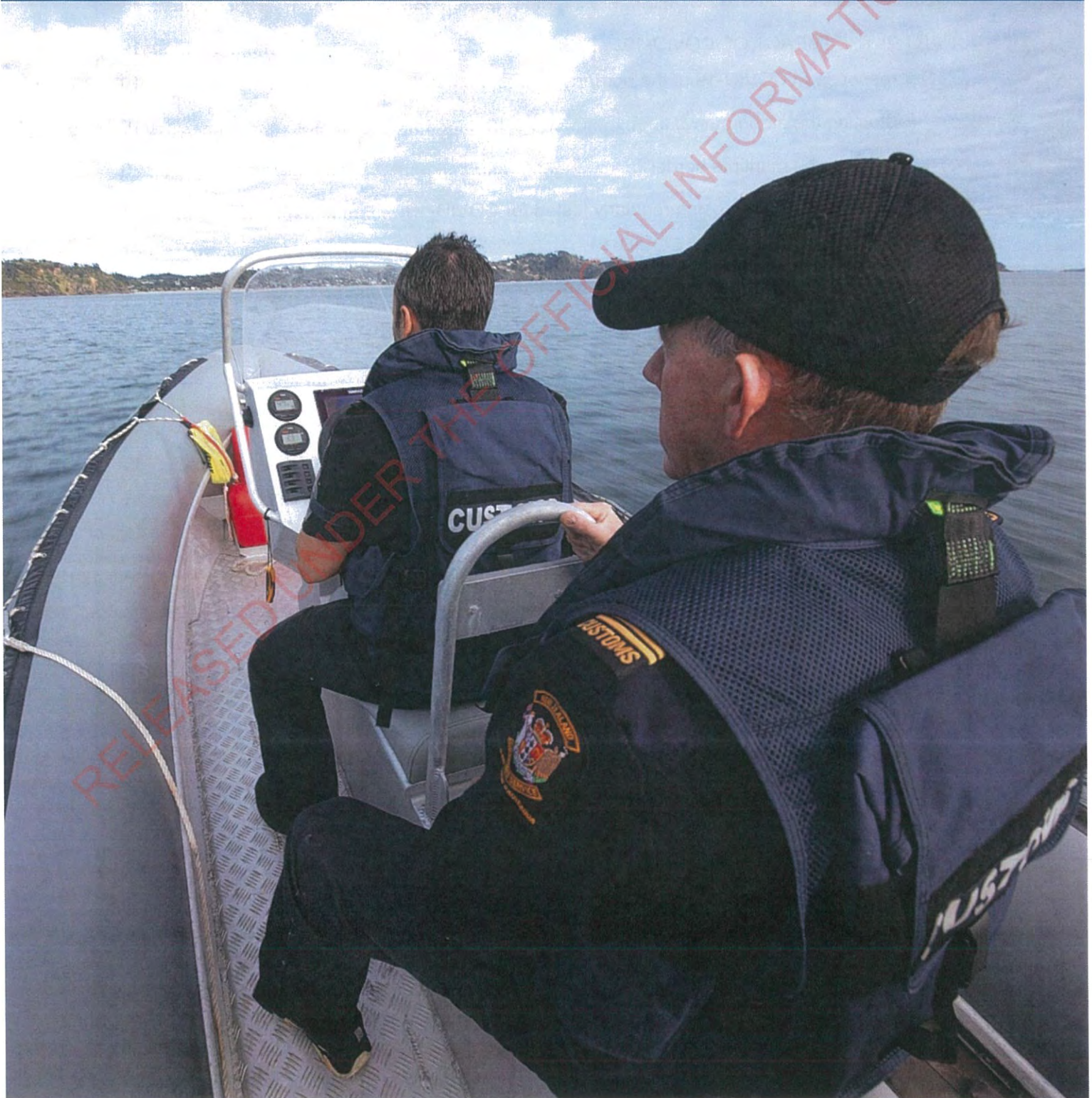


# BRIEFING TO THE INCOMING MINISTER

NOVEMBER 2020



NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA



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## PART 1: INTRODUCTION AND BACKGROUND

### Comptroller's welcome and introduction

#### Tēnā koe e te Rangatira

Please accept my congratulations on your appointment as Minister of Customs.

For 180 years the New Zealand Customs Service (Customs) – Te Mana Ārai o Aotearoa – has played an important role serving the people and government of our country. We provide essential services and infrastructure that protect and promote New Zealand across borders.

Our core functions are: preventing risk reaching or crossing our borders – particularly drugs, illegal weapons, and objectionable material; ensuring New Zealand's trade flows efficiently across borders; providing a streamlined experience for travellers across borders; and collecting all due Crown revenue.

Our work includes:

- expediting the flow of goods across our border
- facilitating the flow of passengers and craft, and, at present, helping to ensure that COVID-19 cannot come into New Zealand undetected
- protecting New Zealand from external risks and threats, such as illicit drug smuggling
- enforcing relevant law, which includes identifying and seizing prohibited imports and exports
- providing intelligence and risk assessment information to other government agencies, and also to our frontline officers
- monitoring whether traders and travellers are complying with border requirements, and providing assurance over trade security and the border revenue system
- actively participating in the global customs community, by helping to develop international policy and engaging with overseas customs and law enforcement bodies
- supporting the economic, protection and security outcomes of other agencies
- providing policy advice to government ministers on border and revenue management issues
- collecting around \$15.1 billion in revenue each year – about 18 percent of core Crown tax revenue.

We do all this at a time when New Zealand and the world are responding to the COVID-19 pandemic, which sees us undertaking additional roles and responsibilities, including working at the frontline to help protect the country from the virus – a task we have undertaken since January 2020. In particular, since 30 June 2020 Customs has assumed responsibility for the implementation of many of the requirements of the Maritime Border Order, to help protect our country from the introduction of the virus through the maritime pathway. This is resulting in the single-largest increase in funding and staffing for Customs in its modern history.

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This briefing introduces you to, and provides background information on, the Customs portfolio. It details the impact of COVID-19, Customs operations, and the border sector – including both our domestic and international stakeholders.

We are committed and look forward to helping you to implement and progress the new Government's objectives. I would welcome the opportunity to meet with you, as soon as it suits you, to discuss how we can deliver on your priorities and ensure that we provide you with the best possible support.

My team and I look forward very much to working with you, and again I congratulate you on your appointment as the Minister of Customs.

Nāku noa, nā



Christine Stevenson  
Comptroller of Customs

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## Customs on a page

<b>Customs protects New Zealand</b>	
<p>In 2019/20 Customs:</p> <ul style="list-style-type: none"> <li>➤ seized 1,806 kilograms and 488 litres of illicit drugs at our border</li> <li>➤ seized around 85,000 objectionable publications</li> <li>➤ detected the equivalent of NZ\$7.6 million in undeclared currency at airports</li> <li>➤ intercepted nearly 500 firearms, almost 5,200 firearm parts, and over 1,500 other weapons</li> <li>➤ screened 29 million import mail items.</li> </ul>	<p>By seizing illicit drugs at the border and offshore, Customs prevented \$2.4 billion of potential social and economic harm to New Zealand in 2019/20. Our interception of other prohibited and controlled goods also contributes to protecting New Zealanders.</p>
<b>Customs promotes and facilitates secure and efficient trade</b>	
<p>In 2019/20 Customs:</p> <ul style="list-style-type: none"> <li>➤ processed 19.1 million import and export transactions</li> <li>➤ managed the movement across the border of 482,701 import sea containers and 603,470 export sea containers.</li> <li>➤ Customs negotiates relevant technical chapters of Free Trade Agreement (FTA) negotiations, and is also looking to negotiate Mutual Recognition Arrangements (MRAs) with an additional four major export markets (we currently have eight MRAs).</li> <li>➤ Customs is working directly with Māori businesses to identify and respond to their needs.</li> </ul>	<p>Customs contributes to New Zealand's reputation as a trustworthy country to trade with by providing high-quality border management. This, along with the market access provided by FTAs, supports New Zealand's economic productivity and growth. MRAs with other economies provide annual benefits to New Zealand of US\$310 million in GDP.</p>
<b>Customs facilitates safe and efficient travel</b>	
<p>In 2018/19 Customs:</p> <ul style="list-style-type: none"> <li>➤ risk-assessed and processed 14.5 million international passengers</li> <li>➤ processed 58.1 percent of international air passengers using eGates.</li> <li>➤ In 2019/20 Customs processed 94.4 percent of arriving international air passengers within 45 minutes of their flight arriving.</li> <li>➤ Between April and September 2020 international commercial air passenger numbers were down 97.6 percent, compared with the equivalent period in 2019.</li> </ul>	<p>Our effective management of passengers at the border prevents risks and threats, including health risks, from entering New Zealand.</p>
<b>Customs collects revenue on behalf of the Crown</b>	
<p>In 2019/20 Customs:</p> <ul style="list-style-type: none"> <li>➤ collected \$15.1 billion in Crown revenue</li> <li>➤ collected \$352.2 million in levies at the border on behalf of other agencies</li> <li>➤ identified \$46.2 million in additional revenue owing through its trade assurance activities.</li> </ul>	<p>Customs collects around 18 percent of core Crown tax revenue each year, contributing to the funding of services that benefit all New Zealanders.</p>
<b>Customs is tackling the impact of COVID-19</b>	
<ul style="list-style-type: none"> <li>➤ Customs is providing system leadership. This includes being the Chair of the Border Sector Governance Group and leading multi-agency work to further develop and maintain the smartest and safest border.</li> <li>➤ Customs is working hard to protect New Zealand's air and maritime borders from COVID-19. This includes keeping our own staff safe.</li> <li>➤ Customs leads, coordinates and manages the COVID-19 risk from people arriving via the maritime border. This includes being responsible for implementing many of the requirements of the Maritime Border Order.</li> <li>➤ Customs is supporting New Zealand's economic recovery from COVID-19 in a number of ways, including by helping exporters and protecting and promoting New Zealand's trade interests abroad.</li> <li>➤ Customs assisted over 350 businesses to manage the impact of COVID-19 by changing their duty payment arrangements.</li> <li>➤ Customs is working closely with other agencies to establish safe travel zones so that international commercial passenger air travel can resume as soon as it is safe to do so. This will benefit New Zealand's economy, and in particular our tourism sector.</li> </ul>	

## Portfolio responsibilities

You are the 'Vote Minister' for Vote Customs, which funds our operations. Therefore, Parliament authorises you to incur the operating expenses or capital expenditure outlined in the appropriations within Vote Customs.

As the 'Responsible Minister' under the Public Finance Act 1989,<sup>1</sup> you are responsible to Parliament for the financial performance of Customs and for protecting the Crown's interest in it.

The public service has an annual financial management cycle that will require your action at various stages; from the planning of outputs (and appropriated funding) through to the measurement of delivery against those outputs to determine departmental performance.

In November, we will provide you with a copy of the Customs 2019/20 Annual Report and seek your agreement to present the Annual Report to Parliament in early December. Appended to the Annual Report is the Minister of Customs' report on the performance information for Vote Customs non-departmental appropriations,<sup>2</sup> which has been approved by your predecessor.

In November, you will also receive the quarterly performance report for the first quarter of the 2020/21 financial year. This is for your information, and does not require further action on your part.

Over the next few weeks, we will work with you to establish your priorities for the Customs portfolio over the next three years. This will inform Customs' focus and investment planning.

The Government's budget process culminates in the presentation of the Budget, including the Estimates of Appropriations. The Estimates request authority from Parliament to incur operating expenses and capital expenditure in specific Votes. The Foreign Affairs, Defence and Trade Committee<sup>3</sup> will ask you and Customs to attend the Select Committee for a hearing and respond to written questions (June 2021) before they report to the House.

You also approve Customs' Statement of Intent (SOI), a document that outlines the strategic direction for Customs over a three-year period. It includes discussion of the outcomes sought of the department and the main priorities for the future work programme. This document must be prepared at least every three years, earlier if there is a material change in Customs' strategic intentions or required by the Minister. The current SOI was approved in 2019, so is due to be updated in 2022 at the latest.

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<sup>1</sup> The Public Finance Act provides the core legislative framework within which the Government can borrow money or spend public money.

<sup>2</sup> The change in doubtful debt provision, and New Zealand's contribution to the World Customs Organization.

<sup>3</sup> This committee looks at business related to customs, defence, disarmament and arms control, foreign affairs, trade and veterans' affairs.

## **Responsibilities as the Minister of Customs**

Your main responsibility is ensuring that Customs meets its protection, trade, travel, and revenue outcomes while contributing to Government priorities in accordance with the requirements of the Public Service Act 2020.

## **The Customs and Excise Act 2018**

Customs' functions and services are largely mandated by the Customs and Excise Act 2018, related regulations, and Customs' rules.

Under Customs' legislation, the Comptroller of Customs is responsible for exercising the majority of statutory powers. As Minister, you have a limited statutory role to play in Customs' day-to-day business. Examples of this would be making recommendations to the Governor-General that certain orders or regulations are made, and entering into information disclosure agreements.

In addition to the Act, Customs enforces a large number of other enactments at the border on behalf of other agencies (see the Appendix).

## **Customs Appeal Authority**

The Customs Appeal Authority is an independent judicial body administered by the Ministry of Justice. It hears appeals against some decisions made by Customs. Hearings are held throughout New Zealand.

