



NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA

PROTECTING NEW ZEALAND'S BORDER

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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: 4 December 2019  
Name of paper: Customs' Proposed New Goods Clearance Fees  
Cabinet Reference: DEV-19-MIN-0334  
Purpose of the paper: To seek approval to new goods clearance fees for the New Zealand Customs Service.

Some parts of this paper have been redacted under either section 6(a), section 9(2)(d), or section 9(2)(h) of the Official Information Act 1982. The redactions appear in the text as grey boxes, with an explanation of why the redaction was made.

Supporting material, including the Cost Recovery Impact Statement and the Report of the Summary of Submissions can be accessed here: <https://www.customs.govt.nz/about-us/about-customs/consultation-on-goods-clearance-fees/>.



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Office of the Minister of Customs

Chair, Cabinet Economic Development Committee

## CUSTOMS' PROPOSED NEW GOODS CLEARANCE FEES

### Proposal

1. This paper seeks Cabinet's agreement to proposed new goods clearance fees for the New Zealand Customs Service (Customs). The proposed new fee levels are set out in Appendix A.

### Executive Summary

*Customs has reviewed its goods clearance fees*

2. All goods entering or leaving New Zealand must be cleared by Customs and this activity is primarily funded through Customs' goods clearance fees. Customs has reviewed these fees and two other fees<sup>1</sup>, to ensure they accurately reflect costs and are equitable.
3. The 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 newly developed Activity Based Costing (ABC) methodology, which has given Customs a stronger understanding of the actual cost of its activities.
4. On 29 July 2019 Cabinet agreed [CAB-19-MIN-0362] that Customs could release the discussion document *Recovering the Costs of Customs' Goods Clearance Activities*. I was invited, as Minister of Customs, to report back with final policy proposals following consultation.

*Public consultation completed*

5. Customs completed a comprehensive public consultation process during August 2019. Sixty-five submissions were received from a range of small and large businesses, and individuals. Some submitters acknowledged that fees should accurately reflect costs and that some of the proposed fees were fair. However, as expected, submitters expressed concern about increases in fees, particularly the Inward and Outward Cargo Transaction Fee for air cargo.
6. As part of consultation, Customs tested the effect of the fee increases with industry. While some freight forward companies indicated that full cost recovery would be a problem for their business, there was little indication that the proposed fees would have an unsustainable impact on freight companies or their customers.
7. In addition to consulting on fee changes, Customs also asked for feedback on some proposed key policy changes.

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<sup>1</sup> Customs hourly rate charged for services provided outside of standard operating hours and intellectual property services.

- 7.1. The proposal to recover the costs of goods-related investigations and seizures met some opposition. Respondents said that it is unfair to charge legitimate businesses the costs of investigating illegal behaviour and some held the view that these activities are a public good and should therefore be Crown funded. However, accepted cost recovery principles are clear that, when an activity's purpose is to manage risk, the costs should be recovered from those who generate the risk.
- 7.2. Customs proposes reallocating the costs of clearing imports valued between the current de minimis and \$1,000 (low-value goods), following Cabinet's decision [CAB-19-MIN-0714.10] to stop collecting the Import Entry Transaction Fee on these goods from 1 December 2019. There was some opposition to this proposal from freight forwarders and carriers who considered that the costs should be directly paid by those importing the goods. However the Inward Cargo Report, to which the Inward Cargo Transaction Fee is attached, will usually be used to clear these goods and the proposed charge is appropriate.
- 7.3. The Outward Cargo Transaction Fee proposal seeks to more equitably share costs between two reports. Half of the respondents agreed and felt it fair that fees more accurately reflect the costs. Charging different rates for these two reports is equitable, because it ensures that the parties lodging each report type are paying the actual costs of the activities Customs undertakes on the report.
8. Having considered these arguments and weighed them up against accepted cost recovery principles I intend to move ahead with the changes that were consulted on.

*The proposed fees*

9. The following table sets out new goods clearance fees for Customs. The fees will see an increase in the level of fees for importers (and their agents). I am pleased, however, to report that exporters will see a significant decrease in four of the six export-related fees.

Fees	Current fee (\$ include GST)	Proposed fee (\$ include GST)
<b>Imports</b>		
<b>Import Entry Transaction Fee</b>	29.26	<b>33.03</b> per entry
<b>Inward Cargo Transaction Fee</b>	Cargo by air 30.66	<b>77.00</b> per report
	Cargo by sea 359.82	<b>520.00</b> per report
<b>Exports</b>		
<b>Export Entry Transaction Fee Secure Exports Scheme members</b>	12.01	<b>3.27</b> per entry
<b>Export Entry Transaction Fee Non-Secure Exports Scheme members</b>	17.94	<b>6.82</b> per entry
<b>Outward Cargo Transaction Fee</b>  • <b>Cargo Report Export (CRE)</b> • <b>Outward Cargo Report (OCR)</b>	Cargo by air 11.51	CRE (air) / per report <b>40.00</b>
		OCR (air) / per report <b>14.35</b>
	Cargo by sea 28.83	CRE (sea) / per report <b>5.57</b>
		OCR (sea) / per report <b>18.58</b>

