



RELEASED DOCUMENT

The attached document has been proactively released by the New Zealand Customs Service on behalf of the Minister of Customs.

Paper prepared by:	Hon Jenny Salesa, Minister of Customs
Date considered by Cabinet:	24 July 2019
Name of paper:	Public consultation on Customs' proposed goods clearance fees
Cabinet Reference:	DEV-19-MIN-0193
Purpose of the paper:	To seek approval to release a public Discussion Document that outlines proposed changes to the New Zealand Customs Service's goods clearance fees

One part of this paper has been redacted under section 9(2)(f)(iv) of the Official Information Act 1982. The redaction appears in the text as a grey box, with an explanation of why the redaction was made.

The public Discussion Document can be accessed here: www.customs.govt.nz/fees-review or here: www.customs.govt.nz/cabinet-material.



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Office of the Minister of Customs

Chair, Cabinet Economic Development Committee

PUBLIC CONSULTATION ON CUSTOMS' PROPOSED GOODS CLEARANCE FEES

Proposal

1. This paper seeks the Committee's approval to release the attached public Discussion Document, which outlines proposed changes to the New Zealand Customs Service's (Customs') goods clearance fees.

Executive summary

2. Customs has undertaken a significant piece of work to review its cost recovery model for clearing imported and exported goods. The current fees were last substantively reviewed in 2006. Since then, there have been a number of changes in costs, volumes and trade patterns, meaning that the current fees no longer accurately reflect the true cost of clearing goods, and the costs are not equitably shared across different groups.
3. Customs' review is supported by a robust policy framework, a key principle of which is that services should be paid for by those who benefit from or generate the need for them, and a new Activity Based Costing (ABC) methodology, which has given Customs a stronger understanding of the actual cost of its activities. PricewaterhouseCoopers has externally quality assured this costing methodology and found it to be "comprehensive and based on sound logic and reasoning".
4. The proposed new fees reflect Customs' strengthened understanding of its true costs as a result of applying the new methodology. The ABC methodology has shown that some fees need to increase, and others need to reduce. Most fees in the export space will see a reduction.
5. The proposed new fees also reflect the following proposed policy changes:
 - recovering the costs of some additional activities (investigations and seizure of goods)
 - restructuring the Outward Cargo Transaction Fee to more equitably share costs
 - reallocating the costs of clearing imports valued between the current *de minimis* and \$1,000 (low-value goods), following Cabinet's decision to stop collecting the Import Entry Transaction Fee on these goods from 1 December 2019.
6. While most fees are proposed to be set at full cost recovery levels, I am not proposing to fully recover the costs for some fees for clearing air cargo, which are primarily paid by freight forwarders and consolidators. Early discussions with these stakeholders have indicated that some companies would struggle to absorb the full increases, and that there may be some restrictions on their ability to pass them on to consumers. I am therefore proposing a smaller increase to these fees at this time.
7. Customs will complete a further review of its fees after two years. This will allow Customs to continue to work with industry to monitor the impacts of the fee changes and consider how the impacts might be mitigated over time.

8. As I am not proposing full cost recovery at this time, the Crown will need to fund the shortfall in goods clearance costs. This shortfall will be met by drawing down all available funding from the contingency set aside in Budget 2019 to meet the shortfall in cost recovery revenue as a result of decisions about the collection of GST on low-value goods.
9. I propose that Customs consult with the public to understand fully the impacts of the proposed changes on businesses and individuals before making final recommendations. A key focus of the consultation will be better understanding of how transporters, freight forwarders and consolidators will pass on costs to importers and exporters, including individual consumers.
10. Public consultation will run over a four-week period, starting in August 2019. The Discussion Document will be available on Customs' website. Customs will also meet with industry stakeholders to allow them to seek further information, ask questions, and discuss initial views before providing formal written submissions.
11. I am aware that there have been recent increases to other border charges relating to goods. Appendix A contains a summary of those charges.

Background

Clearance of goods at the border is primarily funded through Customs' goods clearance fees

12. Customs is responsible for clearing goods entering or leaving New Zealand. This involves assessing goods for risk, detecting errors and fraud, and ensuring import and export control systems are complied with. It also ensures that importers and exporters declare the correct classification, origin and value of their goods, and pay the appropriate duties and taxes.
13. All goods entering or leaving New Zealand must be cleared by Customs. The costs that Customs incurs are primarily recovered from importers and exporters and/or their carriers and agents, through the following fees:

Fee	Who pays
Import and export entries	
Import Entry Transaction Fee (IETF)	Fixed fees tied to entries and paid by individual importers and exporters. Entries are required for all goods valued over the <i>de minimis</i> ¹ and provide detailed information about the goods.
Export Entry Transaction Fee (EETF)	
Cargo Reports	
Inward Cargo Transaction Fee (ICTF)	Fixed fees attached to each cargo report paid by transporters and consolidators/freight forwarders. ² Reports are required for all shipments, and provide summary information about the cargo. They are used to risk assess goods where there is no import or export entry. A report can cover individual consignments from multiple importers/exporters.
Outward Cargo Transaction Fee (OCTF)	

Customs needs to update its fees

14. Customs' goods cost recovery fees have not been substantively reviewed since 2006, other than a review of some fees in 2013 to support the introduction of the Joint Border Management System.

