

NEW ZEALAND CUSTOMS SERVICE

STATEMENT OF INTENT 2008–2011



CONTENTS ◀

Minister's Foreword	2
Comptroller's Introduction	3
Nature and Scope of Customs' Functions	5
Strategic Direction	6
Customs' Operating Environment	10
> Mitigation of Risks	11
Customs' Operating Intentions.....	13
> Outcome: Protection.....	13
> Outcome: Facilitation.....	17
> Outcome: Relationships	21
> Outcome: Revenue	26
Cost-Effectiveness	27
Customs' Organisational Health and Capability.....	28

*NEW ZEALAND CUSTOMS SERVICE
STATEMENT OF INTENT 2008 – 2011*

Presented to the House of Representatives
Pursuant to section 39 of the Public Finance Act 1989

ISSN 1176 1857

MINISTER'S FOREWORD



Hon Nanaia Mahuta

The Government's priorities for 2008 and beyond are to achieve a fair society and strong economy. In doing so we maintain three objectives:

- ▶ security and opportunity for all families – young and old;
- ▶ contributing to our unique way of life through our national identity; and
- ▶ lifting our potential to transform our economy.

Our trade and tourism sectors continue to be the leading contributors to a sustainable New Zealand economy. International confidence in the safety, reliability and quality of our trade and tourism arrangements is critical to our international competitiveness.

The New Zealand Customs Service is justifiably recognised for its high standards of service to the trade and tourism sectors. These standards have been maintained in the face of global threats, such as terrorism and trans-national criminal activity. Customs is required to balance the twin objectives of facilitation and enforcement at the border, and the stakes are high on both sides of the equation.

As Minister, I have set priorities for Customs in 2008 and beyond that will continue to challenge the resourcefulness of the Service as it strives to be a leader in finding ways to do things better, smarter and more efficiently into the future. My priorities are:

▶ **World-class passenger clearance services**

In conjunction with other border agencies and key stakeholders, advancing initiatives to modernise and streamline passenger clearance services at international airports, particularly Auckland, with a focus on trans-Tasman passenger flows. The objective is "smart, innovative and visitor-friendly".

▶ **World-class trade facilitation arrangements**

In conjunction with other border agencies and industry stakeholders, advancing initiatives to modernise and simplify cargo clearance processes, particularly in respect of trans-Tasman trade; progressing trade security relationships with key trading partners to maximise trade facilitation benefits for New Zealand's exporters.

▶ **Specialist support for New Zealand's international interests and relationships**

Providing specialist support for the Government's trade negotiations agenda; supporting the stability and prosperity of the Pacific region through relationship building and customs capacity/capability building in the area; ensuring New Zealand's interests are effectively promoted in international customs policy and enforcement networks, and through the maintenance of strong international relationships.

This *Statement of Intent* sets out how the Service is going to progress these priorities over the next three years, and the resulting value to Government and other stakeholders that will serve as milestones in the measurement of progress.

Hon Nanaia Mahuta
Minister of Customs

COMPTROLLER'S INTRODUCTION



Martyn Dunne, CNZM

Effective border management is essential for any nation's economic prosperity, security, and protection of its citizens from external threats. The New Zealand Customs Service (Customs), along with other border agencies, fulfils this role on behalf of Government and New Zealanders. Customs has staff in 16 locations within New Zealand and five locations overseas. Our extensive presence, capability and infrastructure at the border means we have a vital contribution to make to border management, and all three Government themes of Economic Transformation, Families – young and old, and National Identity.

While Customs contributes to all three Government themes, Economic Transformation is of particular focus. Our contribution is reflected through mitigation of risks to the New Zealand economy and society posed by the international movement of people, goods and craft; and through facilitation of legitimate trade and travel, and collection of revenue to support Government's social, economic and fiscal objectives.

New Zealand's economic transformation relies on its international reputation as a safe, secure and honest country to trade with and travel to. As one of the agencies operating in the external sector,¹ Customs advances Government's external policy by working to maintain New Zealand's international reputation and gain benefits from active participation in the international economy.

¹ The external sector is comprised of the Ministry of Foreign Affairs and Trade, the Ministry of Defence, the New Zealand Defence Force, and the New Zealand Customs Service.

In particular, we support the international competitiveness of New Zealand's exporters by using our technical expertise, international reputation and contacts to improve the efficiency of New Zealand's export supply chains and reduce barriers to overseas markets. Overall, we are committed to ensuring that our border management advances New Zealand's economic transformation, protects our unique culture, values and identity as a nation, and helps New Zealanders to live in safety.

Effective border management requires a coordinated and collaborative effort from border agencies collectively. While Customs' place at the border means we make a major contribution to border management, other border agencies have vital roles to fulfil. The formal recognition of the border sector,² and development of a border sector strategic framework and work programme during 2007, will continue to focus the agencies in the sector on streamlining and improving our collective border management going forward.

Last year's *Statement of Intent* signalled the consolidation of several years' effort to expand Customs' capability and capacity to meet Government's response to the heightened international security concerns following September 11, 2001; and to respond to increases to trade and travel volumes. These continue to influence our operating environment, along with other influences internationally and domestically, such as an increase in the support Customs provides to other agencies to meet various government objectives. Currently, Customs works with or on behalf of 20 New Zealand agencies.

Over the next three years, our challenge will be to maintain the international competitiveness of New Zealand's border management system in the face of increasing trade and travel volumes, security requirements and service expectations. We aim to meet this objective by focusing on three priorities – developing *world-class trade facilitation arrangements*, developing *world-class*

² The border sector is comprised of the Ministry of Agriculture and Forestry, the Ministry of Transport, the Department of Labour, and the New Zealand Customs Service.

passenger clearance services, and achieving specialist support for New Zealand's international interests and relationships.

A key theme within these priorities is the recognition that to achieve effective border management, we need to focus on Customs' relationships with all our stakeholders. This includes international organisations, agencies and jurisdictions; and New Zealand border sector and other agencies, businesses and industry groups, communities, iwi and hapū, and individuals.

We will also need to ensure that the border management Information Technology system that Customs has stewardship of is capable of meeting future demands.

This is the most significant piece of infrastructure supporting New Zealand's border management.

Customs will continue the redevelopment of the border management Information Technology system to ensure we can continue to effectively process high volumes of trade and travel transactions, efficiently generate timely information for risk management purposes, and meet international data standards.

Through our place at the border, Customs has a significant role in maintaining the safety and prosperity of New Zealand. This *Statement of Intent* sets out the positive contribution we expect to make over the next three years.



Martyn Dunne, CNZM
Comptroller of Customs

NATURE AND SCOPE OF CUSTOMS' FUNCTIONS

The New Zealand Customs Service (Customs) contributes to government outcomes through effective border management and the collection of Customs revenue.

Broadly, Customs' responsibilities involve facilitating the legitimate movement of people, craft and goods across the border, and law enforcement to protect New Zealand's border and revenue, so that New Zealanders can benefit from participating in international trade and travel while being protected from associated risks.

Customs draws upon approximately 45 principal Acts, and numerous associated regulations and other border protection legislation. All Customs' activities fall within the scope of the 10 Output Classes for Vote Customs. These activities include:

- ▶ policy advice and services relating to border security, border management and Customs revenue. This includes policy advice and support to New Zealand's trade negotiations; and advice and capability support to other customs administrations, particularly in the Pacific;
- ▶ facilitating trade and travel by applying intelligence-based risk management techniques, and targeting attention to goods and people likely to present a risk;
- ▶ services to control the risk of people, craft and goods entering or leaving New Zealand illegally;
- ▶ working with other agencies and international customs administrations to counter threats to New Zealanders' health, safety, security and values. These threats include pandemics and illicit drugs; international terrorism, trans-national organised crime, and the trafficking of weapons of mass destruction; pornography; and the illegal removal of Māori taonga and other cultural heritage items from New Zealand;

- ▶ advice and support to industry and working with industry partners to ensure high levels of compliance with New Zealand and overseas border controls;
- ▶ assessing and collecting Customs revenue, and providing services that relate to credit control and management of debt; and
- ▶ investigating trans-national organised crime, and other border and revenue offences, and providing services that relate to the prosecution of offences under the Customs and Excise Act 1996.

In addition, Customs administers the National Maritime Coordination Centre (NMCC), a whole-of-government coordination service. The purpose of the NMCC is to maximise the efficient and effective use of government's maritime patrol and surveillance assets, and related information, for civilian purposes.

Customs contributes to shared outcomes with other agencies in the border sector – the Ministry of Agriculture and Forestry, Department of Labour and Ministry of Transport. The Comptroller of Customs currently chairs the Border Sector Governance Group, comprising the Chief Executives of these agencies. The aim of improving collaboration between border sector agencies is to enhance border management efficiencies and effectiveness and improve service delivery to stakeholders.

The Minister of Customs is the Responsible Minister for the New Zealand Customs Service. The Responsible Minister oversees the Government's ownership interest in the Service, which encompasses its strategy, capability, integrity, and financial performance.

Sectoral Context

Customs is placed within the external sector, with the Ministry of Foreign Affairs and Trade, the Ministry of Defence, and the New Zealand Defence Force. Agencies within the external sector have a role in advancing the Government's external policy goal – *New Zealand influences the international environment to promote our interests and values and to contribute to a stable, peaceful and prosperous world*. Customs contributes to the external policy goal through our customs advice on trade agreements and protection of New Zealand from major external threats.

The border management environment involves a number of agencies that facilitate and control the flow of trade and travel across the border. Customs' extensive presence, capability and infrastructure support at the border means we are a significant contributor to border management, and the border sector,³ comprised of the Ministry of Agriculture and Forestry, Department of Labour, Ministry of Transport, and Customs.

Customs and other border sector agencies aim to improve coordination and collaboration between them to enhance the efficiencies and effectiveness in border management, where their interests and those of their stakeholders intersect at the border. The border sector agencies have agreed a shared vision, objectives, and outcomes of *Protection, Facilitation, and Partnership and Responsibility* for the sector.

Customs' Outcomes

The work of the border sector, and Customs' connections with other agencies within New Zealand and off-shore,⁴ recognises that no one agency can effectively manage risks to the border by itself in an increasingly dynamic and complex environment.

³ The "border" in the context of the border sector is "the point at which people, craft, or goods, and Māori taonga and other treasured items" are given final approval to enter or depart New Zealand.