10. I also propose changes to two other areas:
  - 10.1. Increasing Customs' hourly rate for services provided outside of standard hours from \$74.21 to \$133 (GST inclusive) with a three hour minimum charge
  - 10.2. Removing the requirement for intellectual property rights holders to pay a \$5,000 security bond to Customs when they lodge a Border Protection Notice, and moving to recover certain costs from rights holders, including storing and disposing of goods, and costs related to legal proceedings.
11. Two fees (the Inward Cargo Transaction Fee for air cargo and the Outward Cargo Transaction Fee for air Cargo Report Export) do not fully recover Customs' costs. I do not recommend full cost recovery of costs associated with these fees at this time. Consequently, this paper seeks to draw down all available funding from an operating contingency (totalling \$48.263 million over four years) 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 [CAB-19-MIN-0714.10].

s 9(2)(d) OIA

12. s 9(2)(d) OIA

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19. Some submissions signalled the need to look at the structure of Customs' goods clearance fees due to the disproportionate impact of specific fees on some stakeholders. Officials will use the next two years to monitor the impacts of the fee changes and look at whether more fundamental changes are required to the current fee structure.
20. During consultation it was suggested that Customs establish a more formal structure to work with the import and export sectors. I agree that wider engagement with stakeholders is beneficial and Customs will establish an industry group to undertake this engagement.
21. I am aware there have been recent increases to other border charges relating to goods. Appendix C has a summary of those charges, including Customs' proposed new fees.

## **Background**

### *New Zealand has a modern and efficient customs border clearance system*

22. Customs is responsible for clearing goods entering or leaving New Zealand and does this extremely well. Border clearance processing activities are largely automated, and Customs takes an intelligence-led approach to risk management, leading to less manual interventions occurring at the border.
23. Under the Customs and Excise Act 2018 and Customs and Excise Regulations 1996, Customs has the authority to recover costs relating to the importation and exportation of goods by way of fees or charges. The clearing of goods at the border is primarily funded through Customs' goods clearance fees.

Fee	Who pays
<b>Import and export entries</b>	
Import Entry Transaction Fee	A fixed fee is attached to each entry paid by individual importers and exporters for all goods valued over the de minimis <sup>2</sup> . An entry provides detailed information about the goods.  The export entry fee rate is set at different levels for those exporters who are participants in the Secure Exports Scheme, and those who are not Secure Exports Scheme members.
Export Entry Transaction Fee <ul style="list-style-type: none"> <li>- Secure Exports Scheme<sup>3</sup> members</li> <li>- Non Secure Exports Scheme members</li> </ul>	
<b>Cargo Reports (for both the air and sea channels)</b>	
Inward Cargo Transaction Fee (Air/Sea)	A fixed fee is attached to each cargo report paid by transporters and consolidators/freight forwarders. <sup>4</sup>  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 <ul style="list-style-type: none"> <li>- Outward Cargo Report (Air/Sea)</li> <li>- Cargo Report Export (Air/Sea)</li> </ul>	

24. For 2018/19, Customs received \$57.699 million from goods clearance fees, 28 percent of Customs' total appropriations of \$209.085 million.<sup>5</sup>

*A review of Customs' fees is overdue*

25. 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.
26. Customs' fees need to be updated as the current charges do not accurately reflect costs. Since 2006, the type and volume of goods crossing the border has changed significantly which has impacted on Customs' costs. There has been a 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.
27. The proposed fees are based on Customs' Cost Recovery Framework, which is based on the Treasury and Office of the 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.

<sup>2</sup> Imported goods with \$60 duty owing (generally goods valued at \$400 or more), and exported goods valued at \$1,000 or more. This level has changed to goods valued at \$1,000 or less when policies related to the collection of GST on low-value goods through the offshore supplier registration system were implemented from 1 December 2019.

<sup>3</sup> The Secure Exports Scheme, which meets global supply chain security standards, is a voluntary arrangement between exporters and Customs. The scheme helps New Zealand exporters minimise Customs delays at international borders and get priority in recovering from trade disruptions.

<sup>4</sup> 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.

<sup>5</sup> The Supplementary Estimates of Appropriations 2018/19.

28. 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. Customs' ABC methodology has undergone external quality assurance by PricewaterhouseCoopers, who found the approach to be "comprehensive and based on sound logic and reasoning".

#### *Previous Cabinet decisions*

29. 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 this paper.
30. 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 37 to 40).
31. In July 2019, Cabinet [CAB-19-MIN-0362] agreed to Customs releasing its discussion document consulting on proposed changes to its goods clearance fees and other fees and invited me, as Minister of Customs, to report back to Cabinet with final policy proposals in November 2019.

#### **The proposed fees reflect a number of policy changes**

##### *Charging for investigations and seizures*

32. I propose extending Customs' cost recovery to recover the goods-related costs of investigations and seizures from all importers, exporters, freight forwarders and carriers. These costs are in the order of \$23 million per year (30 percent of total goods related costs) and are currently funded by the Crown.
33. Customs can undertake investigations where it has evidence of potential illegal activity. Investigations result in a decision to either take enforcement action or close the investigation and can also provide intelligence for further targeting. For example, activities Customs carries out relating to investigations can include:
- 33.1. engaging with other New Zealand agencies and overseas counterpart agencies to disrupt criminal networks in New Zealand and overseas involved in importing or exporting illegal goods
  - 33.2. gathering and sharing intelligence, analysing data and identifying risks and targets
  - 33.3. intercepting targeted goods, undertaking covert inspections, making controlled deliveries, undertaking surveillance and executing search warrants
  - 33.4. gathering, examining, enriching and classifying evidence including forensically imaged data.

