NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

PROTECTING NEW ZEALAND'S BORDER

PROACTIVE RELEASE OF THE BIM

PROACTIVE RELEASE OF THE BRIEFING FOR THE INCOMING MINISTER

Summary

The complete Briefing for the Incoming Minister of Customs consists of the following documents:

1. Letter from the Acting Comptroller of Customs titled *Briefing Pack for the Incoming Minister of Customs,* dated 25 October 2017
2. Briefing to the Incoming Minister October 2017
3. A series of slides introducing the Minister to the Customs portfolio.

Document one and document two have been released in full. Document three has been released with some redactions, applied in line with the Official Information Act (the Act). The sections of the Act under which the information has been redacted are noted where the deletions have been made.

Information has been redacted from the Briefing for the Incoming Minister of Customs, in line with the following sections of the Act:

Section 9(2)(a) - applies where withholding is necessary to protect the privacy of natural persons, including that of deceased natural persons.

Section 9(2)(f)(iv) - applied to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.

NEW ZEALAND
CUSTOMS SERVICE
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PROTECTING NEW ZEALAND'S BORDER

OFFICE OF THE COMPTROLLER
The Customhouse, 1 Hinemoa Street, Wellington
PO Box 2218, Wellington 6140
Phone: +64 4 901 4715

25 October 2017

Hon Meka Whaitiri
Minister of Customs
Parliament Buildings
WELLINGTON

Tēnā koe e te Rangatira Minita Meka Whaitiri

Briefing Pack for the Incoming Minister of Customs

Congratulations on your appointment as Minister of Customs.

The New Zealand Customs Service (Customs) has a proud history of serving New Zealand. Established in 1840, Customs is the country's oldest government department, with a significant amount of experience in striking the balance between border protection and international trade facilitation. I believe that our history illustrates an organisation that:

- is adaptive and committed to the delivery of customer-focused public services at the New Zealand border
- works effectively with a wide range of international, private sector and government organisations to promote and maintain the integrity and efficiency of the New Zealand border
- provides the government with trusted border-related strategic thinking, policy/operational advice, and international negotiation skills
- provides New Zealand with law enforcement, revenue collection, and processing services.

We are committed and looking forward to supporting you in advancing the new Government's objectives for New Zealand's border services.

I would like to take the earliest opportunity, at your convenience, to discuss how we can deliver on your priorities for Customs and ensure that we are providing you with the best possible support.

The attached general Briefing for the Incoming Minister of Customs introduces you to the Customs portfolio, and gives an indication of the challenges and opportunities ahead. It provides an overview of the work of Customs and the wider border environment, as well as your responsibilities as Minister of Customs. It also highlights some of the key issues that you will face in these first months in the portfolio.

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We would also like to invite you to visit some of our key Customs facilities. In the first instance, you might wish to visit our Auckland sites: Auckland International Airport, the International Mail Centre, the Air Cargo Inspection Facility, the Sea Cargo Inspection Facility and the Integrated Targeting and Operations Centre (ITOC) which is located in the Auckland Customhouse.

My team and I look forward to working with you.

Nāku noa, nā

Christine Stevenson
Acting Comptroller of Customs

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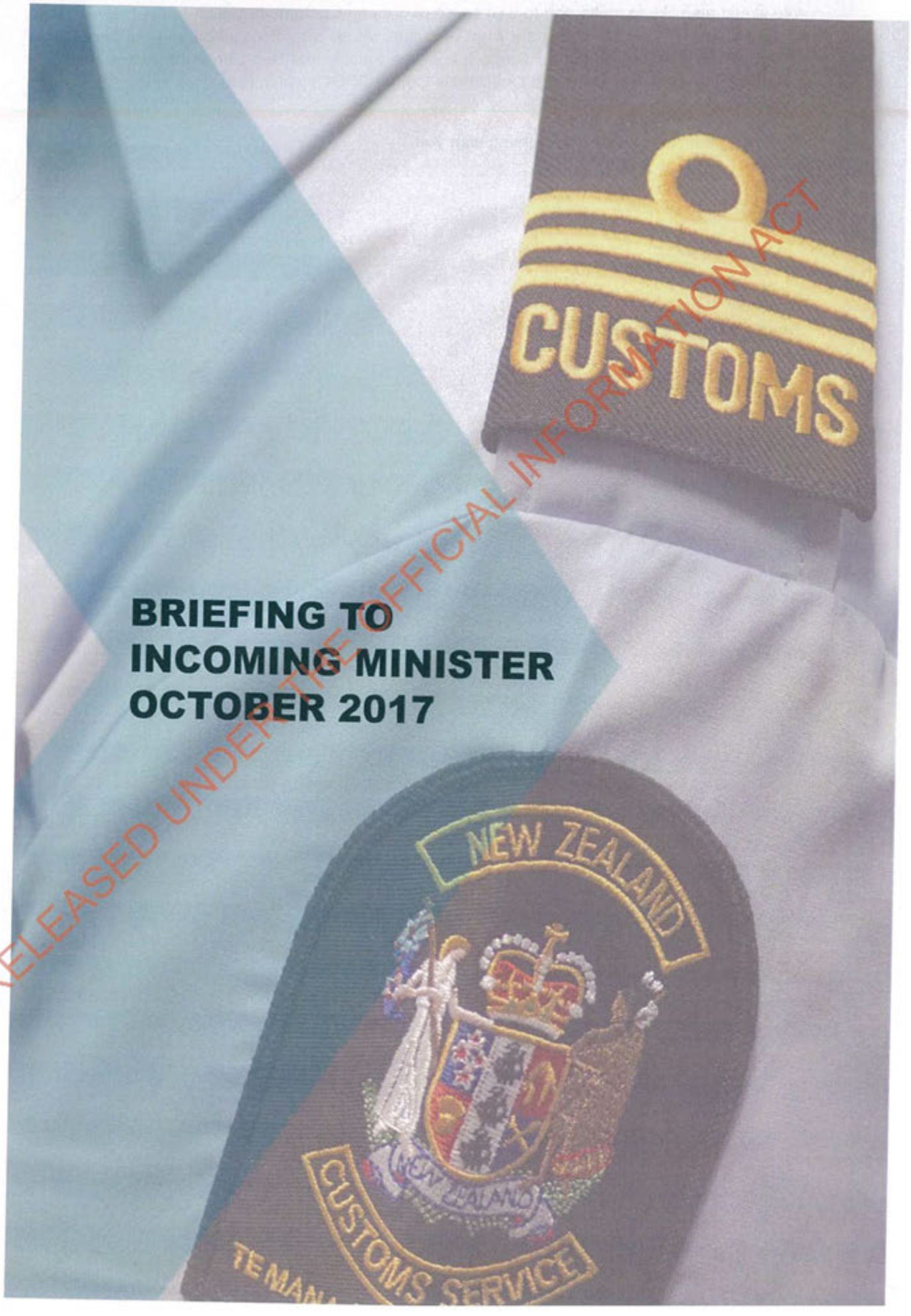

BRIEFING TO INCOMING MINISTER OCTOBER 2017

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PART A

Welcome to the New Zealand Customs Service

Comptroller's introduction

The work of the New Zealand Customs Service is much broader than just intercepting illegal activity at the border. Since we were first established in 1840 – making us the country's oldest government department – the core work has stayed the same but the focus we give to revenue collection, trade and travel facilitation, border protection and security has adjusted to respond to changing environments and government priorities. As a result, Customs has had an increasing impact on the economic prosperity and social good of New Zealand.

Our border is important because it is both New Zealand's gateway to the world and our protection from the world. Effectiveness at the border provides protection and security, preventing social harm and costs to New Zealand; and provides confidence in New Zealand businesses and the wider economy. Your latest experience of the New Zealand border may have been scanning your passport through an eGate.

Traditional concepts of a fixed physical border are increasingly outmoded in the modern world, generally due to the growth of e-commerce. In this context, the New Zealand border effectively stretches from Wellington to Brussels via Asia, to a household purchasing an e-book in Yarrow Street in Bluff, or an export business operating from Pukepoto Road in Kaitaia. New Zealand Customs services are delivered in New Zealand and across the globe.

New Zealand Customs Service outcomes

The New Zealand Customs Service (Customs) aims to achieve the following outcomes:

- *Protect New Zealand* – we deter, detect and respond to illegal activity and prevent harm to New Zealanders' security, intellectual capital, health and safety, and values.
- *Grow New Zealand's economy* – we facilitate the movement across the border of low risk imported and exported goods to minimise costs for importers and exporters. The tourism industry benefits from our facilitation of legitimate travellers. We support exporters to gain from expanded market access, and we influence the international environment in which New Zealand businesses operate.
- *Collect Crown revenue* – we accurately assess and collect the revenue due to the Crown at the border. This includes the levies we collect on behalf of other government agencies. Customs collects over $13 billion in border-related Crown revenue.

We operate in a dynamic environment

We operate in an environment of increasing trade and travel volumes, diversity of risk, and service delivery expectations. By 2020/21 Customs expects to be processing over 15 million international air travellers per annum, and managing the border clearance of approximately 18 million import and export trade transactions each year.

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We are actively:

- managing increasingly complex transnational crime, particularly relating to illicit drugs, and emerging global security risks
- responding to changing business models, such as the rapid growth of online purchasing of goods and services from overseas, and changing dynamics in the shipping, port and airport sectors
- managing increased trade and travel with emerging economies, particularly in Asia. This is expected to outpace growth from New Zealand traditional source countries[1], presenting increased risks and new service challenges.

Customs' service delivery

In 2016/17 we:

Trade – record volumes Risk assessed and processed 14.4 million trade transactions consisting of: • 9.6 million import transactions • 4.8 million export transactions Processed 99.9% of compliant trade transactions within 30 minutes Screened 46.6 million mail items Managed the movement across the border of about 468,000 import sea containers and 586,000 export sea containers	**Travel – record volumes** Risk assessed and processed over 13.3 million arriving and departing travellers Processed 94.3% of arriving air passengers within 45 minutes of plane arriving at gate Selected 0.5% of air passengers and crew for further risk assessment/intervention at airports Processed 5.8 million air passengers through eGates
Protection – sustained high levels Avoided potential social and economic harm to NZ totalling over $1.15 billion through Customs' drug interceptions Seized 1.4 million cigarettes and 0.5 tonnes of loose tobacco Intercepted over 44,500 suspected counterfeit goods Intercepted 1,427 weapons, 3,447 firearms and 1,087 parts of firearms	**Revenue – record levels** Collected $13.3 billion in Crown revenue consisting of: • $8.5 billion GST • $4.8 billion customs and excise duty Collected just over $389 million on behalf of other agencies Identified additional $140 million revenue owing through the trade compliance programme (including audit activity)

[1] Australia, United Kingdom, Canada, and the United States.

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Customs' key success factors

Accessing data, and information sharing with partners

Preventing harmful activity and commodities entering New Zealand is our primary objective. Collecting and analysing data and information are critical activities for us to achieve this objective. Our operations are becoming more about the flow of data and information sharing, in addition to the physical movement of goods and passengers across borders. The analytic tools we use identify trends and anomalies in data, and build predictive models. This means that we progressively understand what is normal and are better able to target intervention to non-compliance.

Our intelligence-led practices focus on receiving information as early as possible, ahead of the arrival of goods and people, so we can profile and quantify risk. We are able to identify specific people, entities, items and craft of interest and make decisions about where to target interventions. This allows us to minimise our physical interaction with compliant traders and travellers.

We are seeing the benefits of intelligence gathering and information sharing to prevent harm through intervention offshore (known as upstream disruption). We work with our overseas partners and networks to have an effect early, so that harmful goods and people are denied entry to New Zealand, while we facilitate the movement of legitimate trade and travellers with minimal delays and interventions.

Working with industry to improve our systems

Industry has a crucial role in supporting the border management system to minimise non-compliance and facilitate legitimate trade and travel. Increasing our insights into our industry customers' needs and expectations is key to our business improvement approaches. Through the co-design of services, we are developing more customer-focused border services that deliver improved experience and value for those that interact with Customs, without compromising risk management.

Being internationally connected

Customs operates in a complex, dynamic international environment with multiple participants. We leverage international engagement to advance our goals and to influence the development of international standards and customs procedures to further New Zealand's trade and security interests. Our international relationships are both bilateral and multilateral in nature, and our engagement activity is prioritised towards countries and regions that have the greatest influence on New Zealand's trade, security, and border settings (see Appendix 1).

Customs plays an active role ensuring there is representation of New Zealand's interests in international customs policy, trade and security settings, and law enforcement relationships.

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We do this by:

- positioning ourselves to effectively influence the development of international standards, increase trade access, and reduce non-tariff barriers (any obstacle to international trade that is not an import or export duty[2])
- gathering, sharing and using information and intelligence from both traditional and new overseas partners to enable targeted disruption, with offshore partners willing to act on our behalf to prevent harm reaching New Zealand's borders
- being part of a trusted network of mutually recognised border clearance systems to facilitate the flow of trade and travellers - this includes the exchange of quality data
- working closely with Pacific customs administrations to jointly develop effective border management to enhance the Pacific region's ability to detect and disrupt organised crime, while allowing legitimate trade and travel.

Maintaining a strong export focus

Customs historically has concentrated on goods and passengers entering New Zealand. Our attention is equally now on supporting exporters by introducing innovative ways to minimise delays in the clearance of goods in overseas ports. This activity is, in part, to support economic growth and is in response to demands from trading partners for more information ahead of goods arriving in their countries.

