

DEPARTMENT OF CUSTOMS

Head 12

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Mr. Chairman,

The Customs Department is responsible for: assessing and collecting customs duty and fees on imported goods; enforcing customs laws, administering other statutes controlling the international movement of goods and people and preventing the smuggling of drugs and other illegal commodities; and, providing information and assistance to the public regarding customs laws and regulations.

MISSION (Page B-286)

Mr. Chairman,

The mission of the Customs Department is-

“To promote compliance with Bermuda's Customs Laws through quality service and responsible enforcement, thereby contributing to the economic and social stability of our community.”

MANDATE

Mr. Chairman,

The Department has the following mandate:

To facilitate legitimate trade;

To assess and collect revenue;

and, to interdict drugs and other contraband.

In carrying out our Mandate we will:

- Encourage and promote voluntary compliance;
- Communicate and co-operate with our clients and stakeholders;
- Adhere to high standards of integrity and professionalism; and
- Treat the public and each other with respect.”

As indicated on page B286, the Department will operate under eight (8) Cost Centres, namely:

- 22030 Airport Shift A
- 22040 Airport Shift B
- 22050 Investigations/Audit
- 22070 Hamilton Commercial Operations
- 22080 Administration
- 22090 Vessel Clearance
- 22100 Interdiction

- 22110 Seaport Enforcement Team

The budget allocations (B-286) and objectives established for each cost centre are as follows:

22030 Airport Shift A and 22040 Airport Shift B

The Budget allocation of the Airport Shift A is:

- Two Million, and Twenty-Six Thousand dollars (\$2,026,000)

The allocation for Airport Shift B is:

- Two Million, Two Hundred and Ninety-Five Thousand dollars (\$2,295,000)

The objectives shared by these cost centres are as follows:

- The examination and control of all civil aircraft, passengers and air freight arriving in Bermuda
- Primary immigration control of all arriving passengers
- Enforcement of customs laws and regulations with respect to passengers and their baggage
- Collection of customs duties and fees
- Supervision and control of all in bond exports of liquor/tobacco by air
- Agency work for the Departments of Health, Environmental Protection and the Police
- The prevention and interdiction of all restricted and prohibited goods entering Bermuda. These goods include plants, fruit, animals, firearms, pornography, prohibited weapons and illicit drugs
- Carrying out inspections of courier cargo

22050 Investigations and Audit

The budget allocation for the Investigations and Audit section is:

- Eight Hundred and Fifty-Eight Thousand dollars (\$858,000)

The Objectives of this section are as follows:

- Investigation of all suspected revenue offences, completion of case files including recommendations for the disposal of the case and where applicable the level of penalty to be applied.
- Carry out the inspection of imported and exported cargo.
- Audit declarations of imports and exports for accuracy and compliance with a particular focus on bonded operators and local inland clearance agents.

22070 Hamilton Commercial operations:

The budget allocation for the Hamilton Commercial Operations section is:

- One Million, One Hundred and Eighty-Two Thousand dollars (\$1,182,000)

The Objectives of this section are as follows:

- Authorise the release of imported goods
- Interdiction of illicit goods and control of restricted goods
- Maintenance of prescribed service levels to clients
- Acknowledgment of correspondence within three (3) working days and responding within ten (10) days.
- Providing guidance to the public with customs laws and processes

22080 Administration:

The budget allocation for the Administration section is:

- Four Million, Seven Hundred and Twenty-One Thousand dollars (\$4,721,000)

The Objectives of this section are as follows:

- To process all entry declarations in accordance with our prescribed quality service levels
- To ensure that all customers' correspondence is dealt with in accordance with our prescribed quality service levels, a Two (2) day response.
- Provide all personnel, legislative, financial, budgetary, administrative and general operational services to the Department

22090 Vessel Clearance:

The budget allocation for the Vessel Clearance section is:

- One Million, One Hundred and Thirty Six Thousand dollars (\$1,136,000)

The objectives of this section are as follows:

- The examination and control of all seabound vessels arriving in Bermuda, including private yachts, cruise ships and cargo carry vessels.
- Primary immigration control of all individuals arriving in Bermuda via the ocean.
- Enforcement of customs laws and regulations with respect to cruise ship passengers and their baggage
- Collection of Customs Duties and Fees.

