



NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

B.24 SOI (2019)

Statement of Intent

2019 – 2023



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Minister's Statement

I am satisfied that the information on strategic intentions prepared by the New Zealand Customs Service is consistent with the policies and performance expectations of the Government.



Hon Kris Faafoi
Minister of Customs

Comptroller's Statement

In signing this document, I acknowledge that I am responsible for the information on strategic intentions for the New Zealand Customs Service. This information is prepared in accordance with sections 38 and 40 of the Public Finance Act 1989.



Bill Perry
Acting Comptroller of Customs



What we do

Our purpose is to protect and promote New Zealand across borders.

Our core functions

The New Zealand Customs Service (Customs) provides essential border services and infrastructure that protect New Zealand and advance our economy. We have three core functions:

- protecting New Zealand's borders – we make our country safer and more secure by reducing the risks associated with international trade and travel. We focus on illegal, non-compliant activity across borders and on revenue fraud
- promoting and facilitating secure and efficient trade and travel to and from New Zealand – we help New Zealand exports to flow freely into overseas markets and efficiently process imports arriving into our country. We provide secure, efficient, and effective border processes for international travellers
- collecting Crown revenue – we ensure that duties, excise taxes, levies, GST on imports, and fees owed to the Government are collected. Customs collects around 18% of the Crown's core tax revenue each year.

All of our functions are within the scope of Vote Customs. The output class scope and achievement statements detailed in *The Estimates of Appropriations 2018/19* for Vote Customs reflect these functions. The nature and scope of Customs' functions are expected to remain the same during the next four years.

Legislative authority

Customs' functions are mandated by the Customs and Excise Act 2018 and related regulations. Customs also enforces more than 60 other enactments at the border on behalf of other agencies.

Our services:

- facilitating the flow of people, goods, and craft across our border
- protecting New Zealand from external risks and threats such as illicit drug smuggling
- promoting and facilitating secure and efficient trade and travel
- enforcing relevant law, which includes identifying and seizing prohibited imports and exports
- providing intelligence and risk assessment information to external customers, and also to Customs' frontline officers
- collecting Crown revenue
- monitoring whether traders and travellers are complying with border requirements, and providing assurance over trade security and the border revenue system
- participating in the global customs community by contributing to the development of international customs policy and through our relationships with overseas customs and law enforcement bodies
- supporting the economic, protection, and security outcomes of other agencies
- providing policy advice to Ministers on border and revenue management issues.



What we want to achieve

Our role at Customs is to protect New Zealand from risks and threats, while helping our economy grow.

Rautaki Mana Ārai — Customs Strategy

Te Rautaki Mana Ārai, the newly refreshed strategy of Customs, is driving our planning to deliver our aspiration to eliminate border and revenue risk. The refresh builds on what we set out and achieved through our previous strategy, *Customs 2020*.

As a living document, the strategy will provide us with agility to adapt and respond to future opportunities and challenges. Annual reviews looking ahead at least five years will ensure its currency.

We have four values that underpin all that we do at Customs. They are: we do what's right – *te ara tika*; we value people – *he tāngata*; we are guardians – *kaitiakitanga*; we look forward – *pae tawhiti*.

The Treaty of Waitangi principles of partnership (*kotahitanga*), protection (*kaitiakitanga*), and participation (*manaakitanga*) provide the foundations for what we do – our *Te Pou Tokomanawa*.¹ Integrating these principles into our strategy allows us to strengthen

our relationships with *iwi* to improve the protection of, and help foster Māori participation in, our society.

Our strategic intentions focus on maintaining and improving delivery of the core functions of our business — *protection* of New Zealand's borders, *collecting revenue*, and *promoting and facilitating trade and travel* in the face of changing demands and expectations — to support the achievement of ministerial and government priorities.

Our focus will include:

- eliminating risk offshore
- earlier access to trade and travel data and enhanced analytics to further improve our understanding of risk, providing a better focus for interventions to risk
- further automation of processes to enable:
 - self-processing by customers, and
 - increased mobility and efficiency for frontline officers
- increasing our ability to provide assurance over the management of border and revenue risk.

¹ — *Te Pou Tokomanawa* is the central pole of a meeting house, which holds everything up.