Our distance from international markets contributes to New Zealand's low trade intensity. Customs can help to bridge this gap by providing outreach support to exporters, making compliance easier, and encouraging business uptake in secure export schemes.

Looking ahead to 2025

Customs is modernising the way we work at the border. We have laid a sound platform from which to innovate and continue to expand our customer-focused way of working, while protecting the border.

In this briefing we set out our key operational areas:

- Protecting New Zealand
- Secure, efficient and customer-focused facilitation of trade and travel
- Maximising the value of exports
- Collecting Crown revenue.

[2] Non-tariff barriers include import quotas, embargos, customs delays, licensing, and levies.

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For each operational area, we describe what we do, the challenges we face and how we are responding to those challenges. We also outline the opportunities we see for the next three years.

I look forward to discussing this briefing with you.

Christine Stevenson
Acting Comptroller of Customs

Acting Comptroller talking to staff at Wellington airport

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PART B

Portfolio responsibilities

Core portfolio responsibilities

You are the "Vote Minister" for Vote Customs, which funds the New Zealand Customs Service's operations.

Parliament authorises the Minister or Ministers responsible for appropriations within a Vote to incur the expenses or capital expenditure outlined in the appropriations[3].

As the "responsible Minister" under the Public Finance Act 1989, you are responsible to Parliament for the financial performance of the New Zealand Customs Service and for protecting the Crown's interest in it.

The Public Finance Act 1989 provides the core legislative framework within which the Government can borrow money or spend public money. The public service has an annual financial management cycle that will require your action at various stages; for the planning of outputs (and appropriated funding) and measurement against the delivery of those outputs to determine departmental performance.

The budget process culminates in the presentation of the Budget, including the Estimates. The Estimates request authority from Parliament to incur expenses and capital expenditure in specific Votes. The Foreign Affairs, Defence and Trade Committee[4] will ask you and Customs to attend Select Committee and respond to questions (June/July) before they report to the House.

You agree Customs' Output Plan (May/June), which is the agreement negotiated each year between the Minister and Comptroller of Customs, detailing what Customs will deliver during the year.

You approve Customs' Statement of Intent (June/July), an annual document which outlines the strategic direction for Customs over a three-year period. It includes discussion of the outcomes sought by the department and the main priorities for the future work programme.

You receive the Annual Report (September) for discussion with the Chief Executive on Customs' performance, before it is presented to Parliament. You endorse the Four Year Plan (December), which sets out Customs' assessment of the portfolio for the next four years.

As Vote Minister you are also responsible for annual reporting on the performance information for non-departmental appropriations. This report includes a *Report of Minister of Customs on performance information for Vote Customs non-departmental appropriations* (for the two appropriations relating to the Change in Doubtful Debt Provision, and the annual contribution to the World Customs Organization) for your approval. This report will be appended to, and published with, the New Zealand Customs Service Annual Report.

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[3] Appropriations represent an authority to incur expenses or capital expenditures.
[4] The Foreign Affairs, Defence and Trade Committee looks at issues related to customs, defence, disarmament and arms control, foreign affairs, trade, and veterans' affairs.

Responsibilities as the Minister of Customs

Your main responsibility is ensuring that Customs meets its protection, trade, travel and revenue outcomes (while contributing to Government's priorities) in accordance with:

- Customs' Four Year Plan 2017
- Customs' Output Plan for 2017/18
- the requirements of the State Sector Act 1988.

The Customs and Excise Act 1996 (the Act) and its associated regulatory framework supports the day-to-day operation of Customs. In addition to the Act, Customs enforces over 60 enactments at the border on behalf of other agencies (see Appendix 2).

The Customs and Excise Act 1996

Customs' functions are largely mandated by the Act and related regulations and Customs' rules. This legislation provides the powers for Customs to act, and sanctions that underpin and authorise everything Customs staff do every day. (A number of functions are set out in other agencies' legislation, for example, the Misuse of Drugs Act 1975 and the Synthetic Greenhouse Gases (SGG) levy).

Under Customs' legislation, the majority of powers have been delegated to the Comptroller and Customs Service. The Minister, however, does have a limited statutory role to play in Customs' day-to-day business. There are a number of powers specific to the Minister of Customs. A few examples are set out below. The Minister of Customs:

- may recommend to Cabinet the control of the import and export of certain goods
- may consent to the importation of motor vehicles with inaccurate or no odometers, or the exportation of unprocessed pounamu
- makes recommendations to the Governor General on regulations required to be made under the Act, on matters such as fees to be paid to Customs for the import and export of goods, prescribing the form and manner of information required by Customs, prescribing times within which entries must be made, and other administrative matters.

The Customs and Excise Bill

A major review of the Act has resulted in the Customs and Excise Bill (the Bill) currently before the House awaiting its Second Reading. The aim is to bring the Act up to date with technology and business practices, and ensure it is more transparent and flexible to respond to changes in business and border management processes.

Customs held targeted consultation with businesses throughout the policy development stages of the Bill. Submissions to Select Committee supported the direction of the Bill, with a number of submitters' proposals endorsed by Select Committee. The Select Committee unanimously supported the Bill when they reported to the House in May 2017.

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The Bill enables greater information sharing to support national security and economic development, while protecting individuals' privacy. It also makes it easier for traders to interact with Customs, for example by providing greater certainty around excise liability.

Customs Appeal Authority

The Customs Appeal Authority is an independent judicial body administered by the Ministry of Justice. It hears appeals against the decisions, rulings, determinations and directions of the Comptroller of Customs and can confirm, reverse, or amend a decision made by the Comptroller.

The Authority consists of one person appointed by the Governor-General on the recommendation of the Minister of Customs and the Minister of Justice. Hearings are held throughout New Zealand. The current Customs Appeal Authority is Grant Pearson. Grant took up his appointment in April 2014 and his term is for five years.

Drug and cash detector dog Zulu at work at the International Mail Centre

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PART C

Customs staff and sites

Our workforce

Customs has around 1,233[5] staff (1175.6 Full Time Equivalents), most of whom work in operational areas in 15 locations around New Zealand's 14 ports and five international airports. Customs continues to prioritise frontline business needs. The current ratio of operational to office staff is 82% to 18% respectively. Staff retention at Customs is high. The average length of service is 12.4 years[6] (above the public sector average) and the unplanned turnover rate is nine percent (below the public sector average).

The following diagram 'Customs at a Glance' (page 12) identifies Customs site locations and staff numbers, including our overseas posts. The diagram on page 13 shows the location of our detector dog units, which travel to work across the different ports. This map also shows the location of our non-intrusive inspection technology units (x-ray machines), which includes mobile units.

To support our broader key relationships, we have seven Customs staff deployed in overseas posts, working from New Zealand Embassies, High Commissions or Consulate-Generals around the world, (and one staff member based in Wellington).

Our Posts are in Bangkok (covering South East Asia), Beijing (covering China and North Asia), Brussels (covering Europe), Canberra (covering Australia) and Washington DC (covering the Americas), (Counsellor positions), in Hong Kong (Consul) and in Jakarta (First Secretary).

The staff member based in Wellington supports our relationships in the Pacific. These roles all support our policy engagement and operational activity across trade, security, and enforcement objectives at a Customs and wider New Zealand level.

Customs also has a Liaison Officer located in the Border Intelligence Fusion Centre (BIFC) within the Australian Department of Immigration and Border Protection in Canberra, and a Liaison Officer based in the B5 International Targeting Centre (ITC), located within the United States Customs and Border Protection's (CBP's) National Targeting Centre (NTC).

Wellington Customhouse

As a result of the November 2016 Kaikoura earthquake, Wellington staff are temporarily located at No. 3 The Terrace and IBM House in Petone. The owner of the damaged Wellington Customhouse building, CentrePort, is replacing a small section of the main steel beam on each of the floors to ensure that the building is returned to the pre-earthquake building condition. CentrePort believes that the work can be completed to allow staff to return to Wellington Customhouse by the end of 2017.

[5] As at 31 August 2017
[6] Information accurate as at 30 June 2017

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Customs at a glance

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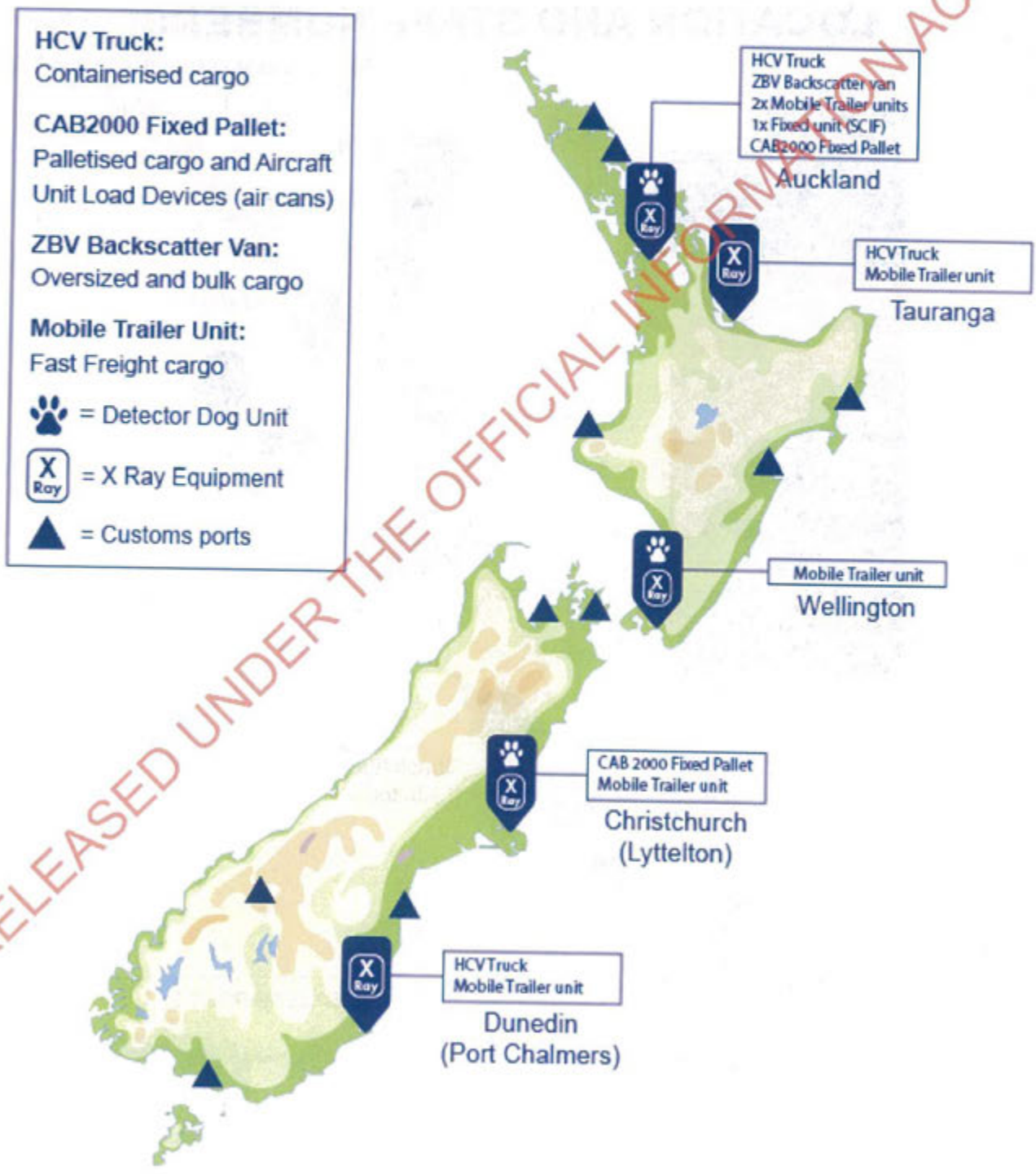
Location of Detector Dog Units and Non-intrusive Inspection Technology



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PART D

Customs operations

Protecting New Zealand

Context

Most trade and travel is legitimate and low risk, and in these cases people, goods and craft cross the border with minimal intervention from us. Our intelligence-led, targeted risk management approach enables us to focus our resources on targeting the minority of goods, people and craft that are likely to present a risk. Unlawful items are not just found in imports of goods, but also accompanying passengers and on craft. Items brought illegally into New Zealand include:

- illicit drugs
- objectionable material
- counterfeit goods (these can be low quality and dangerous to the public, or in breach of trademark legislation)
- firearms or other weapons (require consents or permits to import)
- prescription medicines (must meet Ministry of Health requirements)
- tobacco and alcohol (require excise and GST to be paid).

Customs is part of a group of agencies that protect New Zealand from extremist threats, and is a key agency in protecting New Zealand from illegal migration.

To better gauge the broader impact Customs is having on reducing harm to the community, we have an assessment tool called the Customs Harm Model. This enables us to measure the impact of Customs' enforcement across a broader range of unlawful activity[7].

Estimated costs of harms avoided through Customs seizures	2015/16 ($m)	2016/17 ($m)
Smuggling – objectionable material[8]	$12.404	$10.496
Smuggling – counterfeit goods	$1.299	$1.135
Attempted evasion of duty – alcohol	$1.226	$0.011
Attempted evasion of duty – tobacco	$0.564	$1.566

[7] The Customs Harm Model, developed in 2015, gauges the broader impact Customs is having on reducing harm to the community. It measures the impact of Customs' enforcement across a broader range of unlawful activity. This approach was peer-reviewed by BERL (Business and Economic Research Ltd). The severity of harm is calculated based on the number of interceptions of the relevant unlawful activity at the border.