The Authority consists of one person appointed by the Governor-General on the recommendation of the Minister of Customs and the Minister of Justice. This position is currently held by Mr Grant Pearson, whose appointment is until 2025. Mr Pearson has held appointment as a Customs Appeal Authority since 2014. He also chairs the Social Security Appeal Authority. He has worked extensively for large law firms and for the Crown Law Office as Crown Counsel, primarily dealing with tax matters.

## Rautaki Mana Ārai – our Customs Strategy

Rautaki Mana Ārai, our Customs Strategy, drives what we do and how we do it. It establishes our purpose, values, aspirations, strategic priorities and supporting principles.

### Customs Strategy – Rautaki Mana Ārai

We are here to  
**protect and promote New Zealand across borders**  
Ko te whakahaumarū me te whakatairanga i a Aotearoa ki ngā rohe

Our Values – Whanonga Pono

- WE DO WHAT'S RIGHT**  
Te Ara Tika
- WE ARE GUARDIANS**  
Kaitiakitanga
- WE VALUE PEOPLE**  
He Tāngata
- WE LOOK FORWARD**  
Pae Tawhiti

We aspire to  
**eliminate border and revenue risk**  
Te whakakore i tūrarū rohe me ngā mahi kohinga tāka

We aim to achieve

- Protection**  
Prevent risk reaching our borders  
Whakahaumarū
- Trade**  
New Zealand's trade flows efficiently across borders  
Hokohoko
- Travel**  
A streamlined experience for travellers across borders  
Tāroi
- Revenue**  
Collect all due revenue  
Kohinga tāka

Te Pou Tokomanawa – The Foundations

- Kotahitanga**  
Partnership
- Kaitiakitanga**  
Protection
- Manaakitanga**  
Participation



## What we do

Our purpose is to protect and promote New Zealand across borders. This is about protecting New Zealand from risks and threats, while helping our economy grow.

Our core functions are:

- › protecting New Zealand's border (protection)
- › promoting and facilitating secure and efficient trade to and from New Zealand (trade)
- › facilitating safe and efficient travel to and from New Zealand (travel)
- › collecting Crown revenue (revenue).

Our protection function now extends beyond traditional threats such as illicit drugs and objectionable material. We also have a key role keeping COVID-19 out of New Zealand.

The Treaty of Waitangi principles of kotahitanga (partnership), kaitiakitanga (protection) and manaakitanga (participation/care for others) provide the foundations for what we do – our Te Pou Tokomanawa.<sup>4</sup> Integrating these principles into our strategy supports us to strengthen partnerships with Māori, protect Māori communities, and actively contribute to economic development for Māori.

Protection, trade, travel, revenue and Te Pou Tokomanawa are our five strategic priorities (we call these 'pillars' and our 'foundations'). They provide a focus for both our planning and reporting, and are discussed in more detail in Part 3: Customs Operations.

## How we do it

We have four key values that underpin all that we do at Customs. These values were selected by Customs' employees because they resonate with them. They are:

- › te ara tika – we do what's right
- › kaitiakitanga – we are guardians
- › he tāngata – we value people
- › pae tawhiti – we look forward.

## People trust us

The above values guide our day-to-day behaviour and how we interact with others, including the public. This is reflected in Customs being ranked the second most trusted public sector agency.<sup>5</sup>

## What is the border?

Our border is both New Zealand's gateway to the world and our protection from the world. It is also the edge of, and defines, New Zealand's political authority. Inside the border,

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<sup>4</sup> Te Pou Tokomanawa is the central pole of a meeting house, which holds everything up.

<sup>5</sup> Colmar Brunton's 2020 Public Sector Reputation Index.

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New Zealand can exercise its authority and outside the border, it can influence. However, it is more than the traditional places where goods and people physically enter and leave the country. It is an interconnected system that manages risk before, at and beyond physical borders.

Border management aims to enhance trade and travel facilitation while maintaining border controls to minimise and manage risk to New Zealand's economy and society. Good border management means managing a diverse range of risks while providing a welcoming first point of contact and maintaining New Zealand's reputation as a highly desirable and safe destination for travel and a trustworthy country to trade with. Where possible, risks are managed offshore and do not reach our border.

### Our people and our sites

#### Our staff work around New Zealand

As at 30 June 2020, Customs employed 1,339 people (1,279<sup>6</sup> full-time equivalents – FTEs) in a broad range of roles across New Zealand. Most staff work in operational areas of 14 marine ports<sup>7</sup> and five international airports<sup>8</sup>. We also have staff at the International Mail Centre and the Air Cargo Inspections Facility (ACIF), both of which are in Auckland.

As at 30 June 2020, Customs' 1,031 operations staff (FTEs) were supported by 247 corporate staff (FTEs). Most of the corporate staff are based in Wellington (Head Office) and Auckland.

Since the above date, Customs has acquired new responsibilities under the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 (the Maritime Border Order) with new staff being recruited for marine ports as well as the associated operational headquarters. This will increase Customs' FTEs by an extra 247 staff when fully resourced. Although 337 staff are required for duties associated with the Order, 90 are being redeployed from within Customs at this stage.

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<sup>6</sup> This number includes the Comptroller of Customs.

<sup>7</sup> Our staff work at 14 main marine ports. We service other marine ports as required, but much more infrequently.

<sup>8</sup> At present, with COVID-19, only Auckland and Christchurch are operating as international airports.

Staff locations



**Our staff are also posted overseas**

To support our work programme, we also have 12 staff posted overseas and two Pacific Liaison Officers based in Auckland. This strengthens international relationships, the exchange of information and intelligence, and on-the-ground coordination. An area of particular focus is the disruption of illicit drug supply chains offshore. The important role of our overseas staff is discussed further in Part 4: Border Sector, Stakeholders and International Engagement.

We have a particularly strong role in the Pacific region. This includes helping customs administrations in the Pacific to develop effective border management practices to manage risk. Other areas of focus include trade facilitation, protection and advancing safe travel zones.

Overseas posts



**Customs has a strong positive culture**

Staff retention at Customs is high. As at 30 June 2020, the mean length of service is 12.3 years. The unplanned turnover is low, at 6.2 percent.

Customs has a positive culture and our people have a strong connection with our organisational values. This is evident in the results of 'pulse' surveys undertaken over the past year, including our Customs COVID-19 Survey where our people indicated that they felt strongly supported by their managers and connected with their colleagues and organisational leadership during COVID-19 Alert Levels 3 and 4. Our Integrity Pulse Survey identified that our people feel that there is an open and trusting environment at Customs, and that they know how to address issues relating to integrity or conflict of interest. Similarly, our Security Survey indicated that our people have strong ownership around security requirements and link this with our value of 'we do what's right'.

**Workforce demographics**

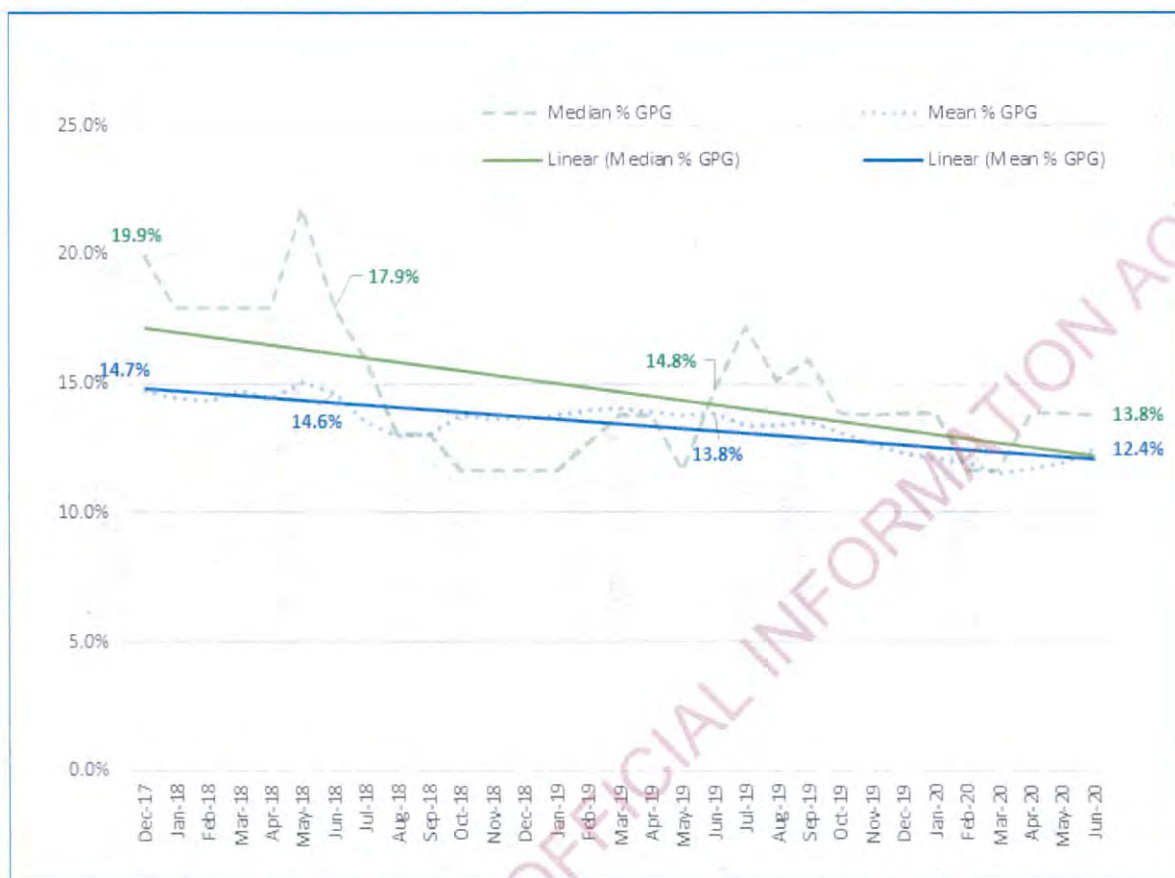
As at 30 June 2020:

- 9.9 percent of our staff identified as Māori
- the mean age of our staff was 45.3 years
- women made up 47.8 percent of our staff.

**Addressing the gender pay gap**

Eliminating the gender pay gap is an important priority for Customs. Our strategy for achieving pay equity for women has been described by the Public Service Commission as an exemplar. We are making good progress. In 2019/20 we reduced both the mean and median gender pay gaps at Customs.

Mean and medium gender pay gap



We monitor both the mean and median gender pay gap to provide a balanced overview. Both gaps have been reducing at Customs since 2018. Our mean gender pay gap as at 30 June 2020 was 12.4 percent – a decrease from the 13.8 percent gap at 30 June 2019 and 14.6 percent at 30 June 2018. It remains above the 10.9 percent gap for the public sector as at 30 June 2019. Our median gender pay gap as at 30 June 2020 was 13.8 percent, continuing the drop from 14.8 percent at 30 June 2019 and 17.9 percent at 30 June 2018.

**Our finances**

Customs’ baseline has steadily increased over the last few years, from just over \$170 million in 2015/16 to \$260 million<sup>9</sup> for the current financial year. Below is a brief overview of our baseline and funding sources, and how these have changed over time, as well as a breakdown of our expenditure. Customs’ memorandum account and major investments are also discussed.

<sup>9</sup> This is an estimated baseline – it may change with the October Baseline Update (OBU).

**Customs' baseline**

Customs' baseline for the current year as well as the baselines and actual expenditure for the past five years are presented in the following graph.

*Baselines*



Customs' baseline has increased since 2015/16. Reasons for this include increased funding for additional staff as part of a new operational staffing model in 2016/17, and extra funding to increase the capacity and capability of Customs through the budget bids described below.

\$m	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Drug smuggling networks strategic disruption (Source to Shore) – Budget 2018</b>	6.185	13.517	17.159	17.312	17.312
<b>Combatting the sexual exploitation of children across the cyber border – Budget 2019</b>		1.247	2.028	2.160	2.179

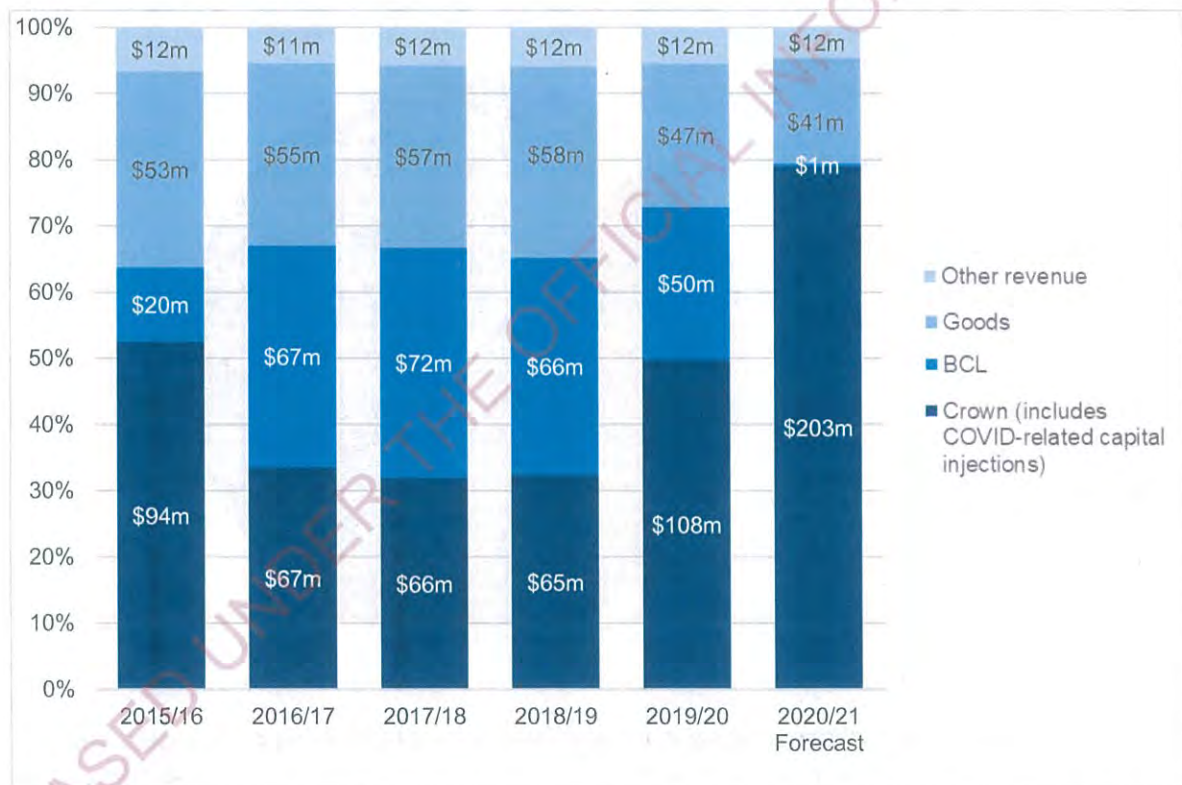
Customs has also received a funding injection of \$40 million, and \$10 million in contingency, for the implementation of the Maritime Border Order. This consists of \$32.7 million for 2020/21 and \$17.3 million for 2021/22 (see Part 2: The Impact of COVID-19 – Protecting the maritime border). This additional funding has increased our baseline for 2020/21 from the Budget night figure of \$227 million to \$260 million.

