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Paper prepared by: Hon Meka Whaitiri, Minister of Customs

Date considered by Cabinet: 12 December 2022

Name of paper: New Zealand Traveller Declaration: Update on implementation progress, decisions on contingency funding and options for future funding of services

Cabinet reference: CAB-22-MIN-0564 and DEV-22-MIN-0301

Purpose of the paper: This paper sought the Cabinet Economic Development Committee's agreement on the drawdown of COVID-19 – Traveller Health Declaration System Tagged Contingency funding in 2023/24, and options for funding New Zealand Traveller Declaration (NZTD) services in the future. The paper proposed NZTD services from 1 July 2024 onwards be fully funded by fee paying travellers through the existing border processing levy.

Redactions: Parts of the Cabinet paper have been redacted under sections 9(2)(f)(iv) of the Official Information Act 1982. Any redactions appear in the text as black boxes, with an explanation of why the redaction was made.



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Cabinet Economic Development Committee

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.

New Zealand Traveller Declaration: Update on Implementation Progress and Next Steps

Portfolio Customs

On 7 December 2022, the Cabinet Economic Development Committee:

Background

- 1 **noted** that on 8 September 2021, the Cabinet Business Committee:
- 1.1 agreed to develop a traveller health declaration system (now known as the New Zealand Traveller Declaration System) as proposed in the Traveller Health Declaration System – Single Stage Business Case;
- 1.2 agreed to establish tagged operating and capital contingencies associated with the COVID-19 Response portfolio of up to the following amounts for the development and implementation of the New Zealand Traveller Declaration System:

	2021/22	2022/23	2023/24
COVID-19 – Traveller Health Declaration System Tagged Operating Contingency	-	40.000	75.200
COVID-19 – Traveller Health Declaration System Tagged Capital Contingency	-	13.600	-

- 1.3 agreed that the drawdown of project and operating funding (a mix of both capital and operating) from the tagged contingencies in paragraph 1.2 above be subject to Cabinet consideration in early 2022 of an addendum to the Traveller Health Declaration System – Single Stage Business Case, and will address funding requirements through until the end of 2022/23;
- 1.4 agreed that the tagged operating and capital contingencies be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;

[CBC-21-MIN-0090]

- 2 **noted** that as part of Budget 2022:
 - 2.1 \$13.600 million capital contingency, phased to be spent in 2022/23, outlined in paragraph 1.2 above, was returned to the Crown;
 - 2.2 \$3.300 million of the \$40.000 million operating contingency, phased to be spent in 2022/23, outlined in paragraph 1.2 above, was returned to the Crown;
 - 2.3 \$75.200 million contingency, phased to be spent in 2023/24, outlined in paragraph 1.2 above, was reduced to \$55.200 million;

[CAB-22-MIN-0129]

Financial implications

- 3 **noted** that the capital funding required to build the New Zealand Traveller Declaration infrastructure, as set out in the business case, is \$13.600 million;
- 4 **agreed** to provide funding in the 2023/24 year for costs associated with the operation of the New Zealand Traveller Declaration, the development of port infrastructure, and additional airport support to industry partners and travellers;
- 5 **agreed** that \$13.600 million of the tagged operating contingency described in paragraph 3 above be drawn down as a capital injection in 2023/24, with a corresponding positive impact on OBEGAL;
- 6 **approved** the following changes to appropriations and capital injections to the New Zealand Customs Service to give effect to the policy decision in paragraphs 4 and 5 above, with a corresponding impact on net debt:

	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Vote Customs Minister of Customs Departmental Output Expense: Traveller Declaration System Development (funded by revenue Crown)	-	17.400	-	-	-
New Zealand Customs Service - Capital Injection	-	13.600	-	-	-

- 7 **agreed** that the operating and capital expenditure incurred under paragraph 6 above be charged against the COVID-19 – Traveller Health Declaration System Tagged Operating Contingency;

8 **noted** that, following the adjustment detailed in paragraph 6 above (as well as previous adjustments agreed in CAB-22-MIN-0104 and CAB-22-MIN-0129), the remaining balances and indicative phasing of the operating contingency described in paragraph 1 above will be as follows:

	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27
COVID-19 – Traveller Health Declaration System Tagged Operating Contingency	-	24.200	-	-	-

9 **noted** that the tagged operating contingency described in paragraph 1 above will expire on 30 June 2024;

10 **authorised** the Minister of Customs, the Minister of Immigration, and the Minister of Finance jointly to draw down the \$24.200 million remaining in the COVID-19 – Traveller Health Declaration System Tagged Operating Contingency;

11 **authorised** the Minister of Customs, the Minister of Immigration, and the Minister of Finance jointly to determine the split of the drawdown of the \$24.200 million remaining in the COVID-19 – Traveller Health Declaration System Tagged Operating Contingency between operating and capital funding, depending on the type of funding required at the time of drawdown;

12 **agreed** that the operating costs of the New Zealand Traveller Declaration from 1 July 2024 onwards should be fully met by travellers using the existing border processing levies;