34. Customs can seize goods if it suspects the goods breach the Customs and Excise Act 2018 or if an offence has been committed relating to the goods. Parties may apply for a review of seizure. Seizure activities may involve Customs issuing notices of seizure, transporting, storing and disposing of goods.
35. Investigation and seizure costs arise as a result of Customs processing and assessing imports and exports to determine the risk they pose. These two activities are part of maintaining an efficient and secure border system. I consider that it is equitable to charge the people who generate the need for risk assessments, responses and subsequent investigations.
36. Some of the submitters argued that it is unfair to charge legitimate traders for the cost of investigating illegal behaviour and consider that investigations are a public good and should be Crown funded. However, not all New Zealand taxpayers bring goods across the border and therefore do not generate the need for the activity. It is also not usually practical or appropriate to recover investigation and seizure costs from the individuals Customs investigates or seizes goods from. Customs already recovers investigation and seizure-related costs associated in the clearance of travellers through the Border Clearance Levy. I consider, therefore, that investigations and seizure costs should be recovered from all importers, exporters, freight forwarders and carriers.

*Recovering the costs of clearing air cargo goods valued \$1,000 and under*

37. In September 2018, Cabinet decided that GST on low-value imports (ie, those worth less than \$1,000) would be collected via an Offshore Supplier Registration system. It also decided not to collect the Import Entry Transaction Fee on goods valued at \$1,000 or less to lessen potential delays at the border and because offshore suppliers would likely be unwilling to collect cost recovery fees. I propose recovering costs related to clearing these goods through the Inward Cargo Transaction Fee. The Inward Cargo Report, to which the Inward Cargo Transaction Fee is attached, will be used (in the vast majority of cases) to clear the goods under the new de minimis and it is appropriate for the costs of this activity to be included in this fee. This is consistent with the current approach for processing imports under the de minimis.
38. Some submitters opposed the proposal noting that adding the costs of clearing air cargo goods valued \$1,000 and under would result in disproportionately high fees for small consolidations of low-value goods. This is because the fee is charged as a flat fee per cargo report, regardless of how many consignments are being cleared on the report.
39. According to Customs' Cost Recovery Framework, the cost of clearing goods should be recovered from those who cause Customs to incur the cost. In the case of goods valued \$1,000 and less, this is the importer or the consolidator/freight forwarder that submitted the cargo report to clear low-value goods, and the carrier reporting all the cargo on their craft.
40. While a few express delivery companies indicated they would not pass on the fee to importers, most freight forwarders that officials spoke to during consultation have indicated that they can and will pass this cost back to importers in some form.



s 9(2)(d) OIA

41. s 9(2)(d) OIA

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s 9(2)(d) OIA

44. s 9(2)(d) OIA

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### *Changing the Outward Cargo Transaction Fee to more equitably share costs*

51. The Cargo Report Export and the Outward Cargo Report are two reports that currently have the same fee. The Cargo Report Export is used to clear goods that do not require an export entry, while Outward Cargo Reports are used to report on goods that have already been cleared. Those who opposed the proposal to have two separate fees for these reports said that the differentiation could be confusing for exporters and impose administrative costs for businesses due to added billing complexity.
52. Officials, however, have identified more accurately the level of activity (related cost) associated with these two report types, and I consider that the difference is significant enough to merit applying a separate rate to each report.

### *Updating the Customs' hourly rate and intellectual property services*

53. In addition to the changes to Customs' goods clearance fees, I propose changes to two other areas:
  - 53.1. 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 of \$133.00 per hour would bring it into line with similar agencies, for example, the Ministry for Primary Industries. Customs' staff are paid a minimum of three hours per call out requiring an update in the minimum fee to reflect this.
  - 53.2. 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. I propose Customs fully implements these powers, and also removes the requirement for rights holders to pay a \$5,000 bond to Customs when they lodge a Border Protection Notice.
54. The proposed new fee levels are set out in Appendix A.

### **Customs operates an efficient border, but is continuously seeking efficiencies**

55. Goods clearance fees go towards the costs of identifying risks associated with imported and exported goods and intervening where necessary, and towards the cost of systems for clearing legitimate goods quickly and efficiently with minimal intervention. Some submitters identified the need for Customs to have a focus on delivering cost effective services with a view to reducing the costs (and fees) to importers and exporters, and to report to industry on these efficiencies.
56. Customs operates an efficient and effective border clearance system. Performance measures are in place that are reported against annually.
  - 56.1. Every year, over 99 percent of trade transactions are cleared in less than 30 minutes (excluding goods that require compliance intervention, which is a very low proportion).
  - 56.2. Seizures have increased (including offshore seizures) while intervention rates (document checks and inspections) are less than one percent of all cargo and have reduced in volume.

57. Customs is continually seeking to improve the way it operates and interfaces with the industry on an ongoing basis. Some planned, or currently being implemented, initiatives to increase efficiencies and improve services include:
- 57.1. improving workflow tools and web services for smaller importers and exporters
  - 57.2. working with the Ministry of Business, Innovation and Employment on Business Connect, a cross government initiative aimed at streamlining online forms across Government
  - 57.3. implementing a mobile app for inspections staff (which should significantly reduce inspection timeframes)
  - 57.4. upgrading its Financial Information System, which will enable brokers to check credit limits.
58. Customs is introducing a more formal engagement process with industry that could also assist in the identification of other areas where efficiencies could be gained.