[8] The smuggling of objectionable material involves harm that has already occurred (to the victims contained in the material).

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Smuggling – firearms or other weapons	$0.087	$0.193
Prescription medicines – enable Medsafe to ensure safety	$0.014	$0.022
Total non-drug severity	**$15.594**	**$13.423**
Smuggling of illicit drugs – as per 2016 Drug Harm Index	$1,584	$1,149
Total severity of harm	**$1,600**	**$1,162**

Illicit drugs

The smuggling of illicit drugs, particularly methamphetamine, causes significant harm. Methamphetamine continues to be readily available in New Zealand communities. Its price in New Zealand is one of the highest in the world, making New Zealand an attractive destination for increasingly sophisticated smugglers. Seizures of ready-made methamphetamine and its precursors remain at high levels. In 2016/17, Customs stopped 317.3kg of methamphetamine and precursors with a potential yield of 390.3kg in methamphetamine, preventing social costs of $887 million.

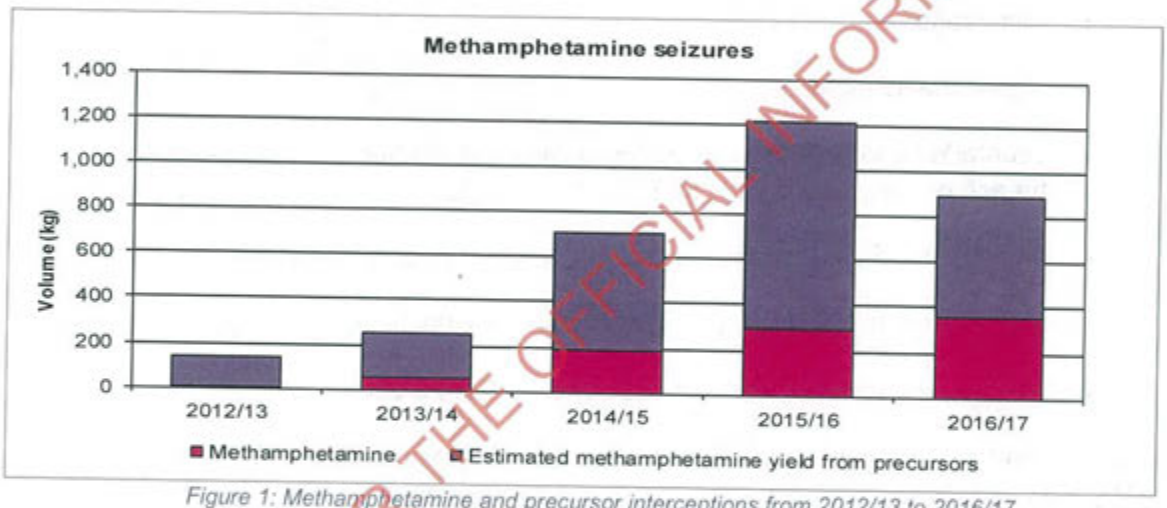

Figure 1: Methamphetamine and precursor interceptions from 2012/13 to 2016/17

Agencies have been tasked with preparing a Methamphetamine Action Plan through to 2020. This will set out the actions that agencies will take to disrupt the supply of, and reduce the demand for, methamphetamine in New Zealand. It will also include proposed initiatives that could be funded through the Criminal Proceeds (Recovery) Act 2009.

Objectionable material and weapons

Customs has a strong focus on combatting and reducing objectionable material and online offending, including that involving child sexual exploitation and abuse, and that relating to terrorism or extremism. Our role includes identifying people carrying those images and videos across New Zealand's physical border.

Following an investigation by Customs, in May 2017 an Auckland man was convicted and sentenced to 26 months' imprisonment for knowingly distributing objectionable publications. He was ordered to be registered on the Child Sex Offender Register.

Customs has partnerships in this area with the Department of Internal Affairs and New Zealand Police. The three agencies also work with overseas partners as a 'Virtual Global Taskforce' to catch perpetrators, and identify and protect child victims. This international collaboration includes the sharing of

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intelligence that enables offenders to be targeted, as well as information on trends, practices, and technology used by both law enforcement and offenders.

Preventing illegal firearms and weapons from entering New Zealand is also an important role for Customs. We are responsible for ensuring that imports and exports of firearms are properly declared and are managed according to the relevant legislative requirements.

The Arms Act 1983 governs the ownership and import permit requirements for firearms and parts. This operates in conjunction with the Customs and Excise Act, which also controls the export of firearms. Breaches of the provisions under these Acts can result in fines and imprisonment.

Customs has a range of systems in place to ensure compliance over cross border movement of firearms. These include a range of standard border management processes and risk assessment tools complemented by specific targeting operations.

How we operate

We use intelligence and technology to identify and assess current and emerging border risks and intervene with people, craft and goods at the border as appropriate.

In doing so, we use a range of tools such as:

- analytics to inform risk management and intervention
- inspection and screening technology (for example, x-rays)
- profiling by Customs' officers – passengers and cargo – is successful in detecting drug couriers, based on skills such as reading body language, and specific operational profiles
- implementing the assurance programme to detect patterns and abnormal activity
- drug and cash detector dogs
- testing/screening equipment for drugs and explosives (including a drug signature programme involving forensic analysis of methamphetamine samples)
- controlled deliveries
- undertaking investigations and where appropriate proceeding with prosecutions.

Customs can focus its protection capabilities on any border risk. While our current focus is on responding to the illicit drugs and methamphetamine threat, we can equally apply those resources to respond effectively to other emerging threats.

Integrated Targeting and Operations Centre (Auckland)

We work closely with other border agencies (Ministry for Primary Industries, Ministry of Business, Innovation and Employment - Immigration New Zealand, Maritime New Zealand, New Zealand Police and the New Zealand Security Intelligence Service) in an Integrated Targeting and Operations Centre (ITOC) to protect the border. Hosted by Customs, ITOC is New Zealand's border operations connection to the world 24 hours a day, seven days a week. Technology and collaboration assist Customs to accurately identify threats and work

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towards ensuring those threats do not travel to New Zealand, or are met with a proactive response on arrival. The agencies in ITOC use advanced intelligence tools to gather information to identify potential threats and conduct risk assessments for specific people, goods or craft entering or leaving the country.

Counter-Terrorism (Auckland)

Customs participates in multi-agency counter-terrorism activities, taking a layered approach to protecting New Zealand from terrorism. We use intelligence sharing, electronic profiling, visa applications and border alerts, real-time interventions, and investigations.

Customs has a counter-terrorism intelligence unit that has operational capability (usually undertaken in coordination with partner agencies). Customs contributes surveillance resources to any joint activity, as required. Customs is part of the global NATO strategy disrupting the supply routes and commercial activities of terrorist groups.

National Maritime Coordination Centre (Wellington)

The National Maritime Coordination Centre (NMCC) is a single, centralised entity, managed by Customs and hosted by the New Zealand Defence Force. It supports Government's maritime goals, both civilian and military, through a coordinated whole-of-government approach to maritime tasking and maritime domain awareness. This includes coordinating inter-agency or multi-agency operations to detect offending in maritime areas, such as smuggling contraband, or illegal immigrants. It also coordinates civilian use of New Zealand Defence Force assets to undertake sea and air patrols.

Organised criminal groups will continue to seek to evade border controls to smuggle illicit drugs into New Zealand, including through the maritime border. Customs is boosting its capabilities to identify risk and carry out enforcement to enhance protection to New Zealand's borders. New Zealand's largest ever drugs seizure occurred in June 2016. In a joint New Zealand Police and Customs operation 500kg of methamphetamine was seized in Northland.

The NMCC works closely with a number of other agencies, including: New Zealand Defence Force, New Zealand Police, Ministry for Primary Industries, Department of Conservation, Ministry of Foreign Affairs and Trade, and Maritime New Zealand.

New Zealand Police National Organised Crime Group

Customs has a long tradition of close cooperation with the New Zealand Police National Organised Crime Group, especially in respect of drug trafficking. A New Zealand Police and Customs Memorandum of Understanding, which outlines respective roles and responsibilities, and protocols for joint activity and information sharing, guides the relationship.

Gang Action Plan

We know that one agency cannot effectively respond on its own to complex social issues. The Whole-of-Government Action Plan to Reduce the Harms caused by New Zealand Adult Gangs and Transnational Crime Groups (known as the 'Gang Action Plan') is a collaborative approach to deal with the harms caused by these groups. It was developed through bringing

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Government agencies together to gather, share and analyse information on New Zealand adult gang members and prospects.

Under the Action Plan, agencies are undertaking a number of multi-agency law enforcement and prevention initiatives. This includes, for example, the creation of the Gang Intelligence Centre hosted by the New Zealand Police (based at Police National Headquarters in Wellington) to provide a combined picture of gang activity across the enforcement and social sectors. Eight agencies, including Customs, are participating in the Gang Intelligence Centre.

New Zealand and transnational gangs are a key connection in the methamphetamine supply chain. Customs is responsible for the Border Taskforce. This involves monitoring the movements of the members of outlaw motorcycle gangs and transnational organised crime groups that may be involved in the importation of drugs and other contraband.

The National Drug Intelligence Bureau

Customs, Ministry of Health and New Zealand Police staff the National Drug Intelligence Bureau (NDIB), based in Police National Headquarters in Wellington. It is responsible for providing a strategic intelligence picture of the illicit drug scene.

Investigations

In 2016/17 we commenced 112 investigation cases. Customs conducts investigations relating to: the trafficking of illicit drugs; money laundering; trade in endangered species; intellectual property rights (IPR) infringement; objectionable material; and revenue evasion.

Customs' investigations are increasingly strategic with a focus on disrupting criminal organisations. These cases are usually complex, and have lengthy investigation times, requiring a greater commitment of resources. At times, Customs undertakes investigations in conjunction with other agencies, but takes the lead on those cases involving cross-border drug smuggling.

If the case warrants, Customs will refer the matter to the relevant Crown Solicitor for prosecution. The majority of prosecutions are for drug and objectionable material offences. However, there are a variety of cases that can go before the courts including unlawful importation of firearms and failure to declare cash at the border.

Challenges

We operate in a changing environment, and we aim to keep pace by being able to identify and respond to rapid shifts in risks to New Zealand. Shifting trade patterns, such as the growing number of small-scale importers and exporters, test our processes and systems. Data and information sharing is critical to supporting our intelligence-led approach.

Continuous enhancements in artificial intelligence and machine learning provide opportunities to leverage the amount of data (both public and private) available. As personal data becomes more and more available, privacy issues will increasingly come to the fore, particularly with respect to how we are using a person's information (for example, biometrics), who we are sharing it with, and for what purpose. The public view and social licence to share information to improve services is constantly changing. Customs'

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information sharing processes contain safeguards to protect an individual's privacy and commercially sensitive information.

Technological advancements can have a significant positive impact for border management, for example improved scanning technology to identify illicit goods and the use of biometrics to verify identity. However, criminal networks are also using technological advancements to obscure their activities and exploit new delivery streams. We already see the darknet used to aid offending and expand the marketplace for illicit goods. Darknet users can order commodities and content, including illegal drugs and child exploitation material, from the comfort of their own homes.

The increasing sophistication and globalisation of border-related crime creates challenges. We expect to continue to see changes in commodity types, manufacturing, means of delivery and concealment methodology.

How we are responding

Better high risk targeting

Customs leads and operates a joint border agency analytics team (based in Auckland) that enables the pooling and scrutiny of agencies' information to help improve our understanding of criminal activity and risks at the border, and better target high-risk goods and passengers.

To assist us to do this we are:

- enhancing the levels of cooperation and appropriate information sharing with domestic and international partners to ensure that timely intelligence can be used to protect New Zealand and our partners' borders
- developing a regular programme of sampling that will provide a stronger understanding of compliance at the border.

A better understanding of risk leads to a higher inspection strike rate with fewer inspections of low risk goods and interventions with low risk passengers.

A long-running multi-agency investigation called Operation Armadillo, involving law enforcement and border protection agencies across the Pacific, resulted in the seizure of over 1.4 tonnes of cocaine and six arrests in Australia. Six men, including a New Zealand national, were charged with serious drug importation offences as a result of this investigation. In New Zealand, this result brought to an end a three-year operation following the purchase and international movements of local yacht Elakha.

Customs' work heavily relies on our border management IT system, particularly for managing risks. It allows cross agency risk assessment across multiple sectors. The Joint Border Management System (JBMS) allows for enhanced Risk and Intelligence capability, with new tools providing sophisticated data mining, risk rating, and pattern analysis. The next step is to build Customs' real time risk and intelligence capabilities.

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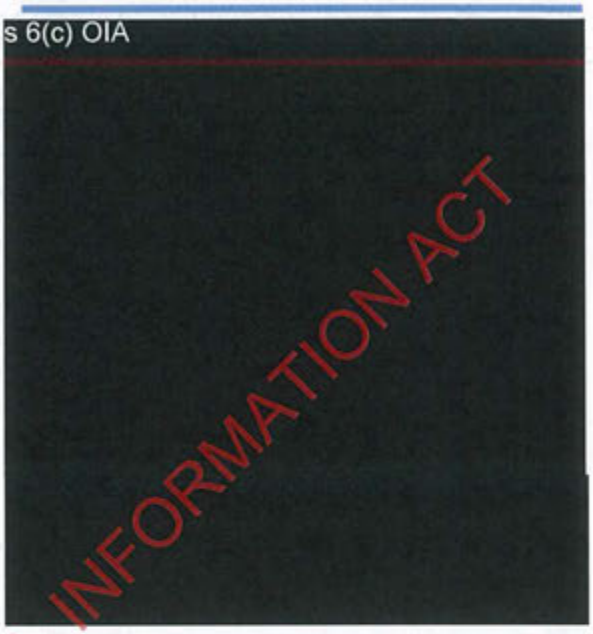
Upstream disruption

A key part of our intelligence-led approach is identifying and targeting risk upstream. Disrupting and dismantling supply chains pre-border and at the point of export is an effective way of preventing harm to New Zealand.