⁴ The New Zealand Customs Service has staff in the following locations overseas – Bangkok, Beijing, Brussels, Canberra, and Washington – to enable us to impact on the outcomes we seek to achieve.

We have revised Customs' Strategic Framework to align with and support the border sector vision and objective, and the border sector outcomes.

Three of Customs' four outcomes contribute directly to the border sector outcomes. These are *Protection, Facilitation, and Relationships*. Our significant contribution to all three border sector outcomes reflects Customs' extensive presence at the border, border management responsibilities and infrastructure, and the integrated nature of Customs' operations.

Our fourth outcome, *Revenue*, reflects Customs' unique role of collecting Customs revenue, both at the border and domestically.

Customs' outcomes for the next three years are:

Protection

New Zealand is protected, at the border, from the entry, or exit, of people, craft, or goods, and Māori taonga and other treasured items, where the entry or exit may pose a material risk to our national interests;

Facilitation

New Zealand's economic, social, environmental, and cultural interests are sustained and enhanced by facilitating the flow of legitimate trade, travel, and goods, and Māori taonga and other treasured items, across the border;

Relationships

The New Zealand Customs Service establishes and maintains effective formal and informal working relationships with all stakeholder partners, and effectively supports agreements and treaties with other nations and jurisdictions that enhance our national interests; and

Revenue

Due Customs revenue is collected to support Government social, economic and fiscal objectives.

There is a dynamic inter-relationship between Customs' outcomes. While Customs **protects** New Zealand (including Customs revenue) and New Zealand's reputation against the risks associated with international trade and travel, we cannot do so in a way that unduly disrupts legitimate trade and travel, as the economic and social costs would be too great.

Customs employs a variety of interventions in order to achieve the right balance. These include interventions for trade and travel **facilitation** that aim to provide assurance against risk, with minimum time delays and compliance costs. The effectiveness of Customs' interventions relies on quality **relationships** with a range of stakeholders internationally and in New Zealand. This includes other jurisdictions and international organisations; and New Zealand businesses, industry groups, organisations, iwi and hapū, communities and other agencies.

Customs' contribution to government and the state sector

Working towards these outcomes enables Customs to contribute to all three of the Government's themes of Economic Transformation, Families – young and old, and National Identity.

Customs contributes to **Economic Transformation** through several key activities. These include advice and

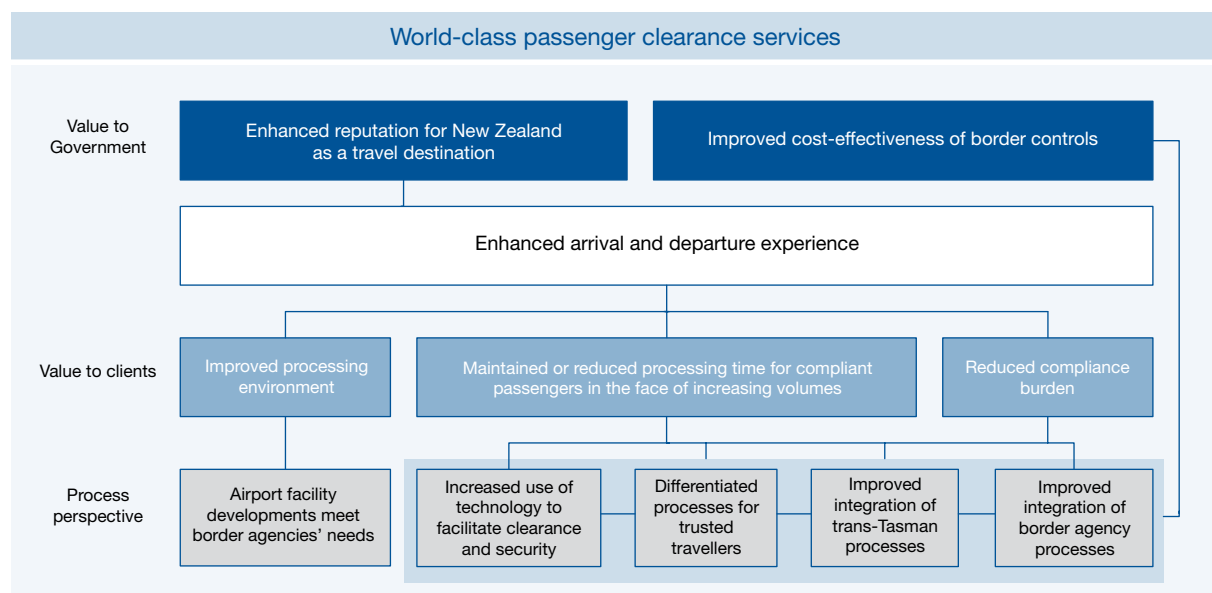
support for the Government's trade agenda, led by the Ministry of Foreign Affairs and Trade; advice and support to industry to enhance facilitation of trade across the border; support for tourism through efforts to provide friendly and efficient facilitation of travellers to and from New Zealand; and fair and efficient collection of Customs revenue.

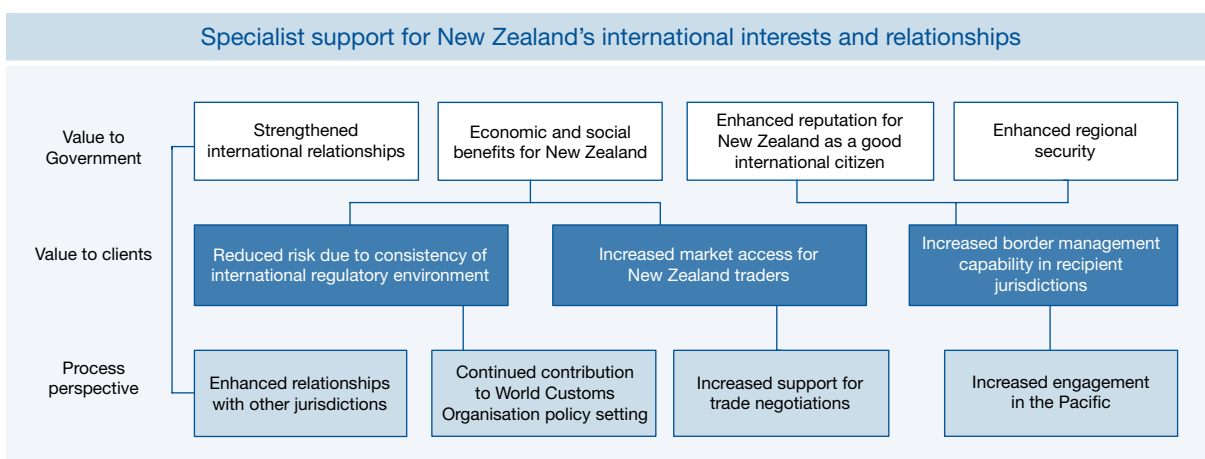
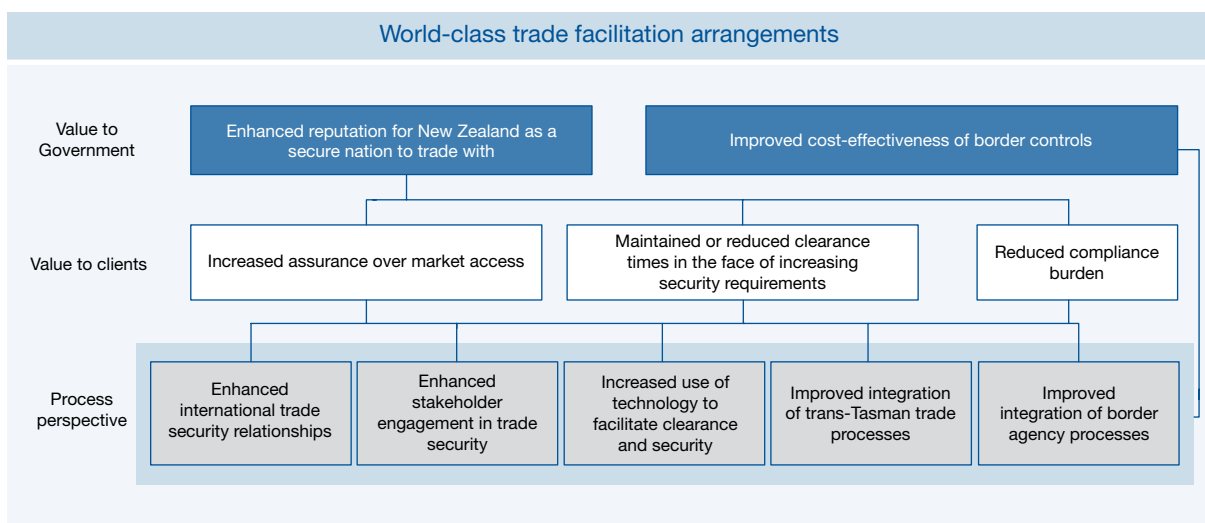
Customs' place at the border means we also make a significant contribution to the Government theme of **Families – young and old**, by supporting **safe communities**. This includes protecting the physical health and safety of New Zealanders, and their values. Some of this work also contributes to the Government theme of **National Identity**, evident through activities such as the protection of New Zealand's culture and heritage, including Māori cultural values and heritage.

From 2008/09, we will continue to protect New Zealand's safety and security through a focus on the following priorities:

- ▶ *World-class passenger clearance services;*
- ▶ *World-class trade facilitation arrangements; and*
- ▶ *Specialist support for New Zealand's international interests and relationships.*

The following illustrate the intended value to Government and New Zealand from our focus on these priorities.





Development Goals for the State Services

In addition, Customs' strategic and operational decision-making is also influenced by the Development Goals for the State Services.⁵ These goals underpin the way we work towards Customs' desired outcomes, including work in collaboration with others. The goals also guide us in developing Customs' organisational health and capability.

