Authorised Economic Operators

2nd WCO Global AEO Conference, Madrid April 2012

Presented by: Matt Roseingrave
Counsellor, New Zealand Customs Service
“To the extent that Customs can rely on its partners in the trade community to evaluate and address threats to their own supply chain, the risk confronting Customs is reduced...

...Minimizing risk in this way helps Customs in performing their security functions, and in facilitating legitimate trade.”

High Level Guidelines for Co-operative Arrangements between WCO Members and Private Industry to Increase Supply Chain Security and Facilitate the Flow of International Trade
What are Authorised Economic Operators?
An Authorised Economic Operator is...

“a party involved in the international movement of goods …that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. ”

*WCO Framework of Standards to Secure and Facilitate Global Trade*
Examples

Secure Exports Scheme

Authorized Economic Operator
Korea Customs Service

PIP Partners in Protection

C-TPAT Customs-Trade Partnership Against Terrorism

AEO

NEW ZEALAND CUSTOMS SERVICE
How did Authorised Economic Operators come about?

An introduction to the SAFE Framework
The SAFE Framework

» Post 9/11, focus given by customs administrations and the World Customs Organization to supply chain security and terrorism.

» Need for a way to increase assurance over security of trade, without bringing global trade to a halt.

» Physical security vs. risk assessment.

» SAFE Framework developed and adopted in 2005.
Key elements of SAFE

The SAFE Framework consists of four core elements. It:

1. harmonizes the advance electronic cargo information requirements on shipments
2. enables consistent risk management approach to address security threats
3. establishes a framework for customs administrations to perform an outbound inspection of high-risk cargo and/or transport conveyances, at the request of another customs administration
4. suggests benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices.

SAFE package
Principles of Trade Management at the NZ Border
**Principles of Trade Management at the Border**

- **High assurance, light touch.**
- **Risk is managed as early as practicable in the supply chain.**
- **Partnerships to manage risk benefit everyone.**
- **Rules are accessible and easy to understand.**
- **Resources are targeted to areas of greatest importance.**
- **Decision making is driven by complete, accurate and timely information.**

### Context
Over the next ten years, agencies expect greater pressure on border services from increasing trade volumes. The shape of the border environment will change as New Zealand expands its markets to broaden international trade with emerging economies. Standards of security, reliability and efficiency of supply chains are also likely to vary widely. During this period, fiscal constraints will exist on agency spending. Government expects agencies will deliver more efficient and improved services by generating higher levels of productivity. Agencies will achieve this by providing co-ordinated services that work closely with supply chain participants, and by improved targeting of high-risk shipments. A variety of jointly managed systems and processes will allow trade to be streamed into categories of risk based on a trader’s proven commitment to compliance. Compliant traders can expect a high level of predictability because agency responses will depend on the level of commitment displayed by a trader and on the related risk profile of any particular supply chain. Traders will also be required to assist import and export facilitation by submitting information regarding border transactions through a single government channel that will be used by multiple agencies. The speed of facilitation will depend on the quality and timeliness of the data. Agencies will use the information to assess risk more efficiently, and to plan the deployment of border resources. Traders that consistently meet high compliance standards will encounter the least level of disruption to their supply chains.

### Risk is managed as early as practicable in the supply chain -
The most cost effective way to manage risks associated with import and export trade is to have it addressed before it reaches NZ’s borders. Overseas partners, traders and logistics providers have a responsibility to ensure reasonable steps are taken to minimise the likelihood of risk within their supply chains. Border agencies work with all parties to promote systems and procedures that detect and prevent risk before it reaches or leaves New Zealand.

- Agencies gather and analyse information about new and emerging threats.
- Risk is identified and mitigated at the earliest opportunity within the supply chain, to prevent reduced levels of intervention.
- Partnerships with overseas border authorities are used by agencies to target and treat risk early in the supply chain.
- All off-what movement of controlled cargo must be approved electronically.

### Decision making is driven by complete, accurate and timely information -
The risk management system electronically screens all trade information eliminating the need to physically inspect most consignments. Decisions on whether to interact with shipments are based on an assessment of information about the parties involved in the sale, purchase, and transportation of the goods, on the origin and description of the goods, and on packaging and freight movement details.

- All cargo consignments are known.
- Quality information enables effective risk management.

