

23 January 2025

Paula Strickson
 Manager Revenue Policy
 New Zealand Customs Service

Dear Paula

In August 2023, Sapere Research Group (Sapere) presented Customs New Zealand (Customs) with a report analysing the impacts of changing border charges. In July 2024, we provided a short letter summarising the impact of the proposed fees (at the time) before public consultation.

Customs has finished public consultation and is currently preparing advice for the Cabinet policy decision. You contacted Sapere in December 2024 requesting a short letter summarising the impact of the current indicative fees and their impact. The indicative fees proposed are as follows:

Consignment category	Current Customs + MPI charges	Indicative Customs + MPI charges
Imports		
Low-value imports (air)	\$0.10	\$2.21
Low-value imports (sea)	\$2.03	\$2.09
Low-value imports (mail)	\$0.00	\$1.28
High-value imports (air)	\$81.25	\$51.81
High-value imports (sea)	\$81.25	\$118.44
Exports		
Low-value exports (air)	\$0.66	\$2.48
High-value exports (air)	\$7.20	\$3.35
High-value exports (sea)	\$7.20	\$8.13

We estimate that imports will decrease by \$40.4 million (around 0.04% of imports), and exports will decrease by \$12.5 million (around 0.03% of exports)

All fees presented in this letter are in 2024 dollars unless otherwise stated.

The indicative fees are estimated to reduce imports by \$40.4 million, equivalent to around 0.04% of all imports. The impacts of the proposed fee changes reflect the respective sign of the proposed fee changes, meaning that consignment categories where fees increased saw a reduction in volume, and *vice versa*. Low value imports transported by air experience the greatest proportional reduction (2.15%), while high-value imports transported by air would see a small rise (0.08%).

Our core values are independence, integrity and objectivity
 sapere research group limited • Level 9, 1 Willeston Street, Wellington
 Ph +64 4 915 7590
 PO Box 587, WELLINGTON 6140

Exports are estimated to decrease by \$12.5 million, equivalent to a reduction of 0.03% of total exports. Like imports, the distribution of impact across consignment categories is uneven. The impacts range from a \$13.3 million decrease to a \$0.9 million increase.

In total, there is an estimated \$52.9 million reduction in goods entering and exiting New Zealand. The results of our estimation can be seen in the table below.

Consignment category	Change (\$2024, M)	Change (%) ¹
Imports		
Low-value imports (air)	-\$31.2	-2.15%
Low-value imports (sea)	-\$0.0	-0.03%
Low-value imports (mail)	-\$6.5	-0.66%
High-value imports (air)	\$19.1	0.08%
High-value imports (sea)	-\$21.9	-0.03%
Total imports change	-\$40.4	-0.04%
Exports		
Low-value exports (air)	-\$13.3	-2.4%
High-value exports (air)	\$0.9	0.01%
High-value exports (sea)	-\$0.2	0.00%
Total exports change	-\$12.5	-0.03%
Total change	-\$52.9	-0.04%

¹ The percentage change shows the increase or decrease as a proportion of the total dollar value of consignments in each consignment category.

Our previous work reported an impact from fee changes of \$13.5 million (2023 dollars) under Scenario A and \$59.5 million (2023 dollars) under Scenario B. Our current estimate of \$52.9 million (\$2024 dollars) sits within this range.¹

Caution is required for direct comparisons with Sapere's 2023 results

Sapere's 2023 work was completed in August of 2023 for consignment data between June 2022 and May 2023. All changes in the previous report were reported in 2023 dollars.

The current indicative fees have been provided in 2024 dollars. We have expressed dollar values in these present value terms, that is, adjusting the previous work's data for inflation. However, this adjustment means that direct comparison with the 2023 figures is not possible.

Historical consignment data is used, which may not reflect current conditions

As noted above, the estimates in this letter are based on consignment data from June 2022 to May 2023. If the future freight volumes are higher or lower than these historic volumes, our estimates could understate or overstate the actual impact.

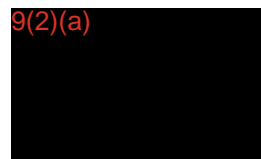
¹ If converted to \$2023, our current estimate would equal \$50.4 million.

To better understand this potential impact, we can compare aggregate import and exports across years. Aggregate imports for our sample period (June 2022 to May 2023) totalled \$83.6 billion. The following year's (June 2023 to May 2024) aggregate imports totalled \$75.1 billion, representing a decrease of ~10.2%. Similarly, aggregate exports for our sample period were \$72.7 billion, compared to the following year's \$68.7 billion, indicating a decrease of ~5.5 per cent.

Both imports and exports are less than those reported in our dataset, suggesting that if the historical data set was used, results could be marginally overestimated. While we believe this discrepancy is unlikely to have a significant effect on the overall findings, it is important to acknowledge it as a limitation.

Kind regards,

9(2)(a)



Preston Davies

Director, Sapere

t: 021 412 102

e: pdavies@thinksapere.com

PROACTIVELY RELEASED