**Customs' funding**

Customs is funded by Crown revenue and third party revenue. The shift between these two funding sources over the past six years is presented in the following graph (this includes the forecast for the current year). For the purpose of the graph, COVID-related capital injections are included in funding from the Crown.

Third party revenue is received mainly from the Border Clearance Levy (BCL), which recovers the costs incurred by Customs for processing international travellers at the border, and goods clearance fees for Customs' activities related to clearing imported and exported goods crossing the border. Revenue from goods includes funding from the Ministry for Primary Industries for the use of Customs' systems for electronically processing imported goods. Other third party revenue is predominantly revenue from other government agencies for the work we do to support their objectives – for example, funding from the Ministry of Foreign Affairs and Trade for Customs' capacity-building work with customs administrations in the Pacific.

Shift between funding sources<sup>10</sup>



In 2016/17 Crown revenue (as a percentage of all funding sources) decreased due to the introduction of the BCL on 1 January 2016. In 2019/20 and 2020/21 the percentage of Crown funding increased. This increase was to offset the loss of third party revenue (mainly from the BCL) when New Zealand's border closed due to COVID-19, and to compensate for the drop in revenue for clearing low-value imported goods following the introduction of a new GST regime

<sup>10</sup> The breakdown of Customs' third party revenue is from our annual reports.

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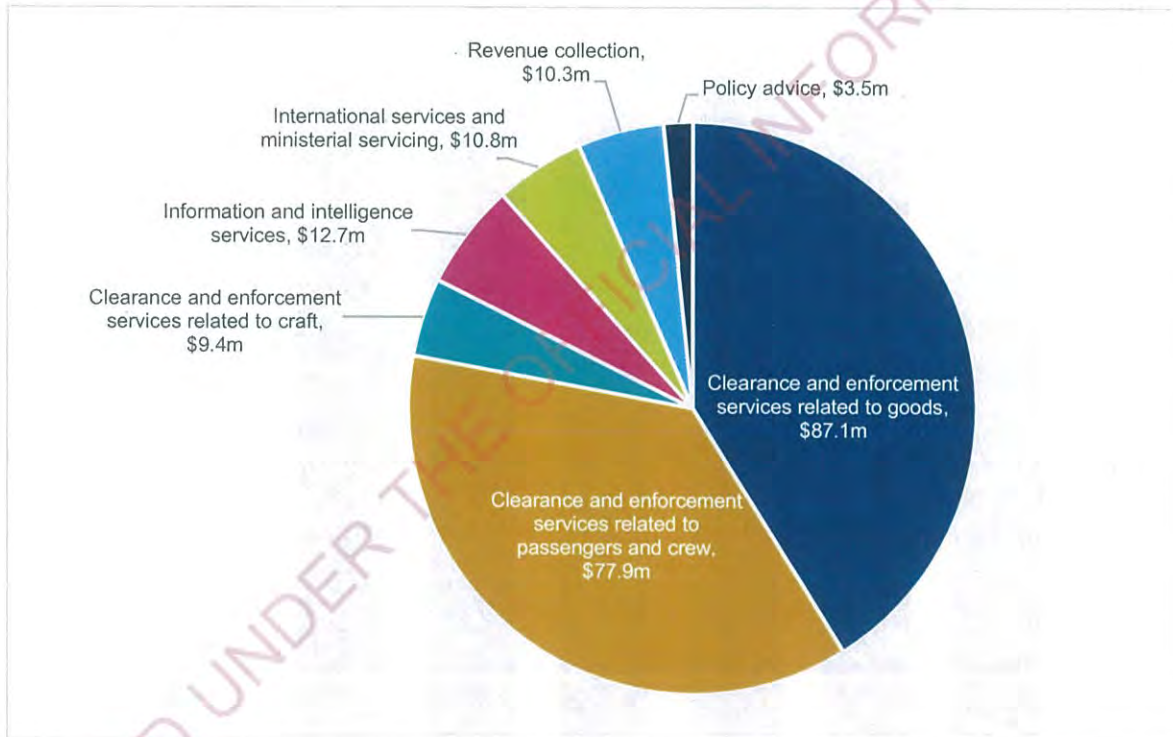
for such goods on 1 December 2019. In 2020/21 Crown revenue was also increased to fund the implementation of the Maritime Border Order.

To address the significant decrease in third party revenue in 2019/20 due to COVID-19, the Government agreed to an immediate capital injection of \$30 million. For the same reason, additional Crown funding of \$84 million has been agreed for 2020/21 (see Part 2: The Impact of COVID-19 – Funding requirements). Of the \$114 million total, \$107 million was provided as a capital injection to the BCL memorandum account. This means that the \$107 million is effectively treated as a bridging loan. The remaining \$7 million was provided as Crown revenue to compensate for the impact of COVID-19 on goods volumes.

**Customs' expenditure**

Customs' expenditure by appropriation in 2019/20 is presented in the following graph.

*Expenditure by appropriation*



The majority of Customs' expenditure is for activities related to clearing passengers and goods. There are significant specific systems and depreciation costs allocated to these two activities – for example, eGates<sup>11</sup> and the Trade Single Window<sup>12</sup>. Other corporate support costs are allocated across all seven appropriations.

<sup>11</sup> eGates are an automated way to move through passport control.

<sup>12</sup> Trade Single Window is an electronic channel for traders and manufacturers of excisable goods to submit information to, and receive responses from, border agencies.



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For 2020/21, the seven appropriations have been consolidated into three appropriations. The new appropriation structure is:

- › goods clearance and enforcement
- › travellers clearance and enforcement
- › revenue collection and other services.

In addition, a new time-limited appropriation has been established to fund and manage the Maritime Border Order.

### Memorandum account

As the BCL operates on a full cost recovery basis and the revenue and expenses will not necessarily equate in each financial year, Customs operates a memorandum account for the BCL. This account records the accumulated surplus or deficit arising from the provision of the service – for example, due to fluctuations in passenger volumes. It is managed to trend to zero over time, with any interim deficits being met either from Customs' balance sheet or by a capital injection sought from the Crown that must subsequently be repaid. The memorandum account allows Customs to fund the border clearance services that we provide to travellers, while ensuring that Customs does not benefit by using levy income to fund activities unrelated to border clearance.

The BCL is adjusted from time to time in an attempt to achieve a zero balance in the memorandum account. As at 28 February 2020, prior to the initial COVID-19 lockdown, there was an accumulated \$2.706 million shortfall in the memorandum account. This was largely due to an earlier reduction in levy rates to run down a previous surplus in the account, a decline in non-cruise passengers that was not forecast, and the cost of new technology deployed at the border.

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. However, in response to COVID-19, Cabinet suspended funding reviews across all aviation and border agencies for 12 months.

### Major investments planned or underway

Major investments are funded either internally or through a budget bid. Customs manages its investments through its 10-year Long Term Investment Plan (LTIP). The near-term investment portfolio is reviewed monthly in order to monitor progress, re-prioritise, and ensure operational alignment (for example, COVID-19 requirements). Feeding into the LTIP are Customs' nine asset management plans (AMPs) which deal with the key assets that deliver core services. These include the border management system, the trade facilitation system, and the intelligence and information systems. The AMPs look forward 10 years and are updated at least annually. Where investments arising from the AMPs are affordable, they are funded internally. Where affordability is an issue, Customs submits a budget bid aligned to its overall strategic and asset management approach.

Some of the current or planned significant investments within the LTIP, from either internal or budget funding, include: continuing to modernise the border system, enhancing the Trade

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Single Window to better support businesses, replacing the financial management information system, providing equipment and tools to combat child sexual exploitation across our border, the Source to Shore drug network disruption work, and refurbishing and replacing X-ray assets such as mobile X-ray technology.

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## PART 2: THE IMPACT OF COVID-19

The impact of COVID-19 on Customs can be divided into two main areas:

- our response to COVID-19 at the border
- recovery from the impact of COVID-19.

These two elements are discussed below.

### Our response to COVID-19 at the border



*Assistant Customs Officer at Auckland International Airport within a COVID-19 environment*

Our response to COVID-19 at the border is about protecting New Zealand from the threat of this pandemic. Customs continues to work 24/7 at the air and maritime borders to help keep COVID-19 out of New Zealand. Our response involves working in an environment where there is a continuing threat of exposure to COVID-19 from people arriving into New Zealand. While the rest of New Zealand is at a lower alert level, our border is still effectively operating at Alert Level 4. This means that the most restrictive border control measures remain in place.

### Protecting the air border

Customs is part of a wider government response to COVID-19 at the border. Initially, temporary border restrictions for countries experiencing COVID-19 were put in place. Stronger temporary border measures were introduced from 19 March 2020, and included closing the New Zealand border to most travellers except for returning New Zealand citizens and residents.

Customs' primary responsibility has been to implement these border restrictions and work with other agencies and organisations at airports to ensure that international passengers are

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managed in line with border requirements such as those related to health screening. In February 2020 Customs closed eGates to all arriving passengers and reverted to processing passengers manually.

The arrival card was redesigned in March 2020, and updated again in September 2020, to include questions on recognised COVID-19 health symptoms. The screening of arriving passengers by health professionals at New Zealand airports provides an additional layer of protection. Since April 2020, all arriving passengers have been required to stay at an approved isolation facility for 14 days (unless an exemption applies). This is referred to as Managed Isolation and Quarantine (MIQ). Customs also supports the Ministry of Health's contact tracing efforts by identifying those passengers seated on aircraft within the vicinity of confirmed and probable cases of COVID-19.

### Protecting the maritime border

Customs leads, coordinates and manages the COVID-19 risk from people arriving via the maritime border. At present, this is predominantly by cargo and fishing ships. With summer approaching we are likely to see an increase in the arrival of smaller craft (for example, yachts). These traditionally arrive at Ōpua in the Bay of Islands.

The approach to managing this risk is set out in the Maritime Border Order. Customs is using a layered approach to implement the Order, as this is the best way to prevent transmission of COVID-19 into New Zealand. This approach includes:

- maintaining a high presence across all New Zealand ports to ensure that all ships are met
- building on existing port security arrangements to monitor and control the movement of people onto, off and around ships
- ensuring that people working around arriving ships follow hygiene guidelines, maintain physical distancing, and wear appropriate personal protective equipment (PPE)
- coordinating with health officials and MIQ staff to ensure safe and effective health testing and movement of those seeking to enter New Zealand.

A key challenge in implementing the Maritime Border Order is the arrival of small yachts and super yachts. We are managing these arrivals by directing them to one port of first arrival with appropriate facilities for their safe management – for small yachts this is Ōpua, for super yachts this is Auckland. We have made arrangements at these ports to ensure that the yachts and people on board can be met and safely processed, those on board can be tested for COVID-19, and the yachts and people can be isolated (while waiting for test results or for the required isolation period to be completed).

The Order requires Customs to carry out additional work, including at ports where Customs previously had no operational presence. This has necessitated significant extra staffing (337 FTEs). These staff have come from:

- redeploying some of the available staff from air passenger processing (90 FTEs)
- other agencies on a short-term basis at the beginning of the operation (the New Zealand Defence Force, the Department of Conservation and the Ministry for Primary Industries)

- › external recruitment.

Customs has received \$40 million in operating funding and \$1 million in capital funding to meet the cost of this new function for 2020/21 and 2021/22. There is a further \$10 million held in contingency to be accessed if we cannot sustain redeployments.

An operational headquarters has been established at Customhouse in Auckland under the banner 'Operation Takutai'. It oversees the deployment of staff and resources across the country as the work required under the Maritime Border Order is operationalised. It also works alongside relevant government agencies and the National Maritime Coordination Centre to ensure the appropriate response is delivered to safeguard our maritime border against COVID-19.