The upstream disruption strategy removes key members of a criminal network and breaks supply connections to New Zealand. Our focus is on intercepting drug imports offshore, and disrupting the supply chain. Customs' overseas posts and our strong relationships with customs agencies overseas support this activity.

We have already seen positive results from the focus on the interception of illicit drugs before they reach New Zealand.

Both overseas and domestic partnerships (focused on the provision of data, information and insight, development of skills and best practice, and delivery partners) are important if we are to achieve our upstream disruption strategy.

Assurance programme

We are introducing an assurance model that uses statistical evidence (based on random sampling) to inform and refine Customs intelligence. The assurance programme introduces a fundamental shift in the way Customs understands the level of border risk.

Under the Assurance programme, we carry out specific compliance checks across all import channels so we can collect accurate and current information about the level of compliance and non-compliance. By using statistical evidence, the assurance model provides confidence about our level of intervention and our targeting of interventions leading to higher strike rates. Trials are underway to help inform the method for data collection and refine the process that will help Customs to implement an efficient and effective assurance model.

Strengthening relationships with overseas enforcement agencies

Customs works with overseas partners to target cross-border offending. This facilitates the exchange of information and intelligence to enable more targeted risk management, and joint investigative and operational activities. Our main aim is to disrupt supply chains for illicit drugs and dismantle transnational criminal syndicates.

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International trafficking syndicates often target multiple jurisdictions using the same modus operandi. This means the sharing of intelligence, concealment methods and trend information between agencies, together with coordinated operational activity, ensures more effective and comprehensive operational responses.

For example, Customs established a liaison officer position at the International Targeting Center in Washington DC (a multi-agency organisation tasked with global drug enforcement awareness and targeting) from May 2017. We are seeing more illicit drugs coming from the Americas, and this position is proving to be extremely valuable in helping us to develop proactive and actionable intelligence related to threats to the border and prevent drugs entering New Zealand.

The Customs Consul in Hong Kong, a two year role funded from the Proceeds of Crime funding, is engaging with Hong Kong Customs counterparts, and other law enforcement agencies based in the region, to disrupt and dismantle the organised criminal networks supplying methamphetamine and precursors to New Zealand. As we become more externally focused, pushing our intelligence gathering activities offshore, our international partners are adopting a similar approach and so we will increasingly receive demands for data from New Zealand.

We also take part in regional and global targeting exercises. These involve short-term intensive targeting and inspection activity coordinated across the region or throughout the world. For example, Customs, in conjunction with Medsafe (Ministry of Health), regularly participates in a global operation aimed at substandard, illegal, or counterfeit medicine. Operation PANGEA is aimed at disrupting criminal networks behind the illicit on-line sale of medicines. During these operations, Customs and Medsafe conduct intensified screening of mail entering the country through the International Mail Centre in Auckland. Operation PANGEA is coordinated by INTERPOL and other international agencies.

Looking ahead

We would like to discuss with you a focus on investment in the pre-emptive disruption of supply chains to prevent harmful goods and people from entering New Zealand, in particular intercepting and disrupting drug imports before they reach New Zealand.

Close working relationships and targeted engagement with relevant agencies in source countries, especially our new partners, is critical. This will require a greater involvement in capability building and relationship building, and the strategic use of our overseas posts. Providing an effective illicit drugs and methamphetamine response would mean ensuring that Customs has the right legislation and operational capacity to respond, for example by strengthening Customs' maritime powers.

Regional capability building is part of our strategy to disrupt at the source. Customs intends to maintain a targeted rolling programme of capability building activities to strengthen partnerships with Pacific Island nations.

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To progress the pre-emptive disruption of supply chains by intercepting and disrupting drug imports before they reach New Zealand, we will:

- continue to implement our regional capability building programme, including training in customs border management for other customs jurisdictions
- undertake information sharing with new partners, strengthening relationships and agreeing appropriate processes
- implement online Risk Analysis on the Joint Border Management System to establish the Risk and Intelligence functionality and introduce new tools that provide sophisticated data mining, risk rating, and pattern analysis to identify patterns and anomalies.

Checking the contents of a container at Auckland port

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Secure, efficient and customer focused facilitation of trade and travel

Context

New Zealand's border management model aims to enhance trade and travel facilitation while maintaining border controls to minimise and manage risks. We work with other border agencies and industry to create a secure and seamless border experience for traders and passengers, incorporating technology-enabled solutions. In part, this approach has been accelerated by the rapid growth in trade and travel.

Travel

Increasing numbers of air passengers, a steady growth in the number of cruise ship passengers, increasing diversity in source countries for passengers, more direct flights to New Zealand and new risks to be managed, continue to place demands on our services. Figure 2 illustrates the rising air traveller arrival numbers expected through to 2023, by source country.

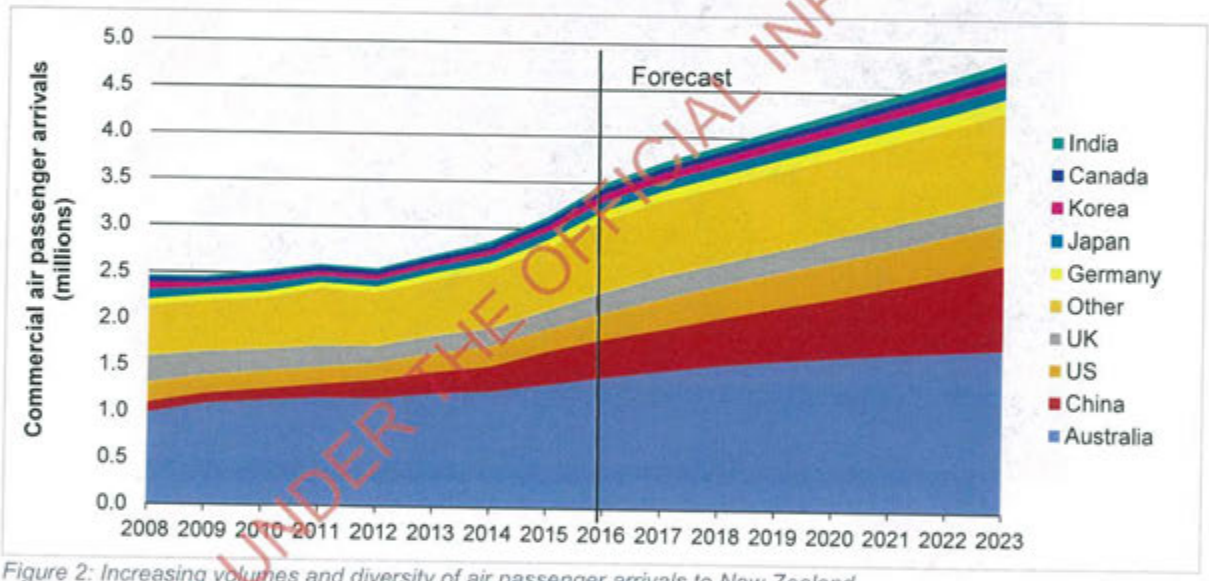

Figure 2: Increasing volumes and diversity of air passenger arrivals to New Zealand

Trade

In 2016/17, Customs processed a record 14.4 million trade transactions. This figure includes 4.82 million export transactions[9], an increase of 40.5 percent from 2015/16. There has been significant growth in the volume of trade in recent years, mostly due to the increasing number of Electronic Cargo Information consignments for low-value goods, due largely to internet shopping[10].

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[9] Export transactions include export entries (provides full details of a consignment), drawback (is a refund of duty which has been paid on goods that are subsequently re-exported) entries, and export Electronic Cargo Information (ECIs – provide summary information on consignments) – but exclude export mail items.
[10] Although part of the increase from 2013/14 is attributable to improvements in the recording of ECI import entries by the fast freight industry.

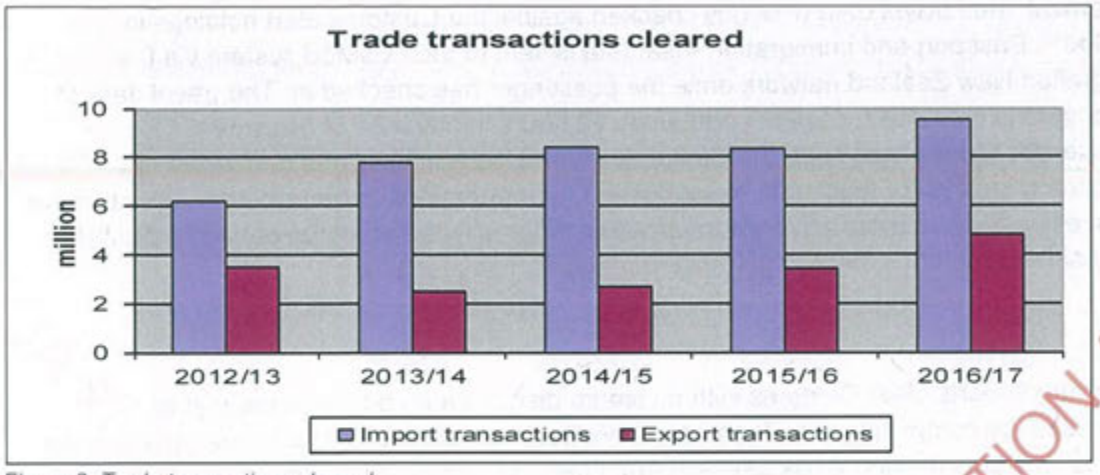

Figure 3: Trade transactions cleared

Trade facilitation of low risk legitimate imports is equally important to the export sector, who often rely on imports for the production of their goods. Figure 3 shows the rise in imports, steadily overtaking the volume of New Zealand exports – with this trend forecast to continue.

Figure 4: Increasing value of New Zealand imports and exports

How we operate

Travel

We profile and risk assess all arriving international passengers and crew to identify any threats to the border. The Immigration Act 2009 enables Customs officers to undertake immigration duties at the border. On behalf of Immigration New Zealand, we verify the identity of travellers and confirm their immigration status when they arrive in New Zealand.

Passengers are processed by either manual processing or automated self-clearance (ie, eGates located at the major airports). Passengers of interest are identified and directed to the Customs secondary search area for further interaction. Currently 0.5% of arriving air passengers and crew are selected for further risk assessment at the Customs' secondary area.

As Customs aims to limit our interaction with legitimate travellers who comply with border requirements, we use intelligence-led risk management to target our interactions. Prior to

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their arrival, their travel data (PNR) is checked against the Customs alert holdings in CusMod[11]. Passport and immigration Visa data is sent to the CusMod system via the Immigration New Zealand network once the passenger has checked in. The travel data of passengers is provided by airline companies 72 hours in advance of departure. This advance risk assessment supports Customs' enforcement activity and minimises any disruption or delays for legitimate passengers. Our international partner border agencies are also seeking to have more advance information. This will mean that we need to establish reciprocal expectations for the clearance of departing passengers.

Trade

We ensure imports clear Customs with minimum disruption (in time and money) to businesses, by completing pre-clearance of goods where possible. The clearance of goods involves Customs making a risk assessment, checking compliance with requirements, and identifying suspect goods for further investigation.

This shift in process is underpinned by access to accurate source data and receiving pre-clearance information. Access to timely and accurate data is critical for us to keep pace with the level of change in global trade. Information sharing with other jurisdictions supports our ability to undertake pre-clearances, confirm the integrity of the New Zealand supply chain and minimise delays at borders. Similarly, other jurisdictions require reciprocity of information and secure processes and systems.

The next chapter outlines how we support exporters in border clearance activity.

Challenges

Border management will continue to change significantly given the rapid advancements in technology. Our focus is on removing unnecessary delays for legitimate people, craft and goods crossing the border. Applying a customer-centric focus to our services improves the passenger experience. The key challenge is to facilitate low risk trade and passengers at the border, while maintaining assurance effectiveness.

How we are responding

Automation of processes for low risk passengers

EGate is a fast and easy way to self-process through passport control. We have the gates at Auckland, Wellington, Christchurch and Queenstown airports for arriving and departing passengers. EPassport holders over the age of 12 years can use eGate if they are travelling on a passport from New Zealand, Australia, United Kingdom, United States of America or Canada.

The automation of processes such as eGate allows Customs to efficiently service large volumes of low risk passengers, releasing capacity to address those who may not be compliant. A total of 4.4 million arriving and

EGates contribute to the current Better Public Service Result 10 target that 70% of New Zealand complete transactions in a digital environment. Currently 76% of eligible arriving air passengers and 67% of eligible departing air passengers use eGates.

[11] CusMod is the collective name for the computer applications used by Customs.

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departing passengers used eGate in 2016/17, an increase of 30% (1.1 million passengers) from the previous year.

The expansion of eGate capacity has involved the roll-out of next generation technology. It provides an improved experience for travellers through a faster, simpler one-step process. This allows Customs to redeploy staff from primary processing of passengers to other high priority areas, such as profiling and secondary searches of passengers.