13 **noted** that New Zealand Traveller Declaration costs will affect levy rates that agencies will set for the next levy period starting on 1 December 2024, and that agencies will consult stakeholders before setting those rates;

Implementation and next steps

14 **noted** that responsibility for the Border Executive Board will be shifted from the Minister for COVID-19 Response to the Minister of Customs;

15 **noted** that, as the New Zealand Traveller Declaration will be a digital arrival card, it will be the responsibility of the Minister of Customs;

16 **noted** that the Minister of Customs will report back to Cabinet prior to launch covering the New Zealand Traveller Declaration system’s operational readiness, insights from the system pilots, and the communications strategy to support the fully operational New Zealand Traveller Declaration going live.

Jenny Vickers
Committee Secretary

Attendance: (see over)

Present:

Hon Grant Robertson
Hon Dr Megan Woods
Hon Nanaia Mahuta
Hon Damien O'Connor
Hon Stuart Nash
Hon Kiri Allan
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene MP
Dr Deborah Russell MP

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Officials Committee for DEV
Office of the Chair of DEV

PROACTIVELY RELEASED



Cabinet

Minute of Decision

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Report of the Cabinet Economic Development Committee: Period Ended 9 December 2022

On 12 December 2022, Cabinet made the following decisions on the work of the Cabinet Economic Development Committee for the period ended 9 December 2022:

- Out of scope** [Redacted]
- Out of scope** [Redacted]
- Out of scope** [Redacted]
- Out of scope** [Redacted]
- Out of scope** [Redacted]
- Out of scope** [Redacted]
- Out of scope** [Redacted]

PROACTIVELY RELEASED

Out of scope

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Out of scope

[Redacted]

[Redacted]

DEV-22-MIN-0301

New Zealand Traveller Declaration: Update on Implementation Progress and Next Steps
Portfolio: Customs

CONFIRMED

Out of scope

[Redacted]

[Redacted]

Out of scope

[Redacted]

[Redacted]

Rachel Hayward
Secretary of the Cabinet

In Confidence

Office of the Minister of Customs

Cabinet Economic Development Committee

New Zealand Traveller Declaration: Update on implementation progress, decisions on contingency funding and options for future funding of services

Proposal

- 1 This paper seeks decisions on:
 - 1.1 the drawdown of COVID-19 – Traveller Health Declaration System Tagged Contingency funding in 2023/24; and
 - 1.2 options for funding New Zealand Traveller Declaration (NZTD) services in the future, and proposes NZTD services from 1 July 2024 onwards be fully funded by fee paying travellers through the existing border processing levy.

Relation to government priorities

- 2 The NZTD supports the Government's priorities of accelerating economic recovery, facilitating the Government's decisions on border health requirements in response to COVID-19 and continuing to keep New Zealand borders open and safe.
- 3 The NZTD also supports the Government's recovery and rebuild priorities, building the capability to respond as appropriate to future health or biosecurity events [CAB-21-MIN-0305].
- 4 The NZTD is integral to achieving the accountabilities of the Border Executive Board (BEB),¹ including ensuring any Government response to resurgent or new risks continues to work well at the border. This is laying the foundation to continue to build New Zealand's safer, smarter and more agile border.
- 5 The NZTD will continue to contribute to a stable economic base for New Zealand, ensuring the border is well equipped to enable, for example: access to people and skills; protecting New Zealand from harmful pests and diseases; social cohesion through connection; economic recovery through tourism; and the maintenance of exporters' access to develop international markets and maintain international competitiveness.

¹ The board members of the BEB are the chief executives of the New Zealand Customs Service (Customs), Ministry for Primary Industries (MPI), Ministry of Health, Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment (MBIE), and Ministry of Transport. The BEB is an interdepartmental executive board under the Public Service Act 2020 and is tasked with providing effective governance of the New Zealand border.