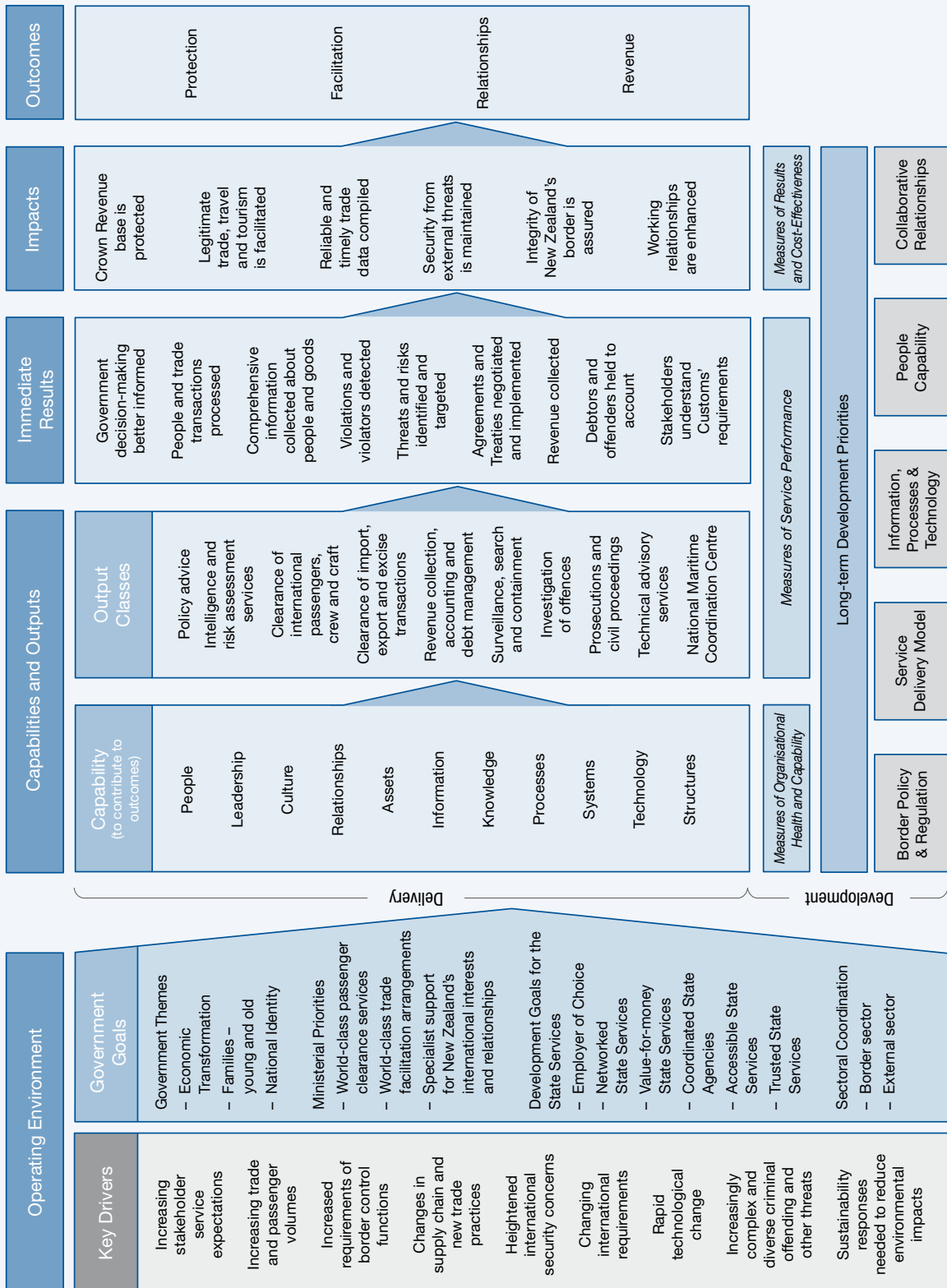
Customs' Strategic Framework

We have revised Customs' Strategic Framework to reflect impacts we expect to achieve in working towards Customs' outcomes and the shared border sector outcomes.

⁵ The six Development Goals for the State Services are as follows: Employer of Choice; Networked State Services; Value-for-money State Services; Coordinated State Agencies; Accessible State Services; and Trusted State Services.

Customs' Strategic Framework

Vision, Mission and Values



CUSTOMS' OPERATING ENVIRONMENT

New Zealand is an island nation with over 15,000 kilometres of coastline. Everything and everyone that comes to or leaves New Zealand does so by air or sea. The border management environment involves a number of agencies that facilitate and control these flows across the border. Customs' extensive presence, capability and infrastructure support at the border means we are a significant contributor to border management. These enable us to support other agencies in meeting a range of government objectives at the border.

With Customs' broad range of activities, it is a challenge to identify and prioritise the critical things Customs will do to make the best contribution to overall border management assurance. We recognise the need to have a strong understanding of our operating environment to enable us to anticipate and respond to changes.

Customs' operating environment is affected by a number of core, long-term drivers of change. These are:

Increasing demands

relating to increasing service expectations, volumes of trade and travel, and increased requirements of border controls;

Changing requirements

particularly stemming from international developments in relation to trade supply chains and trade practice; heightened security concerns; and sustainability responses needed to reduce environmental impacts; and

Changing capabilities

relating to rapid technological change; increasingly complex and diverse criminal offending and other threats.

These drivers are influenced by New Zealand's and other countries' economic and foreign policies and alliances, the international trade environment, and global threats such as terrorism and trans-national organised crime. While we cannot predict the specific threats, risks or opportunities New Zealand might face in the future, we envisage they will come from the drivers above.

Increasing demands

While New Zealand continues to benefit from the growth in tourism, and international trade, the projected growth in both areas poses a risk to Customs' ability to maintain security of the border from risks and threats without compromising trade and travel facilitation standards. This is particularly so in light of increasing service expectations and risks that government is seeking to manage by utilising border controls. These factors are compounded by a competitive labour market, impacting on our ability to ensure an adequate supply of capable staff at an affordable cost. There is also the risk to Customs' border management Information Technology system in its ability to process the transactions from increasing volumes of trade and travel.

In order to effectively respond to increasing demands, we need to be sure Customs' interventions are focused on the people, goods or craft that are likely to present risk to New Zealand's interests. This requires an ability to identify those things likely to present risk as early as possible in the process.

Changing requirements

Since 2001, Customs, along with other agencies within the external sector, has responded to heightened international security concerns, particularly in relation to the global threat of terrorism and the trafficking of weapons of mass-destruction.

Associated with these threats is the increasing expectation of key trading partners that New Zealand will meet more stringent trade security requirements. New Zealand's reputation as a secure nation to trade with is important to advancing New Zealand's economic transformation.

More recently, there have been changing expectations, both internationally and domestically, of the way in which international supply chains and border controls will interact. This includes a trend towards integration – both in international supply chains and in domestic border management – to improve the efficiency of

cross-border trade and travel movements. This is being reflected in an ongoing programme of work across the border sector to improve coordination and collaboration, and meet international standards relating to aspects of border management.⁶

In addition, the growing global concern for the negative impacts of climate change has led to collective responses from nations to counter the influences on climate. In New Zealand, the Government's responses include its aim for a Carbon Neutral Public Service. Customs needs to continue to focus on reducing the risk of adverse environmental impacts through appropriate sustainability responses.

Changing capabilities

While technology is changing rapidly and providing opportunities for improving Customs' security and facilitation services, such as screening technologies; and others to improve the speed and effectiveness of border processing, these are also equally capable of being utilised for criminal purposes. Lucrative rewards for some crimes, particularly illicit drugs, have led to increasingly diverse, complex, and highly organised criminal activities, and an increased level of risk relating to the integrity of Customs' staff.

We need to both ensure that Customs is able to take advantage of relevant technological developments to enhance the efficiency and effectiveness of our operations, and have the appropriate technology and intelligence capability to monitor and counter criminal use of new technologies. In relation to people capability, we need a continued focus on recruiting high calibre staff, training, and developing leadership.

Mitigation of Risks

Customs identifies the risks arising from these drivers by gathering and analysing trade data, travel volumes, policy, research, and intelligence on a range of issues including illicit drugs. We also maintain strong connections with key domestic and international stakeholders to monitor and anticipate possible changes to the operating environment and respond appropriately, and profile the risks that might prevent us from achieving our outcomes.

The table on the following page shows the link between the long-term drivers, risks to Customs' outcomes and mitigation strategies.

⁶ A recent example, in relation to the border management Information Technology system is the need to adopt data standards as determined by the World Customs Organisation (WCO) SAFE Framework (currently under development), to support New Zealand's international supply chain security agreements with key trading partners.

Long-term drivers	Risk to	Mitigation
<p><i>Increasing demands</i></p> <ul style="list-style-type: none"> › Increasing service expectations; › Increasing volumes of trade and travel; and › Increasing requirements of border controls. 	<ul style="list-style-type: none"> › Impact on outcomes, such as protection of New Zealanders' health, safety and security; › Trade and travel facilitation; and › Operational capability and capacity, such as the integrity of the current and future border management Information Technology system. 	<ul style="list-style-type: none"> › Improve our collaborative approach at the border; › Ongoing review of legislation underpinning border management; › Address remuneration, recruitment, and retention; › Focus on training and leadership development; and › Replace the border management Information Technology system.
<p><i>Changing requirements</i></p> <ul style="list-style-type: none"> › Changes in supply chain and new trade practices; › Heightened international security concerns; › Changing international requirements; and › Sustainability responses needed to reduce environmental impacts. 	<ul style="list-style-type: none"> › Impact on outcomes, such as the protection of New Zealanders' health, safety and security; › Trade and travel facilitation, and trade security; › Customs' border controls; and › Operational capability and capacity, such as the integrity of the current and future border management Information Technology system. 	<ul style="list-style-type: none"> › Advance New Zealand's external policy; › Maintain and improve international engagement; › Replace the border management Information Technology system; › Ongoing review of legislation; and › Continued participation in the Govt3 programme,⁷ and implementation of other initiatives relating to Government's sustainable development policies.
<p><i>Changing capabilities</i></p> <ul style="list-style-type: none"> › Rapid technological change; and › Increasingly complex and diverse criminal offending and other threats. 	<ul style="list-style-type: none"> › Current and future Information Technology systems; › People integrity; and › Customs' border controls. 	<ul style="list-style-type: none"> › Improve our collaborative approach at the border; › Replace the border management Information Technology system; › Continue to explore research and development capability for technology; › Invest in appropriate advanced technology; › Ongoing review of legislation; › Address remuneration, recruitment, and retention; and › Focus on training and leadership development.

⁷ The Ministry for the Environment leads the Govt3 programme, working with approximately 45 agencies to help them become more sustainable. The programme includes initiatives to help government agencies take leadership in reducing greenhouse gas emissions and improving energy efficiency, particularly in transport and buildings.

CUSTOMS' OPERATING INTENTIONS

Outcome: Protection

New Zealand is protected, at the border, from the entry, or exit, of people, craft, or goods, and Māori taonga and other treasured items, where the entry or exit may pose a material risk to our national interests.