Our strategic framework

Government priorities

Building an economy that is growing and working for us all

Improving the wellbeing of New Zealanders and their families

Making New Zealand proud

Ministerial priorities

Reducing harm to families through increased disruption to the supply of illicit drugs into New Zealand

Strengthening New Zealand's trading links to support exporters

Eliminating the gender pay gap, paying the Living Wage, and increasing the diversity of Customs' workforce

Co-designing future border systems

We are here to
protect and promote New Zealand across borders

Ko te whakahaumaru me te whakatairanga i a Aotearoa ki ngā rohe

Our Values — Whanonga Pono



We aspire to
eliminate border and revenue risk

Te whakakore tūraru rohe me ngā mahi kohinga tāka

We aim to achieve



Te Pou Tokomanawa — The Foundations



Output classes

Clearance and enforcement services related to passengers and crew

Clearance and enforcement services related to goods

Clearance and enforcement services related to craft

Information and intelligence services

Revenue collection

Policy advice

International services and ministerial servicing



Our operating environment

We operate in an environment of increasing trade and travel volumes, diversity of risk, and service expectations.

A dynamic and evolving environment

New Zealand's prosperity will always rely on our attractiveness as an international trading partner and trusted destination. The ability of New Zealand, including Customs, to adapt to, and influence, the global landscape is critical to improving society's wellbeing.

Major global trends — including urbanisation, increasing global wealth, climate change and resource scarcity, global power shifts, changing demographics and the rise of the individual, and disruptive technology — will continue to create opportunities and challenges, for Customs and for society more broadly.

Increasing demand, opportunity, and risk

In the absence of significant disruptive events we expect to see the following longer-term trends present opportunities and increased risk and service challenges for Customs:

- increasing travel and migration volumes, both legal and illegal
- a dynamic global trading environment affecting our ability to exert influence on world customs trade rules and the international environment

- more diverse and complex integrated international supply chains, driven by changing business models and increasing trade with emerging economies
- increasing expectations of a better and more timely service and a greater expectation of social responsibility, notably relating to transparency, openness, fairness, and sustainable processes
- improving services and better managing risks but also dealing with new threats from increasingly complex relationships and systems and the globalisation of border-related crime
- unprecedented data richness and connectivity, enabling more effective targeting and efficient cross-border flows but also increasing privacy concerns as more personal data becomes available
- increasing complexity in cross-border crime and security risks, including more organised and sophisticated trans-national criminal offending, particularly involving illicit drugs
- changing demographics in our workforce to meet the needs of different customers, future technologies, and ways of working.



The border system

As a border agency, Customs works with a wide range of sectors and has relationships spanning economic, community protection, security and intelligence, and border management interests. The border is a convenient place for some agencies to give effect to the laws and policies they administer.

Border sector agencies² are working towards achieving the 2025 vision³ that New Zealand's border system provides the next generation of world-class protection, assurance, and facilitation.

We work with our partners and other government agencies to manage the risks and opportunities from goods, people, and craft moving in and out of New Zealand. Through this work we strengthen our society's prosperity, environment, and reputation.

Our collective border management is among the best in the world and has contributed to New Zealand's reputation as a trustworthy country for trading with and travelling to.

Customs internationally

The success of New Zealand's economy is linked to what happens at the border through facilitation of trade in goods and services, as well as identifying emerging and traditional risks, including the smuggling of goods, people and craft of interest, and revenue fraud and evasion.

Customs will continue working to improve New Zealand's international reputation as a trusted and effective partner in the network of mutually recognised border clearance systems. This is critical to facilitate the flow of legitimate trade and travellers.

Customs plays an active role in the global customs community, ensuring that New Zealand is actively represented in international customs policy, trade and security interests, and law enforcement relationships to deliver on our functions by:

- influencing the development of global standards and rules, increasing trade access, and reducing non-tariff barriers through the World Customs Organization, World Trade Organization, and Customs Chapters within bilateral Free Trade Agreements
- gathering and using information and intelligence from both traditional and non-traditional partners to target illicit activity at its source.

2 – The Border Sector comprises the Ministry for Primary Industries, the Ministry of Business, Innovation and Employment (Immigration New Zealand), the Ministry of Transport, and Customs.

3 – Border Sector Strategy 2017-2025



Supporting government and ministerial priorities

Customs has a focus on supporting healthier, safer, and more connected communities; supporting all New Zealand traders; and creating an international reputation that New Zealanders are proud of.

