structured and consistent data collection which is very important for risk targeting.

It is intended to roll out this mobility in the Cruise stream, however, but there is further work required before timing certainty is known.

- Customs has procured new trace detection equipment for the quick identification of illicit substances while processing travellers at airports. The new equipment can detect a greater number of substances at very low levels and also has lower false alarm rates. This improves the range of illicit substances that can be detected quickly at the border and facilitates the movement of legitimate passengers

#### **Use of Activity Based Costing**

In 2017/18, Customs implemented its Activity Based Costing (ABC) model. This model has enhanced identification of the service cost drivers, and the allocation of costs to specific services. Any future reset of the fee rate will use the ABC model to accurately define costs incurred by Customs at the border.

## 4.2 Financial Performance

### 4.2.1 Expenditure on border clearance services

**Table 7: Customs 2018/19 cost breakdown (\$m excl. GST) – actual v forecast**

	2018/19 Forecast	2018/19 Actual	2018/19 Variance
Non-cruise	76.16	75.76	0.40
Cruise	2.26	2.44	(0.18)
<b>Total expenditure*</b>	<b>78.42</b>	<b>78.20</b>	<b>0.22</b>

\* excludes Crown funded costs

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

- Some delays in the ramping up of the Strategic Drug Disruption budget initiative which has resulted in slightly lower expenditure than forecast.
- Some timing differences between the forecast and actual delivery of the eGate hardening capital programme resulting in savings in depreciation.

These underspends are not expected to impact on the forecast years.

**Table 8: Customs cost breakdown (\$m excl. GST)**

	2017/18 Actual	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Non-cruise	61.95	75.76	79.19	82.09
Cruise	1.92	2.44	2.61	2.75
<b>Total expenditure *</b>	<b>63.87</b>	<b>78.20</b>	<b>81.80</b>	<b>84.84</b>

\* excludes Crown funded costs

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

- Applying ABC and the BCL Framework to 2017/18 results in an increase of allocation of costs for 2018/19 with the application of this methodology.
- The increase in the future years relates to:
  - the Strategic Disruption of Drug Smuggling Networks approved in Budget 2018(3 Year implementation programme)
  - increases in resources to process forecast increased volumes of passengers
  - capital investment to keep border management systems robust, resilient and effective.

### 4.2.2 Revenue

The revenue reflects continuing growth in traveller volumes. A record 7.3 million arriving travellers were processed in 2018/19.

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

	2017/18 Actual	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Non-cruise	70.30	62.56	64.03	66.51
Cruise	2.37	3.98	4.13	4.29
<b>Total revenue</b>	<b>72.67</b>	<b>66.54</b>	<b>68.16</b>	<b>70.80</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 10 to 13 nationalities able to use the eGates. Eligibility to use eGates was formally extended to Singapore from February 2019, Japan from September 2019 and the Republic of Korea from October 2019.

The decrease in Actual Revenue from 2017/18 to 2018/19 reflects the new fees introduced on 1 July 2018 – refer page 5 for the fees. The increase from 2018/19 reflects the updated volume forecasts.

#### 4.2.3 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 fees set designed for the accumulated balance to be zero at the end of the levy period.

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

	Opening balance	Revenue	Expenditure	Surplus/ (deficit)	Closing balance
<b>2018/19</b>					
Non-cruise	17.56	62.56	75.76	(13.20)	4.36
Cruise	(0.21)	3.98	2.44	1.54	1.33
<b>Total account</b>	<b>17.35</b>	<b>66.54</b>	<b>78.20</b>	<b>(11.66)</b>	<b>5.69</b>
<b>2019/20</b>					
Non-cruise	4.36	64.03	79.19	(15.16)	(10.80)
Cruise	1.33	4.13	2.61	1.52	2.85
<b>Total account</b>	<b>5.69</b>	<b>68.16</b>	<b>81.80</b>	<b>(13.64)</b>	<b>(7.95)</b>
<b>2020/21</b>					
Non-cruise	(10.80)	66.51	82.09	(15.58)	(26.38)
Cruise	2.85	4.29	2.75	1.54	4.39
<b>Total account</b>	<b>(7.95)</b>	<b>70.80</b>	<b>84.84</b>	<b>(14.04)</b>	<b>(21.99)</b>

Note: The forecast of memorandum account is to 30 June 2021, as the fees will be reviewed from 1 July 2021.