Key impacts

- ▶ Integrity of New Zealand's border is assured;
- ▶ Security from external threats is maintained; and
- ▶ Working relationships are enhanced.

What are we seeking to achieve?

Customs, in collaboration with other agencies, seeks to achieve effective protection⁸ of New Zealand from major external threats and risks to New Zealand's health, safety and security, and our values, posed by the entry to and exit from New Zealand of a range of things. These include threats to health such as pandemics and illicit drugs; threats from items, including firearms; threats and risks from people having criminal and terrorist intent, including those engaged in trans-national organised crime; and activities such as illegal immigration, illicit drug operations, and the trafficking of weapons of mass destruction; and threats to our values, such as pornography and illegal removal of Māori taonga and other cultural heritage items.

Desired impacts for our **Protection** outcome need to be continually balanced with those sought for our **Facilitation** and **Relationships** outcomes. We aim to manage our resources, according to our agreed Ministerial and Long-term development priorities, to get this balance right. We also aim to strengthen our collaboration with border sector agencies and other agencies, including international customs administrations and organisations.

⁸ Customs' contribution to the Protection outcome is consistent with Government strategies that include: relevant principles and objectives of the New Zealand Health Strategy relating to prevention or reduction of the supply and use of illegal drugs; New Zealand's Crime Reduction Strategy relating to organised crime; the overarching goal and relevant objective of the National Drug Policy New Zealand, and Government's external policy goal relating to international trade, trade security, and national security interests.

Why is this outcome important?

While the majority of trade and travel across New Zealand's border is legitimate and without risk to our national interests, there is a need to protect New Zealand from external threats that undermine our collective ability to achieve economic, social and environmental goals.

Our national identity recognises that New Zealanders should be free to go about their lives, confidently engaging in New Zealand society. Compared to some countries, New Zealand is considered relatively safe, secure, and an ideal place to live and this is a source of pride for New Zealanders. Internationally, New Zealand has a reputation as a secure place to trade with and travel to, and protecting this reputation is also important to achieving our economic goals. Potential trading partners have an interest in New Zealand's ability to provide safety and security to their citizens and traders.

Over the next three years, New Zealand will continue to be challenged by major threats particularly in relation to trans-national organised crime, terrorism and the trafficking of weapons of mass destruction; illicit drugs; and intellectual property rights infringements. These threats have, in the past, placed pressure on Customs' enforcement capabilities, and this is expected to continue.

We will need to ensure Customs has the capability and capacity to respond to these threats. Our collaborative relationship with agencies in the border sector is also important to our collective efforts to protect New Zealand from major threats and to provide overall border management assurance.

Trans-national organised crime

For the longer-term, the criminal side of trade and travel is expected to continue to develop alongside global business practices, with increasing cooperation between trans-national criminal groups. We expect the threat to New Zealand's security from activities of trans-national criminal groups will continue, particularly in areas with lucrative returns, such as illicit drugs.

There is evidence of criminal groups becoming more deeply integrated with the legitimate economy, presenting a challenge for Customs and other enforcement organisations to detect activities. Associated with these concerns is the continued instability in the Pacific, contributing to the risk of trans-national criminal groups becoming established in the broader region. Customs' intelligence links with others will continue to be vital to understanding and managing the risks posed by activities of trans-national criminal groups.

Terrorism and weapons of mass destruction

Since 2001, the threat of terrorism and its links with trade and travel has become established as a major global risk. Customs will continue to work with agencies domestically and internationally to counter the proliferation of weapons of mass destruction to protect New Zealand from terrorist threats. This includes continued membership of the Operational Experts Group within the Proliferation Security Initiative (PSI) – an international initiative aimed at countering the threat of the trafficking of weapons of mass destruction.

Illicit drugs

Over the next three years, protecting New Zealand from illicit drugs will continue to be a key focus. The impact of imported illicit drugs and associated domestic production continues to be a problem for the community, and can be seen in associated criminal activity, such as violent crimes and theft. The frequency of illicit drug interceptions and high numbers of multi-kilo importations has increased, particularly resulting from activities of trans-national criminal groups. Current trends also indicate increasing diversity and complexity in methods of concealment, including a move toward concealment in full shipping container loads.

Intellectual Property Rights

The growth in trade to New Zealand that infringes Intellectual Property Rights (IPR) is expected to put continued pressure on Customs' enforcement capabilities over the next three years.

Management of border risks associated with breaches of IPR is a growing issue worldwide. For some economies, in the longer-term, counterfeiting can cause serious economic damage in terms of attracting investment. While the cost to New Zealand traders and the New Zealand economy is not known, manufacturers and traders require a fair trading situation, where their products and brands are protected from erosion of consumer trust or destruction of rightful competitive advantage as a result of counterfeiting or piracy. Customs will continue to enforce border controls against IPR violations.

Prohibited goods

Other areas expected to place continued pressure on Customs' enforcement capabilities include objectionable material, identity fraud, and smuggling of a variety of prohibited commodities.

Trade security

Trade security is important to the ability to maintain New Zealand's reputation as a trusted, safe and secure place to trade with in the eyes of current and potential trading partners; and is a key area where Customs contributes to the protection of New Zealand's interests.

Customs anticipates a continuing increase in the complexity of our international trade security environment over the next three years. This complexity is evident in compliance requirements for some trade agreements. In recent years, New Zealand has emerged as a leader in trade security, and Customs has a key role in proactively managing complexities posed by the international trade environment.

What will we do to achieve this outcome?

Effective border protection stems from our understanding of the overall risk environment; good information and intelligence about particular threats, including their probability and the harm that could result; and effective systems to anticipate and mitigate risks.

Customs' priorities

From 2008/09, we will continue Customs' facilitation efforts through a focus on developing **world-class trade facilitation arrangements**, including trade security.

In respect of trade security, we aim to achieve:

- ▶ enhanced international trade security relationships;
- ▶ enhanced stakeholder engagement in trade security; and
- ▶ increased use of technology to facilitate clearance and security.

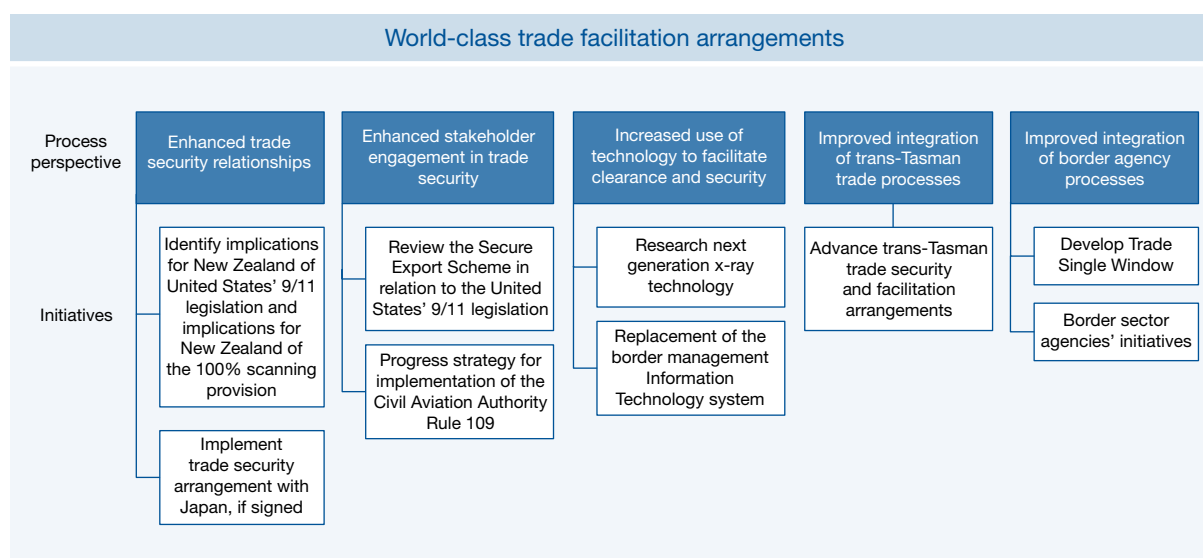
- ▶ monitoring and enforcing export controls on wildlife, Māori artefacts and other cultural heritage items, as set out in relevant legislation;

Service Delivery Model

- ▶ encouraging voluntary compliance with customs requirements through communications and publicity about border requirements;

Information, Processes and Technology

- ▶ replacing the border management Information Technology system;



The diagram above illustrates the link between Customs' trade security initiatives that contribute to this priority in relation to the *Protection* outcome.

Over the next three years, other areas of focus include:

Border Policy and Regulation

- ▶ reviewing Customs' powers and processes in response to changes or developments in the operating environment, for example, Law Commission Reviews;
- ▶ reviewing New Zealand's Intellectual Property Rights (IPR) enforcement legislative environment;

Collaborative Relationships

- ▶ continued focus on trade security with the United States; and
- ▶ engaging with others to maintain and further develop integrated intelligence networks, information and risk assessment services.

How will we demonstrate success in achieving this?

There is no single measure of success in delivering “protection”. The extent to which the community is being effectively protected by Customs’ activities is best assessed from a balanced consideration of a variety of indicators. Like any preventative strategy, success or failure in border protection cannot be determined solely from the level of actual harm observed. For example, harm may be unnoticed or unreported and the level of threats to border security can only be estimated. There is no definitive way of knowing what might have happened, but did not happen, *because* of Customs’ work.

However, a useful overview of Customs’ performance may be formed from considering a variety of indicators of protection-related activities. We will continue to measure Customs’ impact as set out in the table below:

During 2008/09, Customs will work with other agencies in the border sector to identify a set of shared impacts and performance measures and standards for the border sector *Protection* outcome. We will review and amend Customs’ impacts and measures where required, to reflect the progress of this work.

Impacts	Indicators	Performance measured by:
Integrity of New Zealand’s border is assured	<ol style="list-style-type: none"> 1. Stakeholders’ confidence in New Zealand’s border integrity. 2. Border compliance levels. 3. Public trust and confidence. 4. International stakeholders’ confidence in New Zealand’s border integrity. 	<ul style="list-style-type: none"> › Stakeholder surveys; › Government agencies’ trust and confidence surveys; and › Border compliance trends and time-series analyses.
Security from external threats is maintained	<ol style="list-style-type: none"> 1. Operational results. 2. Stakeholders’ perceptions of security. 3. Community benefits. 	<ul style="list-style-type: none"> › Stakeholder surveys; › Independent external surveys and data; and › Interactions trends and time-series analyses.