Executive Summary

- 6 The NZTD provides the platform for Government's response to resurgent health or new risks at the border. This is through the provision of smarter border processing, as traveller volumes increase and enhanced responses to future border risks of all types. The NZTD was implemented for air travellers on 25 March 2022 and was an important first step in supporting the sustainable re-opening of our border and managing COVID-19 related risk offshore.
- 7 On Tuesday 18 October 2022, because the health requirements were removed, it was announced that travellers are no longer required to complete a NZTD to enter New Zealand and the operation of the NZTD would pause, while work on replacing the paper arrival card continues. In the light of this decision, the NZTD programme has reviewed its costs.
- 8 The continued investment in the NZTD programme will deliver enduring benefits to New Zealand from smarter, more effective border processing services. By June 2023, the NZTD will provide a single point for passengers to complete their travel declaration, removing the need for a physical arrival card or separate verification processes should resurgent health or other risks arise. In a changing risk environment, the NZTD's proactive communications will make compliance with entry requirements easier for travellers to New Zealand, giving them certainty about health or other border settings and requirements prior to travel and simplifying the arrival process. It will allow more targeted risk assessment and management of travellers both off and onshore and facilitate better information sharing and planning between border agencies. Officials are working through the question of when a traveller legally needs to have completed the declaration, to achieve the optimum border risk response.
- 9 I am seeking agreement that the first full introductory year of NZTD operations be met through the existing tagged contingency balance, which was set aside for this purpose. The total funds spent and tagged to the NZTD are set out in Appendix 1. The balance of the COVID-19 – Traveller Health Declaration System Tagged Contingency is currently \$55.200 million in operating funding.
- 10 I seek to draw down the majority of these tagged contingency funds. To ensure I do not ask for more than is needed, I am only requesting to draw down for the first six months of the fully operational NZTD (from 1 July 2023), \$31.000 million; comprising \$17.400 million operating and \$13.600 million capital funding. This is to accommodate some business-as-usual transition expenses from 1 July 2023; and allow for the deployment of the fully operational NZTD in the maritime space.
- 11 Secondly, I am seeking delegated authority to be given to Joint Ministers to approve drawdown of the remaining \$24.200 million, and to determine the split of this drawdown between operating and capital funds at the time of drawdown. This is to allow time to determine the financial implications of: the pending decisions by border agencies on the NZTD programme final service design; establishing agency service levels; and getting in place the authorising mandates to gather NZTD data.
- 12 The indicative forecast costs of the NZTD will be refreshed once the next phase of programme design and production work is complete during 2022/23. The NZTD

Programme will then be in a position to know the extent of the second drawdown required.

- 13 This paper recommends that the ongoing operating expenses of the NZTD from 1 July 2024, be fully cost recovered from fee paying travellers. The regulatory regime for recovering border processing costs is through the existing border processing levies. MPI and Customs will next set levy rates on 1 December 2024. Subject to Cabinet's decision, the formula for setting levy rates will include NZTD costs along with other border processing costs. Customs do not expect any increase in fees paid by travellers to be significant, and, depending on traveller volumes, currently estimate it at less than \$5 per traveller.
- 14 The Minister for COVID-19 Response and the Minister of Customs have agreed with the Prime Minister that responsibility for the Border Executive Board be shifted from the Minister for COVID-19 Response to the Minister of Customs.
- 15 The NZTD digital arrival card will be the responsibility of the Minister of Customs. I propose to report back to Cabinet prior to launch covering the NZTD system operational readiness, insights from the NZTD system pilots and the communications strategy to support the fully operational NZTD going live.

Modernising our border experience

- 16 The NZTD is an electronic declaration that will streamline arrival declaration, enabling travellers to engage with border management information requirements earlier. It will close gaps in risk profiling, targeting and in border requirements, including health risk management. It will include customs, immigration and biosecurity declarations as well as health risk assessments if required. It will enable border agencies' capability and capacity to be responsive to emerging risk and enhance collaboration across agencies and industry to respond effectively to current risks and future events. The information is also collected for Stats NZ and used for producing statistics on international travel. The NZTD is an integral part of delivering border processing services because it engages with travellers and enables agencies to automatically assess their risks. The NZTD improves the effectiveness and resilience of border processing by:

16.1 improving effectiveness in mitigating risks posed by travellers:

- it reduces some risk by helping travellers to understand how to comply with border requirements before they travel;
- it provides more timely declaration information to inform risk assessments;
- it enables better targeting of high-risk travellers by providing electronic data for risk assessment;
- it enables agencies to assign resources earlier, or transfer resources previously involved in processing low-risk travellers and handling

physical arrival cards, to processing higher-risk travellers or other risk management activities; and

- it enables agencies to share more information about travellers, and to better plan their border processing operations;

16.2 helping to keep New Zealand's borders open into the future:

- it will be able to accommodate additional border requirements the Government might impose on travellers in the future should resurgent or new border risks emerge, such as future risks related to health and foot-and-mouth disease; and
- it can assess each traveller's individual risk, enabling border processing services to operate at normal capacity during pandemics and other risk events; and

16.3 facilitating the journey of low-risk travellers through border processing areas:

- it helps travellers to meet border requirements by providing advice and reminders about their obligations across, for example, immigration, biosecurity and customs before they travel;
- it gives travellers more certainty prior to travel that they will be complying with New Zealand's border requirements; and
- it enables more low-risk travellers to pass through the border processing area with less interaction with border staff.

17 By contrast, the current paper-based arrival card:

17.1 does not provide electronic data to assess travellers, and involves officers making on-the-spot risk assessments;

17.2 would involve resource-intensive manual processing during a pandemic or other risk event, limiting the number of travellers that agencies could process; and

17.3 does not inform travellers about their border obligations before they travel, and involves officers interacting with low-risk travellers who have not fully completed their arrival card.

18 From 25 March 2022 to 20 October 2022, the NZTD was used at the border as part of the Government's Reconnecting New Zealanders programme, with travellers using the online system to provide personal information and COVID-19 related information such as vaccination and pre-departure test certificates. The use of the NZTD was paused on 20 October 2022 as part of the wider wind-down of extraordinary COVID-19 response powers.