### **Our frontline staff are being regularly tested for COVID-19**

Our frontline staff working at the border are being tested for COVID-19 in accordance with legislative requirements. At present, frontline staff in high-risk settings are required to be tested every fortnight. Other measures to ensure we minimise the risk of COVID-19 spreading into New Zealand's communities via our staff include daily health checks, PPE usage, appropriate cleaning and hygiene practices, and physical distancing.

To date, no Customs staff have contracted COVID-19. We consider that this is, in part, due to clear guidance and support from our health and safety team, and our people's strict adherence to health and safety procedures.

Customs will continue to manage health and safety risks arising from our direct interactions with international travellers. We will continue to follow the Ministry of Health's advice in this regard.

### **Recovery from the impact of COVID-19**

In addition to the delivery of a frontline response to COVID-19, Customs is focused on recovery from the impact of COVID-19. Customs has established a COVID-19 Recovery Programme to guide us as we tackle the impact of this pandemic on our organisation and what we do. It also focuses on how Customs can play a key role in supporting New Zealand's economic recovery. Our recovery from COVID-19 covers the following four areas:

- › funding requirements
- › economic recovery
- › people
- › smartest and safest border.

## Funding requirements

### COVID-19 is having a financial impact on Customs

COVID-19 is having a financial impact on border and transport agencies, including Customs. The closure of the border due to COVID-19 has significantly reduced the volume of passengers arriving and departing New Zealand. For example, between April and September 2020 international commercial air passenger numbers were down 97.6 percent, compared with the equivalent period in 2019. Goods volumes have also declined, but to a much lesser extent. These reductions have significantly decreased Customs' third party revenue, and mean that Customs has a large revenue shortfall.

In March 2020, in response to the impact of COVID-19 on the operation of the aviation industry, the Government suspended fee rises and pricing reviews by agencies that charge fees at the border for the next 12 months. Increases in Customs' goods clearance fees, which were set to take effect from 1 June 2020, have been deferred for 12 months. A planned review of the BCL has also been postponed. These deferrals further reduce Customs' third party revenue.

### Customs' expected funding sources for 2020/21

Before COVID-19, Customs had a baseline of \$227 million for 2020/21 (this has since been increased due to the Maritime Border Order). Customs' expected funding sources were:

- \$141 million in third party revenue<sup>13</sup>
- \$86 million in Crown funding.

We expected to receive approximately 62 percent, or \$141 million, of our total departmental revenue from third party revenue.

### Additional Crown funding has been received to address the third party revenue shortfall

Customs has received additional Crown funding for 2020/21 of \$84 million. This is to cover a forecast drop in third party revenue from \$141 million to \$57 million. This was calculated using the 'most likely' scenarios for modelling recovery from the impact of COVID-19 as at May 2020, and takes into account the decision to defer cost recovery increases. The projected \$84 million funding gap is made up of:

- \$77 million from reduced border clearance levies
- \$7 million from reduced goods clearance fees.

This funding enables Customs to continue operating, and means it has sufficient resources to respond as passenger and goods volumes increase. The redeployment of staff is discussed below under People.

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<sup>13</sup> This includes \$83 million for the BCL and \$40 million for goods clearance fees. Additional sources of third party revenue include funding from the Ministry for Primary Industries for the use of Customs' systems and from the Ministry of Foreign Affairs and Trade for Customs' capacity-building work.

**Customs has identified savings for 2020/21**

Customs has identified savings to keep its costs to a minimum in 2020/21. The savings have been incorporated into the above financial forecasts and include:

- strictly limiting domestic and international travel for staff
- carefully reviewing the need to fill vacancies, and where possible filling vacancies through internal secondments
- reviewing and reducing the use of consultants and professional services
- reviewing contractual arrangements such as maintenance contracts
- managing overtime
- reducing leave balances.

**Volume assumptions**

Customs, along with other border and transport agencies, has developed scenarios for the recovery of passenger and goods volumes from the impact of COVID-19. These scenarios have informed an assessment of the likely financial impacts for agencies. Scenarios were developed in May 2020 and revised in September 2020. They are consistent with the assumptions used for the Treasury Pre-election Economic and Fiscal Update 2020 (PREFU).

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### Updated financial position

Customs and other border and transport agencies are due to report back to Cabinet in November 2020 with updated forecasts for passenger and goods volumes, and a reforecast of the financial impacts for agencies. In addition, advice will be provided on proposals for future fee reviews. Further adjustments to Crown funding may be required. The scenarios outlined above will form the basis for this assessment and advice to Ministers.

### Looking ahead

The COVID-19 pandemic has provided a major shock to our funding base. s9(2)(f) OIA

## Supporting New Zealand's economic recovery from COVID-19

Customs plays a key role in facilitating the movement of goods (both imports and exports), craft and people across the border. Ensuring the border operates effectively and efficiently, including in the areas of trade, people and health, will contribute to New Zealand's economic recovery from COVID-19.

### Supporting trade recovery

The efficient flow of goods is a critical part of New Zealand's economic recovery.

*We are facing a number of challenges*

We are seeing the continued rise of trade protectionism, with some economies using COVID-19 as a pretext for implementing non-tariff barriers. New Zealand's import and export supply chains are still experiencing some disruptions. Exporters and logistics service providers have faced continued issues, including limited available capacity and the high price of air freight transport, limited access to sea containers, and delays in clearing goods overseas. In this environment, the effective and efficient clearance of goods at borders assumes even greater importance.

The volumes of imported low-value goods have increased markedly as consumers have increasingly turned to online purchases. Low-value imports can include prohibited, high-risk and unsafe items which increases the workload for Customs.

*We have supported the flow of imports and exports*

Since the initial COVID-19 lockdown, Customs has worked with importers and exporters to ensure that there is an unimpeded flow of essential goods. This has included clearing critical

## IN CONFIDENCE

supplies such as PPE and COVID-19 test kits before they arrive in New Zealand. We also contacted approximately 80 importers of PPE to understand what was being imported and identify what assistance they might need from Customs.

*We have worked to cushion the blow for businesses*

Customs cushioned the immediate impact of the COVID-19 lockdown by working with businesses to provide support and relief in meeting their duty payment obligations. We agreed instalment payment plans or duty deferral arrangements for more than 350 businesses due to financial hardship resulting from COVID-19. In a normal month, Customs would deal with only three to five such requests.

As at 2 October 2020, there were 101 duty payers delaying the payment of \$8.6 million of duty to Customs. This means that there were 29 fewer duty payers and \$25.6 million less duty outstanding than on 4 September 2020. This downward trend indicates that duty payers on duty payment plans are repaying their debt as agreed with Customs.

In addition, regulations were introduced to waive interest and penalties for late payment of duty. Planned increases to goods clearance fees have also been deferred for 12 months.

*We are focused on kick-starting the economy and maintaining recovery*

Customs is now focused on strengthening the support available to businesses and addressing the longer-term economic impacts. This includes:

- ▶ boosting New Zealand exporters' competitiveness through increased trust in supply chains
- ▶ protecting and promoting New Zealand's trade interests abroad
- ▶ supporting duty payers and building assurance over e-commerce, while building capacity to respond to non-compliance.

## IN CONFIDENCE

### *Boosting New Zealand exporters' competitiveness*

Any New Zealand based exporter can make an application to join the Secure Exports Scheme (SES). Exporters approved as SES partners must have measures in place that ensure the security of the export supply chain. In return, they can be confident that their goods will be subject to less delay, both in New Zealand and in economies where Mutual Recognition Arrangements (MRAs) are in place.<sup>14</sup>

The New Zealand Institute of Economic Research (NZIER) has found that these MRAs provide annual benefits to New Zealand of US\$310 million in gross domestic product (GDP).<sup>15</sup>

To build on these benefits, Customs is working with businesses to:

- encourage more businesses, including small and medium-sized enterprises (SMEs), to join the SES, and to take full advantage of the New Zealand Tariff (the Tariff) and customs advantages built into Free Trade Agreements (FTAs)
- continue with the expansion of the SES to air freight, which covers high-value perishable goods
- negotiate more MRAs so that the SES is recognised in four additional major export markets.<sup>16</sup>

In particular, we are working directly with Māori businesses to identify and respond to their needs. This involves providing tailored advice and assistance on trade matters such as joining the SES, maximising the benefits of FTAs, and ensuring the efficient flow of goods.

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*The Secure Exports Scheme (SES) is New Zealand's current Authorised Economic Operator (AEO) programme which operates in accordance with standards set by the World Customs Organization. It is a voluntary scheme that exporters can join if they can demonstrate that they meet the required standards for strengthened supply chain security, particularly in relation to export controls. Membership of the scheme minimises delays at international borders and helps New Zealand exporters recover from trade disruptions, giving SES exporters a competitive edge overseas.*

*A Mutual Recognition Arrangement (MRA) is an arrangement between customs administrations through which they formally recognise the AEOs of the other territory as posing a low security risk in relation to their exports.*

*A Free Trade Agreement (FTA) is an international treaty that confers special access to each trading partner's market across a range of sectors (trade, investment and services). It provides opportunities for New Zealand to grow its economy by helping to reduce trade barriers and promoting stronger commercial ties between the parties.*

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<sup>14</sup> We currently have MRAs with customs administrations in Australia, Canada, China, Hong Kong, Japan, the Republic of Korea, Singapore and the United States of America.

<sup>15</sup> NZIER (2020) *Economic benefits of MRA-AEOs – Part 4: Focus on SES exports and time saving for fruit and electronics.*

<sup>16</sup> s6(a) OIA

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### *Protecting and promoting New Zealand's trade interests abroad*

Given rising protectionism abroad, it is essential that Customs continues to build on its existing offshore network to quickly address goods clearance issues arising from the interpretation of FTAs and non-tariff barriers.<sup>17</sup> We are also contributing to the Ministry of Foreign Affairs and Trade's trade recovery agenda by supporting initiatives including FTA negotiations. There will be an opportunity for Customs to lead trade policy discussions on economic recovery through the Asia-Pacific Economic Cooperation (APEC) 2021 process.

### *Supporting duty payers and targeting non-compliance*

We are continuing to provide support and relief to duty-paying businesses that are experiencing cash flow challenges. This will be balanced against Customs' obligations to collect all revenue due, and will include proactively managing debtors.

In view of the ongoing increases in volumes of e-commerce through the mail and fast-freight streams, Customs is working closely with e-commerce platforms, providers and suppliers to extend trusted arrangements to imports. Greater assurance will enable Customs to focus on detecting higher-risk items.

### **Transforming the way we facilitate people entering and leaving New Zealand**

The efficient flow of people in and out of New Zealand supports the economy in a number of ways. As the air border reopens, strengthening our already smart, efficient border will allow most students, tourists and businesspeople swift access through the border. In the absence of a vaccine, COVID-19 presents a new layer to the existing risk prevention work that is already carried out. COVID-19 has highlighted the need to establish an enduring health presence at the border to make it safer.

### *We are advancing safe travel zones*

A particularly visible recent focus for Customs has been contributing to government negotiations and operationalising safe travel zones so that international commercial passenger air travel can resume as soon as it is safe to do so. We are advancing a safe travel zone with Australia and quarantine-free travel with the Pacific Realm (the Cook Islands and Niue, with the exception of Tokelau), with whom New Zealand has a unique constitutional relationship.

Initial work has centred on achieving a trans-Tasman safe travel zone. However, this has been delayed until both countries can meet the current health requirements s9(2)(f) OIA

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<sup>17</sup> Non-tariff barriers are rules that are usually put in place to favour local suppliers. The barriers can make it costly or difficult to export to a particular market.

## IN CONFIDENCE

**s9(2)(f) OIA**. In the meantime, the Realm countries remain COVID-19 free, and have demonstrated their willingness to work expediently with New Zealand to commence quarantine-free travel to restore economic and people flows.

Our approach is to set up a government-to-government Arrangement that will establish the safe travel zone. However, actual commencement will only occur when the jointly determined health criteria and border preconditions have been met. The existing border controls and airline procedures will be essential for the management of a safe travel zone. Additional measures provide an extra layer of protection that will minimise risk and provide confidence to the public.

### *We need an enduring health presence at the border*

The COVID-19 pandemic has highlighted the need for an enduring science-led health presence at the border to protect New Zealanders from health risks being carried into New Zealand from offshore. We also have a responsibility to ensure that we do not export health risks, particularly to our more vulnerable Pacific Island neighbours. This work will require significant input and advice from the Ministry of Health.

### **Continuing to protect the border from illegal activity and collect Crown revenue**

While there is a natural tendency to focus on trade and travel facilitation as a driver for economic revitalisation, effective, efficient and secure border management in the future will still need to balance enhanced facilitation with protection and revenue collection. Customs plays a critical role in keeping illicit drugs and other harmful goods out of New Zealand. In 2019/20 the social and economic harm avoided by Customs' seizures of illicit drugs (at the border and offshore) amounted to approximately \$2.4 billion.<sup>18</sup> The border also serves as an efficient low-cost place for targeted revenue collection.

### *Countering revenue leakage by strengthening tobacco controls at the border*

Customs collects around 18 percent of core Crown tax revenue each year. As we move into a time of fiscal constraint, it is critical to maximise the collection of revenue by managing debts effectively and countering revenue leakage from activities such as tobacco smuggling.

Budget 2020 legislation strengthened controls on tobacco at the border by making tobacco products, and tobacco leaf and refuse, a prohibited import unless a permit is issued by Customs. The legislation also provides for a simplified seizure process. Customs is developing options to improve security over the collection of \$2 billion annually in tobacco excise duty.