Outcome: Facilitation

New Zealand's economic, social, environmental and cultural interests are sustained and enhanced by facilitating the flow of legitimate trade, travel, and goods, and Māori taonga and other treasured items, across the border.

Key impact

- ▶ Legitimate trade, travel and tourism is facilitated; and
- ▶ Reliable and timely trade data compiled.

What are we seeking to achieve?

Customs makes an important contribution to New Zealand's trade and tourism activities and earnings through the quality and speed of our facilitation services for trade and travel, while also managing risk to achieve effective border management assurance. Customs also collects, processes, and provides high quality trade data to other agencies to inform government and businesses.

Customs' facilitation-related activities also contribute to our **Protection** and **Relationships** outcomes. These outcomes must effectively manage the opportunities and

risks of trade and travel. We aim to promote coordinated service delivery by working with border sector agencies and other stakeholders to improve the overall efficiency and integration of the border system.

Why is this outcome important?

In the global economy, a country's international competitiveness is dependent on a number of factors that includes the approach to and delivery of that country's customs services, together with its partner border agencies. New Zealand competes for tourists and trade against many other countries that offer comparable benefits. Through our work, Customs and other border sector agencies can positively influence international consumer and business decisions about visiting, moving to, or doing business with, New Zealand.

Facilitation is important to New Zealand's economy and must be managed well. Over the medium term, we expect increasing volumes of travel, high volumes of trade transactions, and increasing complexity in supply chain security and its impacts on trade flows. The following table shows a projection to the year 2012 in volume increases for travellers and goods:

Year ended	Travellers ⁹		Goods ¹⁰			
	Enter New Zealand	Exit New Zealand	Tonnes imported	Tonnes exported	Import transactions	Export transactions
30 June 2007	4.57m	4.53m	18.5m	23m	1.28m	545,000
30 June 2012	5.56m	5.51m	21m	26m	1.47m	626,000
% increase	22%	22%	14%	13%	15%	15%

⁹ Source: New Zealand Customs Service.

¹⁰ Source: Statistics New Zealand (2007) – Import and Export tonnage 2007 volumes; Ministry of Transport – 2012 Import and Export projections; New Zealand Customs Service – Import and Export transactions data.

Customs, together with other border sector agencies, will need to meet the challenges of increasing service expectations as a result of trade and travel volumes, alongside funding pressures and maintenance of capability to meet those expectations. Customs will need to further develop the capacity of the border management Information Technology system to meet the increasing flows of trade and travel, increasing international connectedness and requirements from other government agencies. Customs will also need to meet stringent security and risk management standards, as a response to international developments (in relation to our *Protection* outcome).

Benefits of efficiencies in border processes

In order to advance New Zealand's economic transformation, there is a need to improve the efficiency of New Zealand's border processes and those of our key trade and travel partners. Internationally, border agencies are leading developments to improve supply chain integration and efficiency through trade agreements that require the harmonisation of border processes and compliance procedures. These must also be effectively supported by a reliable border management Information Technology system that has the capacity to adopt data standards, such as those determined by the World Customs Organisation (WCO) SAFE Framework.¹¹

Customs provides advice that supports trade agreements to help ease the flow of trade, and bring additional benefits to New Zealand businesses such as reduced compliance costs and clearance times for goods. New Zealand businesses need to be supported by reliable technology for managing the increased flow of information between them and government agencies. Over the next three years, Customs will need to meet the extra demand for resources resulting from recent developments, such as those in relation to the WCO SAFE Framework and requirements in relation to progress with the China and ASEAN¹² Free Trade Agreements.

11 The World Customs Organisation SAFE Framework of Standards to secure and facilitate global trade (referred to as the SAFE Framework).

12 ASEAN – Association of South East Asian Nations.

Passenger facilitation is also important to New Zealand's economic interests. Tourism is New Zealand's highest export earner, contributing 19.2 percent to New Zealand's export earnings for the year ended March 2006. Customs' contribution to the tourism industry is important not only in terms of processing passengers efficiently, but in presenting a positive first and last impression of New Zealand as welcoming and hospitable to overseas visitors. As travellers do not necessarily distinguish between agencies at airports, it is also important for border sector agencies to collectively provide a positive impression.

What will we do to achieve this outcome?

Customs will continue to advance New Zealand's economic transformation through border management processes and systems that address efficiency gains in trade and passenger facilitation, while balancing appropriate levels of risk management and maintaining effective service to our stakeholders.

Customs' priorities

From 2008/09, in relation to the *Facilitation* outcome, we will continue Customs' work in this area by focusing on two priorities – the development of **world-class trade facilitation arrangements** and the development of **world-class passenger clearance services**.¹³

These priorities involve delivering superb services to traders and travellers that are consistent with leading examples from other border administrations in the world, while maintaining the balance between friendly service and law enforcement.

Working in conjunction with other border sector agencies and industry stakeholders to develop world-class trade facilitation arrangements, Customs will seek to advance initiatives to modernise and simplify cargo clearance processes, particularly in respect of trans-Tasman trade; and to progress trade security relationships with key

13 Customs' priorities are consistent with the first outcome for the New Zealand Tourism Strategy 2015 – New Zealand delivers a world-class visitor experience, in its aim to deliver, among other things, "superb service".

trading partners to maximise trade facilitation benefits for New Zealand’s exporters. Broadly, these initiatives aim to achieve:

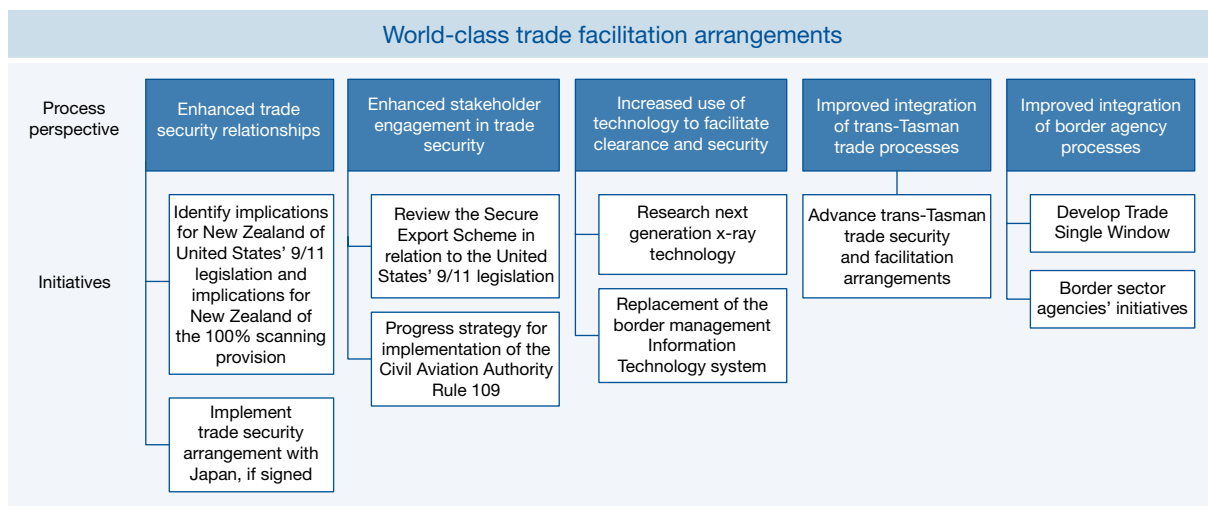
- ▶ enhanced international trade security relationships;
- ▶ enhanced stakeholder engagement in trade security;
- ▶ increased use of technology to facilitate clearance and security;
- ▶ improved integration of trans-Tasman processes; and
- ▶ improved integration of border agency processes.

The following illustrates the link between initiatives contributing to this priority in relation to the *Facilitation* outcome.

passenger clearance services at international airports, particularly Auckland. This will include a focus on trans-Tasman passenger flows, while working to an objective of services that are “smart, innovative and visitor-friendly”.

We aim to achieve:

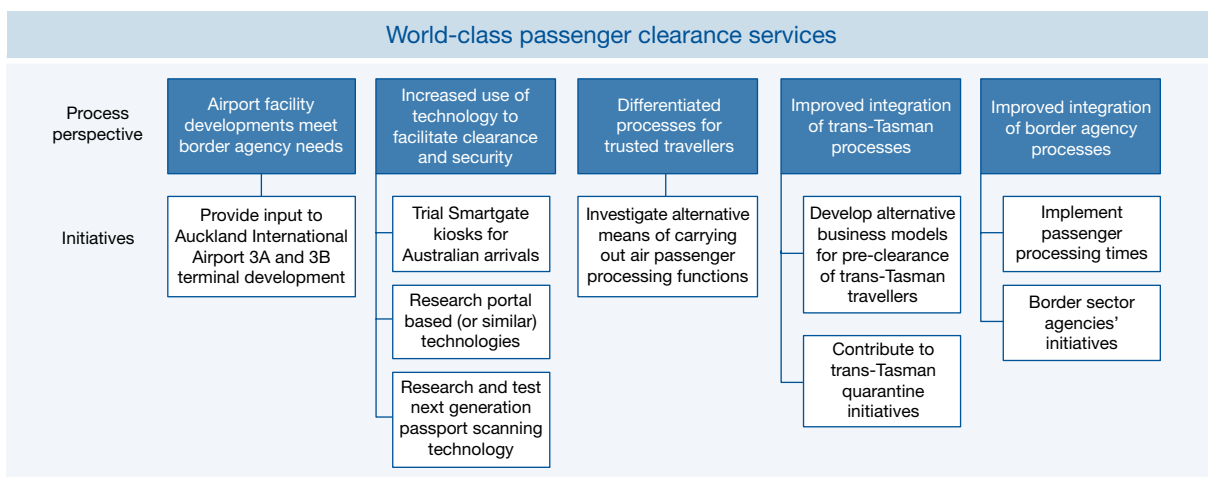
- ▶ meeting border agency needs in relation to airport facility developments;
- ▶ increased use of technology to facilitate clearance and security;
- ▶ differentiated processes for trusted travellers;



From 2008/09, working in conjunction with other border sector agencies and key stakeholders to develop **world-class passenger clearance services**, Customs will focus on advancing initiatives to modernise and streamline

- ▶ improved integration of trans-Tasman processes; and
- ▶ improved integration of border agency processes.