The Government is focused on building an economy, an environment, and a society which are sustainable, productive, and inclusive to improve the wellbeing of all New Zealanders through:

- building an economy that is growing and working for all of us
 - Customs will continue to have a particular emphasis on growing and sharing New Zealand’s prosperity and supporting thriving and sustainable regions.
- improving the wellbeing of New Zealanders and their families
 - Customs will continue to have a particular emphasis on supporting healthier, safer, and more connected communities.
- making New Zealand proud
 - Customs will continue to have a particular emphasis on delivering transparent and compassionate governance, building closer partnerships with Māori, and creating an international reputation we can be proud of.

Customs is working to help build the economy, improve wellbeing, and make New Zealand proud. Using the lens of the Treasury’s Living Standards Framework⁴ our strategic intentions and goals contribute to the growth of the four capitals (see page 9). We also contribute to the framework through the delivery of the priorities agreed with the Minister of Customs for the Customs portfolio during the current parliamentary term:

- reducing harm to families through increased disruption to the supply of illicit drugs into New Zealand
- strengthening New Zealand’s trading links to support exporters
- eliminating the gender pay gap, paying the Living Wage, and increasing diversity within Customs’ workforce
- co-designing future border systems.

4 – See: <https://treasury.govt.nz/information-and-services/nz-economy/living-standards>



Customs' contribution to New Zealand's future wellbeing

Government priorities	The four capitals	Customs contribution
<ul style="list-style-type: none"> building an economy that is growing and working for all of us improving the wellbeing of New Zealanders and their families making New Zealand proud 	<p>Natural All aspects of the natural environment needed to support life and human activity</p>	<ul style="list-style-type: none"> working with other border agencies to disrupt environmental crime enabling people to fully participate in all aspects of society by protecting society and citizens from harm by preventing risk reaching our borders supporting social connections through an inclusive, diverse workforce that represents the community it serves maintaining society's trust, both domestically and internationally, through fair, equitable, and transparent systems that encourage voluntary compliance increasing the net worth of households by: <ul style="list-style-type: none"> ensuring the trade from all New Zealand businesses flows efficiently across borders ensuring trade facilitation is accessible to all New Zealand businesses streamlining the experience for travellers across borders increasing New Zealand's net worth by collecting all due Crown revenue (duties, excise taxes, levies, GST on imports, and fees)
	<p>Human People's knowledge and physical and mental health – human capital enables people to fully participate in work, study, recreation, and society more broadly</p>	
	<p>Social The social connections, attitudes, norms, and formal rules or institutions that contribute to societal wellbeing by promoting resolution of collective action problems among people and groups in society</p>	
<p>Financial/Physical The country's physical, intangible, and financial assets that have a direct role in supporting incomes and material living conditions</p>		

Delivering our strategic intentions



Protection

Our focus is on preventing risk from reaching our borders through targeted risk management. Effective risk management and clearly enforcing the law underpins all our work in trade, travel, and revenue.

Our aim is to prevent criminals from operating across our borders while maintaining high public confidence in the performance of our protection role.

We work with domestic and international partners to eliminate risk offshore. We continue to work towards fully understanding what is normal and to target what isn't to ensure that we are successful in our assessment of risk and the way in which we respond. Comprehensive data and information will help achieve this.

Strategic intention ⁵	Prevent risk reaching our borders		
Goals	We will measure	Strategic indicators	Expected trends
Criminals cannot operate across our borders	Impact of Customs' efforts to disrupt onshore and offshore criminal networks	Total social harm avoided through onshore drug seizures	↑
		Total social harm avoided through offshore drug seizures	↑
	Effectiveness of Customs' border risk management systems and processes	Proportion of interventions that yield the intended result	↑
The public has trust and confidence in Customs' actions	Public trust and confidence in Customs' performance of protection role	Overall level of public trust and confidence in Customs' performance of protection role	↑

⁵ – This strategic intention is primarily funded through Output class 1 – Clearance and enforcement services related to passengers and crew, Output class 2 – Clearance and enforcement services related to goods, and Output class 3 – Clearance and enforcement services related to craft.



Trade

Our focus is on enabling New Zealand's legitimate trade to flow efficiently across borders. We aim to make trade facilitation accessible and beneficial to all New Zealand businesses, which includes using, for example: Mutual Recognition Arrangements and Customs Co-operation Agreements.