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<sup>18</sup> Based on the New Zealand Drug Harm Index, which quantifies the economic and social costs associated with illicit drugs.

## People

### **Customs staff normally deployed at international airports have been redeployed into other important work**

Prior to COVID-19, 360 operations staff from across the country were involved in air passenger processing. Of these, approximately 190 have been redeployed into other important work due to reduced traveller volumes as a result of COVID-19 (170 have remained in their previous roles). As noted above, many of these (90) have been redeployed to support Customs' new function at the maritime border. These are staff with the requisite skills, and in the right locations, to operate safely and effectively at marine ports.

Customs has moved other staff to directly support economic recovery and revenue collection, and to increase the level of protection to mail, sea freight and air cargo. With reduced international traveller numbers and limitations on movement after arrival, organised crime is expected to increase its use of these other channels. During April and May 2020 a small number of staff were seconded to other government agencies to support other agencies' COVID-19 work. The redeployment of staff has been undertaken in such a way that they can be returned to passenger processing when traveller numbers increase.

The staff remaining in international airports are undertaking a wider range of duties than previously. This includes escorting arriving passengers from the aircraft through the health, customs and biosecurity processes and onto the transport to MIQ.

Similarly, Customs staff at marine ports are undertaking a wider range of duties in response to Customs' new role coordinating and managing the COVID-19 risk from people arriving via the maritime border. This includes ensuring that people working around arriving ships use appropriate PPE.

### **We continue to support our staff**

We put significant effort into supporting our staff and working with our unions during the lockdown and redeployment period. A staff survey has shown that our people have felt well supported. We implemented a system to monitor wellbeing, provided training to support redeployment, and ensured enhanced IT capability was in place to support those working from home.

### **Looking ahead**

The COVID-19 pandemic has provided Customs with an opportunity to trial flexible ways of working. Many staff have expressed an interest in continuing to work from home some of the time. As part of our work on reducing the Gender Pay Gap, we were already working on a new flexible working policy prior to COVID-19. This policy has now been further developed and will be the basis for any new flexible working arrangements. The principle underlying the new policy is 'if not, why not'. This aligns with the Public Service Commission's guidance and flexible-by-default approach.

## Smartest and safest border

New Zealand already has a smart and integrated border. Over recent years the border sector has collaborated on a number of improvements including technological projects, process changes and data sharing arrangements. This has resulted in a modern border that is designed to be highly integrated and facilitative for both passengers and traders.

One such example is the Trade Single Window (New Zealand is one of the few countries to operate such a system). This electronic channel allows importers and exporters to meet border agency requirements in one place, instead of many. The Trade Single Window improves border management by streamlining processes, improving risk assessment, and strengthening system resilience as trade volumes grow.

Other examples of our smart and collaborative approach include the multi-agency Joint Border Analytics (JBA) team, and the multi-agency Integrated Targeting and Operations Centre (ITOC) – both of which are hosted by Customs. JBA designs and builds advanced risk and intelligence analytical tools. The resulting insights are used to assist border operations and enhance border security. ITOC brings together all the information available for situational awareness of the border and effective border security management. It determines the risk presented by specific goods, people or craft, and targets, plans and coordinates operations.

There is, however, more that can be achieved. Customs is leading multi-agency work to further develop and maintain the smartest and safest border. This includes identifying where changes can be made now, as well as strengthening the cross-agency governance arrangements to support longer-term and more strategic gains. Having a smarter border will help to ensure that we can adapt to new threats (like COVID-19) and manage them alongside more traditional threats such as illicit drugs.

The more sophisticated and smarter that we are able to make our border management approach, the better we will be able to meet the dual imperatives of keeping threats out while facilitating the flow of people and goods across our border. Both of these are necessary for New Zealand's economic recovery, and for the long-term prosperity and wellbeing of New Zealanders.

Areas of current focus include looking at how best to achieve an appropriate and sustainable health response at key points of arrival. Another area of focus involves looking at opportunities to better utilise technology and data to enhance border processes in a way that supports safety and economic objectives. We are also exploring with the Public Service Commission and agencies that operate at the border (including the Ministry of Health and Managed Isolation and Quarantine (MIQ)<sup>19</sup>) how best to strengthen governance at the border in a way that reflects best practice and aligns with public sector reforms.

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<sup>19</sup> MIQ is a business group of the Ministry of Business, Innovation and Employment (MBIE).

IN CONFIDENCE

**Looking ahead**

There is an opportunity for meaningful discussion about the future direction of the border sector – in particular, how border agencies can work together to provide an even more integrated and seamless service at the border.

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## PART 3: CUSTOMS OPERATIONS

Protection, trade, travel, revenue and Te Pou Tokomanawa are our five strategic priorities or 'pillars'. They provide our operational context, and are a focus for our planning and reporting. Each pillar is discussed below.

Customs has a range of work underway to support the recovery and rejuvenation of the New Zealand economy, and there are further initiatives in development. COVID-19 continues to have an impact on how we operate and the initiatives that we focus on. Consequently, it is important that we remain agile and acknowledge that some of the following strategic initiatives may change.

### Protection – Whakahaumarū

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#### What we do

Customs protects New Zealand from a variety of risks and threats entering the country. These include illicit drugs, objectionable material (including that involving child sexual exploitation and abuse), undeclared currency (which may be linked to illegal activities), and restricted firearms and other controlled weapons. Customs also has a role protecting New Zealand from health-related threats at the border, including COVID-19.

Our focus is on preventing risk from reaching our border. We carry out this protection function through targeted risk management and enforcing the law – an approach that also underpins our work in the trade, travel and revenue space. This involves using information and intelligence to identify and target risk within an increasingly complex and challenging environment. It enables us to focus on the people, goods and craft most likely to present risks to our border.

## IN CONFIDENCE

We work closely with domestic and international partners to keep New Zealand safe. This includes sharing intelligence and working with other agencies in New Zealand, and working with overseas customs and law enforcement bodies to disrupt criminal networks offshore. Our collaboration in the protection space is discussed in more detail in Part 4: Border Sector, Stakeholders and International Engagement.

Our Assurance programme is an integral part of our border risk-management system. It informs and refines our intelligence through the use of randomised sampling of goods and travellers, and provides us with a level of confidence that our assumptions about compliance and our targeting are correct.

### **Our areas of focus**

#### *Illicit drugs*

New Zealand is an attractive market for domestic and international crime groups as the prices in New Zealand for illicit drugs are among the highest in the world. In almost every case (cannabis being the main exception) either the drug itself or the chemicals for making it must be imported into New Zealand. The border provides an effective gate where controls can be exercised.

Disrupting the supply of illicit drugs contributes to community protection and law enforcement objectives such as combatting organised crime and detecting money laundering.

Customs' primary focus is on the illicit drugs causing the most harm in the community – methamphetamine in particular. Harm is measured through a combination of drug potency, prevalence of use in the community (seizure data, surveys of drug users and wastewater analysis), and the outcomes from that use (negative health effects, loss of economic output and levels of personal and property crime). Other harmful drugs that are high in Customs' priorities are cocaine, MDMA (ecstasy), GBL (gamma-butyrolactone), heroin and synthetic cannabinoids. We have seen growing volumes of MDMA and GBL in the last couple of years.

We seized 1,806 kilograms and 488 litres of illicit drugs at our border in 2019/20.

## IN CONFIDENCE

Our relationships with our international partners are a key part of our strategy as we focus on intercepting drugs at the point of export and before they reach the New Zealand border. Having Customs staff based offshore in specific locations facilitates the exchange of information and supports joint activity to disrupt supply chains. In 2019/20 there were approximately 240 interceptions offshore of illicit drugs destined for New Zealand. This prevented potential social and economic harm to New Zealand of nearly \$570 million.<sup>20</sup>

Customs also works closely with domestic partners such as New Zealand Police, including the National Organised Crime Group.

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*Our collaboration with the Chilean Police (PDI – Policía de Investigaciones de Chile) has led to large offshore seizures of illicit drugs.*

*In November 2019 PDI reported the seizure of cocaine concealed in an industrial motor being sent by air cargo destined for New Zealand. The shipping details of the motor seized in Chile matched similar seizures of cocaine in motors in New Zealand (also sent from Chile). Comparison of shipping details between New Zealand Customs and PDI led to the identification of a Colombian national based in northern Chile. Further investigations by PDI identified two higher-tier Colombian suspects who were believed to be coordinating an organised criminal group trafficking cocaine from Colombia through Chile and then on to other countries.*

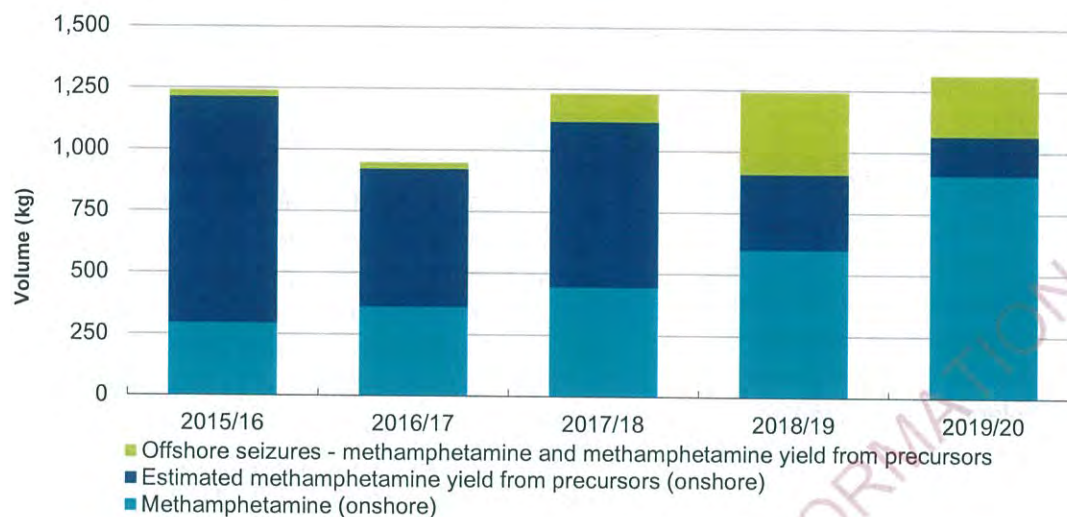
*Subsequent seizures by PDI linked to this same criminal group include a shipment of wine concealing cocaine that was destined for Australia, and 691 kilograms of cannabis imported into Chile from Colombia. Search warrants by PDI also located 2.2 tonnes of cocaine in warehouses belonging to the group.*

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<sup>20</sup> Based on the New Zealand Drug Harm Index, which quantifies the economic and social costs associated with illicit drugs.

IN CONFIDENCE

Methamphetamine seizures by Customs and offshore partners



Seizures of other significant illicit drugs

Drug type	2019/20	
	At New Zealand border	Offshore
Cocaine	21.1kg	56.8kg 3,000ml
MDMA	479.4kg 3,460 tablets 10,380ml	170.8kg 8,915 tablets
GBL	20.1kg 409,459ml	34.7kg 36,500ml

The volumes of illicit drugs seized offshore show the success of our strategy to stop illicit drugs before they reach our border.

Following the emergence of COVID-19, we have seen a drop in the number of illicit drug seizures and suspect this is due to disrupted supply chains. However, we expect criminal groups to adapt – for example, changing from passenger couriers to other methods.

*Objectionable material*

Customs plays an important role in combatting and reducing objectionable material and online offending, the bulk of which relates to child sexual exploitation material. Our role includes identifying people carrying images across New Zealand's physical border and those accessing or uploading them online across our virtual border. We work closely with the Department of Internal Affairs, New Zealand Police and overseas enforcement agencies to catch offenders and identify and protect child victims.

Budget 2019 provided funding for additional forensic laboratories equipped with the latest tools for examining electronic devices. We are growing our resourcing and capability in this space.

Customs seized around 85,000 objectionable publications in 2019/20.

*Financial crime*

Cross-border cash transfers and money laundering are used by criminal groups to move the profits of illegal activity across borders. One of Customs' roles is to ensure that money crossing our border is being carried for legitimate purposes.

One of our tools in detecting cash is detector dogs, which are trained to detect both cash and illicit drugs. In 2019/20 they detected the equivalent of NZ\$7.6 million in undeclared currency at airports, and another \$0.08 million when premises or vehicles were searched under a Customs or Police search warrant.

*Firearms and other weapons*

Customs prevents restricted firearms and controlled weapons coming into New Zealand. We manage the importation of lawful and restricted firearms and firearm parts subject to permits issued by New Zealand Police, and detain anything prohibited.

Customs intercepted nearly 500 firearms, almost 5,200 firearm parts, and over 1,500 other weapons (such as flick knives and knuckledusters) in 2019/20.

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*Operation Blackhawk was an investigation by Customs' Child Exploitation Operations Team (CEOT) in response to allegations of the export of child sexual exploitation material via the internet. CEOT investigators executed a search warrant in Northland and arrested a man, charging him with a range of offences relating to child sexual exploitation material. During their forensic analysis of seized devices, investigators discovered material the suspect had created himself relating to six children. Taskforce Ruru, the joint-agency victim identification team (Customs, Police and the Department of Internal Affairs), subsequently identified and located six local children who had been abused and recorded. A joint Customs and Police prosecution resulted in over 70 charges relating to not only publication offending but also serious sexual offending against children. The man is awaiting sentencing.*

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IN CONFIDENCE

*Royal Commission of Inquiry into the Attack on Christchurch Mosques on 15 March 2019*

Customs has been supporting the Royal Commission of Inquiry into the Attack on Christchurch Mosques. You are part of a ministerial team that will develop the Government's response to the Royal Commission's recommendations. The Royal Commission is due to report on 26 November 2020.