**Clarifying how goods clearance fees are collected on postal items and low-value goods)<sup>8</sup>**

59. Changes to Customs' Regulations will be required to implement Cabinet's decisions, including those regulations that set out how low-value goods and postal articles are processed (Regulations 25, 26 and 29). **§ 9(2)(h) OIA**  
 [Redacted text]
60. Accordingly I propose that these regulations be clarified to ensure that the Chief Executive can continue to use existing processes, such as requiring that certain documents be lodged or filed electronically with Customs, and any duty paid, before the goods are released. This will also ensure that the goods clearance fees are collected appropriately.
61. **§ 9(2)(h) OIA**  
 [Redacted text]

**Risks and risk mitigations**

62. The following risks have been identified:
- 62.1. Some stakeholders may ask the Regulations Review Committee to review subsequent regulations due to their concern that Customs may be making an unusual or unexpected use of powers as these proposals start to reach the limit of current empowering provisions. **§ 9(2)(h) OIA**  
 [Redacted text]

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<sup>8</sup> Goods are either cleared through an entry being made, exempt or deemed to be exempt. Postal items and low-value goods are exempt from an entry being made to Customs, or the goods are deemed to be entered because they do not have the adequate information to be cleared through a full entry.

s 9(2)(h) OIA  
[Redacted]

62.2. s 6(a) OIA  
[Redacted]

### Consultation

63. The following agencies have been consulted on this paper: the Ministry of Foreign Affairs and Trade, the Ministry for Primary Industries, the Ministry of Transport, the Ministry of Business, Innovation and Employment, Inland Revenue and the Treasury. The Department of the Prime Minister and Cabinet has been informed.

#### *Inland Revenue comment*

64. s 9(2)(d) OIA  
[Redacted]

65. [Redacted]

66. [Redacted]

67. [Redacted]

### Financial Implications

#### *Budget 2019 Contingency*

68. The goods cost recovery proposals do not fully recover Customs' costs related to goods. Rates for two fees have been limited due to concerns about the impact on business of the size of the increase to full cost recovery. These have been calculated so that a shortfall in revenue is matched by the funding available from the contingency provided

for in Budget 2019 (Funding to Continue Protecting New Zealand from Imported Threats) [CAB-19-MIN-0714.10].

69. I propose that the above contingency (including 2022/23 and outyears) now be released, to provide financial certainty to Customs. A review will be held in two years, at which time the two fees may move further towards full cost recovery. If this occurs, Customs will engage separately with the Treasury on the amount of Crown revenue required. Where the drawdown required in a financial year is greater than the contingency set for that year, I propose that the contingency is rephased to reflect Customs' actual costs, as necessary.
70. The impact of the proposed new fee levels and Crown funding requirements are summarised in the table below. In the event that the two-year review leads to either full cost recovery or a move towards full cost recovery for the two Crown-subsidised fees, the commensurate reduction in revenue Crown requirement will be reflected in the next available baseline update.

	2019/20 \$m	2020/21 \$m	2021/22 \$m	2022/23 & outyears \$m
Contingency funding available	6.886	13.038	13.780	14.564
Increased Revenue Crown required	8.805	12.127	12.772	14.564
Undrawn (Over) Contingency	(1.919)	0.911	1.008	-

71. The proposed fees were based on an implementation date of 1 April 2020. By seeking final policy decisions later than initially planned, implementation will now be delayed to 1 June 2020. This will lead to a corresponding financial impact of \$0.600 million less revenue. Customs will try to contain its costs, however, in the face of increasing trade volumes there may be an impact on service delivery.

*Establishing a memorandum account and reporting*

72. I propose that Customs introduce a memorandum account to cover the fully cost recovered goods clearance activities, in line with the Treasury guidance. However, the two fees which are proposed to be partially Crown funded, namely the Outward Cargo Transaction Fee, Cargo Report Export for air cargo and the Inward Cargo Transaction Fee for air cargo, will be accounted for under existing arrangements.
73. The proposed fees cover an initial 25 months to align with Customs' intention to conduct a review of the fees in two years. In line with best practice, officials intend, after this initial period, to review the charges every three years and to reset the charges according to forecasted revenues and costs and the balance of the memorandum account. Customs will also report annually on the performance of goods cost recovery fees, including the impact on the memorandum account balance.

s 9(2)(d) OIA

74. s 9(2)(d) OIA

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### *Legislative Implications*

78. I seek agreement to issue drafting instructions to the Parliamentary Counsel Office to set the new schedule of fees regulations (refer Appendix A), with new fees taking effect from 1 June 2020. This will also include the addition of descriptions of the investigations and seizures activities that will be cost recovered through fees.
79. I also seek agreement that the drafting instructions allow for the amendment of Regulations for the updating of the specifications of the documentation against which goods fees are collected.

### **Regulatory Impact Analysis (RIA)**

80. A Cost Recovery Impact Statement has been prepared and is attached to this paper. The Joint Customs and Ministry for Primary Industries RIA Panel considers that the information and analysis in the Cost Recovery Impact Statement meets the quality assurance criteria.