### Partnerships to manage risk benefit everyone -
Trade volumes make it impossible to physically check all shipments entering or leaving New Zealand. Partnership programmes between New Zealand’s border agencies and responsible traders, committed to risk managing their own supply chains, provide agencies with a level of confidence that allows low-risk goods to be cleared with minimal disruption. Supply chain programme partners benefit commercially through reduced levels of intervention. Government is then able to focus its resources on risks associated with unknown trade.

- Traders encourage their supply chain partners to participate and benefit in national and international trusted trader programmes.
- Agencies know who to trust and have programmes that promote and facilitate compliance.
- Under reciprocal arrangements, trading partners can access pre-load export assurance.
- Partnership programmes are effective and require minimal resources to manage.

### Rules are accessible and easy to understand -
Transparent and accessible rules minimise costs for traders and helps eliminate risk. Trade single window will include a plain english electronic library explaining the laws, rules and policies relating to border clearance so traders can make informed choices about how to comply. Adherence to rules provides certainty and predictability.

- Standards are consistent across border services work.
- Border clearance and Excise rules and requirements are accessed through a single channel, Trade single window (TSW).
- Traders and logistics providers understand the standards and make informed choices about how to comply.
- Agencies are ‘forward thinkers’ continually reviewing policies, systems and processes. They make full use of global research and development.

### Resources are targeted to areas of greatest importance -
Targeting high-risk trade is effective use of limited border resources. Understanding the source and likelihood of risk enables decisions on when, where and how to intervene within the supply chain. Programmes that screen out low-risk as early as possible in the supply chain assist the process of targeting high risk. Government costs are minimised if the deployment of resources can be planned, prioritised and co-ordinated.

- New Zealand’s border management is effective and efficient.
- Agencies have systems and processes that interact with goods as appropriate before, at, and after border crossing.
- Agencies test and review the effectiveness of their programmes.
Principles of Trade Management at the NZ Border

» High assurance, light touch;

» Risk is managed as early as practicable in the supply chain;

» Partnerships to manage risk benefit everyone;

» Rules are accessible and easy to understand;

» Resources are targeted to areas of greatest importance;

» Decision making is driven by complete, accurate and timely information.
NZ’s approach to Risk Management
NZ’s approach to Risk Management

**Standard Methodology:**
» Single standard across Government;
» Supports better decision making;
» Flexible and adaptable;
» Universal application; and
» Allows for the control of impacts.

**The Economic Benefits:**
» Increased predictability and facilitation for business;
» Reduced compliance costs;
» Integrity of supply chain remains; and
» Comprehensive risk assessment.
NZ’s approach to Risk Management

- establish the context
- identify risks
- analyse risks
- evaluate risks
- assess risks
- treat risks
- monitor & review
- communicate & consult
NZ’s approach to Risk Management

Putting Risk Management into Practice:

» The role of Intelligence;
» Integrated Targeting Operations Centre (ITOC);
» All of Government approach;
» Requires trust;
» Proactive, rather than reactive; and
» Supporting legislation.
New Zealand’s Authorised Economic Operator programme

The Secure Exports Scheme
About the Secure Exports Scheme

**EXPORTER**
- submits application
  - SEP application form (NZCS 507)
  - process map
  - security plan (per site)

**CUSTOMS**
- verification of application details including site examination
- Customs/exporter application meeting

**CUSTOMS/EXPORTER AGREEMENT**
- Customs approve secure package
- Customs approve seal/markings
- Finalised security plan

**WORKING IN PARTNERSHIP**
- Secure Exports Partnership in action
  - post agreement review
  - security plan audit
  - reporting of unusual or suspicious activity
Risk Management for AEOs
Questions for Customs

» Is our Supply Chain Strategy still relevant in today's trading environment?

» Is there anything we need to change about it to address our current challenges? Is it consistent with our compliance framework?

» In what other ways could we work with traders to get them to manage risk on our behalf?

» Do we need a programme that considers compliance more broadly?