The Royal Commission is investigating events relating to the attack on 15 March 2019, including the performance of state sector agencies. It is examining what state sector agencies knew about the individual's activities before the attack, what they did with that information, what measures agencies could have taken to prevent the attack, and what measures agencies should take to prevent such attacks in the future.

Ministers and officials are unlikely to receive the report prior to it being finalised. s9(2)(g)(i) OIA

Ministers may need to urgently respond to questions following the public release of the Royal Commission's report. Officials will work to anticipate and prepare communications to support you with this process.

**Tools and approaches**

Developing the tools, systems and partnerships to enable the collection of data and the ability to analyse the data is key to protecting our border now and in the future.

Having advance information about passengers and goods coming to New Zealand is a key tool in assessing and identifying risks. Our multi-agency Integrated Targeting and Operations Centre (ITOC) brings together all the information available to identify people or goods of interest.

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*Information collection and the integration of intelligence throughout all aspects of what we do is key to achieving a unified understanding of risk. It supports sound decision-making and the delivery of the appropriate response.*

Customs also hosts the multi-agency Joint Border Analytics (JBA) team which combines data, expertise and tools from border agencies to identify trends and build predictive models to help manage border risk and target interventions.

*This approach enables Customs to facilitate the secure and efficient movement of people and goods across our border, while focusing interventions on areas of non-compliance and risk.*

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We are continually looking for new tools and technology that will help us to maintain a modern and effective system for identifying criminals and protecting the border.

Public and industry partnerships are important to increase awareness of threats and mitigate risks. We will continue to identify opportunities to do this. An example is our partnership with Māori coastal communities in Northland to monitor remote coastlines for illegal activity.

## Trade – Hokohoko



*Container ship at the Port of Tauranga*

### What we do

Customs contributes to New Zealand's economic competitiveness and growth. We manage the cross-border movement of imported and exported goods, in conjunction with the Ministry for Primary Industries. We also provide essential infrastructure to support trade and to ensure that goods comply with domestic and international requirements.

Customs promotes and facilitates secure and efficient trade. We do this by various means, including:

- negotiating and signing MRAs with the customs administrations of other economies to ensure facilitated access to overseas markets for New Zealand businesses
- leading the negotiation of the customs-related aspects of New Zealand's FTAs
- supporting traders, including providing advice and assistance on trade matters. This includes the SES, maximising the benefits of FTAs, and ensuring the efficient flow of goods.

Our focus is on enabling New Zealand's legitimate trade to flow efficiently across borders. We aim to make trade facilitation accessible to all New Zealand businesses, and to achieve high levels of voluntary compliance by developing a simple and equitable system that is easy to use. Being recognised as a valued international partner is a further aim. This is key to Customs' success in trade and includes building effective relationships with key trading partners and being able to influence the development of global customs standards.

### Snapshot

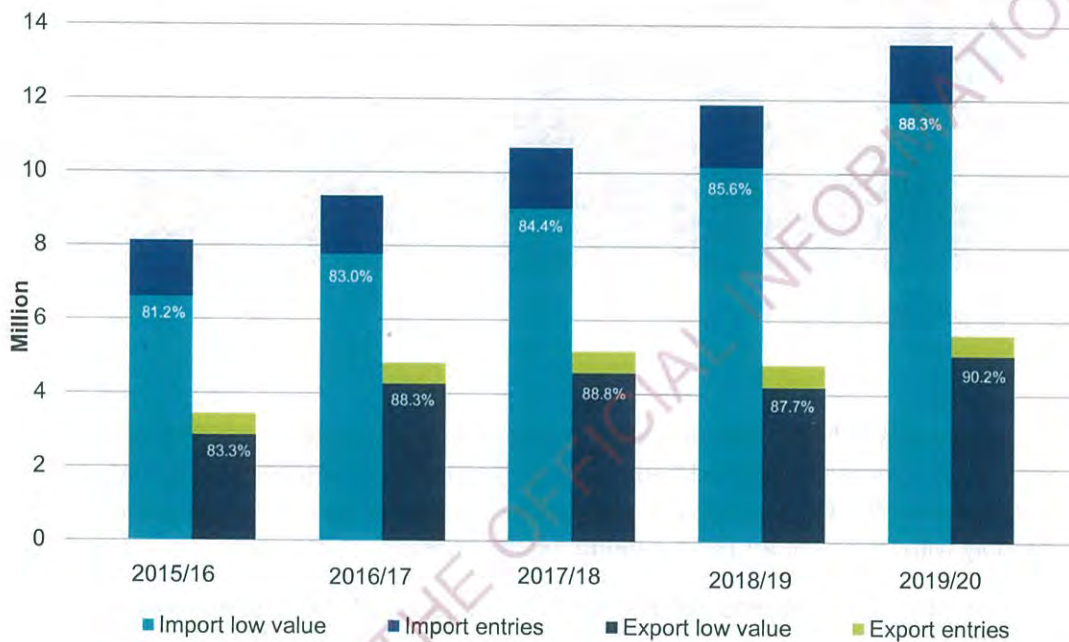
In 2019/20 Customs managed the movement across the border of 482,701 import sea containers and 603,470 export sea containers.

## IN CONFIDENCE

Unlike travel, trade volumes have remained relatively steady in the wake of COVID-19.

The number of trade transactions processed by Customs increased in 2019/20 to 19.1 million.<sup>21</sup> We processed 13.5 million import transactions, an increase of 13.3 percent from the total in 2018/19, and 5.6 million export transactions, an increase of 17.2 percent from the 2018/19 total. The growth in total transactions is as a result of the significant increase in the number of low-value (under \$1,000) import and export transactions during 2019/20 because of the continued rise of e-commerce.

### Trade transactions cleared



COVID-19 had an impact on the number of trade transactions, particularly the import and export entries (the higher-value trade transactions) due to the effect on the global economy and on trade logistics (the sea containers and air freight space available for moving trade) – although by the end of 2019/20 these were returning to the same levels as in 2018/19.

### Our areas of focus

#### Negotiating Free Trade Agreements (FTAs)

Customs supports the negotiation and implementation of New Zealand's FTAs. Customs leads the negotiation of the Rules of Origin chapter and the Customs Procedures and Trade Facilitation chapter, and contributes to other chapters such as Intellectual Property Rights. Our role is to ensure New Zealand exporters enjoy expanded market access that is meaningful and predictable. Customs is actively involved in the negotiation of FTAs with the European Union,

<sup>21</sup> This total excludes mail items. Customs screened 29 million import mail items in 2019/20.



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the United Kingdom, the Pacific Alliance, and the Regional Comprehensive Economic Partnership (RCEP). We are also upgrading the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA) and our existing FTA with China. In addition, Customs is aiding the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Pacific Agreement on Closer Economic Relations (PACER Plus).

### *Expanding the Secure Exports Scheme (SES)*

The SES provides trade facilitation benefits to New Zealand exporters that meet modern supply chain security standards. SES partners maintain a high level of security and data integrity in their day-to-day operations. Customs has an increased level of trust and confidence in SES partners and considers them to be of low security risk resulting in less Customs' intervention in the movement of exports. We also negotiate MRAs with customs administrations overseas to ensure SES partners experience minimal delays at international borders, and are given priority following trade disruptions.

Customs is looking at options to continue with the expansion of the SES to air freight. Such an expansion will mean exporters of time-sensitive perishable goods and of smaller consignments generally via air freight will be able to access the SES and its benefits.

### *Facilitation of low-risk trade – Secure Trade Lane (STL)*

Customs is working with the Australian Border Force to test and develop options for an STL for low-risk trans-Tasman consignments. The purpose of the STL is to simplify border processes and make low-risk trade more efficient and cost effective for authorised traders. Phase one of the trial was delayed by COVID-19 but has now been completed. The project team is in the process of finalising the report before looking to move onto phase two. While this is currently a trans-Tasman venture, the intention is for the model to be applied to help streamline trade with other MRA partners in the future.

### *Responding to the rise in e-commerce*

The number of low-value goods coming into New Zealand is increasing, driven largely by the growing popularity of online shopping. Low-value consignments come with lower-quality data, increasing their risk profile. Customs is working to increase the proportion of goods that can be trusted by extending trusted arrangements to the import stream. By identifying and facilitating low-risk trade, we are able to focus our resources on high-risk goods and manage these more effectively. This work is being progressed as part of the wider stream of work supporting New Zealand's economic recovery from COVID-19.

Internationally, the rise of e-commerce is a focus in forums such as the World Trade Organization (WTO) and the World Customs Organization (WCO). Customs provides technical advice in the WTO e-commerce negotiations, as well as the digital trade chapters of New Zealand's FTAs. We were also involved in the recently concluded Digital Economy Partnership Agreement with Singapore and Chile, which covers all aspects of the digital economy that might support trade in the digital era (for example, a commitment to paperless trading).

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### *Defending the rules-based system*

The rules-based system for global trade is particularly important for small economies like New Zealand as it helps to even the playing field in disputes with larger economies. Customs supports the WCO, the WTO, the APEC customs forums, and the Oceania Customs Organisation (OCO) in the Pacific.

Current support to the WCO includes engagement in the review of the Revised Kyoto Convention, which is the key convention affecting customs administrations' policy and legislation, and promotes consistency and simplification of customs procedures globally.

### *Asia-Pacific Economic Cooperation 2021 (APEC21)*

New Zealand is hosting APEC in 2021. The focus of APEC's work is connecting and integrating economies within the Asia-Pacific region so that it is easier to do business within and between them.

COVID-19 has brought unprecedented disruption to the Asia-Pacific region. New Zealand's hosting objectives include leading a collaborative regional response to COVID-19 and demonstrating the continued importance of APEC. APEC21 provides an opportunity to advance New Zealand's refreshed trade objectives to help economic recovery. Customs' involvement in APEC21 is discussed further in Part 4: Border Sector, Stakeholders and International Engagement.

### *Service delivery and outreach*

Customs supports traders to understand and use our systems, encouraging voluntary compliance. We provide advisory services to importers and exporters. We run an outreach programme, which includes engaging with exporters across New Zealand to inform them about the benefits of FTAs, the SES and other trading arrangements. We join other government agencies on targeted business visits to provide coordinated advice to exporters. Customs is exploring options to improve our external website and services to SMEs and private importers.

### *Modernising the New Zealand Tariff (the Tariff)*

The Tariff is a key tool that Customs uses to facilitate trade. The Tariff is a piece of fundamental infrastructure, providing a classification system for identifying tariff duty payable, regulating goods and collecting statistics. Periodic revisions to the international Harmonised Nomenclature (on which the Tariff is based) – to accommodate technological changes and to allow for the monitoring of goods covered by international treaties – have led to a sprawling document, largely managed through manual and time-consuming processes. Customs is working to develop and implement a bespoke system to digitise and automate the Tariff to make it easier to use, better meet reporting requirements of other agencies that rely on trade data, reduce the risk of costly errors to the Crown (lost revenue) and businesses, and help protect New Zealand's international reputation.

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### *Improving the Joint Electronic Verification System (JEVS)*

JEVS is a system developed by New Zealand and China to exchange electronic origin data for the purpose of verifying the accuracy or authenticity of an origin document. §9(2)(f) OIA

[REDACTED]

### Travel – Tāroi



*Supervising Customs Officer at Auckland International Airport within a COVID-19 environment*

#### What we do

Customs manages international travellers as they enter and leave New Zealand. This includes air passengers and those arriving by sea. Our Customs Officers, who are also warranted under the Immigration Act 2009 to carry out certain immigration functions, process travellers through passport control. This is where travellers present their passports and, if arriving, their arrival cards. Customs Officers also process travellers through the customs screening area in the arrival hall. This is where some travellers would have their baggage searched or a personal search conducted.<sup>22</sup>

Historically our focus has been on delivering a streamlined experience for travellers at the border while managing risks. We aim to deliver high-quality border management across all modes of travel through more integrated and automated processes. This is measured by the

<sup>22</sup> The arrival process for most cruise ship passengers travelling to New Zealand from Australia is more streamlined with immigration processing occurring prior to arrival. Passengers are only required to present their arrival cards to a Customs Officer for checking any declarations.

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proportion of arriving international air passengers processed within 45 minutes of their flight arriving (94.4 percent in 2019/20). We also aim to improve our services through meaningful collaboration with other agencies and stakeholders, and focus interventions on high-risk travellers.

However, COVID-19 has changed the environment in which we operate. There are now very few people entering and leaving New Zealand and we are also working differently.