¹ Imported goods with \$60 duty owing (generally goods valued at \$400 or more), and exported goods valued at \$1,000 or more. This level will change when policies related to the collection of GST on low-value goods through the Offshore Supplier Registration Scheme are implemented.

² A consolidator or freight forwarder is a person or company that organises shipments for individuals or corporations to get goods from the manufacturer to a market, customer, or final point of distribution. Some firms provide a combined freight forwarding and consolidation service, grouping together orders from different companies into a single [shipment](#).

15. Customs' fees now need to be updated to reflect:
 - a new methodology that has given Customs an in depth and accurate understanding of the true costs that should be attached to each fee (described in paragraphs 19–21)
 - more equitable distribution of Customs' costs across the different fees, to reflect where costs lie
 - the increased level of service that Customs provides to protect the border and assist exporters, increasing the total costs to be recovered
 - the extension of the scope of activities to be cost recovered by including investigations and the seizure of forfeited goods activity
 - the significant increase in the number of lower value goods being imported and exported by air cargo. Over the past 13 years, Customs' activity in the air channel has increased in response to higher volumes and evidence of increased risk in air freight.
16. The review of goods cost recovery is a priority for Customs in order to address the overcharging of some groups under the current fee structure. The revenue generated from goods fees also helps Customs maintain a sustainable financial position and continue to meet service delivery expectations. For 2018/19, Customs estimated it would receive \$60.494 million from goods clearance fees, 29% of Customs' total appropriations of \$209.085 million.³

Previous Cabinet decisions

17. Customs sought agreement from the previous administration to consult on proposed changes to goods clearance fees and hourly charges in 2016. Ministers requested that Customs provide a greater level of justification for its proposed changes to cost recovery fees before consulting on new levels. That work has now been undertaken and informs the changes proposed in the Discussion Document.
18. Customs has also been asked to report back to the Cabinet Economic Development Committee [DEV-18-MIN-0209] on how Customs' shortfall in cost recovery revenue for clearing goods between the current *de minimis* and \$1,000 (as a result of decisions about the collection of GST on low-value goods) will be recovered. This report fulfils that requirement (see paragraphs 30–33).

Customs has reviewed its fees using a significantly improved approach

19. To guide the development of fees, Customs has developed and applied a cost recovery framework (the Framework), based on the Treasury and Office of Auditor General guidelines. The key principle underpinning the Framework is equity, ie the parties that either benefit from, or generate the need for, a service should pay for that service. This is the same principle that underpins the Border Clearance Levy for passengers.

³ The Supplementary Estimates of Appropriations 2018/19.

20. To better understand the actual costs associated with its activities, Customs has developed and applied an Activity Based Costing (ABC) methodology. This provides a detailed and accurate understanding of where Customs places its effort, and the associated cost of each of its activities.
21. Customs' ABC methodology has undergone external quality assurance by PricewaterhouseCoopers, who found the approach to be "comprehensive and based on sound logic and reasoning".

I propose updating Customs' goods clearance fees with a review after two years

22. The following table summarises Customs' proposed new fees. The fees are presented as a range to allow for final changes resulting from consultation.

Fees	Description	Current fee (\$ incl GST)	Proposed fee (\$ incl GST)
Imports			
Import Entry Transaction Fee (IETF)	Paid by individual importers on goods over \$1,000. Full import entry with good quality data.	29.26	31.80–35.00 per entry
Inward Cargo Transaction Fee (ICTF)	Paid by transporters and consolidators on each report submitted. Used to risk assess cargo before its arrival. Less information than an import entry and can cover a large number of individual consignments.	Cargo by air 30.66	Cargo by air 75.00–79.00 per report
		Cargo by sea 359.82	Cargo by sea 450.00–520.00 per report
Exports			
Export Entry Transaction Fee (EETF) SES members	Paid by individual exporters in the Secure Exports Scheme (SES) for goods valued over \$1,000. Full export entry with good quality data.	12.01	3.10–3.50 per entry
Export Entry Transaction Fee (EETF) Non-SES Members	Paid by individual exporters on goods valued over \$1,000. Exporter provides full export entry with good quality data. Used to risk assess and clear goods.	17.94	6.80–7.60 per entry
Outward Cargo Transaction Fee (OCTF)	Paid by consolidators on every Cargo Report Export (CRE) listing goods under \$1,000. Used to risk assess and clear consignments of low-value goods that do not have an export entry.	Cargo by air 11.51	CRE (air) 39.00–41.00 per report
	Paid by transporters on every Outward Cargo Report (OCR) listing all cargo on a departing craft. Report used to assure Customs that every consignment loaded has been cleared.		OCR (air) 22.80–24.50 per report
	Same as above	Cargo by sea 28.83	CRE (sea) 6.00–6.60 per report
	Same as above		OCR (sea) 18.80–20.50 per report