#### 4.3 Financial KPIs

Customs has the following measures for Traveller costs:

**Table 11: Customs financial KPIs**

Performance Measure	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Expenditure per traveller			
- Cruise – arriving	\$6.31	\$6.53	\$6.62
- Cruise - departing	\$2.57	\$2.70	\$2.70
- Non-cruise – arriving	\$8.74	\$8.83	\$8.86
- Non-cruise - departing	\$2.27	\$2.28	\$2.23

#### **4.4 Projected fee calculations**

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 and projected balance in the memorandum account. Any new Levy rates resulting from the review will commence from 1 July 2021.

## 4.5 Non-Financial Performance

Customs and Biosecurity NZ have developed non-financial performance measures for the Levy. The results against these measures for the 2018/19 financial year are shown in Table 12 below.

**Table 12. Customs performance measures**

<b>Performance Measure</b>	<b>Target</b>	<b>2017/18 Actual</b>	<b>2018/19 Actual</b>
<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>2</sup>	85%	78.8%	89.8%
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%	86.0%	90.2%
<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%	85.5%	88.9%
Minimum percentage of arriving international air passengers who trust Customs (as measured by Customs' stakeholder survey)	85%	91.9%	94.1%
<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%	95.9%	96.0%
<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%
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%	56.4%	57.9%
<i>Passenger processing output: Passengers can complete their transactions with government easily in a digital environment</i>			
Minimum percentage of commercial air passengers using SmartGate	55%	N/A	58.1%

<sup>2</sup> Our survey captures feedback from a random selection of air passengers (from New Zealand and overseas) arriving in New Zealand. The total sample size of the survey was 3,982 passengers, and we received a total of 862 responses. This survey had a margin of error of 2.95%.

Explanation of variances for Customs standards not achieved:

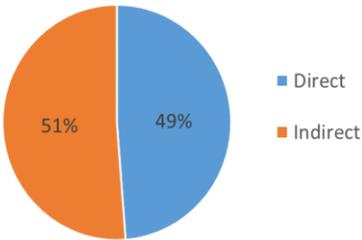
*Arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas*

In recent years, enhanced risk assessment and better targeting of interventions to risk along with increasing passenger volumes has resulted in lower levels of interaction with compliant passengers. While below the standard, all passengers are subject to a risk assessment process and those identified for further intervention were interacted with in the secondary area.