19 Throughout the period NZTD was live, a range of feedback was provided by travellers on the system across a number of topics, including functionality, ease of

use, frequent traveller improvements and autosaving functionality. Some travellers found using the digital Traveller Declaration system challenging, and feedback was monitored, considered and incorporated as part of Customs' continuous improvement approach. Work is currently underway on an accessibility, usability, and inclusion strategy to ensure the digital arrival card meets the needs of a variety of people.

- 20 As part of the Reconnecting New Zealanders programme, travellers using the NZTD during its live period were required to provide information that had never been required before, such as vaccination and pre-departure test certificates, which added complexity to using the system. As the health requirements lifted, feedback to Customs indicates travellers found the system a lot easier to use, and the standard time to complete the online form decreased from around 30 mins to within 10 minutes.
- 21 While Government has provided for the development of the programme, the ongoing funding source has not been determined and is the subject of this report back to Cabinet.

Update on implementation progress

- 22 The fully operational NZTD is on track for delivery by 30 June 2023. To date, the NZTD has delivered a digital system to collect COVID-19 health information and issue traveller passes to support the re-opening of the air border. This has been available for air passengers since 25 March 2022. This was an important first step in supporting the sustainable re-opening of our border and managing COVID-19 related risk offshore. The health requirements in the NZTD have been updated to reflect the Government response to advice on the changing health risks.
- 23 To date over 1.8 million NZTD declarations have been made by travellers, with over 10,000 NZTDs being issued on average per day. Around 94 percent of these declarations were completed digitally.
- 24 As part of the winding down of extraordinary COVID powers on 18 October 2022, it was announced that travellers are no longer required to complete a NZTD to enter New Zealand. Customs, with other border agencies, will continue work to replace the paper arrival card with a new online NZTD system by 30 June 2023. Until this time, travellers will still be required to complete a paper Passenger Arrival Card.
- 25 By the second quarter of 2023 the NZTD Programme will start end-to-end system and business process pilots, to limited audiences. This is alongside seeking feedback from travellers to New Zealand and industry partners (including key representatives from across the aviation sector). We have established relationships with industry partners and will continue to work closely with them as the NZTD programme transitions to business as usual. This is part of our commitment to making sure border processes are

straight forward and easy to comply with.² Refer to paragraph 14 for information on how the NZTD makes border processing services more effective and resilient.

- 26 By 2025 we expect the NZTD system to have facilitated 25 million entries to New Zealand. Access to digital information allows border agencies to effectively assess and manage the forecast increased volume of travellers to New Zealand.
- 27 On 26 October 2022, the Customs and Excise (Arrival Information) Amendment Bill was introduced into the House. The Bill provides for clearer arrival information obligations to help with customs-related border management matters, such as collection of revenue and detection of restricted or prohibited goods. The Bill also aims to improve the collection of arrival information by introducing new offences to enforce the system. The changes in the Bill support the digitising of the paper arrival card. While a digital arrival card can be implemented using existing legislation, changes are desirable to improve the enforcement and functionality of the system. Agencies will pilot the new system on some travellers early. This will provide feedback and user experience to inform the system before going live for all travellers. It is anticipated that the Select Committee considering the Bill will report back to the House by 27 April 2023, with final house stages in May and enacted in late June 2023.

2023/24 COVID-19 Traveller Health Declaration System Tagged Contingency

- 28 The Crown set aside the COVID-19 Traveller Health Declaration System Tagged Operating Contingency to cover NZTD ongoing operations. The tagged contingency fund balance is now \$55.200 million operating funding in the 2023/24 year. A table detailing this funding is attached in Appendix 1.
- 29 To ensure I do not ask for more than is needed, I am only requesting drawdown for the first six months of the fully operational NZTD, being to seek drawdown of \$31.000 million for the period 1 July 2023 to 31 December 2023. Secondly, I am seeking delegated authority to be given to Joint Ministers to approve drawdown of the remaining \$24.200 million, and to determine the split of this drawdown between operating and capital funds at the time of drawdown.
- 30 Regarding the first request, totalling \$31.000 million, I seek through Cabinet authority for the Minister of Customs, Minister of Immigration and the Minister of Finance jointly to approve the drawdown of up to \$17.400 million operating and \$13.600 million capital funding from the tagged contingency in 2023/24. This funding is proposed to be applied as follows:

30.1 \$13.500 million operating funding to:

- run the fully operational NZTD, for the first six months of its operation from 1 July 2023 to 31 December 2023. This includes

² Refer to paragraph 14 for information on how the NZTD makes border processing services more effective and resilient.

running the new information technology system, contact centre and website and asset charges including depreciation;

- accommodate some business-as-usual transition expenses from 1 July 2023, which are dependent upon pending enactment of the Customs and Excise (Arrival Information) Amendment Bill; and
- allow for the deployment of the fully operational NZTD in the maritime space, to support successful delivery for cruise ships arriving in New Zealand between October 2023 and April 2024 for the 2023/24 summer cruise season.

