



The attached document has been proactively released by the New Zealand Customs Service on behalf of the Minister of Customs.

Paper prepared by:	Hon Jenny Salesa, Minister of Customs
Date considered by Cabinet:	7 September 2020
Name of paper:	Implementing the Maritime Border Order: Operating Model and Funding
Cabinet Reference:	CAB-20-MIN-0433
Purpose of the paper:	The paper concerns delivery of monitoring and compliance with the requirements of the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 at New Zealand's seaports. It proposes an increase in operating funding for Vote Customs of up to \$43.1 million spread over the 2020/21 and 2021/22 financial years, and a capital injection of \$1 million in 2020/21. An additional \$9.6 million in operating funding is proposed to be held as a contingency to be released with the agreement of the Ministers of Finance and Customs in the event that costs cannot be met within available funding.

No part of the document has been redacted.



Crown Copyright ©

This document is licensed by the New Zealand Customs Service under the Creative Commons Attribution 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by/4.0/>.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Implementing the Maritime Border Order: Operating Model and Funding

Portfolio **Customs**

On 7 September 2020, Cabinet:

- 1 **noted** that the New Zealand Customs Service (Customs) has accepted responsibility for significant new functions under the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 (the Order) [CAB-20-MIN-0390];
- 2 **noted** that Customs does not have available funding within its Vote to stand up an on-going, fully functional capability on a 24/7 basis at all seaports to ensure compliance with the Order and that people working around maritime vessels meet hygiene, physical distancing and personal protective equipment requirements;
- 3 **agreed** to establish the following new multi-year appropriation, to run from 1 September 2020 to 30 June 2022:

Vote	Appropriation Minister	Title	Type	Scope
Customs	Minister of Customs	COVID-19-Maritime Response	Departmental Output Expense	This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.

- 4 **noted** that the full cost of this initiative is estimated to be up to \$52.7 million in operating expenditure and \$1 million in capital expenditure;
- 5 **agreed** to provide operating funding for Vote Customs of \$40.0 million over the 2020/21 and 2021/22 financial years and a capital injection of \$1.0 million in 2020/21, and to set aside an additional \$10.0 million in operating funding to be held as a contingency to be released with the agreement of the Ministers of Finance and Customs, to fund the additional 337 staff needed to provide the necessary assurance at seaports to monitor and enforce compliance, as reflected in the paragraphs set out below;

- 6 **approved** the following changes to appropriations and capital injections to give effect to paragraph 5 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Customs Minister of Customs	\$m - increase/(decrease)	
	2020/21 to 2021/22	2022/23 & Outyears
Departmental Output Expenses: COVID-19 – Maritime Response (funded by Revenue Crown)	40.000	-
New Zealand Customs Service Capital injection	1.000	-

- 7 **noted** that the indicative spending profile for the new multi-year appropriation described in paragraph 6 above is as follows:

Vote Customs Minister of Customs	\$m - increase/(decrease)		
	2020/21	2021/22	2022/23 & Outyears
Departmental Output Expenses: COVID-19 – Maritime Response	30.700	9.300	-

- 8 **agreed** that the changes to appropriations and capital injections in paragraph 6 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

- 9 **agreed** that the expenses and capital expenditure incurred under paragraph 5 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;

- 10 **agreed** to establish a tagged operating contingency of up to the following amounts to provide for the decision in paragraph 5 above:

	\$m - increase/(decrease)		
	2020/21	2021/22	2022/23 & Outyears
COVID-19 – Maritime Response Tagged Operating Contingency	2.000	8.000	-

- 11 **agreed** that the tagged operating contingency in paragraph 10 above be charged against the COVID 19 Response and Recovery Fund established in Budget 2020;

- 12 **authorised** the Minister of Finance and the Minister of Customs jointly to make final decisions on drawing down from the tagged operating contingency funding in paragraph 10 above;

- 13 **agreed** that the 'COVID-19 - Maritime Response' contingency will expire on 30 June 2022, unless extended;

- 14 **noted** that the Minister of Finance and the Minister of Customs jointly may approve technical changes between departmental output expense appropriations within Vote Customs to provide for redeployment of staff for the implementation of the Order, with no impact on the operating balance or net core Crown debt;

- 15 **directed** Customs officials to report to the Minister of Finance and the Minister of Customs by the end of March 2021 on progress and use of the funding, including any projected underspend.