We also aim to achieve high levels of voluntary compliance. To improve voluntary compliance, we are developing a simple, fair, equitable, and transparent

system that is easy for users to work with. We will also provide further education and information for all traders on their rights and obligations to ensure that the provisions of the agreements are fully utilised.

Vital to Customs' success in trade are effective relationships with key trading partners and being able to influence global customs standards. We need to maintain and improve our value as an international partner.

Strategic intention ⁶	New Zealand's trade flows efficiently across borders		
Goals	We will measure	Strategic indicators	Expected trends
There is a high level of voluntary compliance	Trade compliance across all streams	Percentage of trade transactions that are compliant	↑
Trade facilitation is accessible to all New Zealand businesses	The effectiveness of existing trade facilitation processes	Ease of compliance score	↑
Customs is a valued international partner	The impact of trade promotion on the economy	Economic value of trade promotion and facilitation (added by Customs)	↑

⁶ – This strategic intention is primarily funded through Output class 2 – Clearance and enforcement services related to goods and Output class 3 – Clearance and enforcement services related to craft.



Travel

Our focus is on delivering a streamlined experience for travellers across borders. We aim to deliver high-quality border management across all modes of travel through more integrated and automated processes. Deepening our collaboration with other agencies and stakeholders will lift our delivery of efficient and secure services for legitimate travellers.

Our work includes making compliance simple through self-service and educating travellers on their obligations by providing clear information. Increasing compliance levels will allow us to target those travellers presenting the most risk.

Strategic intention ⁷	A streamlined experience for travellers across borders		
Goals	We will measure	Strategic indicators	Expected trends
High-quality border management delivered across all modes of travel	Quality of border management	Timeliness of passenger movements through Customs' controls	↔
		Passenger experience	↑
Interventions focus on high risk travellers across all modes of travel	Focus of interventions	Intervention rate by level of risk ⁸	Measures under development
		Intervention effectiveness by level of risk ⁸	
Collaboration delivers improved services	Impact of collaborative initiatives	Degree of meaningful collaboration and engagement	New measure

⁷ – This strategic intention is primarily funded through Output class 1 – Clearance and enforcement services related to passengers and crew.

⁸ – These measures will tell us if we have the correct focus for our interventions and, if so, whether they are effective, and if there are any differences between the risk categories. Reporting is expected to start in the 2020/21 year.



Revenue

Our focus is on collecting all due Crown revenue through high voluntary compliance and ensuring that all non-compliance is addressed. We also aim to maintain public trust and confidence in our collection of revenue.

Achieving high voluntary compliance requires making self-declaration, payment, and collection easier. We continue working towards providing simple and efficient systems and processes that are transparent, consistent, predictable, and accurate. We also aim to ensure that all non-compliance is appropriately penalised.

Strategic intention ⁹	Collect all due revenue		
Goals	We will measure	Strategic indicators	Expected trends
There is a high level of voluntary compliance	Level of voluntary compliance	Compliance rate of audited companies	↑
All non-compliance is addressed	Identification and consequence of non-compliance	Appropriateness of response to non-compliance	↑
The public has trust and confidence in the collection of revenue by Customs	Level of trust and confidence in Customs' revenue collection	Overall level of trust and confidence in Customs' revenue collection	New measure

⁹ – This strategic intention is primarily funded through Output class 5 – Revenue collection.



Driving organisational excellence

We have set ourselves aspirational strategic intentions, the achievement of which will require everyone to work towards them in their day-to-day work.

The way we work

Customs is focusing on making compliance easy to do and hard to avoid and achieving high assurance with a light touch to border clearance of compliant trade and travellers so we can focus on high-risk illegal border activity.

The underlying principles for the way we will work to achieve our goals are:

- empowering our people to improve our business
- collaboration and innovation to improve border systems
- using information to improve our decision-making
- digitising everything that makes sense to
- pre-emptive efforts on- and off-shore.

Workforce

People are critical to successfully delivering our strategic intentions. Our aim is to have a diverse, capable, agile, and resilient workforce ready for the future and one that is engaged and exemplifies our values. It also needs to be representative of the community and customers we serve.

Our focus is on addressing two key pressures:

- sourcing and developing new capabilities within an organisation that is growing rapidly to meet the medium-term and future needs of our operating environment
- changing the way we work, not just to ensure we can manage the volume and risks at our borders but to meet the expectations of our workforce.