23. The proposed fees reflect Customs' more detailed understanding of its costs following the application of the ABC methodology. They also reflect some proposed policy changes, which are outlined further in paragraphs 27–36.
24. As a result of applying the ABC methodology, some fees will increase, and others will reduce. Most fees in the export space will see a reduction.

25. While most fees will be set at full cost recovery levels, I am not proposing to fully recover the costs for the Inward Cargo Transaction Fee (ICTF) for air cargo and the Outward Cargo Transaction Fee (OCTF) for air Cargo Report Export (CRE). This is because an increase to full cost recovery for these fees would be difficult for businesses to absorb. Instead, I am proposing a smaller increase to these fees at this time, with the Crown to fund the shortfall in goods clearance costs. This proposal is outlined in further detail in paragraphs 37–42.
26. I propose a further review of Customs' fees after two years. This will allow Customs to continue to work with industry to monitor the impacts of the fee changes and consider how the impacts might be mitigated over time.

The proposed fees reflect a number of policy changes

Charging for investigations and seized goods

27. I propose extending Customs' goods cost recovery to recover the goods-related costs of investigations⁴, and the seizure of forfeited goods⁵ (seizures). This represents \$23 million per year (30 percent of total goods related costs) to be recovered through fees.
28. Investigation and seizure costs arise as a result of Customs processing and assessing imports and exports to determine the risk they pose. I consider that it is equitable for these costs to be shared across all importers or exporters as a group because importers and exporters generate the need for the activity, and it is not cost-efficient to charge an individual importer or exporter for the cost of investigating or seizing their goods.
29. Support or opposition for this change can be tested through the consultation process.

Recovering the costs of clearing goods valued between the current de minimis and \$1,000

30. In September 2018, Cabinet decided that GST would be collected via an Offshore Supplier Registration (OSR) scheme on low-value imports. It also decided not to collect the Import Entry Transaction Fee (IETF) on goods valued at \$1,000 or below to lessen potential delays at the border.
31. These decisions will result in a loss of revenue to Customs of \$6.9 million rising to \$14.6 million over the next three years, with only an inconsequential reduction in costs. Cabinet directed Customs to report back to the Cabinet Economic Development Committee on how the shortfall in cost recovery could be met [DEV-18-MIN-0209].
32. I propose to use the Inward Cargo Transaction Fee (ICTF) to recover the costs of clearing these goods. This fee is paid by transporters, consolidators and freight forwarders, but may be passed on to importers. I believe this is the most equitable option, being the fee most directly aligned to the risk assessment and clearance of these goods.
33. I have considered and discounted two other options – recovering these costs via the IETF (charged on goods valued over \$1,000) or through Crown funding. Both of these are less equitable than my preferred option, as the costs would fall on people who are not responsible for the importation of these goods.

⁴ Investigation activities undertaken in relation to illegal activities relating to goods, including drugs, tobacco, weapons, publications and money laundering, and investigation activity conducted offshore.

⁵ Imported or exported goods are "forfeit" if they breach the Customs and Excise Act 2018 or an offence has been committed relating to the goods. Sometimes the breach is minor and is resolved without Customs seizing the goods (eg an importer of a restricted item who did not understand the rules and subsequently obtains a permit for a restricted item).

Differentiated rates for the Outward Cargo Transaction Fee

34. The Outward Cargo Transaction Fee (OCTF) is currently applied at a single rate to two different types of report:
- the **Cargo Report Export (CRE)**, submitted by exporters or their agents prior to loading for export, and used by Customs to clear low-value goods that do not require an export entry
 - the **Outward Cargo Report (OCR)**, submitted by consolidators to seek approval to load their cargo onto a departing craft, and by craft operators/transporters after the craft has departed, to assure Customs that all goods loaded on the craft have been cleared.
35. Customs' review has identified more accurately the level of activity (and related costs) associated with these two report types. The difference is significant enough to merit applying a separate OCTF rate to each.
36. I consider that this approach is more equitable, as it means that people who lodge each type of report pay a fee reflecting the costs of processing that type of report. However, I intend to test this proposal with affected stakeholders and ensure that the potential impacts are fully understood before making final recommendations.