30.2 \$3.900 million operating and \$13.600 million capital in 2023/24, to:

- develop the border infrastructure at ports, as originally envisaged in the business case. This will streamline passenger processing in line with the forecast increase in passenger volumes; and allows us to manage further risks at the border through automation (\$2.100 million operating and \$13.600 million capital).

30.3 \$1.800 million operating funding for additional support to industry partners and travellers offshore during the first few months of the business-as-usual NZTD system.

31 The second component of my request is for the balance of the tagged contingency to be retained during 2023/24. I seek Cabinet authority for the Minister of Customs, Minister of Immigration and the Minister of Finance jointly to approve the drawdown of up to \$24.200 million of the remaining tagged contingency fund, to deliver the second six months of the fully operational NZTD from 1 January 2024 to 30 June 2024. This is to accommodate current forecasting uncertainties, notably:

- 31.1 finalisation of the NZTD service design, including for maritime travellers, which is scheduled for completion by December 2022;
- 31.2 establishing the agency service levels and operating arrangements for the NZTD full digital declaration. This is scheduled for completion by December 2022; and
- 31.3 the enduring authorising mandates for the NZTD to gather and utilise traveller data. These have yet to be put in place and are pending enactment of the Customs and Excise (Arrival Information) Amendment Bill.

32 Financial forecasting models have been developed and forecasting will be revised once these matters are worked through.

33 I seek that the Minister of Customs, Minister of Immigration and the Minister of Finance be given joint authority to determine the necessary split of the drawdown between operating and capital funding depending on requirements at the time. The split between operating and capital funding is currently forecast to be \$17.8 million of operating funding and \$6.400 million of capital funding. This Joint Ministerial authority will allow time for NZTD system dependencies to be resolved, and any

resulting additional functionality to be considered before consultation with industry is undertaken and costs become fully cost recovered from travellers.

Options for future funding of NZTD

34 The scope of the report back on funding options was set out in the Cabinet Paper in September 2021 [CBC-21-MIN-0090 refers]:

“I consider it is appropriate in these COVID-19 circumstances, that the Crown funds the initial development of the traveller health declaration system and initial operating costs. Future operating costs of the traveller health declaration system beyond this date could be funded by travellers. Customs will report back to Cabinet in the second half of 2022 on options for charging travellers for the ongoing operating costs of providing the traveller health declaration system via cost recovery.” (Cabinet Business Committee paper: “Reconnecting New Zealanders: funding for the development of a traveller health declaration system” at para 91)

NZTD costs should be recovered in the same way as other border processing costs

35 MPI, Customs, and Immigration New Zealand carry out border processing services. MPI and Customs recover these costs through border processing levies (described in Appendix 2). The costs of immigration services are partially recovered through a mix of fees and levies, with remaining funding coming from the Crown.

36 The indicative target future operating cost of NZTD is \$27 million per year, subject to decisions as described above around finalisation of the service design, establishment of agency service levels and the enduring authorising mandates for the NZTD to gather and utilise traveller data.

37 Options for funding ongoing NZTD services include Crown funding, funding by travellers, or a mix of funding by the Crown and travellers, for example:

- 37.1 Crown funding limited to integrating the NZTD with business-as-usual services during 2023/24, with travellers funding the cost of operating the NZTD during 2023/24 and all NZTD costs from 2024/25 onwards;
- 37.2 Crown funding all NZTD costs in 2023/24, and travellers funding all costs from 2024/25 onwards; (recommended option);
- 37.3 Crown funding all NZTD costs until 30 November 2024 when new levy rates will be set, and travellers funding all NZTD costs from 1 December 2024; or
- 37.4 the Crown funding all NZTD costs from 1 July 2023 on an ongoing basis.

38 These options are summarised in the following table:

Table 1: Options for the source of funding for NZTD costs

Option	Costs in 2023/24 to integrate NZTD with business-as-usual services	Ongoing operating costs in 2023/24	Costs from 1 Jul-24 to Nov-24	Costs from Dec-24

1	Crown	Travellers	Travellers	Travellers
2 (recommended)	Crown	Crown	Travellers	Travellers
3	Crown	Crown	Crown	Travellers
4	Crown	Crown	Crown	Crown