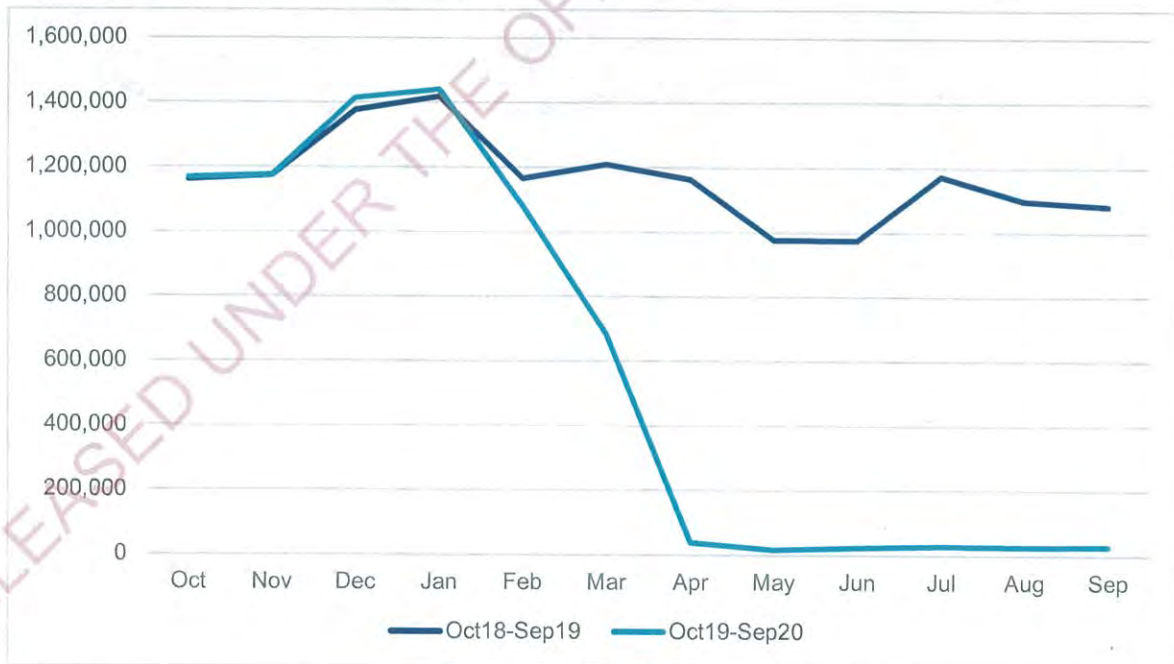
Prior to COVID-19, we were working on making the passport control process simple and more efficient by enabling self-service. In 2018/19 we processed 58.1 percent of air passengers using eGates, an automated way to move through passport control. This service was available to citizens of 13 countries, but has been suspended due to COVID-19. Currently, our Customs Officers manually process all air passengers.

**Snapshot**

Before COVID-19, travel volumes were growing. In 2018/19 Customs processed a record 14.5 million international passengers.<sup>23</sup> Most of these travellers were arriving and departing air passengers. A significant proportion of all travel (approximately 40 percent) is trans-Tasman.

Travel volumes have plummeted due to the impact of COVID-19 and the associated closure of our border. The first border restrictions for international air travellers were put in place in early February 2020, with stronger measures being introduced from 19 March 2020 when the border was closed to most travellers except for returning New Zealand citizens and residents.

*International commercial air passengers by month*



<sup>23</sup> This includes all people entering and leaving New Zealand by air or sea excluding crew.

**Our areas of focus**

The immediate priority for Customs is ensuring that border controls prevent the re-importation of COVID-19, and the subsequent re-emergence of community transmission, while developing ways to enable the movement of people across the border. Our key controls are:

- › existing robust border processes
- › additional health, border and travel processes (these measures add extra layers of protection).

We are also focusing on enabling New Zealand’s reintegration with the rest of the world by supporting the implementation and operation of quarantine-free air travel. Australia and the Pacific Realm (the Cook Islands and Niue, with the exception of Tokelau) are two possible safe travel zones that officials have actively been investigating.

Customs is playing a significant role in supporting the government-to-government negotiations with Australia on a Trans-Tasman Safe Travel Zone Arrangement. We are also leading the development of enhanced border and travel protocols that are needed to implement the Trans-Tasman Safe Travel Zone alongside the other border agencies (Immigration New Zealand, the Ministry of Transport, the Aviation Security Service (Avsec), and the Ministry for Primary Industries) and our Australian equivalents. These protocols will provide assurance over enhanced eligibility (immigration and health status) and prerequisite health controls for the safe travel zone.

s9(2)(f) OIA  
[Redacted text block containing multiple paragraphs of information, some starting with blue arrow symbols.]

A key aspect is working with the aviation industry to ensure safe travel zone protocols are applied – for example, the separation of safe zone travellers from non-safe zone travellers such as transit passengers.

Cruise ships (as a specified class of ship) are not currently permitted to enter New Zealand and we do not anticipate that this will change in the near future. However, the Director-General of Health has granted an exemption from the ban to the *Professor Khromov*, a Russian-flagged ice-strengthened cruise ship. The *Professor Khromov* has been granted permission to arrive in New Zealand for the purpose of delivering the ship to a business. The business will undertake expeditions in New Zealand waters as far as the sub-Antarctic islands. Other cruise ships may seek to enter New Zealand under this exemption as well. Maritime New Zealand is leading discussions with cruise lines about the circumstances and preconditions for small

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cruise vessels to operate in New Zealand waters. Any recommendation to allow cruise ships in general to return to New Zealand will require a change to the Maritime Border Order.

The establishment of safe travel zones will lead to an increase in traveller volumes. As conditions permit, Customs will shift its focus to improve efficiency and traveller experience at the border. To do this we will use intelligence-led risk management to target our interactions and technology to reduce our interaction with legitimate travellers who comply with border requirements, including the further expansion of eGates to additional nationalities and potentially family groups.

We will also be exploring for the medium and long term how passenger arrival card information may be supplied in advance of arrival and digitally. The switch to electronic data collection technology will provide efficiencies for both the traveller and border agencies.

Customs will continue to pre-clear passengers prior to boarding a flight to New Zealand where possible. This advance risk assessment supports Customs' enforcement activity and minimises any disruption for legitimate passengers. Validation of passenger identity is a key aspect of border control. We will continue to monitor with interest any developments in the biometrics space as, increasingly, border agencies utilise this technology to provide enhanced assurance to border controls. This also presents opportunities for a contactless journey for travellers 'from booking to kerbside at their destination'.

### Revenue – Kohinga tāka



*Tobacco seizure*

#### **What we do**

Customs contributes to the Government's accounts by collecting around 18 percent of core Crown tax revenue each year. We collect revenue for the Crown by way of:

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- tariff duty<sup>24</sup>
- GST on imports
- excise duty on domestically manufactured alcohol, tobacco and motor spirits
- excise equivalent duty on alcohol, tobacco and motor spirits imported into New Zealand.

Customs also collects a range of levies at the border on behalf of other agencies.

Our focus is on collecting all due Crown revenue. Our collection of revenue is based on self-assessment of duty liability and voluntary compliance by traders (importers, exporters and licensed manufacturers of excisable goods). Achieving high voluntary compliance requires making self-assessment, payment and collection easier. We continue working towards providing fit-for-purpose simple and efficient systems and processes that are transparent, consistent, predictable and accurate.

Customs continues to give priority to eliminating revenue risk (non-payment) using both long-standing and established methods as well as more modern innovative techniques – everything from inspections and audits to risk-based, intelligence-led assessment. If a trader has not complied with Customs' requirements, our response ranges from engaging with the trader to encourage voluntary compliance, auditing them to assess the correct revenue owed, to prosecuting them.

### Snapshot

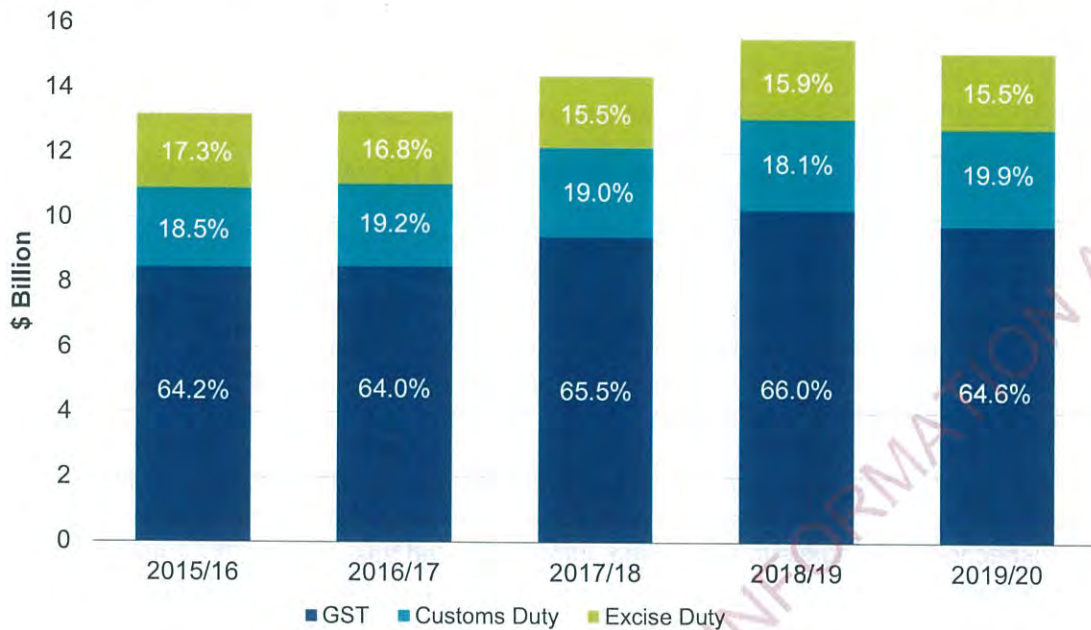
In 2019/20 we collected \$15.1 billion of core Crown tax revenue (99.9 percent was collected electronically). This is a decrease from the 2018/19 record of \$15.5 billion. This drop in revenue includes the effect of COVID-19 on trade and, to a lesser extent, the arrangements we reached with traders to delay payment of revenue to Customs as part of our assistance to those adversely affected by this pandemic. While we have provided support and relief to businesses that are experiencing cash flow challenges as a result of COVID-19, this is balanced against our obligations to collect all revenue due, and includes Customs proactively managing debtors.

We also collected \$352.2 million in levies at the border on behalf of other agencies.

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<sup>24</sup> Tariff duty is a duty imposed on imports under the Tariff Act 1988. Most goods imported into New Zealand have no import tariffs. Tariffs of five or ten percent remain on some imported goods – for example, clothing, footwear and motor vehicle parts.

Crown revenue collected by Customs



Customs maintains a strong focus on identifying and addressing revenue evasion and fraud-related offending. Illicit tobacco is tobacco on which the required excise duty has not been paid. In 2019/20 we saw an increase in revenue evasion through illicit tobacco smuggling, particularly at the International Mail Centre, and the use of concealment methods often used for drugs. We made over 4,000 interceptions of more than 4.9 million cigarettes and 638 kilograms in loose tobacco in 2019/20. This is an increase from the 2,000 interceptions of over 4.6 million cigarettes and 642 kilograms in loose tobacco in 2018/19. In the 12 months ending November 2019, Customs' seizures of tobacco products represented \$10.8 million of excise tax foregone.

*In July 2020 Customs made its then largest-ever tobacco seizure at the border – 2.2 million cigarettes that were hidden in 'roof extension units'. The concealment was a deliberate attempt to evade \$2.72 million in duty and GST. Intelligence and risk profiling by Customs identified the shipment that was sent from Malaysia.*

*Two weeks later Customs made a second larger seizure of 2.4 million cigarettes at the border. This concealment was an attempt to evade a further \$2.95 million in duty and GST. The subsequent investigation, which is ongoing, linked both seizures to the same organised criminal group. Five people have been arrested.*

As part of Budget 2020, the Customs and Excise Act was amended to combat tobacco smuggling and to secure Crown revenue from taxes on tobacco by imposing import controls over tobacco products, and tobacco leaf and refuse. To reduce the costs of processing border seizures of illicit tobacco, the Act was amended to provide for a simplified seizure process.



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We also identified \$46.2 million in additional revenue owing to Customs through verifying data entered by importers, exporters and licensed manufacturers of excisable goods, voluntary disclosures by traders, and audit activity.

### Our areas of focus

Supporting duty payers through COVID-19 recovery is a key focus for Customs. As discussed in Part 2: The Impact of COVID-19, we are continuing to provide assistance to businesses that are having difficulty meeting their duty payment obligations due to financial hardship resulting from COVID-19. This includes agreeing instalment payment plans and waiving interest and late-payment penalties.

A new financial management information system 'Ahumoni' was implemented in October 2020. The system is used to manage Crown revenue, internal budgets and other internal financial processes. This new cloud-based system will increase efficiency by enabling us to improve our processes and build online services. It also aligns our financial systems and processes with other key agencies including Inland Revenue.

Another important area of work for Customs is investigating the 'compliance gap'. This is the gap between the revenue that is due and the revenue collected. Reasons for the non-collection of due revenue include the deliberate undervaluation of goods (so that less duty is paid), and the smuggling of tobacco products to evade tax. Customs is developing options to address tobacco smuggling.

### Te Pou Tokomanawa



Launch of Āraia

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### What we do

He iwi kotahi tātou (we are one people) through kotahitanga (partnership), kaitiakitanga (protection) and manaakitanga (participation/care for others).

As the founding document of New Zealand, the Treaty of Waitangi underpins the relationship between the Crown and Māori. At Customs, the Treaty principles of kotahitanga, kaitiakitanga and manaakitanga provide the foundations for what we do – our Pou Tokomanawa.