22100 Interdiction:

The budget allocation for the Interdiction section is:

- Three Million, Nine Hundred and Twenty-Six Thousand dollars (\$3,926,000)

The objectives of this section are as follows:

- The collection, analysis, and the managed dissemination of intelligence on the cross border movements of illicit items, suspected persons and data on suspicious activities to enable a risk-based, focused Customs enforcement environment.
- Carrying out inspections of courier cargo and postal packages.
- Interdiction of illicit goods and control of restricted goods.

22110 Seaport Enforcement Team:

The budget allocation for the Seaport Enforcement Team is:

- Nine Hundred and Sixty-Eight Thousand dollars (\$968,000)

The objectives of this section are as follows:

- The examination and control of all cargo containers arriving in Bermuda.
- Interdiction of illicit goods and control of restricted goods.
- Verification and matching of declarations of imports to the contents of imported containers.

Mr. Chairman,

The total budget for the Department for the coming fiscal year is **Seventeen Million, One Hundred and Twelve Thousand Dollars** (\$17,112,000).

The 2017-18 budget allocation is the same as the budget allocation in 2016-17.

EMPLOYEE NUMBERS (FULL-TIME EQUIVALENTS) ON PAGE B-287

The Department has (237) Two Hundred and Thirty-Seven approved positions. At the time of preparing the budget estimates, the Department had (176) One Hundred and Seventy Six members of staff and was in the process of recruiting an additional (16) sixteen staff members. The Department's staffing level during 2017/18 is expected to be (192) One Hundred and Ninety-Two, a net decrease of (3) Three employees from the (195) One Hundred and Ninety Five original estimate for 2016-17.

LINE ITEM ANALYSIS OF HEAD 12's OPERATIONAL BUDGET PAGE B-287

Salaries \$14.5 million (Decrease of \$623 thousand or 4%)

The decreased allocation of funds is reflective of the actual costs incurred during 2016-17.

Other Personnel Costs \$169 thousand (Increase of \$29 thousand or 21%)

The increase reflects the actual expenditure during 2016/17. The principal expense under this heading is for call out allowances. Since Customs offers a 24 hour a day service, it is necessary to pay officers a call out allowance to ensure their attendance when required outside of normal working hours.

Training \$20 thousand (Increase of \$10 thousand or 100%)

The increase reflects the expected increase in training activity as a result of the recruitment of (16) sixteen additional Customs Officers.

Transport \$3 thousand (Increase of \$2 thousand or 200%)

Transport costs for the Customs department represent air freight, shipping costs and Customs duty and, for the most part, these costs result from the importation of Uniform items and replacement parts for scanning machines.

Travel \$20 thousand (Decrease of \$7 thousand or 26%)

The main reason for travel by Customs staff is to attend conferences hosted by International Customs and Law Enforcement bodies. Attendance at some of these conferences is essential to maintain membership (or executive membership) of the relevant bodies. Membership of these bodies brings with it many benefits including, inter alia: access to international best practice guidance, statistical information, legal advice and training materials. Attendance at these international conferences affords staff members rare opportunities to develop contacts vital for the intelligence gathering from which Customs benefits.

The decrease in budget allocation is reflective of the 2016/17 actual expenditure in this area which has proven to be less than originally budgeted.

Communication \$131 thousand (Decrease of \$14 thousand or 10%)

The decrease is a reflection of the 2016/17 actual expenditure.

Professional Services \$85 thousand (Increase of \$29 thousand or 52%)

Professional Services costs consist of the contractor charges and membership fees for the World Customs Organization (WCO) and the Caribbean Customs Law Enforcement Council (CCLEC).

The reason for the increase in allocation is partly due to an anticipated annual increase in membership fees and an expected increase in the use of the services of contractors based on the actual expenditure during 2016/17.

Rentals \$480 thousand (Decrease of \$5 thousand or 1%)

The decrease is not significant as the current leases are scheduled to continue through the 2017/18 financial year.

Repair & Maintenance \$1.06 million (Increase of \$439 thousand or 71%)

The increase in the allocation is primarily due to:

- (1) An anticipated introduction of a maintenance charge for the Customs Automated Processing System as the capital project nears its completion. The contract is to be negotiated but a provisional estimate of \$250 thousand per annum is included in the estimates;
- (2) An annual increase in the contracted maintenance fees for the Hamilton Dock Gantry X-ray Scanner in the amount of approximately \$20 thousand;
- (3) A conservative increase of \$50 thousand in the provision for cleaning and security expenses due to the additional operations and facilities being used by Customs during the Americas Cup;
- (4) A general increase in the repairs provision as a result of higher than anticipated actual costs during 2016.17.