- 39 I propose that NZTD operating expenditure from 2024/25 onwards should be recovered from travellers using the border processing levies. It is equitable that travellers fund these costs because the NZTD helps border agencies to mitigate the risks travellers create. Recovering NZTD costs ensures that travellers meet the costs related to their travel.
- 40 I have proposed in this paper that the Crown uses contingency funding for NZTD costs in 2023/24. This is pragmatic because, although travellers will be using the NZTD, agencies will still be bedding the NZTD. The net costs of the NZTD will be uncertain during 2023/24 as agencies adjust NZTD activities to be as efficient as possible and modify border operations to realise the benefits of more travellers using e-gates with the NZTD rather than manual processing using paper arrival cards. Crown funding during 2023/24 would also be consistent with the approach to date where the Crown funded the implementation and initial operation of NZTD.
- 41 I propose that the Crown does not provide operating funding for the NZTD beyond 2023/24. Crown funding of the ongoing operation of the NZTD would be inconsistent with cost recovery principles. As travellers pose the risks that necessitate border processing services – of which the NZTD is a part – it is appropriate that they meet the costs, rather than having taxpayers subsidise services related to their travel.
- 42 I do not propose Crown funding for NZTD from 1 July 2024 to 30 November 2024, until new levy rates can be set under the Levy Orders from 1 December 2024. It is more equitable to spread these costs over travellers rather than to ask taxpayers to fund them.

NZTD costs will affect levy rates

- 43 Travellers currently pay Customs and MPI border processing levies for return travel of \$38.03 for non-cruise travel and \$26.61 for cruise travel (excluding GST). This cost includes risk assessment and processing of travellers, based in part on the current paper-based arrival card. The NZTD will add to border processing costs because it is a large investment (\$38 million capital) in border processing capabilities.³ It will enable agencies to better mitigate risks posed by travellers including during future pandemics or other events and will improve the experience of low-risk travellers. The net cost will take into account efficiencies that agencies make by modifying their

³ The benefits of these capabilities are described in paragraph 14.

border operations to realise the benefits the NZTD contributes to the way agencies process travellers.

- 44 It is too early to say what the rates for the next levy period starting 1 December 2024 will be, but on current traveller projections, some rates might be lower despite the addition of NZTD costs. This is because the current rates were based on costs being recovered from fewer travellers than usual and include costs during the COVID-19 pandemic of resource-intensive manual processing of travellers that occurred before the NZTD was implemented. Agencies have engaged closely with industry throughout the design, development and delivery of the NZTD, and will consult stakeholders before setting new levy rates from 1 December 2024.

The impact of NZTD costs on travellers

- 45 The costs of the NZTD operating services are currently estimated at less than \$5 per traveller. Such a cost is unlikely to impact people's decision to travel to New Zealand. The NZTD helps travellers to comply with New Zealand's border requirements and enables low-risk travellers to pass through border processing areas with minimal intervention.

Financial Implications

Tagged contingency

- 46 The Crown set aside the COVID-19 Traveller Health Declaration System Tagged Operating Contingency to cover NZTD ongoing operations through to 2023/24. The tagged contingency fund balance is now \$55.200 million operating funding in the 2023/24 year. A table detailing this funding is attached in Appendix 1.
- 47 I propose \$31.000 million is drawn down for the six-month period 1 July 2023 to 31 December 2023 to provide capital and operating funding needed for that period.
- 48 I seek delegated authority be given to the Minister of Customs, Minister of Immigration and the Minister of Finance jointly to approve drawdown of the remaining \$24.200 million for the six months from 1 January 2024 to 30 June 2024, as well as the split of this drawdown between operating and capital funds at the time of drawdown.
- 49 The financial implications of this request would be that, subject to decisions, the first full introductory year of NZTD operations would be met by the Crown, with the ongoing operating costs of NZTD met by fee paying travellers.

Implementation

- 50 Customs will continue to lead the development and deployment of the NZTD in collaboration with other border agencies including MBIE, the Ministry of Health, and MPI. A Steering Committee with representatives from these agencies is in place to govern the programme and ensure successful delivery of its outputs, objectives and outcomes.

- 51 The Minister for COVID-19 Response and the Minister of Customs have agreed with the Prime Minister that responsibility for the Border Executive Board be shifted from the Minister for COVID-19 Response to the Minister of Customs.
- 52 My officials will be reporting to me in February / March 2023 on the Treasury’s Gateway review 0/4 Strategic Assessment and Operational Readiness. This is the process developed to rate the likelihood of successful delivery of the programme outcomes. A communications strategy with multiple stakeholders and industry partners has also been developed along with transitional support offshore for travellers, additional customer support centre resourcing and a dedicated web and mobile support services.
- 53 I propose to report back to Cabinet prior to launch covering the NZTD system operational readiness, insights from the NZTD system pilots and the communications strategy to support the fully operational NZTD going live.

Risks

- 54 The digital declaration is an integral part of modernising our border experience and allows us to continue developing our response to risks. In delivering the NZTD considerable expertise and knowledge has now been built, which would be very difficult to re-establish quickly should we not be able to maintain the current momentum on this modernisation.
- 55 The programme has factored in the dynamic situation of the pandemic and changing international context and national requirements, ensuring the investment in the NZTD supports the wider and longer-term objectives of a safer and smarter border.
- 56 The NZTD will have impacts on wider partners, such as airlines. The programme has established cross-agency and wider industry relationships to address or mitigate any issues.