Michael Webster
Secretary of the Cabinet

PROACTIVELY RELEASED

~~IN CONFIDENCE~~

Office of the Minister of Customs

Cabinet

Implementing the Maritime Border Order: operating model and funding

Proposal

- 1 To enable the comprehensive delivery of monitoring and compliance with the requirements of the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 at New Zealand's seaports, I propose an increase in operating funding for Vote Customs of up to \$43.1 million spread over the 2020/21 and 2021/22 financial years, and a capital injection of \$1 million in 2020/21. I propose that an additional \$9.6 million in operating funding be held as a contingency to be released with the agreement of the Ministers of Finance and Customs in the event that costs cannot be met within available funding.

Relation to government priorities

- 2 This paper relates to the Government's strategy for COVID-19. The COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 (the Order) protects New Zealand from inward transmission of COVID-19 from people crossing the maritime border. The Order builds on the core public health principles that are central to the effort to prevent transmission of COVID-19.

Executive Summary

- 3 I seek operating funding for the New Zealand Customs Service (Customs) of \$30.7 million in 2020/21 and \$12.4 million in 2021/22, and a capital injection of \$1 million in 2020/21 from the COVID-19 Response and Recovery Fund to implement the Order. The Order has recently been reviewed and updated by Cabinet [CAB-20-MIN-0390]. This funding is for Customs to carry out its responsibilities under the Order to the required standard. I propose that an additional \$9.6 million in operating funding be held as a contingency to be released with the agreement of the Ministers of Finance and Customs in the event that costs cannot be met with the available funding.
- 4 Given the harms from a resurgence of COVID-19 and the low tolerance for the risk of transmission across the maritime border, ensuring compliance with the Order requires a high assurance, high presence approach by Customs which far exceeds Customs' usual risk-based approach. Under normal circumstances Customs does not maintain a presence at all ports where vessels arrive in New Zealand. Staff are sent to ports where a full time presence is not maintained when a risk assessment dictates that a vessel needs an interaction. It is not normally necessary for Customs to interact with a vessel at subsequent port visits.
- 5 The level of assurance needed for the Order requires maritime passengers and crew to be under supervision throughout their visit to New Zealand while on-board and working around the vessel, until any isolation period ends. This is resource intensive.
- 6 Customs estimates it needs 337 additional staff to deliver tasks under the Order to acceptable standards of assurance and to avoid seriously compromising its usual priorities to interdict illicit drugs, tobacco and firearms, and provide assurance over

~~IN CONFIDENCE~~

~~IN CONFIDENCE~~

Crown revenue. The number of extra staff needed can be reduced by redeploying Customs staff, largely from airports. Customs has redeployed 90 staff. However, this will not be sustainable if international air travel increases or international safe travel zones are established.

- 7 Customs is actively pursuing secondments and support from other agencies and has taken up an offer from the New Zealand Defence Force (NZDF) for the use of 78 personnel until 23 October 2020. Due to its own internal personnel pressures, and output obligations, the NZDF is limited in its ability to sustain its present support beyond the current 8 week secondment period.
- 8 Redeployment and secondments will not meet the full staffing requirement so external recruitment is needed. To meet the urgent need for a fully functional capability, Customs has started this recruitment. I propose that Customs is funded the full \$43.1 million now, so that it can recruit staff on fixed term agreements with confidence that funding is available. I propose the funding is ring-fenced, with any underspend returned to the Crown.
- 9 Over time and as confidence and trust are established in existing private sector systems for port and vessel security, Customs expects to move more towards a risk-based approach that will reduce staff and other resource requirements.
- 10 The funding will not cover the cost of testing maritime crew, port workers or anyone from the health workforce. The Ministry of Health is preparing separate advice to Cabinet on these and other health and workforce costs. The funding will not cover the cost of Managed Isolation and Quarantine (MIQ) for people entering via the maritime border which is met by the Ministry of Business, Innovation and Employment (MBIE).

Overview of the maritime border pre and during COVID-19

Pre COVID-19

- 11 Over 2,100 commercial vessels (excluding cruise ships) arrive in New Zealand annually. These are mainly container and bulk cargo vessels but also fishing boats and sundry specialist vessels. Most spend no more than seven days in NZ, although cargo vessels can visit more than one port in a voyage (average of 2.5 port visits per voyage). In 2019/20, 45 individual cruise ships came to New Zealand on average just under three times each (128 separate visits). They carried just over 100,000 passengers and crew.
- 12 Most commercial vessel crew stay on-board while in New Zealand. Crew transfers do occur whereby crew leave the vessel to be swapped over. Crew staying with the vessel can have shore leave.
- 13 Each year about 600 privately owned yachts and other pleasure craft arrive in New Zealand. The season for yacht visits lasts from September to about March/April when most have departed to winter somewhere else.
- 14 The Crown provided \$8.8m in 2018/19 to fund Customs' output class: Clearance and Enforcement Services Related to Craft. This output class consists of the provision of services relating to vessels, including clearance of vessels, interventions, audits, investigations and enforcement.