### **Human Rights, Gender Implications and Disability Perspective**

81. The recommended set of fees have no human rights, gender or disability implications.

### **Publicity**

82. I intend to make an announcement about the setting of new goods clearance fees and the updating of the Customs officer hourly rate in regulations, as well as changes to the intellectual property rights services regime. Customs is developing communications to support this announcement. s 9(2)(d) OIA

## Proactive Release

83. I intend to proactively release this Cabinet paper and associated documents, 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:

### *Implementing Customs' proposed new good clearance fees and two other fees*

1. **note** that in July 2019 Cabinet agreed [CAB-19-MIN-0362 confirming DEV-19-MIN-0193] to the release of the Customs' discussion document on goods clearance fees;
2. **note** that Customs has since reviewed the submissions received and based on this feedback and the application of accepted public service cost recovery principles, Customs proposes changes to its goods clearance fees and two other fees as set out in Appendix A;
3. **agree** to the recommended proposed changes to Customs' goods clearance fees and two other fees set out in Appendix A;
4. **invite** the Minister of Customs to issue drafting instructions to the Parliamentary Counsel Office to implement goods cost recovery proposals outlined in this paper, including by updating the fee levels and including the costs of investigations and seizures;
5. **invite** the Minister of Customs to issue drafting instructions to the Parliamentary Counsel Office to clarify clearance requirements outlined in this paper, including by ensuring that the goods cost recovery fees are collected at the appropriate points in the clearance process;
6. **agree** that the Minister of Customs can make any minor and technical changes as drafting is progressed;
7. **note** that in July 2019 Cabinet agreed [CAB-19-MIN-0362 confirming DEV-19-MIN-0193 refers] to the release of the Customs' discussion document on goods clearance fees, which discussed among other matters that two proposed fees did not fully recover costs;
8. **note** that Customs will review the fees in two years when the full impact of changes will be known;
9. **note** that in response to submissions received Customs will set up a stakeholder group as a broad engagement forum that can be used to support importers and exporters;

### *Draw down of Budget 2019 contingency*

10. **note** that on 24 September 2018 Cabinet [CAB-18-MIN-0466.01 refers] agreed that GST would be collected via an offshore supplier registration system on imported goods valued at or below \$1,000, and that Customs would no longer collect the Import Entry Transaction Fee on all goods valued at \$1,000 or less;



11. **note** that on 15 April 2019 as part of its Budget 2019 decisions Cabinet [CAB-19-MIN-0174.10 refers] established a tagged operating contingency to provide for Funding to Continue Protecting New Zealand from Imported Threats, pending the completion of Customs' Goods Cost Recovery Review;
12. **note** that on 12 June 2019 Cabinet, as above, decided on a 1 December 2019 implementation date for the GST on low-value imported goods policy, reducing the 2019/20 amount in the above tagged contingency by \$2.336 million to \$6.886 million, resulting as a tagged contingency as follows:

	\$m – increase/(decrease)			
	2019/20	2020/21	2021/22	2022/23 & Outyears
Funding to Continue Protecting New Zealand from Imported Threats	6.886	13.038	13.780	14.564

13. **agree** that, as the conditions have now been met with the work described in recommendation 11 having been completed, the funding from the above tagged contingency now be released (rephased as necessary to reflect Customs' actual costs);
14. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)			
	2019/20	2020/21	2021/22	2022/23 & Outyears
<b>Vote Customs Minister of Customs</b>				
Departmental Output Expense: Clearance and Enforcement Services Related to Goods (funded by revenue Crown)	8.805	12.127	12.772	14.564
<b>Total Operating</b>	<b>8.805</b>	<b>12.127</b>	<b>12.772</b>	<b>14.564</b>