New Zealand Customs Service
Supply Chain Security Regime

Electronic Reporting
- Mandatory electronic lodgement prior to shipment
- Access to trader databases
- Comprehensive goods and cargo declarations

Risk Assessment
- Intelligence products
  - Int’l exchange
- CusMod electronic screening of data
- Watch lists
  - People
  - Goods
  - Craft

Responding to High Risk
- Non-invasive screening (X-ray)
- Explosive detector dogs
- Physical inspection

Reducing Risk
- Secure Exports Partnership
- Base confidence on existing Government procedures
- Sealing of containers
SES Control Points

Secure Exports Scheme

Critical Control Points

Secure Exports Scheme Security Plan

PRODUCT STORAGE  CONTAINER PACKING  TRANSPORT  EXPORT LOADING

Customs Approved Seal
Customs computerised entry processing system supports:

» 100% Electronic Screening;
» Allocation of unique SES codes;
» Specific SES other information fields;
» Identification of individual consignments shipped under the SES;
» Holds a record of the associated container seal numbers
» Generation of Customs Release documentation
SES Intelligence Assessment

» Assessment of applicant
» Trade volumes
» Load sites
» Partners
» Intel summary

If approved, is excluded from generic enforcement activity
## SES supported by a Layered Approach

<table>
<thead>
<tr>
<th>PRE-ARRIVAL</th>
<th>IN-TRANSIT</th>
<th>ARRIVAL</th>
<th>POST-ARRIVAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 48 Hour Rule</td>
<td>• Air / Land / Sea</td>
<td>• Data assessment</td>
<td>• Analysis</td>
</tr>
<tr>
<td>• Targeting</td>
<td>• Coastal / Maritime</td>
<td>• Risk Identification</td>
<td>• Partnerships</td>
</tr>
<tr>
<td>• Intelligence</td>
<td>• Small Vessel</td>
<td>• Operations</td>
<td>• Supply Chain Security</td>
</tr>
<tr>
<td>• Advance Information</td>
<td>• PSI</td>
<td>• Equipment</td>
<td>• Targeting</td>
</tr>
<tr>
<td>• MRA</td>
<td>• API</td>
<td>• Document Review</td>
<td>• Intelligence</td>
</tr>
<tr>
<td></td>
<td>• General Aviation</td>
<td>• Officer expertise</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• SES</td>
<td>• Canines</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Targeting</td>
<td>• MAFBNZ / DoL</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Intelligence</td>
<td>• Dedicated Units</td>
<td></td>
</tr>
</tbody>
</table>

### Automated Targeting Systems

- SES supported by a Layered Approach
Secure Export Scheme

**Secure Export Partnership Scheme**
- Pre-approved audit
- Pack, seal and transport procedures
- Ongoing compliance audits

**Data Legislation**
- 100% of shipments declared
- SEP's include container seal number
- Declarant screening and approval
- Advance import manifest, including transhipment and US transit
- Access to client systems

**Interventions and X-Ray**
- High confidence low potential for inspection
  - Selected seal checks
- Low confidence, high potential for inspection
  - Limited confidence, high potential for inspection

**Control Legislation**
- 100% no load without Customs' clearance
- Electronic clearance messages to ports
- Ports link to seal database
- Port security plans and procedure statements

**Legislation and Data Reporting**
- Outward report after craft departure
- Reconciliation against clearance database
- Resolution of exceptions or advice to import administration
- Security profile of NZ exports = NZ trade lanes remain open

Non-SEP exports
Why this is important for MRAs
Supply Chain Predictability

- SES Partners: Trade moves smoothly
- Non-Partners: Trade delays possible
The future of Authorised Economic Operators and Trusted Traders
COMPLIANCE AND CUSTOMER SERVICE FRAMEWORK
HIGH ASSURANCE, LIGHT TOUCH

SUCCESS WILL DEPEND ON US

1. Having a deep understanding of the customer, what they do and what they need, and applying that to deliver our services in a personal way.

2. Building and maintaining trusted partnerships and collaborating to achieve the highest compliance levels possible.

3. Proactively providing the right information so that rules are accessible, easy to understand and support compliant behaviour.

4. Managing risk and intervening as early as practicable.

5. Gathering information and creating intelligence that supports sound decision making and delivering the right service.

6. Targeting resources to areas of greatest risk and collective importance.

In achieving our purpose of “protecting and promoting New Zealand through world class border management” our greatest challenge is to make compliance easy to do and hard to avoid. We want to have a high assurance, light touch focus.