~~IN CONFIDENCE~~

- 15 The performance standards for this output class require that all yachts and other pleasure craft are boarded at the port of arrival and arriving commercial vessels are boarded if there is an identified need – such as the vessel showing a high risk or visiting New Zealand for the first time. Customs boarded all 619 arriving small vessels in 2018/19 and the 528 arriving commercial vessels that were assessed as being high risk or requiring administrative processing.

During COVID-19

- 16 Commercial vessel visits are trending slightly lower against expected numbers based on year-on-year averages, but the level of activity is still significant. During July 2020, 277 vessels arrived at New Zealand's seaports with about 5,700 people on-board, which is about a normal level of activity.
- 17 Crew who are transferring are not generally going into MIQ - the majority go straight from airport to port (and onto the vessel) or vice versa. Sometimes crew coming off vessels do require use of MIQ for a short time (1-2 days), when they cannot immediately go to their flight. During July 2020, 49 crew left a vessel either into a MIQ or straight to an airport to leave New Zealand as part of a crew transfer.
- 18 The vast majority of crew are not eligible for shore leave under the isolation rules applying under the Order. Crews of commercial vessels are isolated on the vessel and separated from anyone in New Zealand. Crew can carry out essential work on or around the vessel but must do so using protocols for managing risk, such as physical distancing, correct use of PPE and sanitation measures.
- 19 All visits by cruise ships are prohibited by the Order. This is expected to remain the case for the foreseeable future.
- 20 It is difficult to predict how many private yachts and other pleasure craft will arrive in the next yacht season, as a number of New Zealand vessels that would have left for the winter are still in New Zealand waters. Officials understand that there are between 300-500 yachts currently in ports in the Pacific region, some of which will likely seek to enter New Zealand. The limiting of entry to just citizens and permanent residents is a restricting factor on the potential for yachts to come to New Zealand.

The COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020

- 21 The Order gives agencies' the ability to provide assurance over vessels and people arriving into New Zealand by sea to ensure that core public health principles are upheld to mitigate the risk of transmission of COVID-19 via the maritime border. Agencies' responsibilities under the Order are set out in the table below:

~~IN CONFIDENCE~~

~~IN CONFIDENCE~~

Role	Agency
Clearance and Enforcement Services Related to Craft	Customs
Monitor ports via physical patrols, CCTV and other systems	Customs
Airport Transfers	MBIE
MIQ Transfers	MBIE
Testing of ships' crew and port workers	Ministry of Health/ District Health Boards/Public Health Units

- 22 In line with the testing and health assessment approach, the following isolation rules at the maritime border apply under the Order before anyone can enter New Zealand:
- 22.1 all vessels must complete a period of 14 consecutive days or more since the last port visit, any contact with outside people or another vessel, and taking on new crew members
- 22.2 all people on board must have been symptom-free for the past 14 days
- 22.3 where rules 22.1 or 22.2 are not met, 14 days isolation is required which can be a combination of isolation at sea and in port, and can include the journey time (where there has been no port visit or contact with outside people or another vessel). In practice persons may be discouraged from isolating on small yachts and pleasure craft.
- 23 Under the Order, if there is a positive test among those on-board the vessel, the positive case is quarantined and the rest of the people on-board must either stay on-board (if the vessel is departing) or complete a further 14 days managed isolation, if entering New Zealand is the aim.
- 24 Those people who do not meet low risk indicators (or who are not assessed and tested) are considered high risk and protocols around their movements reflect this. High risk include transfer crew, who are required to travel via secure and dedicated transport between the vessel and their means of leaving New Zealand. It is the Medical Officer of Health's or Health Protection Officer's role to authorise disembarkation of a vessel, provided they are satisfied, on the basis of advice from a suitably qualified health practitioner, that everyone on-board meets the low-risk indicators.