Energy \$255 thousand (Increase of \$119 thousand or 88%)

The increase in the allocation is to provide a contingency for uncertainty with the price of oil.

Clothing, Uniforms & Laundry \$150 thousand (Increase of \$23 thousand or 18%)

The increase in costs is due to the intake of (16) new Customs officers.

Materials and supplies \$220 thousand (Decrease of \$18 thousand or 8%)

The decrease in the allocation is due to the Department's commitment to reduce its materials costs.

Equipment (Minor Capital) \$20 thousand (Increase of \$16 thousand or 400%)

The increase is because the Department is planning to purchase replacement office furniture as well as to purchase new furniture and equipment for new facilities at which Customs will be required to operate.

OUTPUT MEASURES

Mr. Chairman,

Output measures have been established for the Department, as shown on pages B-288 and B-289, I am pleased to provide the following results as measured against these output measures:

22020 Airport Commercial

Since June 2016, the Airport Commercial Operations section ceased to operate therefore there are no performance forecasts and targets for the 2016/17 and 2017/18 financial years.

22030 Airport Shift "A"

For the 2015/16 year, Airport Shift "A" collected forced duty in the amount of Sixty-Two Thousand, Three Hundred and Fifty-One Dollars (\$62,351). It is forecasted that during 2016/17 that forced duty in the amount of Thirty Thousand Dollars (\$30,000) will be collected. The target for 2017/18 is Sixty Thousand Dollars (\$60,000).

For the 2015/16 year, Airport Shift "A" seized illicit items on Seven (7) occasions. It is forecasted that during 2016/17 that this shift shall seize illicit items on Ten (10) occasions. The target for 2017/18 is Ten (10).

22040 Airport Shift "B"

For the 2015/16 year, Airport Shift "B" collected forced duty in the amount of Thirty-Nine Thousand, Seven Hundred and Nineteen Dollars (\$39,719). It is forecasted that during 2016/17 that forced duty in the amount of Forty-Two Thousand, Six Hundred and Forty-Eight Dollars (\$42,648) will be collected. The target for 2017/18 is Forty Thousand Dollars (\$40,000).

For the 2015/16 year, Airport Shift "B" seized illicit items on Ten (10) occasions. It is forecasted that during 2016/17 that this shift shall seize illicit items on Eleven (11) occasions. The target for 2017/18 is Forty (40).

22050 Investigations/Audit

The Investigations and Audit Section completed Thirty (30) investigations during 2015/16, resulting in, amongst other things, the collection of Seven Thousand, Four Hundred Dollars (\$7,400) in additional duty. By the close of the fiscal

year 2016/17, it is forecasted that the Investigations unit will complete Twenty-Four (24) cases resulting in Thirty Thousand Dollars (\$30,000) in additional duty. The target for 2017/18 is that the Investigations unit complete one hundred (100) cases resulting in Twenty Thousand dollars (\$20,000) in additional duty.

22070 Hamilton Commercial Ops

During 2015/16 Hamilton Commercial Operations complied with the prescribed Quality Service Levels in 95% of all declarations processed. Seventy Thousand, Five hundred and Fifty-Five declarations (70,555) were processed during that same period. In 2016/17, it is forecasted that Hamilton Commercial Operations will meet the Quality Service Levels 95% of the time. It is forecasted that Seventy Thousand (70,000) Declarations will be processed. In 2017/18, the target outcome is that, as a minimum, Quality Service Levels will be achieved in 95% of all occurrences and that Thirty-Eight Thousand (38,000) declarations will be processed.

22080 Administration

In 2015/16 the Administration section met its established goals and ensured that BCDs were processed in compliance with prescribed standards 100 percent of the time. The average time between receipt of purchase invoice and authorization or rejection of payment was 5 days. In 2016/17 it is forecasted that BCDs will be processed in compliance with prescribed standards 100 per cent of the time and that the average time between authorization or rejection of a payment will be 5 days. The targets for 2017/18 are that BCDs will be processed in compliance with prescribed standards 100 per cent of the time and that the average time between authorization or rejection of a payment will be 10 days.

22090 Vessel Clearance

In 2015/16 the Vessel Clearance section processed 100% of Cruise ship passengers and prepared and issued invoices with the value of One Million, Six Hundred and Eighty-Seven Thousand, Six Hundred and Sixteen Dollars (\$1,687,616). In 2016/17, it is forecasted that the Vessel Clearance section will process 100% of Cruise ship passengers and that they will prepare invoices with a value in excess of One Million and Seventy-Eight Thousand, Six Hundred and Fifteen Dollars (\$1,078,615). In 2017/18, the target is that the Vessel Clearance section will process 100% of Cruise Ship passengers and issue invoices with a value in excess of One Million Dollars (\$1,000,000).