For some fees, I am not proposing full cost recovery at this time

37. In order to recover the full costs of goods clearance, some of the fees for air cargo would need to increase significantly. The Inward Cargo Transaction Fee for air cargo (ICTF Air) would need to increase from \$30.66 to between \$330–\$365, and the Outward Cargo Transaction Fee for air Cargo Report Export (OCTF-CRE Air) would need to increase from \$11.51 to \$84–\$91. The costs associated with these fees are due to:
- increases in the volume of air cargo being cleared through cargo reports - while the volume of air cargo consignments has increased significantly, the number of cargo reports used to clear them has increased much more slowly, meaning that the total cost of clearance per report is higher
 - costs associated with the implementation and maintenance of the Joint Border Management System
 - recovering the costs of some additional activities (investigations and seizure of goods)
 - restructuring the OCTF to more equitably share costs
 - reallocating the costs of clearing imports valued between the current *de minimis* and \$1,000 (low-value goods), following Cabinet's decision to stop collecting the Import Entry Transaction Fee on these goods from 1 December 2019.
38. These fees are primarily paid by freight forwarders and consolidators. Early and confidential discussions with a small group of stakeholders have indicated that some companies would struggle to absorb the full increases, and that there may be some restrictions on their ability to pass them on to consumers. I am therefore proposing smaller increases to these fees at this time.
39. I have considered four options with different levels of fee increases over two years. As these options will not fully recover the costs of goods clearance, the Crown will need to fund the shortfall. Where possible, this shortfall will be met by drawing down on the contingency set aside in Budget 2019 to meet the shortfall in cost recovery revenue for

clearing goods between the current *de minimis* and \$1,000. The fees in the table below are indicative and I propose consulting on a range to allow for final changes resulting from consultation.

40. The impact of each option on fee levels and Crown funding requirements are summarised below.⁶

Option 1: Limit increase to ICTF Air to 100 percent and OCTF-CRE Air moves to full cost recovery

	ICTF Air		OCTF-CRE Air	
Current fee	\$30.66		\$11.51	
Possible fee	\$61		\$84–\$91	
	Apr-Jun 2020	2020/21	2021/22	Total
Increased Revenue Crown required (\$m)	–	–	0.969	0.969
Undrawn Contingency (\$m)	2.108	0.147	–	2.255

Option 2: Increase ICTF Air to about \$72.00 (135 percent) and OCTF-CRE Air moves to full cost recovery

	ICTF Air		OCTF-CRE Air	
Current fee	\$30.66		\$11.51	
Possible fee	\$72		\$84–\$91	
	Apr-Jun 2020	2020/21	2021/22	Total
Increased Revenue Crown required (\$m)	–	–	–	–
Undrawn Contingency (\$m)	2.344	1.127	0.044	3.515

Option 3: Increase ICTF Air to about \$77 (151 percent) and OCTF-CRE Air to \$40 (248 percent)

	ICTF Air		OCTF-CRE Air	
Current fee	\$30.66		\$11.51	
Possible fee	\$77		\$40	
	Apr-Jun 2020	2020/21	2021/22	Total
Increased Revenue Crown required (\$m)	–	0.492	1.466	1.958
Undrawn Contingency (\$m)	1.958	–	–	1.958

Option 4: Limit the increase to both ICTF Air and OCTF-CRE Air to 100 percent

	ICTF Air		OCTF-CRE Air	
Current fee	\$30.66		\$11.51	
Possible fee	\$61		\$23	
	Apr-Jun 2020	2020/21	2021/22	Total
Increased Revenue Crown required (\$m)	–	2.723	3.710	6.433
Undrawn Contingency (\$m)	1.421	–	–	1.421

⁶ Calculations are based on an implementation date of 1 April 2020. If implementation is delayed, these calculations will need to be updated.

41. I consider that Option 3 best balances the fiscal impact on the Crown with the need to manage the impacts of fee increases for businesses. The fees of about \$77 for the Inward Cargo Transaction Fee for air cargo (ICTF Air), and about \$40 for the Outward Cargo Transaction Fee for air Cargo Report Export (OCTF-CRE Air), are fair and reasonable, and the balance of Customs' costs for these goods can be met by using the contingency set aside in Budget 2019.
42. The fees will be reviewed after two years, during which time Customs will work with industry to monitor the impacts of the fee changes on businesses.

Additional fees to be updated

43. In addition to the changes to Customs' goods clearance fees, I intend to consult on proposed changes to two additional fees:
 - 43.1. Customs' hourly rate, charged for services provided outside of standard operating hours, has not changed since 1988 (aside from increases to the GST rate) and needs updating to ensure it is fully recovering Customs' costs. The proposed rate would bring it into line with similar agencies, for example, the Ministry for Primary Industry's charge-out rate for biosecurity inspectors/advisors (double time call-out).
 - 43.2. Customs currently has the power to recover the costs it incurs in assisting Intellectual Property Rights holders to enforce their rights by detaining goods that infringe upon their trademark or copyright. Customs proposes to fully implement these powers, and also proposes to remove the requirement for rights holders to pay a \$5,000 bond to Customs when they lodge a Border Protection Notice.