Customs and the maritime operating model

- 25 A resurgence of COVID-19 will cause extensive health and economic harm. The Order reflects an expectation that transmission across the maritime border is a severe risk. There is an extremely low tolerance for the risk so a high level of assurance over management of the risk at the maritime border is required.
- 26 Customs' tasks in respect of the Order are to:
- 26.1 monitor ports via physical patrols, CCTV and other systems

~~IN CONFIDENCE~~

- 26.2 hold ships' masters and individual crew members and passengers accountable for meeting their obligations, particularly in relation to isolation requirements, by maintaining a high level of visible presence
- 26.3 monitor and direct the movements of people to ensure they stay on vessels as required by the Order
- 26.4 ensure that people who are permitted to leave vessels do so safely, by maintaining hygiene, physical distancing and personal protective equipment requirements
- 26.5 ensure that the requirements of the Order are understood by ships' masters and by all crew and passengers
- 26.6 support MIQ processes to move people from vessels to airports (if part of a crew exchange), or into managed isolation or quarantine as required
- 26.7 establish headquarters and operational structure
- 26.8 identify and remedy any gaps/risks in the implementation of the Order
- 26.9 where enforcement of the Order is required, work with partner agencies in a timely manner to enable effective enforcement
- 26.10 deliver daily centralised reports on monitoring activities and vessel status
- 26.11 maintain regular engagement with stakeholders.
- 27 The Director-General of Health has authorised Customs officers as enforcement officers for the purpose of implementing the Order.
- 28 Customs' working assumptions are that the Order will stay in effect until 31 December 2021 (for consistency with the current planning assumption that the air border may be opened to foreign nationals about the end of November 2021), and that 24/7 coverage at all ports (or 24/7 on-call coverage at smaller, less used ports), is required.
- 29 For Customs the most resource intensive activities are those related to providing a 24/7 presence for isolation and general compliance monitoring at seaports. To deliver on its responsibilities (under the Customs and Excise Act 2018) under normal circumstances, Customs does not need to maintain a presence at all ports where vessels may arrive in NZ. Staff are sent to ports where a full time presence is not maintained only when a risk assessment dictates that a vessel needs an interaction.
- 30 Also under normal circumstances, it is not necessary for Customs to interact with a vessel at subsequent port visits on an individual voyage - customs and immigration processes are usually performed at the port of first arrival.
- 31 In contrast, the level of assurance needed for the Order requires vessels and their passengers and crew to be under supervision throughout their visit to New Zealand, or until any period of isolation on the vessel ends, whichever is sooner. Port facilities require security and surveillance to ensure persons working on or around vessels comply with health protocols and safe distancing is observed at all times. The monitoring for compliance of persons on yachts and other small pleasure craft will be particularly labour intensive.
- 32 The nature of the maritime domain means that there has to be a degree of flexibility built into the operating model. Vessels can be delayed by weather or other factors, so operational capacity needs to be available, without knowing a precise time of arrival. Also, there needs to be an ability to respond to the unexpected as vessels can arrive into New Zealand with little or no warning (despite the requirements of the Order).

~~IN CONFIDENCE~~

This means a degree of rapidly deployable response capability needs to be maintained.

- 33 Ports and vessels require security measures for health and safety and asset protection. Hence there are security systems to some extent already in place at seaports– fences and secure areas, controlled entry, CCTV, security patrols etc, noting that the presence of such facilities and their standards varies considerably from port to port.
- 34 To the greatest extent possible, Customs plans to use these systems to avoid duplication and costs, noting that these systems were not developed for the purposes of controlling the risks associated with COVID-19.
- 35 The exact approach at any given port will vary according to: the accessibility of the port; any existing port security controls and facilities; and the types of vessels, crew numbers and other related factors. Some ports receive ships infrequently; others are constantly busy. The common factor is that a high assurance, high presence approach must be provided by Customs, meaning the level of supervision and physical presence required of Customs at **all** seaports needs to be increased (and will greatly exceed “business as usual” levels).

Implementation – options and risks

- 36 There are a range of options to implement the Order depending on the one hand on the tolerance for risk at the maritime border, and on the other hand the extent to which the Government is prepared to forego Customs’ normal priorities to intercept restricted and prohibited goods (such as drugs and weapons), provide assurance over Crown revenue collection, and provide trade facilitation (such as assisting exporters with customs formalities both here and overseas) by diverting Customs’ existing staff to monitor and enforce the Order.
- 37 Customs has considered the costs and risks of options that would: not achieve full coverage at the maritime border (for example, not providing 24/7 coverage at all seaports); that achieve full assurance coverage at seaports but at the expense of Customs’ normal priorities; and an option that delivers both. The options are:
- Option one**
- 38 This option achieves partial implementation of the Order, and has been Customs’ approach since the first iteration of the Order came into effect on 30 June 2020. Customs currently has about 150 staff devoted to the Order, (including almost all Customs staff normally devoted to maritime work at seaports, and 90 staff redeployed from other areas – mainly international airports), topped up by secondments from other agencies and support from the NZDF as available. This option would be a continuation of the current implementation status of the Order.
- 39 As the short term secondments from other agencies and the support from NZDF will cease in October 2020, external recruitment is required to replace them to maintain the current level of support for the Order. A centralised headquarters and intelligence function is also needed. The cost of this option for the full 15 month period cannot be met from within Customs’ existing baseline and would require an additional \$21.2 million in operating funding spread over the 2020/21 and 2021/22 financial years and capital funding of \$0.5 million in 2020/21.
- 40 I do not recommend that this option be maintained going forward. It has not, and never will, be able to provide the staff numbers needed to provide 24/7 coverage at

~~IN CONFIDENCE~~

~~IN CONFIDENCE~~

all seaports. The risk would further increase when the yacht and pleasure craft season commences from about the end of September.