Figure 5: Arriving and departing passengers using eGate (referred to as SmartGate in the above graph)

We have completed implementing the next generation single step gates (a total of 51 new gates operational across Auckland, Queenstown, Wellington and Christchurch airports). In addition to offering an improved experience for travellers through a faster, simpler one-step process, the next-generation technology improves security by capturing an enhanced facial biometric match with a greater degree of accuracy. Our aim is to increase the number of nationalities using eGates. Customs is currently trialling Chinese passengers' use of eGate.

Light touch experience

The next travel concept is a light touch passenger experience. Flights from New Zealand to Houston will be part of innovative trials, using biometrics to support pre-clearance.

NZ Customs is working with US Customs and Border Protection (USCBP) on an alternative model of US preclearance of passengers. The joint project will trial electronic pre-clearance of passengers, where biometric, biographical and (at a later stage) luggage X-ray data for outward New Zealand air passengers will be transmitted to the US and risk-assessed by USCBP during the nearly 15-hour flight. This work will improve passenger facilitation, with minimal contact at the border – delivering a better experience for travellers.

Biometric capture (Canberra)

An innovative trial using the biometric capture of passport information on arrival into Canberra from Wellington is underway. It uses face-on-the-move technology in the arrival hall to identify people of interest for further interaction with border officials. Low risk passengers pass through the Australian border processes with little or no intervention. Trans-Tasman travel represents approximately 61% of the total movements through New Zealand airports, and has been growing at just under 5% per

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annum since 1998. The technology is expected to deliver an improved trans-Tasman traveller experience. It has brought about a step change in passenger processing by reducing government "touch points".

Inbound Cruise ships

Customs is leading New Zealand's engagement in this pilot with support from the Ministry of Business, Innovation and Employment, the Ministry for Primary Industries, and the Department of Internal Affairs. The project aims to achieve a proof of concept that allows cruise operators to enrol passengers with biometric information and remove the need for manual processing by Customs officers.

Reducing delays for trade

Single Economic Market

Over the past decade, the trans-Tasman integration project has focussed on creating a Single Economic Market (SEM). The SEM aims to create a seamless trans-Tasman business environment by removing the remaining barriers to the free flow of goods, services, people and capital between New Zealand and Australia.

Customs is leading four of the seamless border initiatives to improve trade and traveller movement across the Tasman. Work to improve trade includes designing and trialling a proof of concept for a Secure Trade Lane for exports, and an e-commerce Green Lane trial for the postal mail stream. Work to improve traveller movement includes the Inbound Cruise and the Outbound Air Travel (Canberra) passenger pilots (refer above).

The following innovative border initiatives are part of a suite of work to remove unnecessary delays and choke points for trade and travel, while minimising risk. The trans-Tasman trials (Secure Trade Lane, e-commerce Green Lane (mail) and Outbound Air Travel pilot), in particular provide an ideal controlled setting to test new technology and advanced passenger processing so that we can more clearly understand the risk.

Secure Trade Lane

This initiative (with the Australian Department of Immigration and Border Protection (DIBP)) aims to create a separate lane of trade between New Zealand Secure Export Scheme members, and Australian Trusted Traders. The purpose is to create a segregated end-to-end secure supply chain that is seamless and cost-effective for authorised traders. The potential benefits to participating traders will be reduced border documentation requirements – lowering administrative costs, and reduced intervention at both borders – minimising delays and getting goods to their markets more quickly. The traders will benefit from being able to submit both statistical and revenue information on a reconciliation basis rather than for each individual transaction.

E-commerce Green Lane (mail)

This is a multi-agency initiative (with Ministry for Primary Industries, New Zealand Post, and the respective Australian counterparts) in the mail stream aimed at addressing rising e-commerce volumes. It involves testing the use of pre-arrival electronic data provided by the Customs Declaration system to allow for more seamless movement of low risk goods through the current border processes in both countries. This initiative will benefit online

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retailers from both countries who ship small, low value parcels across the Tasman, minimising delays, and will significantly lower Customs border processing costs.

Looking ahead

We would like to discuss with you a priority focus on automating and streamlining systems to remove unnecessary blockages and delays, while continuing to provide assurance. This will also mean New Zealand goods can be securely fast-tracked through borders. Sustainable and transparent funding streams will help us be responsive and deliver customs border services that match demand.

To progress innovative models for goods and passenger clearance, we will:

- add additional nationalities processed through eGate
- complete the SEM trans-Tasman trials; Canberra, Secure Trade Lane and e-commerce pilots, and identify where we can expand the approaches tested in these pilots to other locations
- complete the Houston trial, and identify where we can expand the approach tested in this pilot to other locations.

A package goes through the x-ray machine at Auckland Air Cargo Inspection Facility

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Maximising the value of exports

Context

As a small nation, trade is one of the key ways for New Zealand to increase its economic prosperity. While openness to trade increases competitive opportunities and diffuses new technologies across borders, at the same time New Zealand firms face reduced access to large markets and limited participation in global value chains. This is partially due to the country's geographic isolation, narrow export base and higher transportation costs.

New Zealand has sought to overcome these disadvantages by increasing its free trade agreement footprint, and we have started discussions with the European Union (EU) and selected South American countries. Support for New Zealand businesses to succeed internationally has seen New Zealand's exports grow.

International trade and travel is forecast to show continued growth over the next few years, with the most pronounced growth coming from the Asian market. By 2025 we expect approximately 60 percent of our trade to be with Asia. While we will continue to focus on traditional export markets, Customs will be monitoring the impact of Brexit on exports and any potential trade disruption.

Figure 6: New Zealand's Principal Trade Partners for Goods Exports

How we operate

Customs plays a key role in facilitating New Zealand's international trade thereby contributing to economic growth. We work to ensure that goods crossing the border comply with domestic and international requirements and legitimate trade flows freely and efficiently.

Customs' trade responsibilities include participating in Free Trade Agreement negotiations and ensuring that expanded market access is meaningful and predictable for exporters,

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particularly in respect of customs documentation and standards. We aim to influence international standards through the World Customs Organization (WCO) and the World Trade Organization (WTO). We work with other agencies to shape the international environment in which New Zealand businesses engage and support the movement of legitimate goods across borders.

We work closely with traders, other government agencies (such as the Ministry of Foreign Affairs and Trade, Ministry of Business, Innovation and Employment, Ministry for Primary Industries, and Ministry of Transport) and Customs agencies in other jurisdictions. Our Customs Counsellors play a central part in furthering relationships between New Zealand traders and overseas governments.

Challenges

In a progressively interconnected world, relationships and systems are more complex. Advances in technology and transport are changing supply chain models. Effectively responding to rapid shifts in global trade, for example, the trend to move goods closer to market will be challenging (ie hubbing, which involves establishing distribution facilities close to an export market). As businesses change the way they operate, we also need to find ways to be agile and keep pace with the rate of change.

With the potential dominance of big international businesses with their own data standards, continued advancement of global standards remains important. Our ability to exert an influence on world customs trade rules and the international environment in which New Zealand businesses operate will be a challenge in the increasingly dynamic global trade environment.

How we are responding

Supporting free trade agreement negotiations

Customs plays an important role in progressing New Zealand's Free Trade Agreements by taking the lead role in negotiating the Customs Procedures, Trade Facilitation and Rules of Origin chapters of the Agreements. Customs supports New Zealand's trade policy initiatives in Free Trade Agreement negotiations by developing rules of origin that our exporters can meet and thereby gain preference into trading partners' markets.

To ensure New Zealand traders realise the full benefits of our Free Trade Agreements we:

- establish partnerships with industry and other government agencies to promote and enhance the use of Free Trade Agreements by New Zealand exporters
- provide workshops and develop outreach programmes both in New Zealand and in our trade partner countries to help traders navigate new rules, obtain preference under Free Trade Agreements and understand their obligations
- provide information and guidance on areas such as export clearance and entry procedures and the documentation required as a New Zealand exporter
- ensure customs procedures support the realities of modern global trade, and support regional supply chains.

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We also provide problem solving assistance to traders where customs related issues arise, using Customs Counsellors in the key areas. With China, this led to the development of an e-verification capability for the Customs Co-operation Agreement. Implementation of the Joint Electronic Verification System (JEVS) in 2016 has reduced documentation requirements for exporters to China. This project provided industry with more transhipment options for cargo. This e-verification system will be a model for other Free Trade Agreement arrangements.

Addressing non-tariff barriers

As tariff barriers are reduced through Free Trade Agreements, there is an increase in non-tariff measures (NTMs), which are regulatory tools other than tariffs, such as, standards, labelling and technical certification requirements. Some non-tariff measures are justified, such as for health or the environment, but others put in place to inhibit or distort trade are defined as non-tariff barriers (NTBs).

Government agencies (Ministries of Business, Innovation and Employment, Primary Industries and Foreign Affairs and Trade, Education New Zealand, Customs, and New Zealand Trade and Enterprise (NZTE)) see a benefit in resolving non-tariff barriers. They have formed a Cross Agency Group to coordinate the whole of government approach to non-tariff barriers.

The collaborative approach taken through the Cross Agency Group allows a more integrated approach to working on non-tariff barriers with the objective to resolve more existing non-tariff barriers and head-off potential non-tariff barriers including by engaging bilaterally with overseas governments and through our work in international forums.

Customs works to address non-tariff barriers by negotiating Mutual Recognition Arrangements (MRAs) and expanding the number of exporters benefiting from New Zealand's Secure Exports Scheme (SES). The MRAs put in place the agreed documentation and processes that support the Secure Exports Scheme.

Addressing Non-Tariff Barriers

Mutual recognition of customs processes

Mutual Recognition Arrangements (MRAs) enable customs administrations in different countries to formally recognise each other's risk management processes. An Authorised Economic Operator (AEO) scheme is a voluntary agreement between traders and Customs that recognises the quality of their supply chain security and allows for faster clearance of cargo. Our MRA partners facilitate these AEO exporters. The agreement provides assurance that goods are both packaged and conveyed securely to the place of shipment, without interference. Companies benefit from faster cargo clearance, reduced document checks and lower examination rates.

Customs is working to develop MRAs with our top export goods markets. Customs arrangements are now in place with five of our top six markets: the United States, Japan, Korea, Australia and most recently with China. This year Customs also signed a Customs Cooperation Agreement with the European Union, which included agreement to establish mutual recognition of supply chain security and trade partnership programmes, that is a Mutual Recognition Arrangement.

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Secure supply chains

New Zealand's key Authorised Economic Operator scheme is the Secure Exports Scheme, which is designed to give New Zealand exporters greater certainty at international borders by minimising customs delays and by giving exporters priority in trade recovery situations. The key aspect is that Customs provides assurance along the whole supply chain, including beyond our border, rather than stopping as goods leave New Zealand.

The US Customs & Border Protection (USCBP) recognise the Secure Exports Scheme (SES) as providing an equivalent to their own Customs Trade – Partnership Against Terrorism programme (CTPAT).

As part of the Mutual Recognition Arrangement we have with USCBP, SES partners receive facilitation benefits for exports to US customers. USCBP supply chain specialists regularly undertake validation of its members' overseas supply chains. They visited New Zealand recently to do just this. Our SES partners facilitate such visits, as they understand the benefits of being in the scheme.

The purpose of the scheme is to protect New Zealand's exports from being tampered with, sabotaged, smuggled, or subjected to other transnational crimes. Initially focused on guaranteeing supply chain security in the wake of terrorist attacks, the scheme is proving useful in supporting the movement of goods, and increases in trade.

As a Secure Exports Scheme partner, the exporter maintains an agreed level of security and data integrity in day-to-day operations, from the moment the goods are packed in the container, to their delivery at the point of export. The system gives an increased level of confidence and results in less Customs intervention in the free movement of exports. It also gives greater certainty regarding the goods' movements to those countries where New Zealand has a MRA.

Developing an efficient trade process

In December 2016, New Zealand Customs and the General Administration of China Customs (GACC) launched the Joint Electronic Verification System (JEVS). This system sends electronic Certificate of Origin (CoO) information to GACC, which is compared to the Chinese Import Declaration. If all details match, the shipments are expedited through border processes and traders benefit through improved efficiency. To date, almost 17,000 certificates have been sent to China via the JEVS with fewer than 1% of these requiring follow-up enquiries.

Maintaining assurance of international supply chains

New Zealand already has in place well-regarded approaches for providing assurance around elements of the international supply chain (for example, the Secure Exports Scheme and JEVS arrangements).

Looking ahead

We would like to discuss with you creating opportunities for New Zealand businesses, by assisting exporters to take full advantage of Free Trade Agreements. We can reduce the challenges faced by exporters by focusing on non-tariff barriers through the negotiation of Mutual Recognition Agreements and use of the Secure Exports Scheme.

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To maximise access to markets, and reduce barriers to trade, we will:

- support Free Trade Agreements into new markets
- provide outreach assistance for exporters and continue to extend the number of Secure Exports Scheme partners
- implement Mutual Recognition Agreements in key export markets and support negotiations to achieve reductions in non-tariff barriers.

Inside the HCV x-ray mobile van at Auckland port

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Collecting Crown revenue

Context

In 2016/17, Customs collected a record $13.3 billion. This represents approximately 18 percent of the total Crown tax revenue for that financial year, second only to the portion collected by Inland Revenue.

Revenue is collected through GST on imports, excise, tariffs and other taxes, and duties. Crown revenue collected by Customs has grown by nearly 20 percent in five years and is forecast to continue increasing.