Legislative Implications

- 57 9(2)(f)(iv) [Redacted text block]

Regulatory Impact Statement

- 58 A Regulatory Impact Statement is not required for the recommendations in this paper as it does not propose any regulatory change. Officials would propose regulatory change in the future to amend the maximum rate, if the proposed levy rate exceeds the currently prescribed maximum rate. A cost recovery impact statement would be required at that time.

Climate Implications of Policy Assessment

59 There are no specific climate implications.

Population Implications

60 Customs has taken into account accessibility issues for people such as the digitally excluded, the disabled community or persons with English as a second language, and others who may rely on in-person help.

61 Travellers can nominate a third-party to make their digital declaration on their behalf such as a family member or travel agent. The NZTD will comply with digital accessibility standards and will be available in a range of languages. A contact centre service line was established within the existing MBIE Contact Centre, to help travellers trouble-shoot any technical issues or to understand the requirements on them.

Human Rights

62 The NZTD facilitates return entry for New Zealanders, under the settings determined and outlined in the Reconnecting New Zealanders strategy. This process supports the right of New Zealand citizens to enter New Zealand under the Bill of Rights Act 1990.

Te Tiriti o Waitangi obligations

63 A partnership engagement plan has been developed for the NZTD to guide Customs' longer-term strategic engagement with Māori. Border agencies are cognisant of ensuring Māori data is treated appropriately. The "digital divide" for Māori is higher than for many other groups in New Zealand and steps to ensure equitable access to, and outcomes of, the NZTD are being considered and further developed.

Consultation

64 The following agencies were consulted and their views taken into account during the development of this paper: Treasury, Ministry of Justice, Inland Revenue, Ministry of Transport, Ministry of Foreign Affairs and Trade, MBIE, MPI, Department of Internal Affairs, Te Arawhiti, Stats NZ, Ministry for Ethnic Communities, Ministry for Pacific Peoples, Ministry of Health, Te Whatu Ora – Health New Zealand, and Department of the Prime Minister and Cabinet.

Communications

65 There are no communications issues associated with this paper. Communications about the development of the system are managed through the NZTD Programme and in line with the Border Executive Board 2022 Border Sector Strategy.

Proactive Release

66 I propose to release this paper in full within 30 days of a decision being made by Cabinet.

Recommendations

The Minister of Customs and the Minister for COVID-19 Response recommend that Cabinet:

1 **note** that on 8 September 2021 Cabinet [CAB-21-MIN-0366 refers]:

- 1.1 **agreed** to develop a traveller health declaration system (now known as the New Zealand Traveller Declaration System) as proposed in the Traveller Health Declaration System – Single Stage Business Case, attached as Appendix B to the paper under [CBC-21-SUB-0090];
- 1.2 **agreed** to establish tagged operating and capital contingencies associated with the COVID-19 Response portfolio of up to the following amounts for the development and implementation of the New Zealand Traveller Declaration System:

	\$m – increase/(decrease)		
	2021/22	2022/23	2023/24
COVID-19 – Traveller Health Declaration System Tagged Operating Contingency	-	40.000	75.200
COVID-19 – Traveller Health Declaration System Tagged Capital Contingency	-	13.600	-

- 1.3 **agreed** that the drawdown of project and operating funding (a mix of both capital and operating) from the tagged contingencies in paragraph 1.2 above is subject to Cabinet consideration in early 2022 of an addendum to the Traveller Health Declaration System – Single Stage Business Case and will address funding requirements through until the end of 2022/23;
 - 1.4 **agreed** that the tagged operating and capital contingencies be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;
- 2 **note** that as part of Budget 2022 [CAB-11-MIN-0129]:
- 2.3 \$13.600 million capital contingency, phased to be spent in 2022/23, outlined in 1.2 above, was returned to the Crown;
 - 2.4 \$3.300 million of the \$40.000 million operating contingency, phased to be spent in 2022/23, outlined in 1.2 above, was returned to the Crown;
 - 2.5 \$75.200 million contingency, phased to be spent in 2023/24, outlined in recommendation 1.2 above, was reduced to \$55.200 million;
- 3 **note** that the capital funding required to build the New Zealand Traveller Declaration infrastructure, as set out in the business case, is \$13.600 million;
- 4 **agree** to provide funding in the 2023/24 year for costs associated with the operation of the New Zealand Traveller Declaration, development of port infrastructure and additional airport support to industry partners and travellers;

- 5 **agree** that \$13.600 million of the tagged operating contingency described in recommendation 3 above be drawn down as a capital injection in 2023/24 with a corresponding positive impact on OBEGAL;
- 6 **approve** the following changes to appropriations and capital injections to the New Zealand Customs Service to give effect to the policy decision in recommendations 4 and 5 above, with a corresponding impact on net debt:

	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Vote Customs Minister of Customs					
Departmental Output Expense:					
Traveller Declaration System Development (funded by revenue Crown)	-	17.400	-	-	-
New Zealand Customs Service - Capital Injection	-	13.600	-	-	-