- 41 This option requires many Customs staff to work away from their regular locations which is unsustainable over long periods due to the cost and issues of staff fatigue and stress on whanau. Union support is required for this option as it requires contractual variations to collective employment agreements in order to require staff to provide the coverage necessary to meet the Order's requirements away from their normal locations. Due to the negative impacts over a long period on staff and their whanau such agreement may not be secured.
- 42 This option has serious negative consequences for border security. It requires Customs staff to divert from key Ministerial priorities for up to 15 months. For example, the reprioritisation of staff away from cargo examinations and investigative work would seriously compromise Customs' effectiveness in combatting the importation of illicit drugs in sea cargo. Transnational organised crime is still active despite COVID-19, and has adapted to the changed circumstances. Communities are at risk and we cannot afford to lose ground in this regard.

Option two

- 43 Under this option Customs would scale back the commitment of its existing seaport staff delivering the Order to about 53 people. They would undertake patrol and "buddy" roles to a supplementary workforce of 284 people provided by a mix of secondments from other agencies, the redeployment of 90 staff from within Customs and external recruitments. A centralised headquarters and intelligence function would still need to be established. Customs estimates that this option would require an additional \$46.7 million in operating funding spread over the 2020/21 and 2021/22 financial years and \$1 million in capital funding in 2020/21.
- 44 This is the minimum viable option to provide 24/7 coverage at all seaports for the Order and have surge capacity to be able to deal effectively with the yacht and pleasure craft season and other rapidly changing circumstances.
- 45 I do not recommend this option be adopted. It would keep the bare minimum of Customs officers on normal duties and would result in a significant diminution of Customs' capability to manage serious risk at the maritime border over a long period in areas such as illicit drugs and Crown revenue loss (eg smuggled tobacco).
- 46 This option would leave Customs with just enough maritime capability to manage high risk cargo and to follow up on strong intelligence and investigative leads over major illicit drug seizures. Customs would not have sufficient maritime capability to build investigative opportunities and intelligence through examining lower risk cargo, following up and making the connections among smaller quantity methamphetamine interceptions, and auditing cargo documentation for revenue evasion. It is through these means that Customs becomes aware of the adaptations that organised crime had made in response to border security, and detects new actors on the scene. Once organised crime gets established it is difficult to combat. I am concerned that if this option is adopted organised crime will soon recognise that the maritime border is not as well protected as in the past and will exploit this. I am also concerned at the possibility of not being able to deliver on the Government's domestic organised crime and transnational organised crime strategies, especially around methamphetamine.
- 47 This option also has, but to a lesser degree, the same risks to staff retention and family welfare as option one and will require union support for contractual variations.

~~IN CONFIDENCE~~**Option three**

- 48 This is the minimum viable option to provide 24/7 coverage at all seaports for the Order and to enable Customs to retain capacity to carry out cargo examinations, investigations and audits at near-normal levels and therefore to be able to detect and follow-up matters such as methamphetamine and illicit tobacco which are not the subject of already-held intelligence or current investigations. It would also enable Customs to carry out its revenue assurance functions as normal. While the estimated costs of this option exceed those of option two by \$6 million, this would be more than offset by the social harm avoided through the seizures of methamphetamine and by the extra Crown revenue recovered that is expected under this option in comparison to option two.
- 49 Under this option Customs officers normally based at seaports would provide a supervisory role over a dedicated workforce to monitor and enforce compliance with the Order with management support based at the locations needed, and with a centralised intelligence and direction function. Customs' priorities would still be impacted to a degree as the workforce beds in, but compared to options one and two significant capacity would then be released to prevent new border risks emerging as identified for options one and two above.
- 50 Under this option, to provide the necessary assurance at seaports Customs estimates that an additional 337 staff are required (of which 90 would come from redeployment within Customs). Of that total, 263 would operate at seaports as follows:

Location	Number of additional staff required
Northland (covering Marsden Point, Whangarei and Opuia)	42
Auckland	24
Tauranga	24
Napier (also covering Gisborne)	30
New Plymouth	24
Wellington	12
Nelson (also covering Picton)	24
Lyttelton	24
Timaru	24
Port Chalmers (also covering Dunedin)	15
Bluff (also covering Tiwai Point)	20
TOTAL	263

~~IN CONFIDENCE~~

- 51 A further 57 staff are required to work in people supervision (27 staff, all based at ports), workforce rostering (2 staff), and response coordination and leadership (28 staff operating under the same concept as a COVID-19 response HQ and cross-agency coordination given Customs' role as the lead agency).
- 52 The remaining 17 staff are required for corporate and back office support functions in policy, legal, recruitment, health and safety, learning and development (to train people), payroll, information services, accounting and general corporate support.
- 53 Having these 337 staff for duties associated with the Order will enable Customs officers based at offices associated with seaports to return to their normal duties while continuing to provide a level of supervision and support for the additional staff redeployed, seconded or recruited for maritime duties.
- 54 The total estimated cost of option three is up to \$52.7 million in operating expenditure spread over the 2020/21 and 2021/22 financial years. Capital funding of \$1 million in 2020/21 is required as an upfront investment in the tools and equipment for staff to operate effectively and safely. This cost estimate assumes that Customs is unable to sustain internal redeployment and most of the staff have to be externally recruited. The net costs are expected to be lower, depending on the costs of staff seconded from other agencies, and the sustainable level of internal redeployment. If Customs is able to sustain the redeployment of 90 staff over the full period it would reduce costs by about \$8 million over the 15 months.

Recommended option

- 55 I recommend that option three be adopted. It enables Customs to deliver the level of assurance required under the Order at all seaports while also enabling Customs to fulfil its Ministerial priorities at the border to stop the flow of drugs, intercept other restricted and prohibited goods, and to collect revenue.
- 56 Once confidence and trust are established in existing private sector systems for port and vessel security, the high presence approach may be replaced to an extent by a trust and verify model which would require fewer Customs officers to operate.
- 57 I propose that Customs be granted operating funding of \$30.7 million in 2020/21 and \$12.4 million in 2021/22 as a multi-year appropriation from the Covid-19 Response and Recovery Fund. Given the level of uncertainty around costs, and the sustainability of internal redeployment, I propose that \$9.6 million in operating funding be held as a contingency to be released with the agreement of the Ministers of Finance and Customs in the event that costs cannot be met within available funding. Any unexpended funds will be returned to the Fund. This arrangement will give Customs funding certainty to enter into fixed term employment agreements for the full duration of the Order (which will help to reduce costs). Anything less than the preferred option could compromise Customs' ability to recruit to the extent necessary to give effect to the Order.
- 58 I also recommend that Customs officials be directed to report to the Minister of Finance and me at the end of March 2021 on progress and use of the funding, including any projected underspend.

Implementation of the recommended option

- 59 The options to provide the 337 staff to implement option three are through a mix of:

~~IN CONFIDENCE~~

~~IN CONFIDENCE~~**Continuing to redeploy Customs staff**

- 59.1 Customs is redeploying staff from other duties, subject to Union and individual agreement. However, Customs cannot provide all of the staff required by this means from its existing staff numbers of 1,279 FTE. Customs estimates it can redeploy 90 staff for maritime work over the 15 months – mainly from international airports. With this level of redeployment, Customs will continue to use a small number of airport staff to support projects associated with New Zealand's economic recovery such as making the Secure Exports Scheme available to small and medium sized enterprises.
- 59.2 Customs will be able to sustain this level of redeployment for the full 15 months, only if safe travel zones do not come into effect over that period. Safe travel zones require higher than normal staffing levels to process passengers separate from passengers requiring managed isolation. International passenger volumes will drive staffing requirements. In addition, the 90 staff are not all based in the locations where they would be needed. The costs of staff operating away from their normal locations (travel, accommodation, allowances) for long periods of time can result in higher costs than seconding staff from other agencies already based in that location, or externally recruiting into a role.

Secondments from other agencies and support from NZDF

- 59.3 Customs has reached out to other agencies and has accepted offers of staff from the Ministry for Primary Industries and the Department of Conservation for short term secondments of 6 to 8 weeks. Customs has also taken up an offer from the New Zealand Defence Force (NZDF) for the use of 78 NZDF personnel for maritime duties until 0800 hours on 23 October 2020. The seconded staff and NZDF personnel who will be acting in support of Customs have been authorised as enforcement officers under the COVID-19 Public Health Response Act 2020.
- 59.4 Customs has sought assistance from a range of agencies for longer term secondments, but these are not available. The NZDF advises that due to its own internal personnel pressures, and output obligations, it is limited in its ability to sustain its present support beyond the current 8 week secondment period.