I propose that Customs consult with the public on the proposed fees

44. Before making final decisions, I want Customs to consult with affected businesses and individuals to understand fully the impact the proposed charges would have on them. I am therefore seeking the Committee's approval to release the attached Discussion Document.
45. A key focus of the consultation will be better understanding of how transporters, freight forwarders and consolidators will pass on costs. It is currently unclear what the impacts might be on importers and exporters, including individual consumers, but early discussions with freight forwarders and consolidators suggest there may be some restrictions on their ability to pass goods clearance fees on to their customers.
46. Subject to Cabinet approval, public consultation will occur over a four-week period, starting in August 2019. The Discussion Document will be available on Customs' website. Stakeholders will be able to make their submissions electronically.
47. Customs will also meet with industry stakeholders throughout the consultation period. This gives industry an opportunity to seek further information, ask questions and discuss initial views before providing formal written submissions.
48. Customs has established a Stakeholder Reference Group, comprised of a range of industry representatives.⁷ This group provides a forum to test Customs' thinking and to understand the implications arising from the proposals in the Discussion Document. Customs has met with the group and tested the proposals in confidence. The group acknowledged the need to update Customs' fees. While they welcomed the proposed reduction in some fees, they signalled the need to understand fully the implications of the

⁷ Fonterra, Meat Industry Association, Business New Zealand, Conference of Asia Pacific Express Carriers, Customs Brokers and Freight Forwarders Federation of New Zealand, New Zealand Wine.

proposed increases. The Group provided useful feedback on specific proposals and offered to assist with the public consultation process.

49. The hourly rate affects travellers as well as importers and exporters. Customs will seek feedback from the Border Clearance Levy Stakeholder Group to understand how increasing the hourly rate affects stakeholders and industry in the traveller space.

Next steps

50. Following consultation, Customs will prepare a summary of the submissions, and use the feedback received to refine the proposals. I plan to bring final recommendations to the Committee for approval in November 2019, which would allow the proposed fees to come into force by 1 April 2020.

Risks and risk mitigation

51. I have identified the following risks which may arise during consultation:
- this review has focused on updating fees under existing fee structures, however, stakeholders may question whether the current charging structure for goods also needs to be reviewed. Customs will commit to work with stakeholders now and in the future on issues they raise during the consultation process.
 - stakeholders may become 'weary' of across government changes to border charges. However, the majority of recent changes relate to charges for travellers, and will not impact the same group of stakeholders that pay Customs' goods clearance fees. Customs will address this in its communications plan.
52. Despite these risks, I want to emphasise the long-term benefits to Customs from this review. These include a more sustainable financial position for managing goods clearance activities, ensuring that exporters are paying a fair price for the clearance of their goods, and greater transparency for stakeholders around how Customs costs its activities and applies its fees.

Customs is coordinating with other agencies also reviewing their charges

53. A number of other border and transport agencies have recently reviewed their charges. Agencies have been working together to ensure that the cumulative impacts of these changes are understood. Appendix A illustrates how different types of stakeholders (carriers, freight forwarders, importers and exporters) will be impacted by the upcoming changes. In addition, the reviews which will impact on some of the same stakeholders as Customs' review are summarised below.
54. The following reviews took effect on 1 July 2019:
- **Ministry for Primary Industries (MPI) cost recovery updates.** MPI annually reviews its biosecurity clearance fees paid by importers and carriers. MPI has increased the Biosecurity System Entry Levy (BSEL) by approximately \$3. The BSEL is paid in addition to Customs' Import Entry Transaction Fee and Inward Cargo Transaction Fee.
 - **Maritime New Zealand (MNZ) Funding Review.** MNZ has updated the Maritime Levy, paid by commercial maritime vessels. An international container ship will experience an approximate increase of \$1,800 for a two-port visit.
 - **Mid-point review of the Oil Pollution Levy (OPL).** MNZ has also updated the OPL, paid by commercial maritime vessels over a certain size. An international container ship weighing 50,657 gross tonnes will experience an increase of \$223 per port visit.

- **Airways Pricing Review.** Airways has reviewed its pricing for aircraft to fund air traffic management services. International freight carriers will experience an increase over three years of \$567–\$742 per inbound flight, and \$110–\$204 per outbound flight, depending on route and other variables.

55. Two additional projects will impact on some fee payers over the next two years:

- **Independent Review of Biosecurity Pathways:** Implementation of the results of an independent review of biosecurity pathways will be assessed. Any resulting additional investment in the goods pathway is likely to require an increase in the BSEL when it is next reviewed (1 July 2020).
- **Carbon Offsetting Reduction Scheme for International Aviation:** The International Civil Aviation Organization has agreed to a market-based measure for reducing and offsetting carbon emissions in the international aviation sector. The scheme will commence internationally on 1 January 2021. Aeroplane operators will have to pay for the costs of the scheme, and costs will be dependent on the price of emissions units.