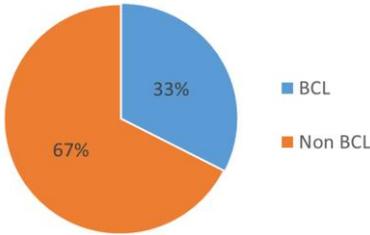
### 4.6 Breakdown of Costs

Customs Cost Allocation Split 2018/19

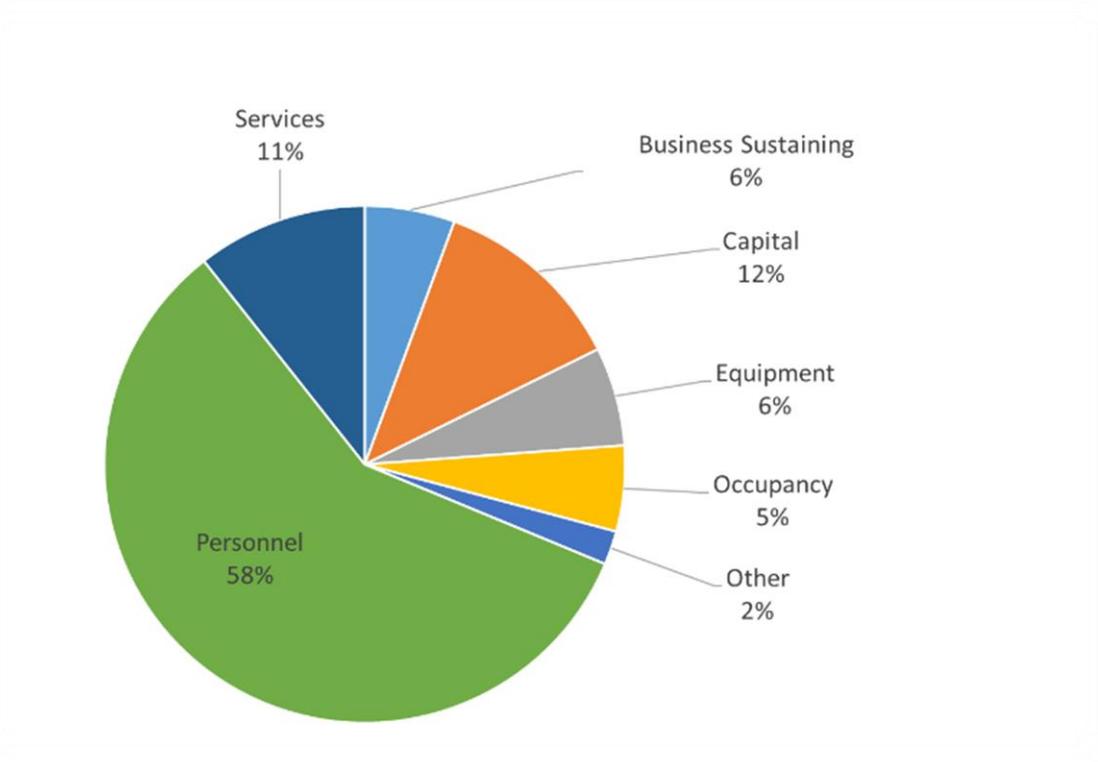
Graph 1. Direct and Non-Direct



Graph 2. BCL and Non-BCL



Graph 3. Customs BCL Cost Breakdown 2018/19 by Account Group



## 5 Biosecurity NZ

### 5.1 Work Programme

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

Biosecurity NZ continues to target effort and investment on three key performance areas:

- Risk - measured by compliance with biosecurity requirements
- Cost - measured by cost per passenger
- Customer experience - measured by average processing time

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

Biosecurity NZ has been testing new 3D technology at Auckland International Airport to deliver faster, less intrusive, and more effective x-ray screening. This is to detect risk goods that normally go undetected using currently operated technology.

MPI has partnered with Rapiscan (our equipment supplier) and Biosecurity Australia to develop an algorithm to identify risk goods. Currently no other countries are using this technology to detect biosecurity materials.

The new x-ray machine will be integrated in the 'back of house' environment at Auckland Airport, with checked bags screened before reaching the baggage carousels. Additional smaller 3D x-ray machines will also be used to scan all carry-on items, ensuring 100% coverage of passenger baggage at Auckland.

By 2020/21 we are planning for two scanners processing checked baggage in Auckland, with one at Christchurch International Airport. A further four smaller x-ray machines will be used to check carry-on luggage at Auckland, and two in Christchurch.

This targets a reduction in the risk of undetected biosecurity material along with improved customer experience. While cost will increase in the short term (1-2 years), as the system becomes fully operational the number of frontline biosecurity officers at Auckland and Christchurch international airports may reduce.

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

Biosecurity NZ implemented a performance driven assurance model at the port of first arrival. This replaced in-transit inspection on cruise vessels, reduced expenditure, and improved biosecurity outcomes.