The following illustrates the link between the initiatives contributing to this priority in relation to the *Facilitation* outcome.



Over the next three years, other key activities in relation to facilitation include:

Border Policy and Regulation

- ▶ a focus on improving flexibility for Customs’ passenger facilitation processes by designating additional authorised places for arrivals and departures;

Service Delivery Model

- ▶ a focus on efficient, professional and courteous service; and in the airport context, consistency of service across border agencies;
- ▶ continuing to provide administrative advice and facilitation services relating to the repatriation of Māori taonga (treasures), such as toi moko (preserved Māori heads) from overseas;

Information, Processes and Technology

- ▶ replacing the border management Information Technology system to address increasing trade and travel transaction volumes and data interchanges.

How will we demonstrate success in achieving this?

Processing times, length of standing time in queues and turn-around times for trade-related clearances, are measurable indicators of issues that we know are significant to traders and travellers. Stakeholder perceptions of our service are a key source of feedback. These are sought from a range of stakeholders including travellers, businesses, industry groups and other agencies in New Zealand and overseas.

We will continue to measure Customs’ impact as set out in the following table:


Impacts	Indicators	Performance measured by:
Legitimate trade, travel and tourism is facilitated	<ol style="list-style-type: none"> 1. Passenger, craft and goods processing. 2. Clients’ satisfaction with facilitation. 3. International ranking. 	<ul style="list-style-type: none"> ▶ Stakeholder surveys; ▶ Passenger, craft and goods processing trends and time-series analyses; and ▶ International surveys.
Reliable and timely trade data compiled	<ol style="list-style-type: none"> 1. Clients’ satisfaction. 2. Data quality. 	<ul style="list-style-type: none"> ▶ Government agencies’ official response and rating.

We will modify Customs’ impacts and measures where required, to reflect the progress of border sector work in developing a set of shared impacts and performance measures and standards for the *Facilitation* outcome during 2008/09.

Outcome: Relationships

The New Zealand Customs Service establishes and maintains effective formal and informal working relationships with all stakeholder partners, and effectively supports agreements and treaties with other nations and jurisdictions that enhance our national interests.

Key impact

 Working relationships are enhanced.

What are we seeking to achieve?

Future border management challenges will be characterised not only by projected increases in volumes of trade and travel, but also by different and more complex risks, greater service expectations, and developments in the international environment.

Customs aims for effective border management that relies on strong working relationships with border sector agencies (see Border Sector Collaboration) and other stakeholder partners to meet the public's and industry's expectations of fast, low-cost, coordinated and friendly service at the border.¹⁴

We aim to work with border sector agencies to facilitate active participation of traders, travellers, and carriers in an integrated and responsive way. Our ability to anticipate and manage risks also relies on Customs' more integrated intelligence networks with other New Zealand agencies and stakeholders.

Internationally, Customs advances New Zealand's economic transformation in support of the Ministry of Foreign Affairs and Trade, through our advice on customs aspects of trade agreements. We aim to maintain New Zealand's security through our intelligence networks and ongoing relationships with other customs administrations. We also aim to make efficiency and

¹⁴ In respect of visitors to New Zealand, these aims are consistent with the New Zealand Tourism Strategy 2015, for New Zealand to provide "a world-class visitor experience," including delivery of a "superb service".

effectiveness gains in service delivery through the lessons learned from other jurisdictions. Compared to our key trading partners, New Zealand is a small nation with limited means. The experiences of others can enable us to make the best resource decisions.¹⁵

Overall, travellers, traders and carriers are active participants in the border management process, having their own obligations and responsibilities. Working in collaboration with other border sector agencies will help us to improve these groups' awareness and discharge of their obligations and responsibilities, through an approach that encourages and facilitates timely and voluntary compliance, while maintaining the security of trade and travel; reduced compliance costs;¹⁶ and trust in and respect for Customs.

Why is this outcome important?

No one agency can effectively manage risks to the border by itself in an increasingly dynamic and complex environment, to meet the broad range of government objectives at the border. Customs' presence at the border and range of border management responsibilities and infrastructure is extensive; and there is increasing reliance across government on Customs' intelligence, coordination and systems capabilities to manage border risks.

Customs provides policy and operational leadership in our area of expertise, and works in coordination and collaboration with other border sector agencies to ensure New Zealand's border management is coherent, effective and efficient.

Internationally, our customs expertise on trade agreements is critical to advancing New Zealand's economic transformation. Our relationships with customs

¹⁵ We aim to build on and improve collaborative relationships internationally, to be effective in our role of supporting Government's external policy goal relating to international trade, trade security, and national security interests.

¹⁶ Customs aims to advance economic transformation, by exploring ways to reduce compliance costs for businesses, which is consistent with the objectives of Government's Compliance Cost Strategy.

organisations, such as the World Customs Organisation (WCO) and customs administrations in other jurisdictions, are critical to maintaining New Zealand's reputation among key trading partners as a secure and safe place for their citizens to trade with and travel to.

Customs' contribution to trade security has enabled New Zealand to build a reputation as a world leader in this area. Maintaining this reputation is important because it provides New Zealand with an opportunity to achieve agreements with key trading partners. This translates to benefits for New Zealand exporters through, for example, reduced compliance costs and reduced clearance times for goods.

Improving our collaborative relationships with New Zealand businesses and industry groups is important to ensuring exporters receive the trade benefits, as well as maintaining government's revenue base, through collecting Customs revenue and encouraging efficiency gains through trade facilitation and compliance.

Customs' relationships with other nations and customs administrations enable us to improve our intelligence networks, and have a greater understanding of major threats and risks and respond accordingly; and for these reasons, enable Customs to provide risk assurance with greater certainty. Our support of customs administrations in the Pacific region, particularly through capacity building, not only benefits recipient nations, but extends our intelligence networks and contributes to the security of the Pacific more broadly.

Customs contributes to other multi-agency outcomes, and provides support for interventions at the border on behalf of other agencies while also supporting the overall aim of greater coordination and collaboration between agencies to gain efficiencies and improve service delivery.

What will we do to achieve this outcome?

Over the next three years, Customs will continue to develop, maintain and strengthen relationships internationally and in New Zealand in order to advance Government's economic goals, maintain revenue collection and maximise voluntary compliance. We will also protect New Zealand's border by maintaining and strengthening working relationships with other agencies; and building partnership support with communities.

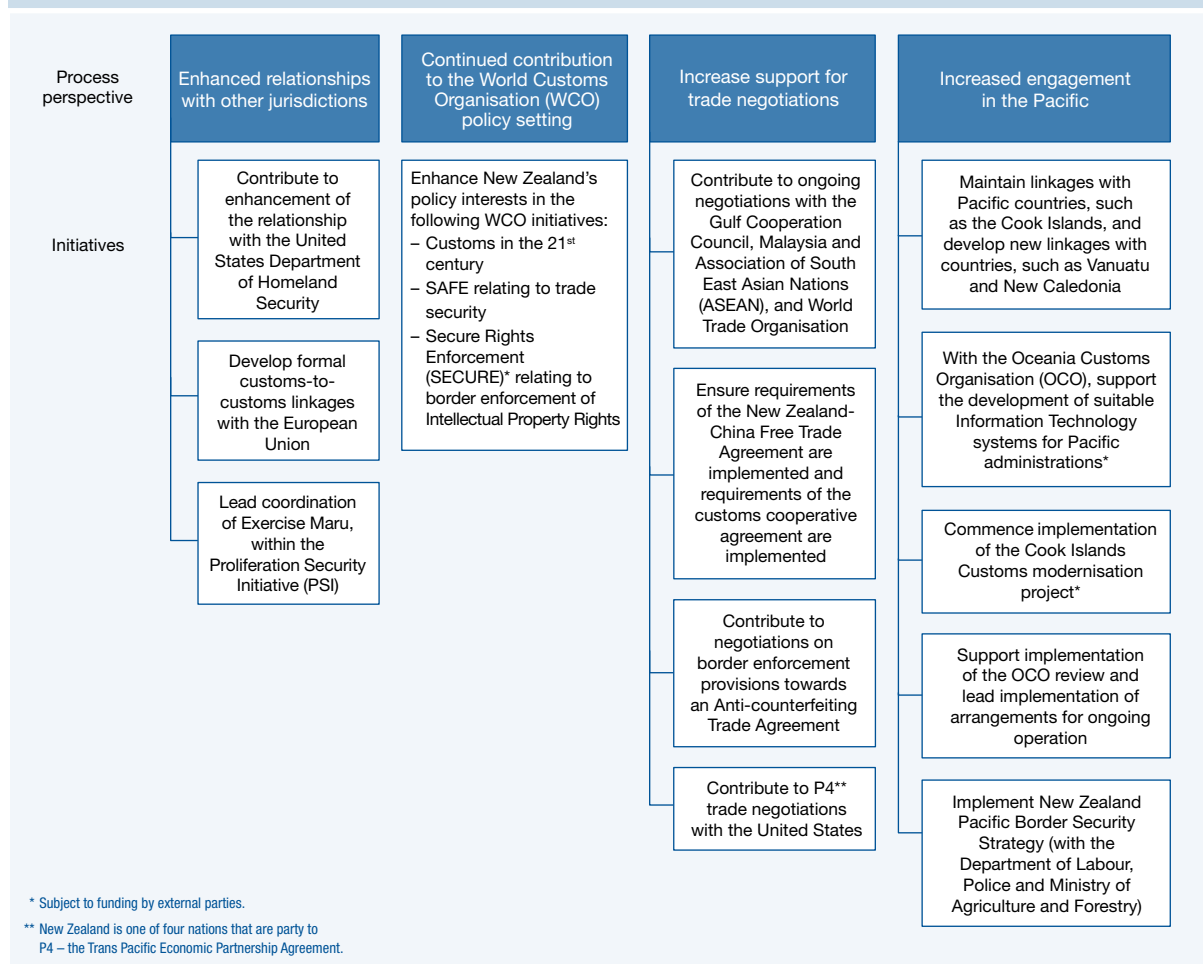
Customs' priorities

From 2008/09, we will continue to ensure New Zealand's interests are effectively promoted in international customs policy and enforcement networks, and maintain strong international relationships. Customs' priority focus on providing **specialist support for New Zealand's international interests and relationships** aims to achieve this through:

- ▶ enhanced relationships with other jurisdictions;
- ▶ continued contribution to the World Customs Organisation's (WCO's) policy setting;
- ▶ increased support for trade negotiations; and
- ▶ increased engagement in the Pacific.