Consultation on draft Cabinet Paper and Discussion Document

56. The following agencies have been consulted on this paper: the Ministry for Primary Industries, the Ministry of Transport, the Ministry of Business, Innovation and Employment, the Ministry of Foreign Affairs and Trade, Airways New Zealand and The Treasury. The Department of the Prime Minister and Cabinet has been informed.
57. Agencies were consulted on an earlier draft of the paper that did not include options 1-3 for different levels of fee increases to the ICTF Air and OCTF-CRE Air, outlined in paragraphs 39-40, including the preferred option to increase the ICTF Air to about \$77 and the OCTF-CRE Air to \$40.

Financial Implications

58. Public consultation will be undertaken within existing departmental baselines.
59. The proposed fee increases, if confirmed by Cabinet following consultation, would require Customs to draw down all available funding from the contingency provided for in Budget 2019 (*Funding to Continue Protecting New Zealand from Imported Threats*) [CAB-19-MIN-0174.10]. Where the drawdown required in a financial year is greater than the contingency for that year, the amount would be met by rephasing the tagged contingency to align with the funding requirements.

Legislative Implications

60. No legislative implications will directly result from this paper; however, amendments to the Customs and Excise Regulations 1996 will be required to bring proposed fees into effect.

Impact Analysis

61. The Regulatory Quality Team at The Treasury agrees that no separate Regulatory Impact Assessment is required in support of the proposal to issue a discussion document.
62. Customs' Quality Assurance panel has reviewed the Discussion Document and confirms that it is likely to lead to effective consultation and support the delivery of Regulatory Impact Analysis to support subsequent decisions.

Human Rights, Gender Implications and Disability Perspective

63. The release of the Discussion Document has no human rights, gender, or disability implications.

Publicity

64. I will issue a media statement inviting the public to make submissions when I release the Discussion Document. This will be supported by information on Customs' website and social media, and notices in industry publications. The Discussion Document will also be emailed to industry bodies and stakeholders at the beginning of the consultation period.

Proactive Release

65. I intend to proactively release this Cabinet paper when the Discussion Document is released, subject to any redactions that would be justified if the information had been requested under the Official Information Act 1982.

Recommendations

The Minister of Customs recommends that the Committee:

1. **Approve** the public release of the attached Discussion Document, which outlines proposed changes to the New Zealand Customs Service's goods clearance fees and other fees;
2. **Authorise** the New Zealand Customs Service to make editorial changes to the text and layout of the Discussion Document before its release, to incorporate decisions made by Cabinet and to improve readability and clarity;
3. **Note** that final policy decisions will be sought from Cabinet in November 2019;
4. **Note** that the proposed fee increases would require drawdown of the operating contingency (*Funding to Continue Protecting New Zealand from Imported Threats*) and decisions to draw down on this contingency will be sought alongside final policy decisions in November 2019.

Authorised for lodgement

Hon Jenny Salesa

Minister of Customs

Multiple agencies may charge the same stakeholders

- There are a number of people affected by government goods-related fees and charges; they include importers, exporters, consolidators/freight forwarders and carriers/transporters.
- Funding reviews could have a cumulative impact on the same people.
- We are unable to predict the exact impact of fee increases on particular stakeholders. Where fees and charges are paid by consolidators/freight forwarders and carriers/transporters it is not clear how those costs may be eventually passed on to individual importers and exporters.

The border sector is responding to common challenges

- More people and goods are coming from more high risk places
- International supply chains are increasingly complex
- Security risks in many countries are increasing, as are international security screening standards
- People expect better and more efficient services in a digital environment
- New technologies provide opportunities to improve services and risk management.

Charges are reviewed to reflect this

- Charges are regularly reviewed to ensure that they better reflect the services required. Principles guiding the reviews are:
- Equity** - sourced from users or beneficiaries of services
 - Efficiency** - deliver benefits proportionate to costs
 - Transparency** - clear links to service provision
 - Justifiability** - should be reasonable and appropriate
 - Sustainability** - responsive to changing conditions

Goods

Customs Goods Cost Recovery

Reviewing charges on the clearance of imported and exported goods to improve trade facilitation and risk management of 9.56 million import transactions and 4.8 million export transactions per year.

Proposed implementation from 01/04/20.

MPI Biosecurity System Entry Levy (BSEL) Update

Annual update of the BSEL that funds biosecurity clearance of goods. The levy increased from \$20.36 to \$23.00 on 01/07/19

to account for increased costs in delivering the service and allow for investment in resources and technology.