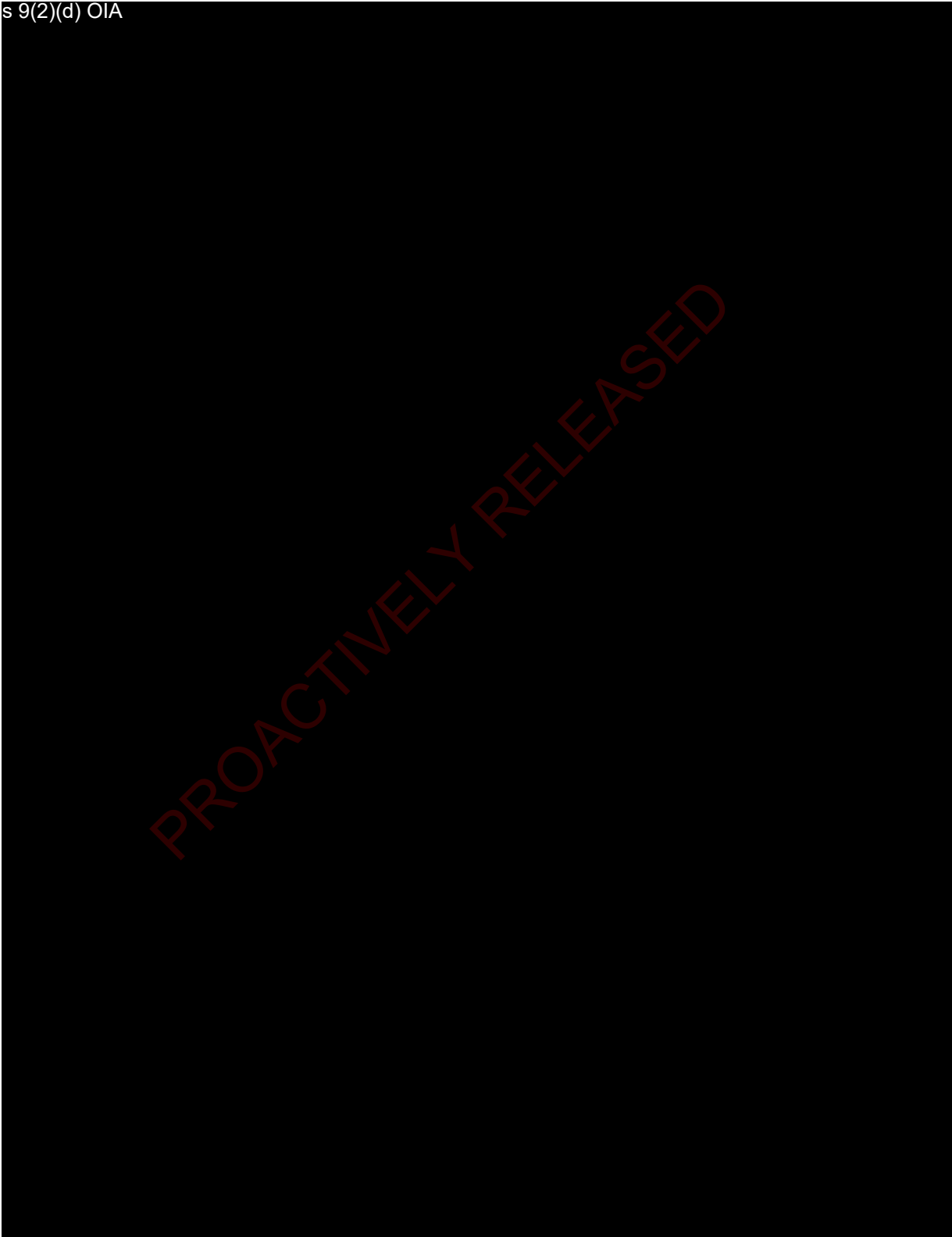
15. **agree** that the proposed change to appropriations for 2019/20 above be included in 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
16. **agree** that the expenses incurred under recommendation 14 above be charged against the Funding to Continue Protecting New Zealand from Imported Threats tagged operating contingency described in recommendations 11-12 above;
17. **agree** that, in the event the review in recommendation 8 above leads to either full cost recovery or a move towards full cost recovery for the two fees in recommendation 7 above, the commensurate reduction in revenue Crown requirement will be reflected in the next available baseline update;

18. **note** that Customs will establish, with approval of the Minister of Finance and the Minister of Customs, a memorandum account to cover the fully cost recovered goods clearance activities;

s 9(2)(d) OIA

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s 9(2)(d) OIA



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21. s 9(2)(d) OIA



Authorised for lodgement

Hon Jenny Salesa

Minister of Customs

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## Appendix A: Proposed changes to Customs' goods clearance fees

(bolded figures will be set in Regulations)

Customs has consulted on a fee range. This table sets out the proposed new fees. There are two fees that are not fully recovering costs, the Inward Cargo Transaction Fee Air and the Outward Cargo Transaction Fee Cargo Report Export Air.

There are three fees that fall below the consultation fee range (the Outward Cargo Transaction Fee Outward Cargo Report both Air and Sea, and the Outward Cargo Transaction Fee - Cargo Report Export Sea) due to a reversal of a previous steady volume decline.

Goods clearance fee type	Current fee GST Inclusive	Proposed new fee GST Inclusive
<b>IMPORTS</b>		
Import Entry Transaction Fee	\$29.26	<b>\$33.03</b>
Inward Cargo Transaction Fee Air	\$30.66	<b>\$77.00</b>
Inward Cargo Transaction Fee Sea	\$359.82	<b>\$520.00</b>
<b>EXPORTS</b>		
Export Entry Transaction Fee Secure Exports Scheme	\$12.01	<b>\$3.27</b>
Export Entry Transaction Fee Non-Secure Exports Scheme	\$17.94	<b>\$6.82</b>
Outward Cargo Transaction Fee - Outward Cargo Report Air	\$11.51	<b>\$14.35</b>
Outward Cargo Transaction Fee - Cargo Report Export Air	\$11.51	<b>\$40.00</b>
Outward Cargo Transaction Fee - Outward Cargo Report Sea	\$28.83	<b>\$18.58</b>
Outward Cargo Transaction Fee - Cargo Report Export Sea	\$28.83	<b>\$5.57</b>

Other areas:

Hourly rate	Current fee GST Inclusive	Proposed new fee GST Inclusive
Custom's hourly rate for services provided outside of standard hours	\$74.21	<b>\$133</b>
Apply a minimum rate	Not applied	<b>Apply a 3 hour minimum rate</b>

Intellectual Property Rights	Current regime	Proposed new regime
Intellectual Property Rights holders	Required to provide a \$5,000 security bond to Customs	<b>No longer required to pay Customs a \$5,000 security bond</b>
Recover certain costs	Recovery of certain costs not applied	<b>Re-establish recovery of certain costs (include storing and disposing of goods, and costs related to legal proceedings)</b>