- 7 **agree** that the operating and capital expenditure incurred under recommendation 6 above be charged against the COVID-19 – Traveller Health Declaration System Tagged Operating Contingency;
- 8 **note** that, following the adjustment detailed in recommendation 6 above [as well as previous adjustments agreed in CAB-22-MIN-0104 and CAB-22-MIN-0129], the remaining balances and indicative phasing of the operating contingency described in recommendation 1 above will be;

	\$m – increase/(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27
COVID-19 – Traveller Health Declaration System Tagged Operating Contingency	-	24.200	-	-	-

- 9 **note** that the tagged operating contingency described in recommendation 1 above will expire on 30 June 2024;
- 10 **authorise** the Minister of Customs, Minister of Immigration and the Minister of Finance jointly to draw down the \$24.200 million remaining in the COVID-19 – Traveller Health Declaration System Tagged Operating Contingency;
- 11 **authorise** the Minister of Customs, Minister of Immigration and the Minister of Finance jointly to determine the split of the drawdown of the \$24.200 million remaining in the COVID-19 – Traveller Health Declaration System Tagged Operating Contingency between operating and capital funding depending on the type of funding required at the time of drawdown;

- 12 **agree** that the operating costs of the NZTD from 1 July 2024 onwards should be fully met by travellers using the existing border processing levies;
- 13 **note** subject to Cabinet's agreement to recommendation 12, NZTD costs will affect levy rates that agencies will set for the next levy period starting 1 December 2024, and that agencies will consult stakeholders before setting those rates;
- 14 **note** responsibility for the Border Executive Board will be shifted from the Minister for COVID-19 Response to the Minister of Customs
- 15 **note** that, as the NZTD will be a digital arrival card, it will be the responsibility of the Minister of Customs; and
- 16 **note** the Minister of Customs will report back to Cabinet prior to launch covering the NZTD system operational readiness, insights from the NZTD system pilots and the communications strategy to support the fully operational NZTD going live.

Authorised for lodgement

Hon Meka Whaitiri

Minister of Customs

PROACTIVELY RELEASED

Appendix 1 – Funding for the development and operation of NZTD**Tagged contingency for NZTD**

		\$m – increase/(decrease)		
		2021/22	2022/23	2023/24 only
COVID-19 – Traveller Health Declaration System Tagged Operating Contingency		-	-	55.20
COVID-19 – Traveller Health Declaration System Tagged Capital Contingency		-	-	-
Total		-	-	55.200

Joint agency funding of the NZTD

	Actual 2021/22 \$000	Forecast 2022/23 \$000	2023/24 \$000	Total \$000
Funding appropriated for NZTD				
Operating funding for project work	23,700	36,700	-	60,400
Operating funding for post-implementation	-	-	-	-
Appropriation movement between years - Operating	-11,500	11,500	-	-
Total operating funding	12,200	48,200	-	60,400
Capital funding for project build	42,100	-	-	42,100
Capital withdrawal	-3,500	-	-	-3,500
Appropriation movement between years - Capital	-23,600	23,600	-	-
Total capital funding	15,000	23,600	-	38,600
Total appropriated funding	27,200	71,800	-	99,000
Funding held in contingency				
COVID-19 Traveller Health Declaration System Tagged Operating Contingency	-	-	55,200	55,200
Total overall funding	27,200	71,800	55,200	154,200

Appendix 2 – Border processing levies

1. MPI and Customs carry out border processing services to mitigate risks that travellers pose to New Zealand such as risks related to biosecurity and illicit drugs that affect New Zealand's primary industries and public health. They recover the cost of these services from travellers by imposing border processing levies under the Customs and Excise (Border Processing Levy) Order 2015 and the Biosecurity (Border Processing Levy) Order 2015 (the Levy Orders). Recovering border processing costs is consistent with the "equity principle" of cost recovery, where those who create risks pay the cost of managing the risks that they create. Airlines and cruise lines are required to collect the levies from travellers on behalf of MPI and Customs as this is an efficient way of collecting the levies. Airlines and cruise lines pass the levies on to travellers by incorporating them into ticket prices.
2. MPI and Customs set levy rates for each levy period after consulting with stakeholders. The formula for setting rates is set out in the Levy Orders rates and involves the estimated revenue and costs for the period, adjusted for surpluses or deficits accumulated in prior periods. The Crown provided funding to eliminate deficits in border processing services that accumulated due to COVID-19 border restrictions up until 30 June 2021. In September 2021 the Government agreed to resume full cost recovery of border processing services from 1 July 2021 [DEV-21-MIN-0185]. The current levy rates are therefore fully recovering costs including deficits that accumulated from 1 July 2021 to 1 December 2021.
3. MPI and Customs will next set levy rates on 1 December 2024. The formula for setting levy rates will include NZTD costs along with other border processing costs. If the review found that material change in the levy rate was warranted, agencies would consult industry before setting the rates, and a proposal would be submitted to Cabinet if it was necessary to increase the maximum levy rates prescribed in the current levy orders.