External recruitment

- 59.5 Customs will need to externally recruit to fill the remaining places that cannot be provided by redeployment or secondments. External recruitment has already commenced, although no job offers will be made until funding is confirmed.
- 60 Customs anticipates hiring staff on fixed term agreements linked to the term of the Order. Costs will be managed through the creation of an occupational class for the tasks required at seaports (Assistant Customs Officer Maritime) which is limited to particular duties and the exercise of certain specified Customs' powers. This would copy an approach successfully applied at airports for the last three years.
- 61 Customs estimates that it would take about eight weeks to recruit and staff the positions at seaports to be filled through external recruitment, and a further three weeks for these new staff to be trained and fully operational.

~~IN CONFIDENCE~~

~~IN CONFIDENCE~~

Co-ordination of the Covid-19 Required Testing Order

- 62 The Order requires maritime crew to be tested before they are allowed shore leave. As part of its management of the Order, Customs will arrange for crew to be tested by scheduling this with local DHB testers.
- 63 The recently promulgated COVID-19 Public Health Response (Required Testing) Order 2020 requires the compulsory testing of border staff and workers for COVID-19. DHBs have advised border agencies that they will be able to arrange on-site testing, in ways that accommodate work shift patterns, if they receive advance notice of who needs to be tested, and when.
- 64 I have been advised that MIQ is working to provide to DHBs a consolidated list of who needs to be tested at their facilities on any given day. This list will include both MIQ staff and other private sector workers at the MIQ facilities. Having a single list for MIQ will simplify the administrative and logistical issues for DHBs when arranging the testing at these locations. PHUs are also involved (along with their DHBs) in the testing of maritime crew prior to entering New Zealand.
- 65 My officials are working with other government agencies to see how a single list of people to be tested at each location can be achieved. Any solution may require additional funding in addition to the amounts requested in this paper.
- 66 The Ministry of Health is leading work to develop a means to electronically track testing of border personnel in a systematic way. The objective is to have a system that regularly sends information from employers to DHBs about workers captured by the compulsory testing regime, so that employers will automatically receive reports on employees who have been tested and so that reconciliation and reporting can occur that does not rely on manual systems. Once such a system has been developed Customs may be among the first to trial it. I note that Ministry for Primary Industries, Immigration New Zealand and the Aviation Security Service are also interested such a system.

Financial implications

- 67 The financial implications are an increase in funding for Vote Customs of \$43.1 million over two financial years (2020/21: \$30.7 million, 2021/22: \$12.4 million) and a capital injection of \$1 million in 2020/21. An additional \$9.6 million in operating funding charged against the Fund is to be held as a contingency to be released with the agreement of the Ministers of Finance and Customs in the event that costs cannot be met within available funding.
- 68 The funding does not include the costs of testing ships' crew and port workers which is funded separately through the Ministry of Health.
- 69 I propose to establish a new discrete appropriation in Vote Customs specifically for the implementation of the Order. This appropriation will isolate and ring-fence the costs of this new activity which will improve transparency.
- 70 The new appropriation is to be funded by Revenue Crown and the title and the scope will be:

~~IN CONFIDENCE~~

~~IN CONFIDENCE~~

Name	Scope Statement
COVID-19 - Maritime Response (MYA)	This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.

- 71 A new model for running the MIQ system is in implementation. Officials from the Ministry of Business, Innovation and Employment will report to Cabinet on this sustainable MIQ operating model and to seek additional funding to support MBIE and other agencies to operate the system.

Legislative Implications

- 72 There are no legislative implications from the recommendations in this paper.

Impact Analysis

- 73 The Treasury has advised a Regulatory Impact Statement (RIS) is not required for the recommendations in this paper as it does not propose any regulatory change. While a RIS is not required, the operation of the maritime border should be included in comprehensive analysis of the suite of border settings responding to COVID-19 to be developed by Government.

Population implications

- 74 The decisions in this paper will have no differential impact on any population groups. However they are part of the overall set of border restrictions and these border restrictions will lower economic activity collectively (which may result in disproportionate effects on some groups).

Human Rights

- 75 This paper concerns resources to enforce an Order with significant human rights limitations on the rights of persons arriving into New Zealand to freedom from unreasonable searches and movement (through mandatory health screening and requirements for managed isolation or quarantine). These limitations are considered justified given the seriousness of the health risks posed by people arriving in New Zealand in light of the ongoing global transmission of COVID-19 in most countries. The proposals in this paper only relate to funding and do not involve changes to the Order itself which has recently been reviewed by Cabinet [CAB-20-Min-0390 refers].