22100 Interdiction

In 2015/16 the Interdiction section made 163 seizures and had a 85% success rate of positive results from all search and detentions. In 2016/17 it is forecasted that 150 seizures will be made and a 70% success rate with search and detentions. In 2017/18, the target is that there will be at least 150 seizures and that they will achieve a 70% success rate with search and detentions.

22110 Seaport Enforcement Team

In 2015/16 the Seaport Enforcement Team, or SET, inspected and reviewed 100% of import cargo manifests and used the Hamilton Docks Gantry X-ray Scanner to scan 90% of containers imported into Bermuda. In 2016/17, it is forecasted that SET will inspect and review 100% of cargo manifests and scan 94% of all containers into Bermuda. In 2017/18, the target is that SET inspect and review 100% of cargo manifests and scan 85% of all containers into Bermuda.

Review of Major capital Projects:

I would now like to provide you with a brief summary of the ongoing capital project which will be active under the department during the next fiscal year namely the Customs Automated Processing System (CAPS) listed as Customs IT Developments on Page C-14.

1.CAPS - CAPS is the core computer system used throughout the whole of Customs. It is the central database of all information collected from Customs declarations from both traders and travellers. It serves an integral part of the control processes used within Customs as it expedites data analysis for the purpose of making risk assessments. This allows Customs to focus its efforts more efficiently and productively.

CAPS has enabled the automation of a number of preliminary checks including, but not limited to, assessing the internal consistency of declarations, and, identifying whether sufficient funds are available prior to the release of Dutiable imports.

CAPS also plays an important part in the initial collection of statistical data as used by the Department of Statistics in monitoring economic and commercial trends.

An ever increasing number of our major traders who normally submit many large record Bermuda Customs Declarations (BCDs) are now submitting them all electronically thereby removing a huge strain from our data input section. Customs is actively engaging Traders to utilize the electronic processing capabilities of CAPS. At this point in time over ninety-five percent (95%) of all Customs entries are processed via CAPS.

Due to the complexity and unique nature of the Bermuda Customs environment, CAPS is, by necessity, bespoke software owned by the Government of Bermuda. To keep pace with changing technologies, legislation, and security needs, as well as providing enhanced services and functionalities to our customers, it is necessary that we invest in the development and maintenance of this system. The efficiency benefits combined with the improved statistical information, controls, customer service, and intelligence gathered by this system outweigh the costs of development.

Finances: The budget for this project is \$200,000

It is anticipated that Customs will use the Duty Van allocation of Eighty Thousand Dollars (\$40,000) to replace one of the vehicles which have been written off as economically unviable to continue to run and maintain.

[2016/17 Achievements]

Mr. Chairman,

In closing I would like to inform members of some important achievements by Customs and the Ministry of National Security during the 2016/17 fiscal year to date:

- Customs successfully completed its recruitment of new Trainee Customs Officers. The department received over 600 applications and using a multi step process was able to select the 16 strongest candidates.
- Customs continues to work closely with a number of key stakeholders to assist in making the Americas Cup 2017 a success whilst ensuring that Bermuda's borders remain secure. A strategic plan for the department has been developed with a number departmental sub-groups making arrangements to ensure that everything goes smoothly.
- Customs has also been working team to put in place a facility at Morgan's Point to service private vessels. By facilitating this new reporting centre, Customs is providing an improved service for the public which, it is hoped, will contribute to making Bermuda an even more attractive tourist destination.
- Customs has worked with a number of traders to assist them to make the transition from submitting Bermuda Customs Declarations in a paper form to submitting Declarations in an electronic form. The number of records processed manually each month by Customs data input processors has fallen, as a result, by approximately 40%. This transition to electronic submission has a number of benefits to both the traders and to the department. The traders benefit:
 - by enjoying, on average, quicker releases of imported goods;
 - by being able to make submissions from their office and outside of normal business hours;
 - by not incurring the manual data input fees due on paper Bermuda Customs Declarations submissions.

The department benefits by reducing its manual data inputting costs and freeing administration staff to perform other important tasks. The costs of Data Inputting overtime have dropped by 27% as a result with significantly higher savings expected during 2017/18.

Thank you **Mr. Chairman**