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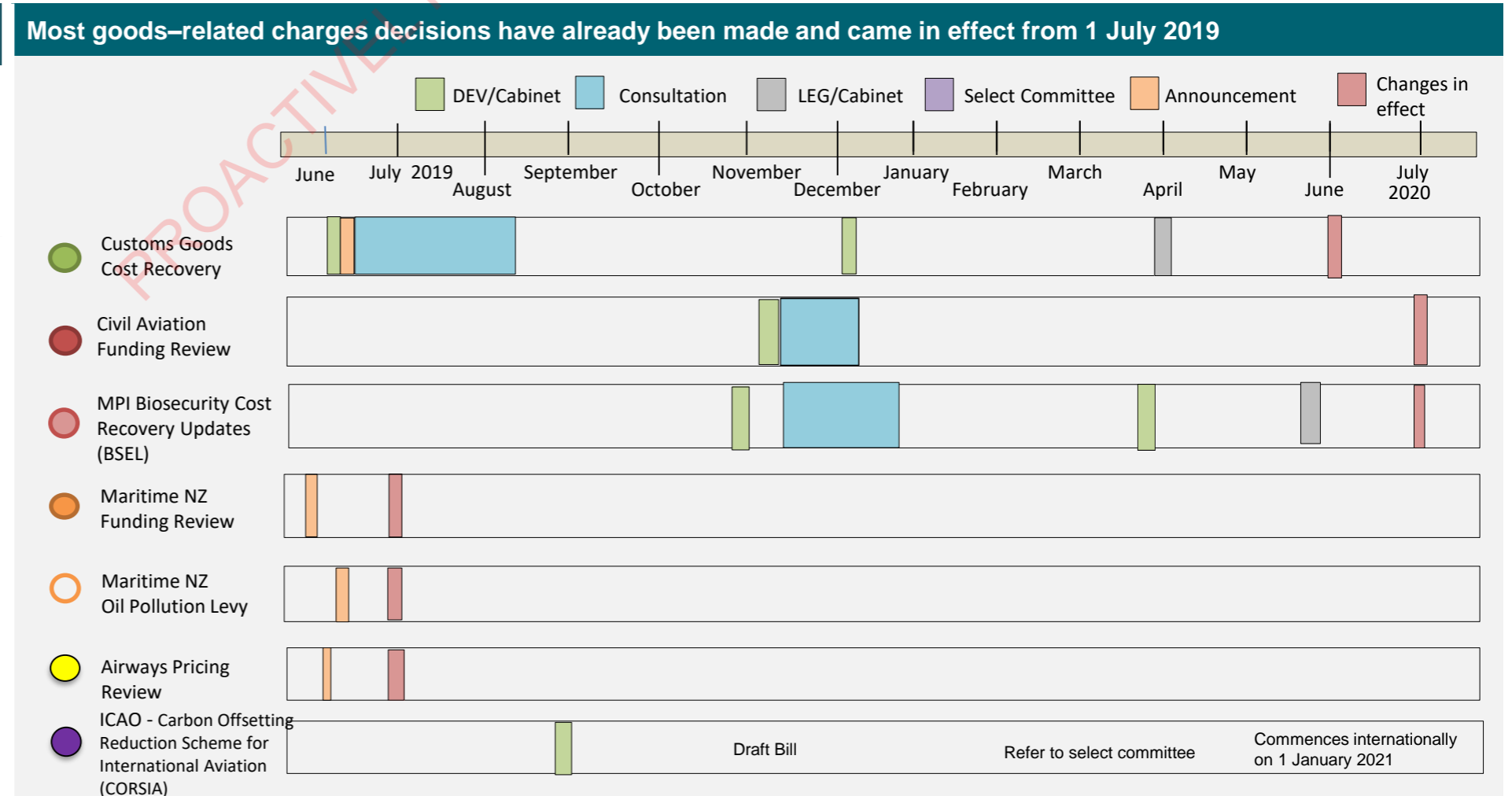
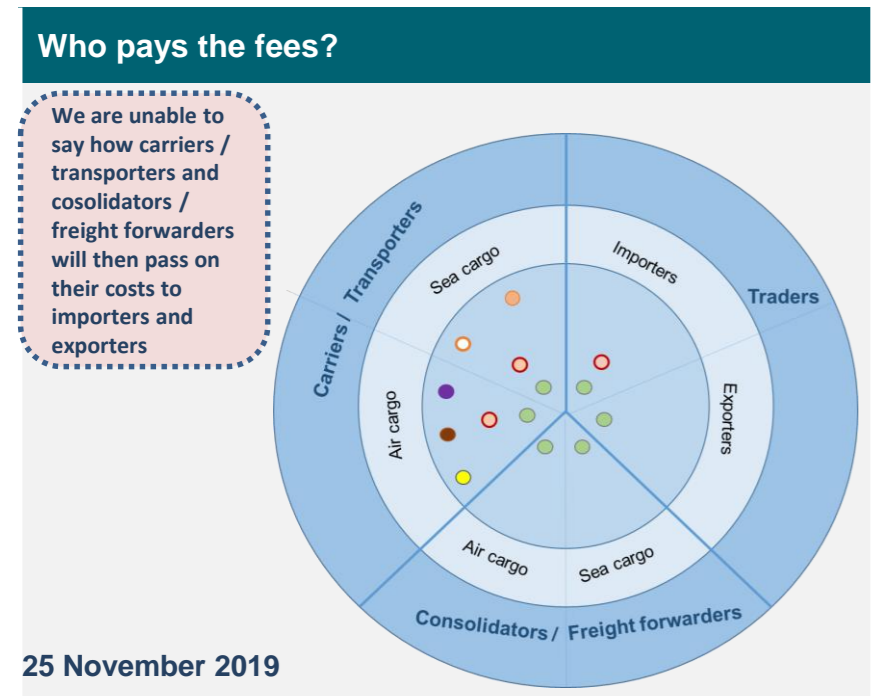
# Appendix C: Recent and upcoming border initiatives impacting on goods-related fees and charges Unclassified