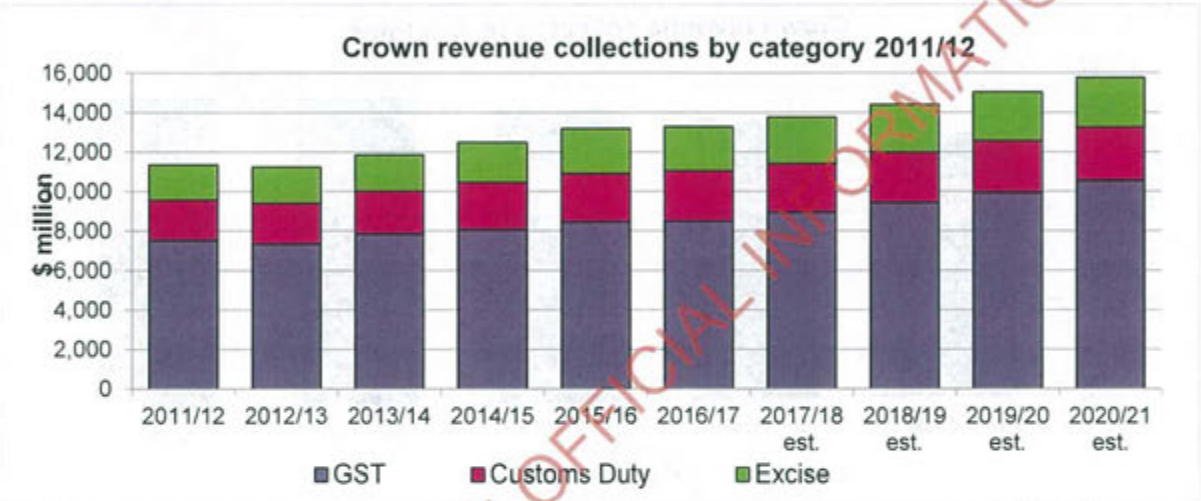

Figure 7: Budget 2017 Treasury forecast of Crown revenue (but including actual year-end total for 2016/17)

How we operate

Customs' collection of revenue is based on self-assessment of duty liability and voluntary compliance by traders (importers, exporters, and licensed manufacturers of excisable goods), reinforced by our assurance activity. Traders (including brokers, fast freight companies, and private importers and exporters of goods) are expected to accurately declare the revenue owed and arrange for payment. Self-assessment allows the import, export, and excise trade streams to flow without undue delay.

Customs conducts compliance assurance checks and post-clearance audits in place to verify the information provided by traders. If a trader has not complied with Customs' requirements, our response ranges from engaging with the trader to encourage voluntary compliance, to auditing them to assess the correct revenue owed, to prosecuting non-compliant traders.

Crown revenue

- Tariff duty (a duty imposed on imports under the Tariff Act 1988) has plateaued due to reduced use of tariffs as New Zealand pursues Free Trade Agreements. Most goods imported into New Zealand have no import tariffs. Tariffs of five or ten percent remain on some imported goods, for example clothing, footwear, and

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motor vehicle parts. We collected $0.152 billion in total in 2016/17. Figure 8 shows tariff duty under the heading customs duty.

- Excise duty is collected on locally manufactured fuel, alcohol and tobacco (based on manufacturers' records), and excise-equivalent duty is collected on imports of these goods. In 2016/17 we collected $2.229 billion in excise duty and $2.397 billion in excise-equivalent duty. Figure 8 includes the excise-equivalent duty under the customs duty heading as it is collected by Customs at the border.
- GST on imported goods, which comprises around two thirds of Crown revenue collected by Customs, is increasing due to the growth in import volumes. We collected a total of $8.492 billion in 2016/17.

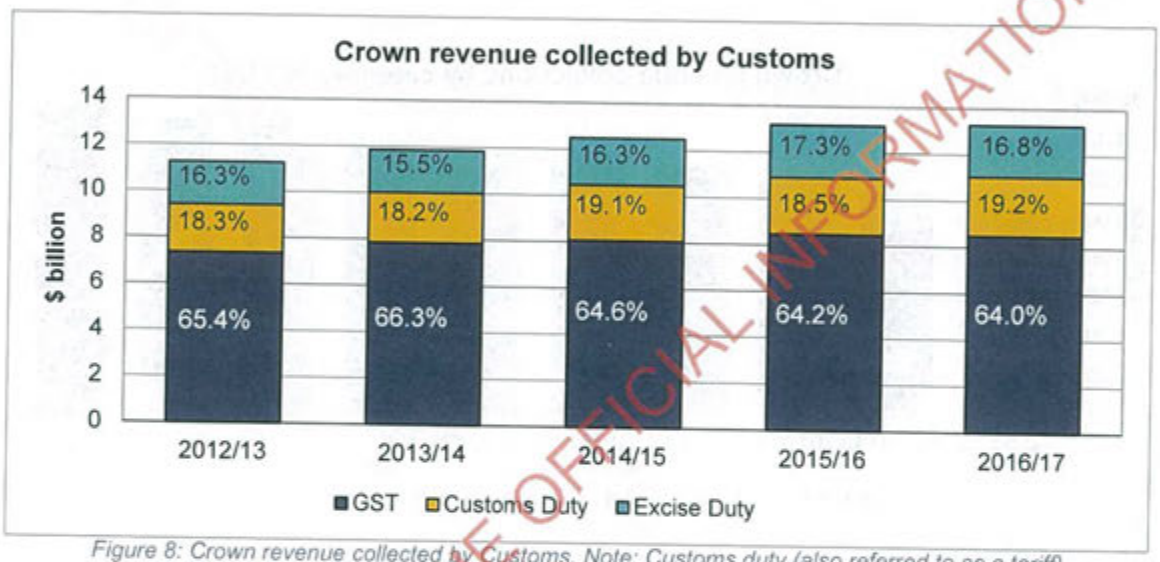

Figure 8: Crown revenue collected by Customs. Note: Customs duty (also referred to as a tariff).

Third Party revenue

Customs collects a range of levies on behalf of other agencies. We collected a total of $389.2 million on behalf of other agencies in 2016/17.

The largest portion of the total collected annually is the Accident Compensation Corporation (ACC) levy, which is applied to petrol (a total of over $260 million collected in 2016/17).

We also collected just under $65 million in biosecurity levies on behalf of the Ministry for Primary Industries in 2016/17 (nearly $64 million of which is that Ministry's portion of the Border Clearance Levy).

Additional revenue

Our strategy is to encourage and improve voluntary compliance when traders calculate and declare the amount of revenue owed to Customs. We continually review and improve our trade compliance programme so that we achieve enhance assurance in the self-assessment processes.

A net total of $140.08 million in additional revenue owing was identified in 2016/17 as a result of our trade compliance programme. This included excise duty on blended fuel owed

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by fuel companies[12]. Additional revenue is identified through undertaking verifications of data entered by traders; voluntary disclosures by traders; and audit activity. Over 50 percent of the additional revenue identified in 2016/17 through our trade compliance programme was as a result of voluntary disclosures by our customers.

Excise

Ensuring business pays the correct excise duty is an important role for Customs. Excise is levied on alcoholic beverages, tobacco products, and fuels. Excise rates for alcoholic beverages and tobacco products are increased each year in line with the Consumer Price Index (CPI). This occurs on 1 July for alcoholic beverages and 1 January for tobacco products. The CPI is confirmed by the Treasury and the rate calculated by Customs.

The review of the Customs and Excise Act 1996 identified that excise collection could be streamlined and simplified to reduce compliance costs for excise payers, while maintaining assurance over revenue.

A reformed alcohol excise regime commenced from 1 February 2017. All manufacturers of alcohol products, for example brewers, are now able to relocate stock to offsite facilities without paying the relevant excise duty, effectively delaying the point at which they paid excise duty. Before February 2017, only wine makers could move stock to offsite facilities. All other alcohol producers paid duty as their product left the site of manufacture, regardless of whether it was to be stored before going to market.

Customs works collaboratively with industry to better understand and accommodate its business needs while meeting legislative requirements. The change in the excise regime provides a fairer environment for alcohol producers, lowering their administration costs.

Challenges

Customs' revenue collection system needs to be able to keep up with the pace of change in import and export business models (including online purchasing patterns) and steadily increasing trade volumes. This will require us to have a better understanding of our customers' needs and to be prepared to change the way we do things.

We still have some work to do to address a lack of clarity in the legislation raised by the Foreign Affairs, Defence and Trade Select Committee raised during their examination of the Customs and Excise Bill.

To respond to these challenges, the following work is underway:

Streamlining the collection of GST

Customs is working with Inland Revenue and the Treasury to develop options for the collection of GST on business imports.

[12] The Supreme Court ruled in December 2013 that Terminals (NZ) Ltd's process of blending motor spirit constituted 'manufacture' for the purposes of the Customs and Excise Act and therefore the full resultant volume was subject to duty. As a result of that decision, Customs has sought the past duty owing by each fuel company relating to fuel-blending activity.

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Stakeholders raised concerns during the review of the Customs and Excise Act 1996, about the operation of the GST collection process on imported goods. They noted that importing businesses incur additional costs due to dealing with two separate GST collection systems (Inland Revenue and Customs). A more streamlined system would create efficiencies in the collection of GST from import businesses, lowering administrative costs and reducing compliance requirements.

Low-value goods

Changing trade patterns are creating challenges for revenue collection worldwide, especially in the e-commerce area. Consumers now have access to global markets and a wide range of competitively priced goods on-line. Other jurisdictions, such as Australia, Canada and the United States are exploring options.

New Zealand's LVG import volumes are projected to continue growing at about 12% per annum. Distribution of LVGs is skewed towards low values, with over two thirds of individual items valued below $100.

The Government has asked Customs, along with other relevant agencies, to look at how the collection of revenue of low-value goods (LVGs) could be streamlined and strengthened. This would include looking at the threshold under which the duty (GST plus any tariff may be collected) may be waived. This work would involve broad consultation on any options developed.

The main goals are to address the distortion in our tax system created by the threshold[13] and to provide a more level playing field for local retailers. Any collection mechanism would also need to be efficient and cost effective, ensuring that the cost of collecting duty on a single consignment would not be more than the revenue gained.

Strengthening the Excise system

The Foreign Affairs, Defence and Trade Select Committee reviewing the Customs and Excise Bill asked Customs to address why remission and refund are not available when goods are damaged, or lost due to the negligence of the licensee or importer while the goods are still in a Customs Controlled Area. The negligence restriction was not reviewed as part of Customs' review of the Act. This restriction is set out in the Customs and Excise Regulations 1996 rather than the Bill.

Customs undertook to review the Regulations with a view to removing the restriction on the grant of remission and refund for goods damaged or lost through negligence. The review will be undertaken in consultation with the sector and relevant departments.

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[13] If the amount of duty (GST plus any tariff may be collected) on an import is less than $60, it is currently waived under the *de minimis* provisions of the Customs and Excise Act 1996.

Looking ahead

We would like to discuss with you responding to the changing global trade trends and improving the efficiency of our systems for the revenue collected by Customs. This means we will:

- continue to improve how we administer the excise system
- develop options on low value goods with other relevant agencies
- develop options for streamlining the collection of GST with other relevant agencies.

Processing passengers at Auckland International Airport

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Strengthening the sustainability of Customs

Our strategic vision

Our strategic vision, *Customs 2020*, supports Customs to manage the significant environmental and service changes we face, while delivering a responsive work programme. It drives our planning and organisational development by establishing the core strategic concepts for Customs' work.

Customs 2020 strategy is structured around four areas of focus. These are to

- be intelligence-led
- modernise the border
- enhance services with a customer focus
- support development of our people and enhance our culture.

Government investment

Government has invested in Customs over the past 10 years to automate and modernise the border sector this will enable it to better manage the increasing trade and travel volumes, reduce administrative costs to industry and minimise delays when passengers or goods cross the border. These initiatives include eGate, Joint Border Management System (JBMS), outreach support for exporters, Organisational Transformation Programme, border security, and assurance. Details of these initiatives are set out below.

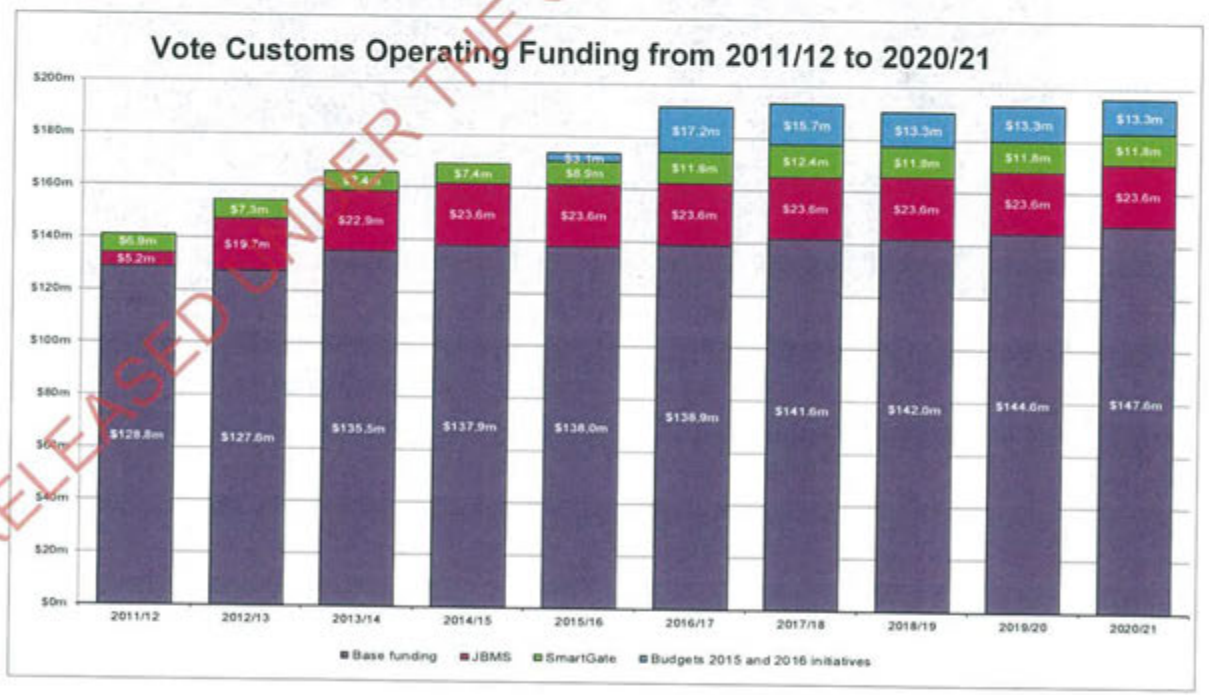

Figure 9: Vote Customs operating funding

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EGates

Refer to *Secure, efficient and customer focused facilitation of trade and travel*, page 23.