The diagram on the following page shows the link between the initiatives that contribute to this priority in relation to the *Relationships* outcome.

Specialist support for New Zealand's international interests and relationships



While Customs' contribution to international trade security arrangements has been mentioned under the *Protection* outcome, other initiatives include:

- ▶ supporting the Government's aim of achieving a Single Economic Market with Australia, through the Trans-Tasman High Level Steering Group;
- ▶ contributing as required to enhance regional economic integration, for example, in Asia and the Pacific through our customs advice in support of various trade agreements and trade initiatives; and
- ▶ contributing to ongoing security of the Pacific through capacity building support for some Pacific nations.

In New Zealand, Customs will focus on:

- ▶ improving collaboration with border sector agencies through the Border Sector Governance Group and our commitment to a shared strategic framework and work programme;
- ▶ improving Customs' services to businesses and industry groups, such as web-based services and technology to improve efficiency and compliance; and
- ▶ strengthening linkages with communities including iwi and hapū through, for example, Customs' Coastwatch programme.

Customs will continue to provide interventions at the border on behalf of other government and non-government agencies. These include data-matching agreements with others, such as the Ministry of Justice to enforce unpaid fines at the border; and hosting of the National Targeting Centre with Maritime New Zealand, the Ministry of Agriculture and Forestry, and the Department of Labour. The National Targeting Centre coordinates intelligence that enables interceptions of high-risk people, goods, and craft crossing the border.

We will also continue to participate in the National Drug Intelligence Bureau (NDIB) within the New Zealand Police, and including the Ministry of Health, to coordinate and facilitate intelligence and enquiries on illicit drugs across the agencies; and in the Wildlife Enforcement Group, a multi-agency group responsible for detecting and preventing the illicit trade in endangered species under the Convention on International Trade in Endangered Species (CITES).

Customs also has governance responsibility for the National Maritime Coordination Centre (NMCC), which operates as a whole-of-government resource on behalf of civilian agencies. Over the next three years, the NMCC will focus on implementing government decisions relating to the Maritime Patrol Review.

How will we demonstrate success in achieving this?

Our contribution to working relationships with key stakeholders that include travellers, businesses, industry groups, iwi and hapū, and other agencies in New Zealand, will be measured by a Customs' biennial stakeholder survey. Our contributions to New Zealand's international trade agreements, customs agreements and treaties will be demonstrated through feedback from the international agencies and organisations involved. We will continue to measure Customs' impact as set out in the following table:

Impact	Indicators	Performance measured by:
Working relationships are enhanced	<ol style="list-style-type: none"> 1. Commercial clients' perceptions of and satisfaction with the relationship. 2. Government and international stakeholders' perceptions of and satisfaction with the relationship. 3. Formal relationship agreements. 4. Border sector collaboration and coordination. 	<ul style="list-style-type: none"> › Stakeholder surveys; and › Patterns in relation to formal agreements.

Border sector agencies will be developing a set of shared impacts and performance measures and standards for the border sector *Partnership and Responsibility* outcome during 2008/09. We will modify Customs' impacts and measures as required, where these are relevant to Customs' *Relationships* outcome to reflect the progress of this work.

Border Sector Collaboration

The recent revision of Customs' strategic direction has stemmed from developments within the border sector.¹⁷ The border sector was formally recognised in October 2007 when Cabinet approved the establishment of an ongoing border sector governance structure, supported by a strategic framework (including shared outcomes) and accompanying work programme. Border agencies are tasked with improving collaboration with one another, and collectively with stakeholders, to increase the border sector's overall effectiveness and efficiency and streamline services to stakeholders, while not changing existing accountabilities for individual agencies.

► Sector Vision

Deliver excellent border management outcomes for New Zealand by thinking and acting as one.

► Sector Objective

An integrated and responsive border management system that best serves New Zealand's interests by facilitating trade and travel while managing risk.

► Sector Outcomes

- › **Protection:** *New Zealand is protected from goods, organisms and people that pose a risk to our interests.*
- › **Facilitation:** *New Zealand's economic and social interests are enhanced by facilitating the flow of legitimate trade and travel across the border.*
- › **Partnership and Responsibility:** *Everybody understands and undertakes their roles for the effective management of the border.*

The primary performance measure for 2008/09 is delivery of a joint work programme, with particular emphasis on:

- › *establishing common definitions, standards, data requirements and protocols for the operation of the sector;*
- › *progressing passenger facilitation initiatives in collaboration with air industry stakeholders;*
- › *achieving detailed scoping and a business case for the inter-agency Border Sector Trade Single Window systems development; and*
- › *reviewing governance arrangements in December 2008.*

This measure recognises that the border sector agencies are currently in a building phase, focusing on ensuring basic processes and systems are in place to support ongoing collaboration. While there will be early signs of increased collaboration, it is expected that discernable movement toward the sector objective will become evident after several years. Border sector agencies will continue to progress the development of impact performance measures for the three sector outcomes during 2009/10.

¹⁷ Comprising the New Zealand Customs Service, Department of Labour, Ministry of Agriculture and Forestry, and Ministry of Transport. As the New Zealand Food Safety Authority and the Department of Internal Affairs have some particular border interests, they are closely involved in relevant aspects of the work programme, with other agencies being involved as required.

Outcome: Revenue

Due Customs revenue is collected to support Government social, economic, and fiscal objectives.

Key impact

▶ Crown Revenue base is protected.

What are we seeking to achieve?

Customs aims to collect the optimum amount of public revenue from import tariffs, goods and services tax at the border, and excise duties, both at the border and in relation to domestic production. This means that due revenue and excise is correctly assessed and is collected at the correct time, in the most efficient ways, and is accompanied by the highest levels of voluntary compliance.

We aim to encourage high levels of voluntary compliance and reduce the risk of non-compliance through ensuring traders, travellers and carriers have highly accessible information available to them, and fair opportunities for engagement with Customs, to be well informed of their responsibilities and obligations. We also aim to provide fair credit and debt management practices.

Why is this outcome important?

Customs revenue¹⁸ is an important source of funding for government to achieve its goals for New Zealanders, so there is a need to have effective and efficient Customs revenue collection. Customs revenue in 2008/09 is likely to exceed \$9 billion, approximately 15% of total Crown Revenue.

Customs revenue collection also supports broader economic and social objectives. Customs tariffs are collected on a small number of imported commodities

in order to protect vulnerable domestic industries from competition with producers in lower-cost economies. Excise duties are levied for a number of purposes. These include duties addressing Government's demand reduction strategy for goods that contribute to poor health or other social costs, such as cigarettes and alcohol.

What will we do to achieve this outcome?

Overall, we aim to meet Customs revenue forecasts each year, and provide efficient assessment and collection systems and promote voluntary compliance. We will continue to promote compliance through publicising to traders and travellers the Customs revenue obligations and responsibilities they need to meet; the benefits of compliance; and the full costs and consequences they will face for non-compliance. We will also enforce compliance when required.

Over the next three years, we will continue to improve Customs' understanding of and response to risks to effective revenue collection, through our collaboration with other agencies, and feedback from our stakeholders. Our particular focus will be on ensuring importers are made aware of customs obligations relating to declared value of goods. We will continue to improve our understanding of revenue gaps and revenue leakage through our research and collaboration with others. We will also replace the border management Information Technology system to improve our ability to undertake automated data analysis and intelligence based risk assessments and, through this, improve compliance and reduce revenue leakage.

How will we demonstrate success in achieving this?

We will continue to measure Customs' impact as set out in the following table:

Impact	Indicators	Performance measured by:
Crown Revenue base is protected	<ol style="list-style-type: none"> Taxation system integrity. Revenue collection rate. 	<ul style="list-style-type: none"> ▶ Independent audit; and ▶ Revenue collection trends and time-series analyses.

¹⁸ Customs' contribution to the *Revenue* outcome is consistent with strategies that include: the Government's Fiscal Strategy in relation to pursuing policies which are consistent with a reasonable degree of predictability about the level and stability of taxes for future years; and Government's Compliance Cost Strategy and the objective of reducing compliance costs for the private sector.

COST-EFFECTIVENESS

Government agencies are expected to develop and implement a range of sound, quality measures of performance, including cost-effectiveness. Cost-effectiveness is part of the wider picture of departmental performance. In this regard, our work on cost-effectiveness will be encompassed within the development of a performance assessment framework and performance information support systems within Customs.

Cost-effectiveness for Customs can be expressed as the total cost of specific border interactions (outputs) that result in particular outcomes, such as a ratio of costs to outcome, and the relative effectiveness of producing those outcomes. Customs has already completed important developmental work on cost-effectiveness measures, which covered a range of possible measurement options.

The work identified two important issues. First, estimating all the costs of specific interactions (outputs) and the ascribed values (measures) of outcomes attributed to the outputs, assuming that causal relationships can be isolated with some certainty. Second, identifying appropriate alternative border interactions and comparable external benchmarks for estimating relative cost-effectiveness.

Building on our current understanding, Customs' approach to determining cost-effectiveness is to apply a focus across three broad cost-to-outcome domains of Protection, Facilitation and Revenue. Within these domains, we will endeavour to establish suitable parameters for quantifying total costs and values for specific outcomes.

Outcome	Cost	Impacts
<ul style="list-style-type: none"> › Facilitation › Protection › Revenue 	<ul style="list-style-type: none"> › Trade and travellers processing. › Interactions, investigations, prosecutions, and surveillance. › Collecting GST, duty and excise revenue. 	<ul style="list-style-type: none"> › Legitimate trade and travel facilitated. › Community protected from external threats. › Revenue collected.

We will also work with other government agencies on cost-effectiveness measures where there is commonality of outputs and outcomes.

CUSTOMS' ORGANISATIONAL HEALTH AND CAPABILITY

As at 30 December 2007, Customs had over 1200 staff in 16 locations in New Zealand and five locations overseas. Our extensive border presence and infrastructure means we have an important role in New Zealand's border management. Approximately two-thirds of Customs' expenditure relates to people capability, the significant majority relating to customs officers. It is essential that leadership, skills, processes, technology and relationships together utilise our staff productively.

We also have other significant investments, including risk screening technologies and the current border management Information Technology system, which processes high volumes of trade and travel transactions and other information, and supports other agencies in meeting various government objectives.