We have articulated what this means for Customs in Te Pou Tokomanawa Māori o Te Mana Ārai, the Customs Māori Strategy. These principles are also reflected in our strategic plans, where our goals are to ensure that:

- › relationships with Māori are founded on the principles of the Treaty of Waitangi
- › our workforce is representative of Māori in Aotearoa
- › Te Reo Māori me ōna tikanga (the Māori language and its customs) is normalised across Customs.

We are focused on strengthening our partnerships with Māori, protecting Māori communities and actively contributing to economic development for Māori. We work to ensure that our policies and actions reflect the interests of Māori, whether as Customs staff or our customers.

As discussed in Part 2: The Impact of COVID-19, we are working directly with Māori businesses to identify and respond to their needs. We also undertook the first step of partnering with Māori coastal communities to protect our border with the establishment of a new Northland maritime team based in Ōpua. This partnership involves Customs working with coastal communities to monitor remote coastlines for illegal activity. The maritime team's new patrol vessel was launched in May 2020. Its name, *Āraia*, is linked to Customs' name – Te Mana Ārai – and means to 'shield' or 'prevent' in Te Reo Māori.

Customs has a role in the protection of Te Reo Māori me ōna tikanga. As part of our efforts to increase Te Ao Māori capability, we have introduced an online learning platform for staff called 'Te Kura' (the school). This contributes to Customs' Te Ao Māori capability development including the normalisation of Te Reo Māori and the development of our Te Reo Māori plan. Our Te Reo Māori plan includes an increased use of Māori greetings at the frontline to arriving passengers. It also encourages and supports Customs staff to increase their use of Te Reo Māori in written communication, and commits to providing opportunities for ongoing development.

### Snapshot

As part of our efforts in relation to inclusion and diversity at Customs, we aim to have our workforce representative of Māori in Aotearoa (Māori comprised 16.5 percent of the general population at Census 2018). As at 30 June 2020, 9.9 percent of our staff identified as Māori.

### Our areas of focus

Current and future strategic initiatives fall into three main areas. The first is about strengthening partnerships with Māori communities. Customs is launching 'Border Protect'

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nationally which expands upon the 'Coastwatch' programme. Working with all coastal communities, including Māori coastal communities, hapū and iwi, forms part of this initiative. The ongoing protection work of our Northland maritime team in partnership with Māori coastal communities is an example.

Customs is looking to increase the support it provides to Māori businesses. We are focused on providing Māori exporters and businesses with tailored advice and assistance on trade matters, such as joining the SES, maximising the benefits of FTAs and ensuring the efficient flow of goods. For best results, Customs continues to work with other agencies such as the Ministry of Foreign Affairs and Trade and New Zealand Trade and Enterprise.

The second area focuses on Customs' cultural competency. This includes developing Te Reo Māori and cultural knowledge and understanding at all levels of our organisation, increasing strategic and operational knowledge of the Treaty of Waitangi, providing annual pathways to Te Reo Māori immersion courses, and normalising Māori greetings at the frontline. Completing a Memorandum of Understanding and developing a Te Reo Māori plan with the Māori Language Commission is a further strategic initiative.

The third area relates to the representation of Māori within Customs, and is likely to be more relevant once normal recruitment resumes (in the current environment it is unclear when this will happen). This includes focusing on the recruitment of Māori staff (including specialists with an understanding of Māori businesses and the Māori economy), targeting Māori leadership for direct recruitment at senior levels, and developing opportunities for current Māori staff with leadership potential.

## PART 4: BORDER SECTOR, STAKEHOLDERS AND INTERNATIONAL ENGAGEMENT

Customs is well connected, both within New Zealand and internationally. Our connections range from the everyday transactions we have with stakeholders and other border agencies to our active involvement in the global customs community.

### Customs works closely with other government agencies in New Zealand

#### The border sector and other agencies

Customs works closely with other border agencies – the Ministry for Primary Industries (MPI – Biosecurity New Zealand), the Ministry of Business, Innovation and Employment (MBIE – Immigration New Zealand) and the Ministry of Transport. Our collective border management is among the best in the world and has contributed to New Zealand's reputation as a trustworthy country for trading with and travelling to. We also work with other agencies to identify and target risk, and share intelligence.

We host the Joint Border Analytics (JBA) team, which comprises staff from MPI, MBIE (primarily Immigration New Zealand) and Customs. This enables the three agencies to combine data, expertise and tools. In 2019, the JBA team won the 'Innovation in Intelligence Award' from the New Zealand Institute of Intelligence Professionals.

Customs also hosts the multi-agency Integrated Targeting and Operations Centre (ITOC). This is staffed by Customs, MPI, Immigration New Zealand and New Zealand Police. ITOC identifies and targets risks to our border, and provides national coordination of operational activities.

Joint operations include our work with New Zealand Police to proactively target criminal networks involved in the illicit drug trade.

#### Border Sector Governance Group of Chief Executives

The Comptroller of Customs currently chairs the Border Sector Governance Group (BSGG). This group has been in existence since 2007 and comprises chief executives of the border agencies. The BSGG's membership has recently been expanded to include the chief executives of the Ministry of Health, the Ministry of Foreign Affairs and Trade, the Treasury and the Department of the Prime Minister and Cabinet. The expanded group's purpose is to provide system direction and governance on the programme of work across government that relates to reopening New Zealand's border post COVID-19. This includes work on the smartest and safest border (see Part 2: The Impact of COVID-19). The BSGG will be providing a collective briefing on the border, to all border sector Ministers.

## Stakeholders

We work closely with our stakeholders to ensure that their views are heard and taken into account when we are considering issues. An example of this is our Border Clearance Levy Stakeholder Reference Group. This group comprises representatives from industries affected by the BCL including airlines, airports, cruise, tourism and travel agents. In the trade and revenue space, we proactively work with and consult the relevant industry associations and businesses on issues. For example, in late May/early June 2020 we approached 761 alcohol manufacturers to identify whether they were concerned about meeting their next excise payment due to COVID-19 and to offer assistance.

Customs also undertakes regular stakeholder surveys of air passengers arriving in New Zealand as well as importers and exporters. These surveys help us to improve our service delivery at the border and our customers' experience.

## International engagement

Customs participates in the global customs community through its relationships with overseas customs and law enforcement bodies, and by contributing to the development of international customs policy.

### **Our overseas staff play an important role in the protection and trade space**

Customs has a network of staff posted overseas. This overseas presence strengthens relationships, the exchange of information and intelligence, and on-the-ground coordination.

Our overseas staff play a key role in protecting New Zealand by helping prevent external risks reaching our border. One initiative is our Source to Shore drug network disruption work which aims to keep illicit drugs out of New Zealand by disrupting criminal networks offshore. Our overseas staff also have an important role in promoting and facilitating secure and efficient trade. The impacts of their efforts in relation to trade are wide ranging, from saving New Zealand exporters significant costs by clearing blockages, to opening up opportunities to trial innovative trade facilitation measures.

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*Examples of our overseas posts assisting exporters in 2019/20 include:*

*In May 2020 an export of mānuka honey to the Netherlands via Singapore was held at the Rotterdam port. Our Counsellors in Brussels and Bangkok resolved the issue with Singapore Customs and the relevant Dutch authority, enabling honey to be on shelves in the Netherlands two days later instead of being returned to New Zealand.*

*Our Jakarta-based First Secretary played a key role in unlocking a complex and long-standing non-tariff barrier in one of our export markets in South East Asia. This was causing disruption and financial hardship for a number of New Zealand exporters, and for one exporter the additional duty amounted to around NZ\$8 million. Following our intervention, the customs administration agreed to refund the duty and change its import rules so our exporters would not be impacted by this issue again.*

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Overseas posts are likely to become increasingly important as Customs focuses on how it can support New Zealand's economic recovery from COVID-19. Personal relationships and face-to-face communication will be key to building and maintaining strong relationships within this environment.

### **Customs is helping to build capacity in the Pacific**

Customs is delivering a border-management development programme that supports customs administrations in the Pacific to build capacity and develop effective border management. This enhances the Pacific region's ability to detect and disrupt organised crime, while allowing legitimate trade and travel. The programme is delivered in partnership with the Samoa, Fiji and Cook Islands customs administrations, and is due to be reviewed in 2021.

### **Customs' involvement in Asia-Pacific Economic Cooperation 2021 (APEC21)**

APEC is the leading economic and trade forum in the Asia-Pacific region. New Zealand is hosting this forum in 2021. As a result of the global disruption caused by COVID-19, APEC21 will use virtual digital platforms.

Customs is hosting the APEC Sub-Committee on Customs Procedures (SCCP) and the associated APEC Customs-Business Dialogue. The SCCP is a forum for customs administrations to harmonise and simplify regional customs procedures. The SCCP meetings are due to be held in February and August 2021 – the Customs-Business Dialogue will be timed to coincide with one of these meetings. We are currently developing the agenda and themes for the meetings.

### **We belong to a number of key international forums and groupings**

Customs plays an active role in ensuring the representation of New Zealand's interests in international customs policy and trade. We participate in a number of key international forums and groupings.

#### *World Customs Organization (WCO)*

Based in Brussels (Belgium), the WCO is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of customs administrations. The WCO represents 183 customs administrations across the globe that collectively process approximately 98 percent of world trade. Customs is one of the Asia-Pacific region's representatives on the WCO Policy Commission, which sets the policy direction for the WCO. Our term finishes in December 2020.

#### *Border Five (B5)*

Customs is a member of the B5 alliance of border agencies from Australia, Canada, New Zealand, the United Kingdom and the United States of America. The B5 share information and intelligence for the purpose of border security.

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*Oceania Customs Organisation (OCO)*

The OCO is a grouping of customs administrations in the Pacific. Customs contributes expertise and advice, particularly in relation to information sharing, border management practices, and the implementation of the Pacific Agreement on Closer Economic Relations (PACER Plus).

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## APPENDIX: PRINCIPAL AND OTHER RELEVANT LEGISLATION FOR CUSTOMS

The principal Customs legislation is the Customs and Excise Act 2018 and related regulations. Customs also enforces a large number of other enactments at the border on behalf of other agencies.

<b>Acts used by Customs<sup>25</sup></b>	
<p><b>Relevant to Customs as a public sector agency</b></p> <p>New Zealand Bill of Rights Act 1990                      Official Information Act 1982                      Ombudsmen Act 1975                      Privacy Act 2020                      Public Finance Act 1989                      Public Service Act 2020</p> <p><b>General</b></p> <p>Anti-Money Laundering and Countering Financing of Terrorism Act 2009                      Aviation Crimes Act 1972                      Civil Aviation Act 1990                      Climate Change Response Act 2002                      Commerce Act 1986                      Companies Act 1993                      Consular Privileges and Immunities Act 1971                      COVID-19 Public Health Response Act 2020                      Crimes Act 1961                      Criminal Proceeds (Recovery) Act 2009                      Diplomatic Privileges and Immunities Act 1968                      Energy Efficiency and Conservation Act 2000                      Evidence Act 2006                      Goods and Services Tax Act 1985                      Heavy Engineering Research Levy Act 1978                      Immigration Act 2009                      International Finance Agreements Act 1961                      Maritime Security Act 2004                      Maritime Transport Act 1994</p>	<p><b>Regulated goods</b></p> <p>Animal Products Act 1999                      Animal Welfare Act 1999                      Anti-Personnel Mines Prohibition Act 1998                      Arms Act 1983                      Biosecurity Act 1993                      Chemical Weapons (Prohibition) Act 1996                      Cluster Munitions Prohibition Act 2009                      Conservation Act 1987                      Copyright Act 1994                      Cultural Property (Protection in Armed Conflict) Act 2012                      Dairy Industry Restructuring Act 2001                      Dog Control Act 1996                      Fair Trading Act 1986                      Films, Videos, and Publications Classification Act 1993                      Fisheries Act 1996                      Food Act 2014                      Forests Act 1949                      Game Animal Council Act 2013                      Hazardous Substances and New Organisms Act 1996                      Health Act 1956                      Human Assisted Reproductive Technology Act 2004                      Human Tissue Act 2008                      Imports and Exports (Restrictions) Act 1988                      Kiwifruit Industry Restructuring Act 1999                      Land Transport Act 1998                      Major Events Management Act 2007</p>

<sup>25</sup> This list of legislation is not exhaustive.



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<b>General (continued)</b>	<b>Regulated goods (continued)</b>
Motor Vehicles Sales Act 2003	Marine Mammals Protection Act 1978
Mutual Assistance in Criminal Matters Act 1992	Meat Board Act 2004
Oranga Tamariki Act 1989	Medicines Act 1981
Outer Space and High-altitude Activities Act 2017	Misuse of Drugs Act 1975
Passports Act 1992	New Zealand Horticulture Export Authority Act 1987
Postal Services Act 1998	Ngai Tahu (Pounamu Vesting) Act 1997
Search and Surveillance Act 2012	Ozone Layer Protection Act 1996
Ship Registration Act 1992	Protected Objects Act 1975
Statistics Act 1975	Psychoactive Substances Act 2013
Summary Proceedings Act 1957	Radiation Safety Act 2016
Tariff Act 1988	Radiocommunications Act 1989
Trade (Anti-dumping and Countervailing Duties) Act 1988	Smokefree Environments and Regulated Products Act 1990
Trade (Safeguard Measures) Act 2014	Terrorism Suppression Act 2002
Trans-Tasman Mutual Recognition Act 1997	Trade in Endangered Species Act 1989
Visiting Forces Act 2004	Trade Marks Act 2002
Waste Minimisation Act 2008	United Nations Act 1946
	Wildlife Act 1953
	Wine Act 2003