Joint Border Management System

Customs work heavily relies on our border management IT system, particularly for facilitating trade and travel, collecting revenue and managing risks. The Joint Border Management System (JBMS) programme was a joint initiative between Customs and the Ministry for Primary Industries and managed by Customs to replace aging technologies. It has been delivered in stages since 2011. The final major release of JBMS functionality was successfully deployed in April 2017, completing the Trade Single Window (TSW).

The TSW is an e-commerce facility that enables importers, exporters and other supply chain participants to electronically submit information required for the clearance of goods and craft once through a single entry point (rather than individually to each agency) and receive agencies' responses through the same channel. Compliant or low risk traders receive clearance in a few minutes of making entries.

The system holds industry information in one place, which multiple agencies can access, lowering industry administration costs. The Online Registration functionality allows brokers to apply for client and supplier codes online, and to manage some of their own and their clients' business information. This has reduced what was a 24-hour manual turnaround to minutes.

Providing outreach support for exporters

Refer to *Maximising the value of exports*, page 29.

Operations Transformation Programme

Our Operations Transformation Programme was undertaken to transform the way Customs works and strengthen our border management capability. Our operational workforce was reshaped, and a new deployment model developed, to deliver operational efficiencies and border staff capability. A new multi-union collective employment agreement was concluded in August 2016 that included contractual changes enabling Customs to implement our new people structure in 2016/17, and a restructured remuneration system.

Border security

We increased our presence overseas, and worked with our international partners to disrupt illicit drug supply chains offshore, and intercept attempted imports upstream before they reach our border. Customs received funding in Budget 2015 to enable more effective screening of departing passengers. Customs received time-limited funding through the proceds of crime funding; for more tools for the frontline, and a liaison officer position at the International Targeting Center in Washington DC.

Assurance

Refer to *Protecting New Zealand*, page 14.

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Recovering the costs of goods and travel clearance work

A sustainable way of funding our border clearance activity is essential to ensure that we continue to efficiently facilitate trade and travel and manage border and revenue risks while providing assurance over border and revenue risks in the face of increasing volumes and service expectations.

Border Clearance Levy

The Border Clearance Levy (BCL) was introduced from 1 January 2016, and enables Customs and the Ministry for Primary Industries to recover the cost of processing travellers at the border from the users of those services. This matches our revenue to the volume of passengers. A joint review of the BCL is underway looking at possible changes to policy settings. The BCL is due to be reviewed by 1 July 2018.

Goods cost recovery

Traders pay for most of Customs' goods clearance activity, however we are reviewing cost recovery arrangements for goods clearance to ensure that importers and exporters are making a fair contribution to the costs that Customs incurs in processing their goods. We expect to consult on any proposed changes to goods clearance costs recovery in 2018.

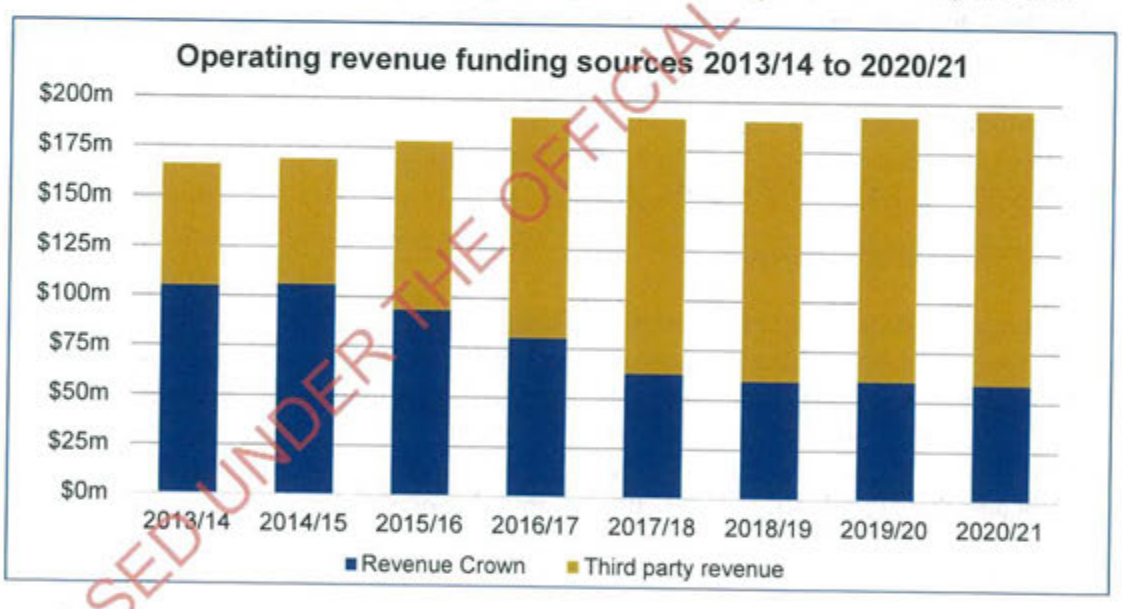

Figure 10: Operating revenue funding sources 2013/14 to 2020/21

Revenue from user charges makes up a growing share of Customs' funding. As shown in the above graph, the proportion of Customs' funding that is third party funding increased significantly between 2013/14 to 2016/17. This trend is forecast to continue. This means that we are able to respond to increased volumes and customer service demands through our ability to recover costs from users.

Future investment

We have a four-year financial plan for Customs. Within the plan and current baseline funding we will be building Customs capability in key areas, including:

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Information Technology

We will be investing in improving frontline mobility so that our operational capability is able to be more responsive and connected-up. We will move to a common whole-of-government telecommunications service (Telecommunications As A Service, TAAS), that will improve our ability to communicate with other border agencies.

Finance

The implementation of a Customs Financial Management Information System (FMIS) will replace aging technology. We will see greater system controls, and improved information with a more streamlined connection between our operating systems and the financial system. The FMIS will support our move to increased third party funding, as transparency of costs to attributed services is critical for confidence in the value of services provided by Customs.

Our people

Our work environment is changing with a flow-on impact for our workforce. We need to be agile and able to efficiently and effectively mobilise our staff in response to volume-driven demand, increasing risk, and demographic and technological change. The Operations Transformation Programme was undertaken in 2016/17 to transform the way Customs works and strengthen our border management capability. We have also introduced an enhanced leadership programme and tools for individual development to support these changes. The restructuring of our remuneration systems has repositioned our pay to a fair level.

Our major initiatives through to 2021 include:

- planning for our future workforce capability
- continuing to provide enhanced leadership and talent programmes
- increasing the diversity in our workforce and enhancing the inclusiveness of our culture
- further enhancing our workplace safety.

Customs is committed to ensuring our workforce represents New Zealand society. Customs recognises that a diverse and inclusive workplace and culture generates increased employee engagement and organisational performance. One of our key actions in this regard is reducing the gender pay gap, which was 13.6% in June of this year. Whilst this is lower than twelve months ago, Customs' intent through its action plan is to reduce it by a further 5% by 2022. We are analysing what is driving our gender pay gap to help inform the active measures we will take to reduce it.

Over the last 12 months, we have looked to increase the diversity of the new Customs Officers and Assistant Customs Officers joining the Service. The percentage of those joining who identify themselves as Maori, Pacifica, Asian, Middle Eastern/ Latin American/ African (MELAA) and Other has increased from 36.6% to 57% in the past 12 months.

We already have some good practices in place and intend to continue these:

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- introduced broader remuneration ranges to support improved performance
- we have mixed-gender selection panels, made up of diverse ranks and groups and to whom we provide unconscious bias training
- we support and encourage flexible working arrangements
- we support part-time leaders, and actively encourage them to apply for roles
- we focus on women to take up leadership roles – supported by our internal process and public sector Career Development Board processes
- the Job Evaluation policy recently introduced, utilises a gender neutral methodology.

Having a workforce that reflects the range of ethnicities in the community and at the border enables us to better understand and meet our customers' increasingly diverse needs and improve their experience of dealing with Customs. We recruit Customs officer trainees with diverse backgrounds, experiences, and skill-sets to enhance our frontline capabilities (refer Figure 13).

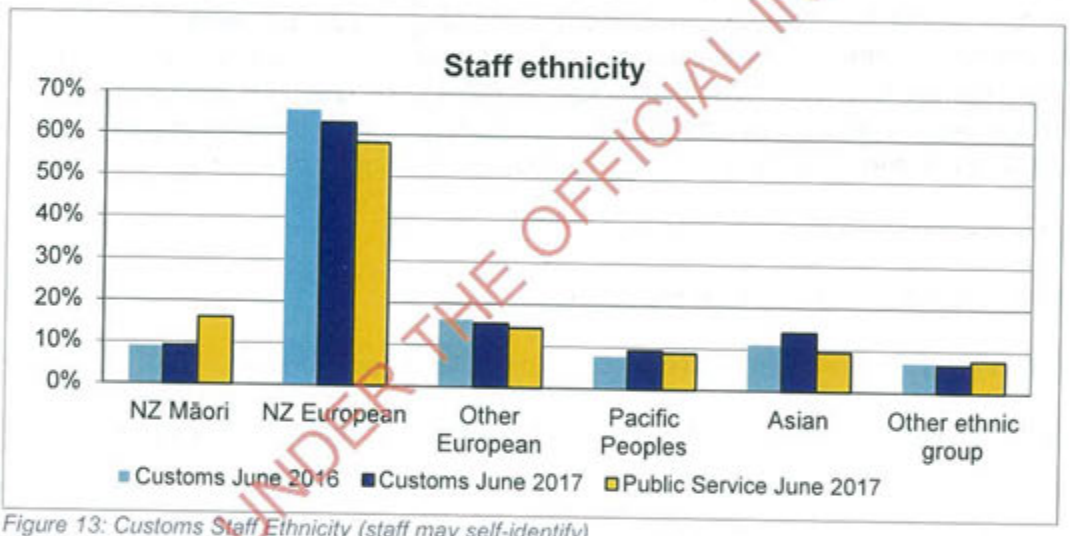

Figure 13: Customs Staff Ethnicity (staff may self-identify)

Better Public Services

Customs contributed to the Government's Better Public Services (BPS) 2012-2017 programme, and we continue to contribute to the updated version introduced in May 2017 (BPS 2.0).

The Trade Single Window contributes *to Result 9 New Zealand businesses have a one-stop shop for all government advice and support*, by providing an electronic channel for traders to transact directly with government and complete border requirements.

Use of eGate automated passenger processing technology is one of the public services measured under *Result 10: New Zealanders can complete their transactions with government easily in a digital environment.*

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Customs 2025 Strategy

Customs is working with border agencies to develop a vision for Border 2025. This will take 12-18 months, as we will be engaging with industry as part of the development process. This work will form part of the input for Customs to develop its own Customs 2025 strategy. We will want to discuss this with you as this is developed. A critical part of the process will involve extensive consultation with industry.

Inspecting the contents of a package at the Air Cargo Inspection Facility

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PART E

Working with other agencies at the border

Customs works with a range of sectors and has relationships spanning economic, community protection, security and intelligence, and border management interests.

Border Sector agencies

The border is an interconnected system that manages risks before and after physical borders and includes intelligence and targeting functions, as well as security and facilitation. Key risks include dangerous goods, biosecurity, and illegal activities. Five agencies contribute to the New Zealand Border sector: Ministry for Primary Industries (biosecurity), New Zealand Customs Service, the Ministry of Business, Innovation and Employment (immigration and tourism), the Department of Internal Affairs (passport and identity services), and the Ministry of Transport, including its Crown Entities (Aviation Security Services, and Maritime New Zealand).

Security Sector

Customs plays a gatekeeper role to protect the border; enforcing travel restrictions, trade security and revenue collection, and enforcing/monitoring alerts on behalf of other agencies. We also contribute to the development of national intelligence priorities, and provide operational and intelligence support to the wider National Security System.

Customs is a member of the Security Sector, with the chief executive attending the Security and Intelligence Board (SIB). The purpose of SIB is to build a cohesive and effective security and intelligence sector through appropriate governance, aligning priorities of investment, policy and activities. It focuses on external threats and intelligence issues.

Guiding a passenger through eGate at Auckland International Airport

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Appendix 1: Key multilateral fora

Customs participates in a number of international fora to advance New Zealand's trade, travel and security objectives.