Initiatives to address these pressures and achieve our aims fall under four key work streams:

- sourcing and building new skills and capabilities
- maintaining and keeping our experience and current capabilities to deliver today's work
- supporting the growth of inspiring leadership
- growing our culture.

Gender pay gap

Customs has identified a clear gender pay gap¹⁰ between men and women within our organisation. Eliminating this pay gap is part of our commitment to making sure that equality and inclusivity are a core part

¹⁰ – The gender pay gap is the measure of the difference between the average earnings of men and women across an organisation (irrespective of roles and seniority).



of our culture. We want to ensure that all our people and those who join Customs have equal opportunities to develop and earn.

Our aim is to eliminate the gender pay gap entirely with the immediate focus being to reduce the gap by a third by the end of 2020. We will review our own and others' initiatives during 2020 and reset targets appropriately.

Inclusion and diversity

Our vision for Customs is to be inclusive and diverse: every voice is valued and respected. Our inclusive culture makes our people feel safe, empowered, treated fairly, supported to grow, and comfortable to do their best work. We reflect a diverse community and, together, we protect and promote New Zealand across borders. To serve them well, this needs to be reflected, valued, and understood by all of us.

An understanding of our recently revised key definitions for inclusive and diverse will better enable the culture we seek:

- inclusive means valuing our uniqueness and helping everyone to contribute and bring their authentic selves to work
- diverse means people have a unique blend of different knowledge, skills, and experience based on their professional skills, sexual orientation, age, gender identity, ethnicity, and more.

Investment management and asset performance

Customs' border management systems and equipment are critical for the delivery of reliable and fit-for-purpose services 24 hours a day, seven days a week, both at the front line and for support functions. The frontline tools rely heavily on technology systems that feed information for seamless performance and risk assessment.

Our critical assets to deliver our core services are x-ray machines; vessels; Joint Border Management System/Trade Single Window; CusMod border management system; Nexus data warehouse; e-Gate for passenger processing; and the Financial Management Information System. These critical tools and technology systems are constantly monitored for their compliance with functionality, condition, and availability performance standards. As new systems are introduced appropriate monitoring will be put in place. This will be undertaken, for example, when the new Risk and Intelligence tools are implemented.

To continue improving our asset management practice, we recently implemented a new Asset Management Framework. This includes preparing individual Asset Management Plans for the critical border management systems and tools that detail short-, medium-, and long-term investment intentions. These will help us to achieve our desired service performance and therefore,

the delivery of our strategy. Customs' revised Long-Term Investment Plan will incorporate such intentions, along with other 'support the business' type investments to provide a comprehensive 10-year plan.

Investing to meet the constantly changing demands, including managing continuous volume increases within the current funding, remains a challenge and requires smart choices. We continue to work towards full implementation of an Integrated Planning and Reporting process to help plan, prioritise, and approve initiatives that provide a balanced investment portfolio, have manageable implementation risks, and present potential benefits that are most likely to be realised.

The key future investments include efficiency gains at our borders through implementation of mobile ICT solutions. The future investments will also include automated risk management using advanced analytics for goods and passengers crossing our borders. Customs works closely with partner agencies in delivering the Border Sector vision of an efficient and effective next-generation border service while ensuring our borders are as safe as ever.

Monitoring our performance

To enable us to focus our activities on the areas that make the most difference to New Zealanders we must monitor our progress. Progress towards our aspiration of eliminating border and revenue risk will be monitored through our strategic indicators¹¹ which measure the impact of our delivery of our core functions. We can control some of the factors that contribute to achieving strategic intentions but others we can only influence.

We are introducing a new measurement framework to monitor progress against our strategic indicators. Key performance measures will continue to be introduced and refined over the period of this document.

Our operational performance is assessed through our output measures. These measures are set out in *The Estimates of Appropriations for Vote Customs*.

Our output measures, financial performance, and performance against agreed ministerial priorities are reported to the Minister of Customs quarterly.

Progress against the measures in *The Estimates of Appropriations for Vote Customs* and our strategic indicators is reported regularly to the Customs' Executive Board and in the New Zealand Customs Service's annual report. This reporting will cover our annual results as well as cumulative results showing the progress achieved through implementation of our strategy.

¹¹ – See pages 10 to 13.

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