Te Tiriti o Waitangi obligations

- 76 The funding proposal in this paper has no Te Tiriti o Waitangi implications.

Consultation

- 77 The following agencies were consulted and their views taken into account during the development of the paper: Ministry of Health, Ministry of Business, Innovation and Employment, New Zealand Defence Force, Treasury, Department of the Prime Minister and Cabinet, Ministry of Transport, Ministry of Foreign Affairs and Trade,

~~IN CONFIDENCE~~

State Services Commission, Ministry for Primary Industries, Department of Conservation, and Crown Law Office.

Communications

78 As this paper relates to operational matters no formal communications are planned.

Proactive Release

79 Officials will consider appropriate timing to proactively release this paper following Cabinet consideration, with redactions made as appropriate.

Recommendations

80 The Minister of Customs recommends that Cabinet:

- 1 **Note** that the New Zealand Customs Service has accepted responsibility for significant new functions under the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020;
- 2 **Note** that Customs does not have available funding within its Vote to stand up an on-going, fully functional capability on a 24/7 basis at all seaports to ensure compliance with the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020 and that people working around maritime vessels meet hygiene, physical distancing and personal protective equipment requirements;
- 3 **Agree** to establish the following new multi-year appropriation, to run from 1 September 2020 to 30 June 2022:

Vote	Appropriation Minister	Title	Type	Scope
Customs	Minister of Customs	COVID-19-Maritime Response	Departmental Output Expense	This appropriation is limited to the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.

- 4 **Note** the full cost of this initiative is estimated to be up to \$52.7 million in operating expenditure and \$1 million in capital expenditure;
- 5 **Agree** to provide operating funding for Vote Customs of \$43.1 million over the 2020/21 and 2021/22 financial years, and a capital injection of \$1 million in 2020/21 and to set aside an additional \$9.6 million in operating funding to be held as a contingency to be released with the agreement of the Ministers of Finance and Customs, to fund the additional 337 staff needed to provide the necessary assurance at seaports to monitor and enforce compliance as reflected in the financial recommendations below;
- 6 **Approve** the following changes to appropriations and capital injections to give effect to the policy decision in recommendation 5 above, with a corresponding impact on the operating balance and net core Crown debt:

~~IN CONFIDENCE~~

	\$m - increase/(decrease)	
	2020/21 to 2021/22	2022/23 & Outyears
Vote Customs Minister of Customs		
Departmental Output Expense: COVID-19 - Maritime Response (funded by Revenue Crown)	43.100	0.000
New Zealand Customs Service Capital Injection	1.000	0.000

- 7 **Note** that the indicative spending profile for the new multi-year appropriation described in recommendation 6 above is as follows:

	\$m - increase/(decrease)		
	2020/21	2021/22	2022/23 & Outyears
Vote Customs Minister of Customs			
Departmental Output Expenses: COVID-19 - Maritime Response	30.700	12.400	-

- 8 **Agree** that the proposed changes to appropriations and capital injections in recommendation 6 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 9 **Agree** that the expenses and capital expenditure incurred under recommendation 5 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;
- 10 **Agree** to establish a tagged operating contingency of up to the following amounts to provide for the decision in recommendation 5;

	\$m - increase/(decrease)		
	2020/21	2021/22	2022/23 & Outyears
COVID-19 - Maritime Response	1.600	8.000	-
Tagged Operating Contingency			

- 11 **Agree** that the tagged operating contingency in recommendation 10 above be charged against the COVID 19 Response and Recovery Fund established in Budget 2020;

~~IN CONFIDENCE~~

- 12 **Authorise** the Minister of Finance and Minister of Customs jointly to make final decisions on drawing down from the tagged operating contingency funding in recommendation 10 above;
- 13 **Agree** that the “COVID-19 - Maritime Response” contingency will expire on 30 June 2022 unless extended;
- 14 **Note** that the Minister of Finance and Minister of Customs may jointly approve technical changes between departmental output expense appropriations within Vote Customs to provide for redeployment of staff for the implementation of the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020, with no impact on the operating balance or net core Crown debt;
- 15 **Direct** Customs officials to report to the Minister of Customs and the Minister of Finance by the end of March 2021 on progress and use of the funding, including any projected underspend.

Authorised for lodgement

Hon Jenny Salesa, Minister of Customs

PROACTIVELY RELEASED

~~IN CONFIDENCE~~