To ensure we remain well placed to manage the border effectively with other border sector agencies, faced with increasing trade and travel volumes, service delivery expectations, input costs and border risks, Customs needs to effectively respond to changes while keeping the growth in costs to government as low as possible.

Over the next three years, Customs will continue to consolidate the capability investments of previous years and build on this foundation to better enable us to meet current and future expectations of being an agile, knowledge-based organisation.

Customs has five long-term development priorities that are critical to our ability to maintain the required capacity and capability to deliver on Government's objectives.

These are:

- ▶ Border Policy and Regulation;
- ▶ Service Delivery Model;
- ▶ Information, Processes and Technology;
- ▶ People Capability; and
- ▶ Collaborative Relationships (detailed under the *Relationships* outcome).

Border Policy and Regulation and Service Delivery Model

Our capacity to ensure border policy and regulations continue to achieve the outcomes desired by government is facing ongoing pressure due to a number of factors. These include the complexity in international trade developments, the growing complexity in border offending, and the connectedness required between private sector stakeholders, agencies and organisations in New Zealand and internationally. There is a need to ensure Customs' border policy and legislation remains relevant and is effectively coordinated with border sector agencies and other agencies' policy objectives at the border.

To ensure our overall service delivery continues to be effective in the face of increasing demands, as reflected in ongoing increases in trade and travel volumes and the range of services undertaken at the border for other agencies, and rising costs, we will be undertaking work on two fronts. First, we will be investigating new business processes that utilise available technologies to provide more cost-effective border processing. This includes initiatives such as development of a Trade Single Window and the trial and potential rollout of automated and non-automated passenger processing initiatives. Second, we will be reviewing the strategy for funding Customs' operations into the future, in order to ensure that government is in the best position to determine how costs should be apportioned between government, seaports, airports and the users of border services.

Over the next three years, we will continue to develop and review Customs' policy and regulation and service delivery frameworks, to ensure these most effectively support achievement of government's objectives.

Information, Processes and Technology

Our systems and processes enable Customs to provide services and deliver on strategy and policy, in order to achieve the outcomes we seek for government and the community. These systems and processes also enable Customs to support other agencies in meeting objectives for Government.

We need systems and processes that enable Customs to acquire, retain, process and disseminate information in the most timely and cost-effective manner possible. We have developed an Information Services Strategic Plan in order to meet current and future information and knowledge management requirements and, over the next three years, will continue to implement four key initiatives within the Plan:

- ▶ replacement of Customs' border management Information Technology system;
- ▶ Knowledge Management;
- ▶ Information Services Architecture; and
- ▶ Information Services Capability.

We will also continue to improve relationships with stakeholders who rely on Customs' information services. These include other agencies with interests at the border, and businesses and industry groups working in partnership with Customs in order to align systems and meet compliance obligations.

Customs secured additional funding from Government in 2006/07 to prepare a business case for replacement of the border management Information Technology system. This system is over 10 years old, and has become a major whole-of-government asset beyond its original design as a border management system, with nine other agencies across government currently using the system.

Increasing volumes of trade and travel transactions and other developments, such as the need to meet international requirements, have also placed pressure on the border management Information Technology system. While the system facilitates millions of trade, travel, risk

and Customs revenue transactions, currently it does not provide assurance that increases in daily transactions will not cause a major systems outage. Customs is seeking to redevelop the current system to support harmonisation procedures within trade agreements, such as the data standards determined by the World Customs Organisation SAFE Framework (under development).

People Capability

A number of factors are creating recruitment and retention pressures for Customs. These include the need to respond to increasing volumes of trade and travel and increasingly complex border threats in a very competitive labour market.

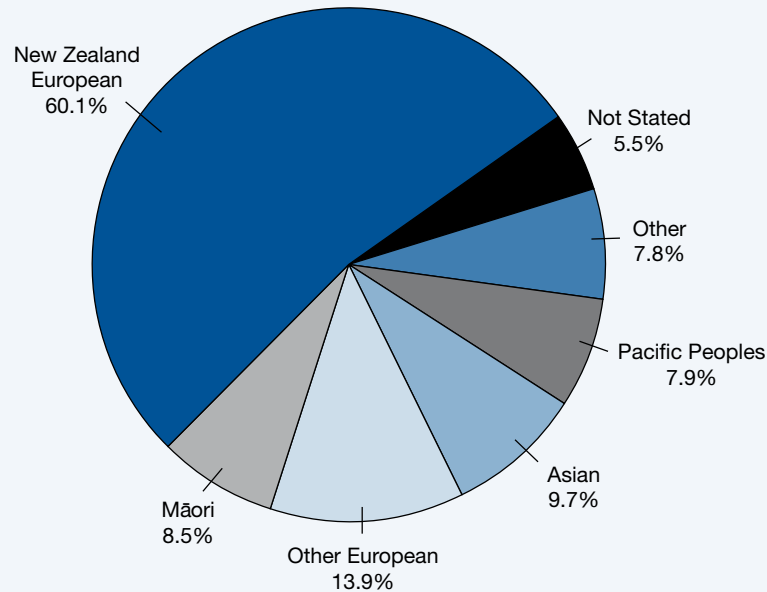
In response to these pressures, Customs will continue to implement the Organisational Development Strategy. Customs recognises that if we are to attract, develop and retain quality staff, we need to continue to focus on recruitment, remuneration, development, rewards and recognition frameworks, training and career pathways, and leadership and management development.

Customs' **recruitment** focus aims to attract high quality talent for entry-level and specialist positions. Regardless of the labour market conditions, we will not compromise this high standard as we need to ensure we recruit staff of the highest integrity. Our focus on recruiting high calibre staff also enables us to anticipate high returns in productivity and other positive contributions to the Service.

Customs' increased emphasis on **training** and development aims to strengthen performance and employee engagement, in order to minimise the cost of staff turnover. We aim to provide opportunities for training and career development through our National Training Strategy, with its focus on career pathways and training framework, supported with a rotation programme. This will enhance our technical capability to respond to increasingly complex border threats. We will also continue to implement and refine our **Leadership Development Programme** for managers, to build the skills and support required to utilise staff in the best possible way.

Customs' Demographic Profile

Staff Ethnicity 31 December 2007



Equal Employment Opportunities

Customs' focus on this area is guided by the State Services Commission's EEO Policy to 2010 for the Public Sector.

In terms of **ethnicity**,¹⁹ as at 31 December 2007, 8.5 percent of Customs employees were identified as Māori, 7.9 percent as Pacific peoples, 9.7 percent as Asian, 60.1 percent as New Zealand European, and 13.9 percent as Other European. Customs has agreed on a target with the State Services Commission to increase Māori employees to 12 percent and Pacific peoples employees to 10 percent by 2010.

The proportion of **female staff** at 39 percent, as at 31 December 2007, is the same for the previous time last year, and continues to be below the 47 percent EEO target for the end of June 2010.

Over the next three years, Customs will continue to implement initiatives designed to recruit and retain staff. These include addressing recruitment, retention and remuneration, leadership development for managers, and continued support for managers to develop career pathways for staff. The continued efforts of our Career Development Board will also be a focus. The Board's efforts include an awareness of ethnicity and gender issues related to career development, identifying leadership and technical ability, and providing support and encouragement to staff to further develop critical competencies.

¹⁹ Individuals can have up to two ethnicities recorded in the Employee Information database – this means that the numbers will not equate to 100 percent. This is in line with both the State Services Commission reporting criteria and Statistics New Zealand practice.

Workplace relationships

Since 2005, Customs' employer-employee relations have been founded on a multi-union collective agreement. This has meant Customs and the unions party to the collective agreement²⁰ have had to develop constructive working relationships capable of addressing issues and supporting the organisation to deliver government outcomes.

During the last three years, that working relationship has been formalised into a joint forum that supports both Partnership for Quality an agreement between Government and the PSA, and equally recognises that other unions

involved in Customs also have an important interest in the development and support of a modern and innovative public service organisation.

In 2008, Customs will be renegotiating the terms and conditions of its collective agreement with the unions. This will provide Customs and the unions with a challenging opportunity to continue to work together, in partnership, to set an employment foundation that supports flexibility and innovation for the next three years.

How will we measure our success?

The key measures of Customs' organisational health are set out in the following table:

Impacts	Indicators	Performance measured by:
People, leadership, culture	<ol style="list-style-type: none"> 1. Workforce profiling. 2. Staff perceptions and satisfaction. 3. Operational productivity. 4. Organisational leadership and values. 5. Governance. 	<ul style="list-style-type: none"> › Patterns and trends in Human Resources (HR) information; › Workplace surveys; › Productivity measures; › Government agencies' trust and confidence surveys; › Stakeholder surveys; and › Office of the Auditor-General (OAG) Management letter and Treasury-led Departmental Internal Control Evaluation (DICE) trends.
Systems, technology, knowledge	<ol style="list-style-type: none"> 1. Systems readiness and availability. 2. Systems capability. 3. Information, intelligence and interaction process capability. 	<ul style="list-style-type: none"> › Systems performance; › Internal users' surveys; › Independent reviews; and › Independent evaluations.
Relationships	<ol style="list-style-type: none"> 1. Travellers' satisfaction. 2. Stakeholders' satisfaction. 3. Quality of Customs' information for clients. 	<ul style="list-style-type: none"> › Stakeholder surveys.

²⁰ The unions party to the collective agreement are the Customs Officers Association, the Public Service Association (PSA), and the National Union of Public Employees (NUPE).

Capital Intentions

Customs' forecast capital expenditure for the three years from 1 July 2008 to 30 June 2011 is as follows:

Category	2008/09 \$000	2009/10 \$000	2010/11 \$000
Computer Equipment	955	500	1,500
Computer Software	2,815	500	1,500
Furniture and Fittings	300	300	300
Leasehold Improvements	3,595	8,450	1,750
Motor Vehicles	1,070	800	800
Office Equipment and Plant	1,170	1,150	650
Total	9,905	11,700	6,500

The forecast capital expenditure includes capital for new accommodation and passenger processing facilities along with the routine replacement and upgrade of Customs' plant and equipment to enable Customs' outcomes to be delivered in a cost-effective manner.

A capital injection of \$4.7 million has been approved in 2009/10 as a contribution to the fit-out costs of the new Wellington Customhouse.



The Customhouse, 17 Whitmore Street, Box 2218, Wellington, New Zealand
Phone: +64-4-473 6099, Fax: +64-4-473 7370
www.customs.govt.nz