Craft

Maritime New Zealand (MNZ) Funding Review

MNZ funds its regulatory and compliance activities mainly from the maritime levy on commercial ships and from fees, the rates of which are set in regulations and reviewed every six years. MNZ has undertaken a review of its funding for 2019/20 through to 2024/25 to cover planned activity over the next six years and meet business cost pressures. New fees were implemented on 01/07/19.

Mid-point Review of the Oil Pollution Levy

Reviewing charges on commercial maritime vessels over a certain size to fund oil spill readiness and response activities in New Zealand. The levy increased on 01/07/19.

Airways Pricing Review

Airways has reviewed the charges on aircraft to fund activities that provide safe and efficient air traffic management, communications and navigation services. New fees came into effect on 01/07/19.

International context

International Civil Aviation Organization (ICAO)

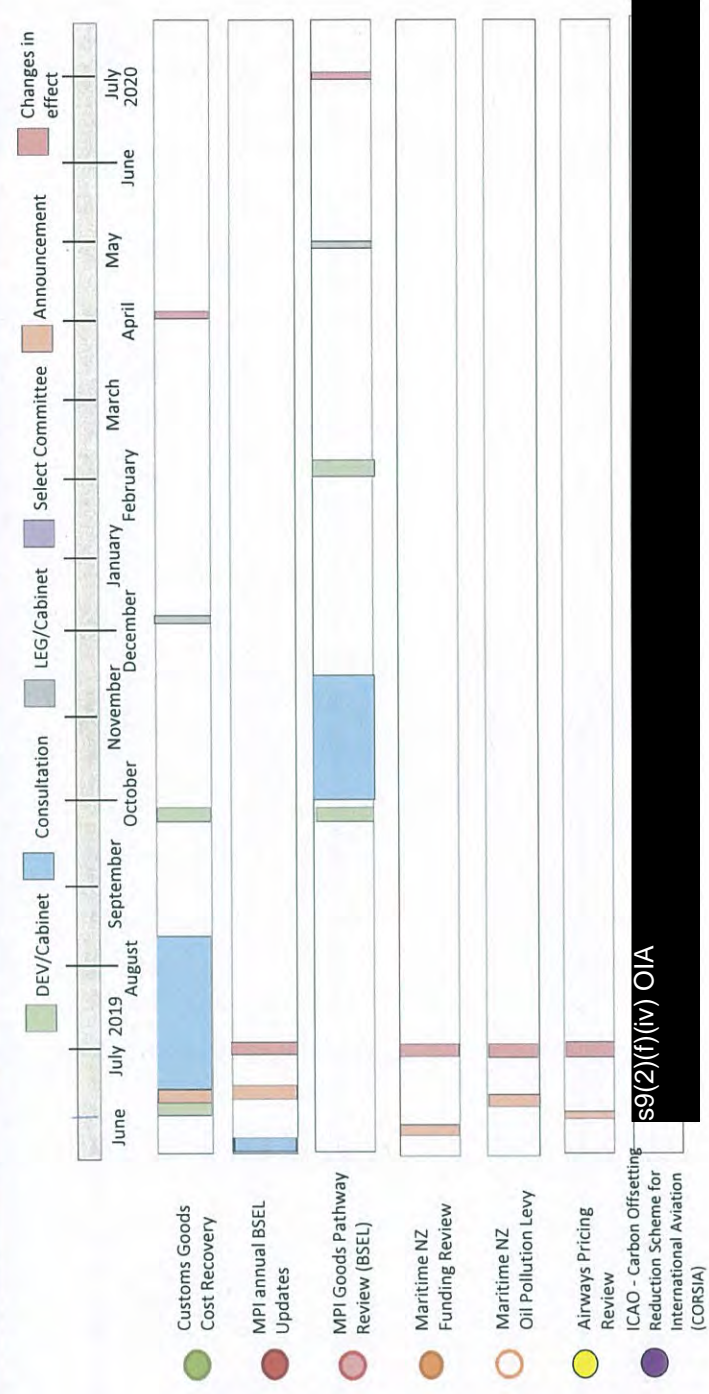
The ICAO agreed to a global market-based measure, known as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). CORSIA will commence internationally on 1 January 2021. Aeroplane operators will have to pay for the costs of the scheme, and costs will be dependent on the price of emissions units.

Who pays the fees?