Multiple agencies may charge the same stakeholders	The border sector is responding to common challenges	Charges are reviewed to reflect this
<ul style="list-style-type: none"> <li>There are a number of people affected by government goods-related fees and charges; they include importers, exporters, consolidators/freight forwarders and carriers/transporters.</li> <li>Funding reviews could have a cumulative impact on the same people.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>More people and goods are coming from more high risk places</li> <li>International supply chains are increasingly complex</li> <li>Security risks in many countries are increasing, as are international security screening standards</li> <li>People expect better and more efficient services in a digital environment</li> <li>New technologies provide opportunities to improve services and risk management.</li> </ul>	<p>Charges are regularly reviewed to ensure that they better reflect the services required. Principles guiding the reviews are:</p> <ul style="list-style-type: none"> <li><b>Equity</b> - sourced from users or beneficiaries of services</li> <li><b>Efficiency</b> - deliver benefits proportionate to costs</li> <li><b>Transparency</b> - clear links to service provision</li> <li><b>Justifiability</b> - should be reasonable and appropriate</li> <li><b>Sustainability</b> - responsive to changing conditions</li> </ul>

New Zealand Government proposed and planned charges					
Goods			Craft		
<p><b>Customs Goods Cost Recovery</b> 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 <b>01/06/20</b>.</p>	<p><b>MPI Investing in Protecting the Border: Proposals to Update Cost Recovery for New Zealand's Biosecurity System</b> MPI propose consulting on updates to the Biosecurity System Entry Levy (BSEL) and Biosecurity (Costs) Regulations which funds biosecurity clearance of goods (and the Border Clearance Levy for travellers). The BSEL and the Biosecurity Inspector hourly rate are proposed to increase. <b>Consultation is subject to Cabinet approval on 04/11/2019</b>. The updates account for increased costs in delivering the services and allow for investment in resources and technology. Proposed implementation from <b>01/07/20</b>.</p>	<p><b>Maritime New Zealand (MNZ) Funding Review</b> 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 and maritime levy rates were implemented on <b>01/07/19</b>.</p>	<p><b>Maritime New Zealand Mid-point Review of the Oil Pollution Levy</b> Reviewing charges on commercial maritime vessels over a certain size to fund oil spill readiness and response activities in New Zealand. The revised rates came into effect on <b>01/07/19</b>.</p>	<p><b>Airways Pricing Review</b> 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 <b>01/07/19</b>.</p>	<p><b>Civil Aviation Funding Review</b> The Civil Aviation Authority is reviewing its pricing of aviation levies, fees and charges for 2020-2023. It is proposing an across the board increase of 6.5%, including levies on passengers and freight. The new prices will be in effect from 1 July 2020.</p>

### 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.






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
01/06/20	\$77.00	\$25.16 <sup>(1)</sup> <i>(from 1/7/20)</i>	\$2,022.49-\$2,948.33 <i>(from 1/7/20)</i>	\$2,120.05-\$3,045.89
01/07/21	\$77.00	\$25.16 <sup>(1)</sup>	\$2,163.55-\$3,108.57	\$2,265.71-\$3,210.73



Sea cargo	Customs	MPI (BSEL)	Maritime NZ Maritime Levy <sup>(2)</sup>	Maritime NZ Oil Pollution Levy <sup>(3)</sup>	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
01/06/20	\$520.00	" "	Refer note 2	\$426.00	\$966.56
01/07/20	\$520.00	\$25.16 <sup>(1)</sup>	Refer note 2	\$426.00	\$971.16

Note (1): MPI BSEL pending Cabinet approval April 2020]

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
01/06/20	\$77.00	" "	\$97.56
01/07/20	\$77.00	\$25.16 <sup>(1)</sup>	\$102.16

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
01/06/20	\$520.00	" "	\$540.56
01/07/20	\$520.00	\$25.16 <sup>(1)</sup>	\$545.16


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
01/06/20	\$33.03	" "	\$59.48
01/07/20	\$33.03	\$30.05 <sup>(1)</sup>	\$63.08

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

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
01/06/20	\$14.35	" "	\$704.90-\$1,388.77



Sea cargo	Customs	Maritime NZ Maritime Levy <sup>(2)</sup>	Total
Pre 1 July 2019	\$28.83	\$8,878 <sup>(2)</sup>	\$8,906.83
01/07/19	\$28.83	\$10,925 <sup>(2)</sup>	\$10,953.83
01/06/20	\$18.58	\$10,925 <sup>(2)</sup>	\$10,943.58

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.



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
01/06/20	\$40.00

Per Cargo Report Export (Sea)	Customs
Pre 1 July 2019	\$28.83
01/07/19	\$28.83
01/06/20	\$5.57

Secure Exports Scheme member

A single consignment valued over \$1,000

Per good	Customs
Pre 1 July 2019	\$12.01
01/07/19	\$12.01
01/06/20	\$3.27

Other exporters

A single consignment valued over \$1,000

Per good	Customs
Pre 1 July 2019	\$17.94
01/07/19	\$17.94
01/06/20	\$6.82