World Customs Organization (WCO)

The WCO represents 182 Customs administrations across the globe that collectively process approximately 98 percent of world trade. Based in Brussels, the WCO is the only international organisation with competence in customs matters. WCO engagement allows us to influence international standards and common practices in New Zealand's interest. Engagement helps provide a predictable trade environment for New Zealand business and promotes common border management policies.

Asia-Pacific Economic Cooperation: Sub-Committee on Customs Procedures (SCCP)

The main objectives of the SCCP are to simplify and harmonise regional customs procedures to ensure that goods and services move efficiently, effectively and safely through the region.

World Trade Organization (WTO)

Based in Brussels, the WTO deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. New Zealand was involved in the WTO Agreement on Trade Facilitation negotiations, which were concluded in Bali in December 2013. The New Zealand Customs Service is compliant with the Agreement.

Implementation of the Agreement requires more developed countries supporting others in the capacity building of their customs administrations. Our capacity building focus is on Pacific customs administrations.

Oceania Customs Organisation (OCO)

The OCO is a grouping of 24 customs administrations in the Pacific Region. Based in Fiji, the OCO supports both economic growth and security in the Pacific, by strengthening and standardising regional customs practices. It also provides a forum for its members through an annual conference to discuss issues affecting customs administrations in the region.

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Appendix 2: Principal and other relevant legislation for Customs

The principal Customs legislation is the Customs and Excise Act 1996 and related regulations. Customs also enforces more than 60 other enactments at the border on behalf of other agencies.

Acts used by Customs	
Animal Products Act 1999 Animal Welfare Act 1999 Anti-money Laundering and Countering Financing of Terrorism Act 2009 Anti-Personnel Mines Prohibition Act 1998 Arms Act 1983 Aviation Crimes Act 1972 Biosecurity Act 1993 Chemical Weapons (Prohibition) Act 1996 Children, Young Persons & Their Families Act 1989 Civil Aviation Act 1990 Climate Change Response Act 2002 Cluster Munitions Prohibition Act 2009 Commerce Act 1986 Companies Act 1993 Conservation Act 1987 Consular Privileges and Immunities Act 1971 Copyright Act 1994 Crimes Act 1961 Criminal Proceeds (Recovery) Act 2009 Dairy Industry Restructuring Act 2001 Diplomatic Privileges and Immunities Act 1968 Dog Control Act 1996 Dumping and Countervailing Duties Act 1988 Evidence Act 2006 Fair Trading Act 1986 Films, Videos, and Publications Classification Act 1993 Fisheries Act 1996 Food Act 1981 Goods and Services Tax Act 1985 Hazardous Substances and New Organisms Act 1996 Health Act 1956 Heavy Engineering Research Levy Act 1978 Human Assisted Reproductive Technology Act 2004	Immigration Act 2009 Imports and Exports (Restrictions) Act 1988 International Finance Agreements Act 1961 Kiwifruit Industry Restructuring Act 1999 Land Transport Act 1998 Major Events Management Act 2007 Marine Mammals Protection Act 1978 Maritime Security Act 2004 Maritime Transport Act 1994 Meat Board Act 2004 Medicines Act 1981 Mercantile Law Act 1908 Misuse of Drugs Act 1975 Motor Vehicles Sales Act 2003 New Zealand Horticultural Export Authority Act 1987 Ozone Layer Protection Act 1996 Passports Act 1992 Psychoactive Substances Act 2013 Postal Services Act 1998 Protected Objects Act 1975 Radiation Protection Act 1965 Radiocommunications Act 1989 Search and Surveillance Act 2012 Ship Registration Act 1992 Smoke-free Environments Act 1990 Statistics Act 1975 Summary Proceedings Act 1957 Tariff Act 1988 Temporary Safeguard Authorities Act 1987 Terrorism Suppression Act 2002 Trade in Endangered Species Act 1989 Trade Marks Act 2002 United Nations Act 1946 Waste Minimisation Act 2008 Wildlife Act 1953 Wine Act 2003
Some of the pieces of legislation more relevant on a day to day basis applicable to the New Zealand Customs Service as a public sector agency	
New Zealand Bill of Rights Act 1990 Official Information Act 1982 Privacy Act 1993	Public Finance Act 1989 State Sector Act 1988 Ombudsmen Act 1975

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October 2017

Your first five months as Minister

NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

Protecting New Zealand's Border

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Welcome to the Customs portfolio

This slide pack provides you with an overview of the support we can provide you and the issues you will need to consider over the next five months.

How Customs can support you

- Introducing the leadership team
- Ministerial support and visits to Customs sites
- Meet some of the businesses and umbrella groups we work with
- Deliver Government's priorities

An overview of the next five months

- Government and portfolio priorities over the next five months
- Calendar for each of the next five months
- Key agencies and their Ministers
- Secondary briefings

Drug and cash detector dog Latte and her handler at work at Auckland International Airport

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How Customs will support you

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Border

Introducing the leadership team

Christine Stevenson
Acting Comptroller

Bill Perry
Deputy Comptroller Operations

Michael Papesch
Group Manager
Policy, Legal and Governance

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Introducing the leadership team

Murray Young
Group Manager Information Services
Acting Programme Director Customs 2020

Kevin Martin
Group Manager Finance,
Strategy and Performance

Jacinda Funnell
Acting Group Manager
People and Capability

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Ministerial support and visits to Customs sites

Staff, briefings and reporting

- Customs Private Secretary – s 9(2)(a) OIA
- Weekly meeting at your convenience with the Acting Comptroller and senior managers
- Weekly Report to the Minister of Customs

Visits to key Customs sites

- We would like to work with your office to arrange initial visits to key Customs sites across New Zealand, including Auckland, Christchurch and Wellington:
  - Customhouse (Auckland, Christchurch and Wellington)
  - Auckland International Airport
  - International Mail Centre (Auckland)
  - Air and Sea Cargo Inspection Facilities (Auckland)
  - Integrated Targeting and Operations Centre (ITOC), and Joint Border Analytics Centre (JBAC), (Auckland)

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Meet key stakeholders

You may wish to meet some of the businesses and umbrella groups we work with.

- Air and sea transport:
  - Auckland International Airport
  - Ports of Auckland
- Business umbrella groups:
  - Customs Brokers and Freight Forwarders Federation of New Zealand Inc (CBAFF)
  - Board of Airline Representatives New Zealand (BARNZ)
  - Conference of Asia Pacific Express Carriers (CAPEC)
  - Port CEOs Forum
  - Export NZ
  - Retail NZ
  - New Zealand Winegrowers
- Businesses:
  - Fonterra Co-operative Group

Supervising Customs Officer

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Government's priorities

We have identified the following Government priorities that may impact on Customs. We would like to meet you at your earliest convenience to discuss how we can help you deliver on these priorities.

Policy	Description	Lead agency	Customs' role
Illicit Drugs	Focus on reducing the supply and demand for methamphetamine; Non-psychoactive drugs no longer controlled substances	Ministry of Health / New Zealand Police	Reduce drug smuggling
Expand trade	Pursue Free Trade Agreements; Address non-tariff barriers	Ministry of Foreign Affairs and Trade	Mutual Recognition Agreements, Secure Exports Scheme
Ports of Auckland	Explore options for moving the Ports of Auckland, including giving Northport serious consideration	Ministry of Transport	Identify and resource Customs' services to be provided to a new port
E-commerce providers	Reduce tax erosion by e-commerce providers such as Uber and Amazon	Inland Revenue / Treasury / Customs	Import of low value goods

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Government's priorities continued

Policy	Description	Lead agency	Customs' role
Tourism Levy	Establish an International Visitor Levy of $25 to fund local tourism infrastructure and contribute to the Department of Conservation's biodiversity funds	Ministry of Business Innovation and Employment / Department of Conservation	Customs will only be involved if the revenue collection method is to add the charge to the existing Border Clearance Levy
Legalise the personal use of cannabis	Have a referendum on legalising the personal use of cannabis at, or by, the 2020 general election	Ministry of Health	Regulated goods, and prescription medicine

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An overview of the next five months

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CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

Protecting
New Zealand's
Border

Portfolio priorities over the next five months

We will seek your support to progress these areas as priorities:

Progress Customs' legislative programme

- The Customs and Excise Bill
- s 9(2)(f)(iv) OIA

Advance Customs' portfolio interests

- Budget 2018 initiatives for Vote Customs
- Customs' contribution to multi-agency initiatives such as the refresh of the Methamphetamine Action Plan (including allocation of proceeds of crime funding) and the New Zealand Gang Strategy

We have a regular cycle of performance and budget reporting to you as the Vote Minister for Customs.

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October / November 2017

The following will require your attention in the first four weeks:

Policy

- The Customs and Excise Bill (awaiting the issue of the new order paper)
- Interdicting Drug Shipments in International Waters s 9(2)(f)(iv) OIA
- Report on Gang Action Plan
- Report to Cabinet on a refreshed Methamphetamine Action Plan, including proposed allocations of proceeds of crime funding
- Report to Joint Ministers (Customs and Primary Industries) on Border Clearance Levy cost recovery for the year to 30 June 2017
- Request for ministerial consent for the importation of motor vehicles with incorrect or no odometers
- Cabinet approval of excise indexation for tobacco products

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October / November 2017

2018 Budget Process

- Discussion of Budget 2018 approach and draft Budget bids

Customs' Accountability

- Annual Report 2016/17 to be tabled in the House
- Report of the Minister of Customs on performance information for Vote Customs non-departmental appropriations 2016/17 to be tabled in the House

Customs Engagement

- Launch of Chinese passengers use of eGate
- Attend Customs staff graduation ceremony (Auckland)
- Attend Customs Senior Leadership Team Forum

International Mail Centre

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December 2017

The following will require your attention in December:

Policy

- Report on Joint Border Management System (JBMS) Lessons Learned
- Valuation Rulings: Fee and Time Limit (Cabinet policy decisions required on fees and time limit)

Customs' Accountability

- Foreign Affairs, Defence and Trade Select Committee hearing to review the 2016/17 annual results for Customs (Date TBC)
- First Four Monthly Report delivered to you providing information on the performance of Customs

Customs Engagement

- Re-opening of Wellington Customhouse

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January 2018

The following will require your attention in January:

Policy

- Report to Joint Ministers (Customs and Finance) on approaches to collection of revenue on low value goods [CAB-17-MIN-0457]
- Discussion with Customs Executive Board looking forward to 2018

2018 Budget Process

- The Treasury deadline for submitting Budget templates

Customs Engagement

- Official ceremony to launch Customs' new patrol vessel the Hawk (Auckland Anniversary weekend)

National Contact Centre

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February 2018

The following will require your attention in February:

2018 Budget Process

- Engagement with Budget Ministers

Customs' Accountability

- Foreign Affairs, Defence and Trade Committee hearing on Customs Annual Review 2016/17 (Date TBC)

Auckland International Airport

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Key portfolios and their Ministers

Department/Agency	Portfolio Ministers	Common Interest Area
Ministry for Primary Industries (MPI), biosecurity focus	Hon Damien O'Connor	Border agency, focus on biosecurity
Immigration New Zealand (INZ), part of Ministry of Business, Innovation and Employment (MBIE)	Iain Lees-Galloway	Border agency, focus on people entering New Zealand
Ministry of Foreign Affairs and Trade (MFAT)	Rt Hon Winston Peters, Hon David Parker	International relationships and trade
Inland Revenue (IR)	Stuart Nash	Collection of GST
New Zealand Police	Stuart Nash	Drug enforcement and firearms, Gang Intelligence Centre (GIC)
Ministry of Justice (MoJ)	Andrew Little	Information sharing
Aviation Security Service (Avsec), part of Civil Aviation Authority of NZ	Phil Twyford	Operational airport security
New Zealand Defence Force	Ron Mark	Maritime surveillance and operations
New Zealand Security Intelligence Service (NZSIS)	Andrew Little	Intelligence to protect New Zealand's security
Government Communications Security Board (GCSB)	Andrew Little	Information security and intelligence
Ministry of Health (MoH) MEDSAFE, part of MoH	Dr David Clark	National Drug Policy, tobacco, and pandemic planning; Prescription medicines
Department of Conservation (DoC)	Eugenie Sage	The Convention on International Trade in Endangered Species (CITES)

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Secondary briefings

We would like to work with your office to brief you on more immediate areas of business:

- Progressing the Government's priorities
- Legislation:
  - The Customs and Excise Bill (legislation and implementation)
  - s 9(2)(f)(iv) OIA
- Protecting New Zealand:
  - Upstream disruption (methamphetamine response, and international information sharing)
  - Security sector
  - The challenges we face at the border
  - Gang Action Plan
- Revenue collection:
  - Border Clearance Levy
  - Low value goods
  - Valuation Rulings
  - Excise indexation for tobacco products

Customs inspection unit at Ports of Auckland

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Secondary briefings (continued)

- Budget strategy
- Trade (supporting access to markets, reducing barriers, and Single Economic Market pilots update)
- Joint Border Management System (JBMS) Lessons Learned
- Customs' Accountability
  - Annual Report 2016/17 and Report of the Minister of Customs on performance information for Vote Customs non-departmental appropriations 2016/17
- Joint Border Management System (JBMS) Lessons Learned

Coastwatch

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Additional documents for your information

We can provide you, as required, additional documents that contain detailed information about Customs and the work we do, and our performance.

The documents include:

- New Zealand Customs Service Annual Report 2016/17
- New Zealand Customs Service Output Plan 2016/17
- New Zealand Customs Service Four Year Plan

Integrated Targeting and Operations Centre, Auckland

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