We are unable to say how carriers / transporters and consolidators / freight forwarders will then pass on their costs to importers and exporters



Most goods-related charges decisions have already been made and came in effect from 1 July 2019



S9(2)(f)(iv) OIA

Appendix A continued: Recent and planned goods-related fees and charges (GST inclusive)

IMPORTS

Carriers / Transporters

Air cargo	Customs	MPI (BSEL)	Airways (weight dependent)	Total
Pre 1 July 2019	\$30.66	\$17.53	\$1,596.89-\$2,366.16	\$1,645.08-\$2,414.35
01/07/19	\$30.66	\$20.56	\$1,883.65-\$2,776.53	\$1,934.87-\$2,827.75
01/04/20	\$75.00-\$79.00	" "	\$2,022.49-\$2,948.33 (from 1/7/20)	\$2,118.05-\$3,047.89
01/07/21	\$75.00-\$79.00	" (1)	\$2,163.55-\$3,108.57	\$2,259.11-\$3,208.13



Sea cargo	Customs	MPI (BSEL)	Maritime NZ Maritime Levy (2)	Maritime NZ Oil Pollution Levy (3)	Total
Pre 1 July 2019	\$359.82	\$17.53	Refer note 2	\$203.00	\$580.35
01/07/19	\$359.82	\$20.56	Refer note 2	\$426.00	\$806.38
01/04/20	\$450.00-\$520.00	" "	Refer note 2	\$426.00	\$896.56-\$966.56

Note (1): MPI's BSEL rate may change in the future

EXPORTS



Air cargo	Customs	Airways (weight dependent)	Total
Pre 1 July 2019	\$11.51	\$570.64-\$1,160.93	\$582.15-\$1,172.44
01/07/19	\$11.51	\$690.55-\$1,374.42	\$702.06-\$1,385.93
01/04/20	\$22.80-\$24.50	" "	\$713.35-\$1,398.92



Sea cargo	Customs	Maritime NZ Maritime Levy (2)	Total
Pre 1 July 2019	\$28.83	\$8,878(2)	\$8,906.83
01/07/19	\$28.83	\$10,925(2)	\$10,953.83
01/04/20	\$18.80-\$20.50	\$10,925(2)	\$10,943.80-\$10,945.50

Note (2): The Maritime Levy rate of \$10,925 is charged to an international container ship for a 2 port-visit from 1 July 2019. A ship carrying both imports and exports would be charged once, the transporter may spread the levy cost across both the imports and exports carried.

Note (3): The revised levy rate of \$426.00 is charged for a foreign cargo vessel (of 50,657 gross tons) per port entry. This is an increase of \$223.

Consolidators / Freight Forwarders

A cargo report may list multiple imported goods



Per report (Air)	Customs	MPI (BSEL)	Total
Pre 1 July 2019	\$30.66	\$17.53	\$48.19
01/07/19	\$30.66	\$20.56	\$51.22
01/04/20	\$75.00-\$79.00	" (1)	\$95.56-\$99.56

Per report (Sea)	Customs	MPI (BSEL)	Total
Pre 1 July 2019	\$359.82	\$17.53	\$377.35
01/07/19	\$359.82	\$20.56	\$380.38
01/04/20	\$450.00-\$520.00	" "	\$470.56-\$540.56

A consignment is a shipment of goods being imported or exported and can include multiple items.

Importers

A single consignment valued over \$1,000

Per good	Customs	MPI (BSEL)	Total
Pre 1 July 2019	\$29.26	\$23.41	\$52.67
01/07/19	\$29.26	\$26.45	\$55.71
01/04/20	\$31.80-\$35.00	" "	\$58.25-\$61.45

A cargo report may list multiple exported goods



Per Cargo Report Export (Air)	Customs
Pre 1 July 2019	\$11.51
01/07/19	\$11.51
01/04/20	\$39.00-\$41.00

Per Cargo Report Export (Sea)	Customs
Pre 1 July 2019	\$28.83
01/07/19	\$28.83
01/04/20	\$6.00-\$6.60

Secure Exports Scheme member

Per good	Customs
Pre 1 July 2019	\$12.01
01/07/19	\$12.01
01/04/20	\$3.10-\$3.50



Other exporters

Per good	Customs
Pre 1 July 2019	\$17.94
01/07/19	\$17.94
01/04/20	\$6.80-\$7.60





Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Customs' Proposed Goods Clearance Fees: Release of Discussion Document

Portfolio Customs

On 24 July 2019, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that the discussion document *Recovering the Costs of Customs' Goods Clearance Activities* (the discussion document), attached to the paper under DEV-19-SUB-0193, outlines proposed changes to the New Zealand Customs Service's goods clearance fees and other fees;
- 2 **agreed** to the release of the discussion document, subject to any minor or editorial changes that may be required;
- 3 **invited** the Minister of Customs to report back to DEV with final policy proposals in November 2019;
- 4 **noted** that the proposed fee increases would require drawdown of the operating contingency (*Funding to Continue Protecting New Zealand from Imported Threats*), and that decisions to draw down on this contingency will be sought alongside final policy decisions in November 2019.

Janine Harvey
Committee Secretary

Hard-copy distribution: (see over)

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr Megan Woods
Hon Chris Hipkins
Hon David Parker
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Shane Jones
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Officials Committee for DEV

Hard-copy distribution:

Minister of Customs