## 5.2 Financial Performance

### 5.2.1 Expenditure on border clearance services

**Table 13: Biosecurity NZ 2018/19 cost breakdown (\$m excl. GST) – actual v forecast per last year’s report**

	<b>2018/19 Forecast</b>	<b>2018/19 Actual</b>	<b>2018/19 Variance</b>
Non-cruise	59.74	63.28	(3.54)
Cruise	1.61	1.30	0.31
Crown	-	0.59	(0.59)
<b>Total expenditure</b>	<b>61.35</b>	<b>65.17</b>	<b>(3.82)</b>

Investment in the biosecurity system was \$3.82 million (6%) higher than forecast, largely driven by higher than forecast personnel costs following the implementation of a more flexible collective employment agreement in the last quarter of 2017/18.

The expenditure forecasts include provision to bring 3D x-ray technology into full service at Auckland and Christchurch international airports.

**Table 14: Biosecurity NZ cost breakdown (\$m excl. GST)**

	<b>2017/18 Actual</b>	<b>2018/19 Actual</b>	<b>2019/20 Forecast</b>	<b>2020/21 Forecast</b>	<b>2021/22 Forecast</b>
Non-cruise	57.90	63.28	65.92	69.26	70.87
Cruise	2.15	1.30	1.54	1.77	1.78
Crown	0.61	0.59	-	-	-
<b>Total expenditure</b>	<b>60.66</b>	<b>65.17</b>	<b>67.46</b>	<b>71.03</b>	<b>72.65</b>

### 5.2.2 Revenue

The revenue reflects continuing growth in traveller volumes. The decrease in 2018/19 was a return of surplus memorandum position through lower rates for one year.

**Table 15: Biosecurity NZ revenue (\$m excl. GST)**

	<b>2017/18 Actual</b>	<b>2018/19 Actual</b>	<b>2019/20 Forecast</b>	<b>2020/21 Forecast</b>	<b>2021/22 Forecast</b>
Non-cruise	55.94	50.38	60.77	75.45	78.68
Cruise	2.74	1.24	1.09	1.52	1.59
Crown	1.76	0.59	-	-	-
<b>Total revenue</b>	<b>60.44</b>	<b>52.21</b>	<b>61.86</b>	<b>76.97</b>	<b>80.27</b>

### 5.2.3 Memorandum account position

The current levy rates, effective from 1 July 2019, were based on forecasts prepared in July 2017 for border processing costs, traveller volumes, and surplus balances.

**Table 16: Biosecurity NZ memorandum account movement (\$m excl. GST)**

	Opening balance	Revenue	Expenditure	Surplus/ (deficit)	Closing balance
<b>2018/19</b>					
Non-cruise	4.04	50.38	63.28	(12.90)	(8.86)
Cruise	0.94	1.24	1.30	(0.06)	0.88
Crown	2.54	0.59	0.59	-	2.54
<b>Total account</b>	<b>7.52</b>	<b>52.21</b>	<b>65.17</b>	<b>(12.79)</b>	<b>(5.44)</b>
<b>2019/20</b>					
Non-cruise	(8.86)	60.77	65.92	(5.15)	(14.01)
Cruise	0.88	1.09	1.54	(0.45)	0.43
Crown	2.54	-	-	-	2.54
<b>Total account</b>	<b>(5.44)</b>	<b>61.86</b>	<b>67.46</b>	<b>(5.60)</b>	<b>(11.04)</b>
<b>2020/21</b>					
Non-cruise	(14.01)	75.45	69.26	6.19	(7.82)
Cruise	0.43	1.52	1.77	(0.25)	0.18
Crown	2.54	-	-	-	2.54
<b>Total account</b>	<b>(11.04)</b>	<b>76.97</b>	<b>71.03</b>	<b>5.94</b>	<b>(5.10)</b>
<b>2021/22</b>					
Non-cruise	(7.82)	78.68	70.87	7.81	(0.01)
Cruise	0.18	1.59	1.78	(0.19)	(0.01)
Crown	2.54	-	-	-	2.54
<b>Total account</b>	<b>(5.10)</b>	<b>80.27</b>	<b>72.65</b>	<b>7.62</b>	<b>2.52</b>

### 5.3 Financial KPIs

Biosecurity NZ has developed financial performance measures for the Levy:

**Table 17: Biosecurity NZ financial KPIs**

Performance Measure	2017/18 Actual	2018/19 Actual	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
<i>Expenditure per arriving traveller:</i>					
- Cruise	\$9.60	\$4.73	\$5.40	\$5.98	\$5.76
- Non-cruise	\$8.67	\$9.18	\$9.22	\$9.33	\$9.15
<i>Corporate overheads as % of total expenditure:</i>					
	18%	18%	18%	18%	18%

## 5.4 Projected fee calculations

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 to reduce short-term spikes in rates.

Biosecurity NZ will review these rates for the period beginning 1 July 2021.

**Table 18a: Biosecurity NZ rate calculations – Cruise arrivals**

		2020/21 - 2021/22
A	Estimated costs for the levy period	\$3.55m
B	Estimated surplus/(deficit) as at 30 June 2019	\$0.43m
C	Estimated traveller volumes over the levy period	0.61m
	<b>Levy rate = (A-B)/C</b>	<b>\$5.15</b>

**Table 18b: Biosecurity NZ rate calculations – Non-Cruise arrivals**

		2020/21 - 2021/22
A	Estimated costs for the levy period	\$140.13m
B	Estimated surplus/(deficit) as at 30 June 2019	(\$14.01m)
C	Estimated traveller volumes over the levy period	15.17m
	<b>Levy rate = (A-B)/C</b>	<b>\$10.16</b>

## 5.5 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 19: Biosecurity NZ performance measures**

Performance Measure	Target	2016/17 Actual	2017/18 Actual	2018/19 Actual
Complaints relating to biosecurity clearance service	< 0.01%	0.0013%	0.0011%	0.0010%
Percent of airlines participating in an NZ biosecurity awareness programme	100%	88.5%	100%	100%
% of international air travellers that comply with biosecurity requirements on leaving the airport	> 98.5%	98.8%	98.7%	99.0%
Average processing time at Auckland Airport for compliant passengers	< 10:00 mins	7:24	7:31	6:55
Cruise line accreditation scheme	100%			
- cruise lines accredited		15%	27%	21%
- port visits by accredited vessels		78%	84%	86%
Number of passengers with seizures per 1,000 cruise ship travellers	< 10 per 1,000	1.3	1.0	1.1
- accredited vessels		1.0	0.9	1.4
- non-accredited vessels		2.4	1.3	0.6

## 5.6 Detailed Breakdown of Costs

Table 20: Biosecurity NZ costs

Biosecurity NZ	2016/17		2017/18		2018/19	
	\$m	%	\$m	%	\$m	%
Direct costs:						
- Personnel & contracts	30.52	60	37.20	61	38.04	58
- Travel, IT and equip.	0.98	2	1.01	2	1.16	2
- Accommodation	2.06	4	2.91	4	3.48	5
- Other	1.05	2	1.18	2	1.33	2
Total direct costs	34.61	68	42.30	69	44.01	67
Operational support:						
- Border management	4.72	9	3.55	6	5.76	9
- Process improvement	1.42	3	1.67	3	1.92	3
- Planning & developmt.	0.72	1	2.17	4	1.97	3
Total operational support	6.86	13	7.39	13	9.65	15
Corporate support:						
- IT applications	3.78	7	4.30	7	4.65	7
- Finance & legal	3.13	6	2.36	4	2.58	4
- Human resources	0.81	2	1.23	2	1.37	2
- Other	1.90	4	3.08	5	2.91	5
Total corporate support	9.62	19	10.97	18	11.51	18
<b>Total expenditure</b>	<b>51.09</b>	<b>100</b>	<b>60.66</b>	<b>100</b>	<b>65.17</b>	<b>100</b>

## 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>
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>3</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>3</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.