From: S9(2)(a) [redacted]
To: Consulting on fees and levies
Subject: Consultation Feedback - Proposed $6268.00 per commercial vessel processing fee
Date: Thursday, 31 October 2024 15:46:52
Attachments: S9(2)(b)(ii) [redacted]

Dear NZ Customs Consulting Team,

Seaway is an NZ shipping agency which represents Norwegian Roll-On-Roll-Off carrier Hoegh Autoliners and several other smaller principals including Spanish fishing vessel interests.

This submission relates to the proposed new fee of $6268.00 per vessel arrival for manifest risk analysis/processing.

Seaway would like to raise several points on this matter.

- Customs has taken the position that this processing cost must be passed on to offshore vessel owners whose vessels are trading to New Zealand, thereby carrying illegal or risk merchandise into the country. Whilst there have been some recent high-profile cases of ships' crew and associates being involved in smuggling operations, we suggest that the vast majority of contraband flows are driven by NZ cargo interests and that the costs of risk profiling must be borne at by those NZ cargo interests.

- Customs apparently believes that by levying this new charge at vessel level not at consignment level, that the charge will therefore be borne by offshore interests – vessel owners or cargo shippers based overseas. This is simply not accurate and must be challenged. Customs needs to be aware that any new costs imposed by NZ authorities at vessel level will, one way or another, be passed back on to NZ cargo interests. I have attached two examples of ways in which this is currently being done for NZ compliance related costs – related to MPI BMSB compliance.

- Attachment 1 is a Hoegh Autoliners freight invoice for import RORO freight into NZ. Freight rates have been redacted but left highlighted is a USD 3.00 per cubic metre "Biosecurity Surcharge" which Hoegh levies on every item of cargo shipped to NZ from BMSB risk countries. This charge is their calculation of the cost to Hoegh of vessel-level BMSB compliance (vessel thermal fogging, crew overtime for BMSB searching, vessel delays at port). This is a separate matter to consignment-specific fumigation/heat treatment costs which are paid by the shipper at origin (but then inevitably charged back to the NZ consignee). The quantum of the Biosecurity Surcharge is arrived at by dividing the estimated annual cost to Hoegh of BMSB compliance by the average number of cubic metres of cargo shipped to NZ annually.

- Attachment 2 is a S9(2)(b)(ii) [redacted] freight invoice for export FCL freight ex-NZ. Freight rates have been redacted but left highlighted is a USD 4.50 per cubic metre "Hull Cleaning Surcharge" which S9(2)(b)(ii) [redacted] levies on every item of cargo shipped to or from NZ. This charge is their calculation of the cost to S9(2)(b)(ii) [redacted] of MPI CRMS biofouling compliance (hull cleaning, vessel delays etc.) Similarly to Hoegh's Biosecurity Surcharge, the quantum of the Hull Cleaning Surcharge is arrived at by dividing the estimated annual cost to S9(2)(b)(ii) [redacted] of CRMS compliance by the average number of cubic metres of cargo shipped to/from NZ annually.

- Though the above two examples relate to MPI compliance costs not Customs compliance costs, the same will apply with regards the new $6268.00 charge. Customs needs to be aware that overseas-based shipping lines or vessel operators will pass on this proposed $6268.00 per vessel arrival charge to NZ customers by similar though not necessarily identical methodologies – some by surcharges, some by higher freight rates, but certainly all calculated slightly differently and not necessarily transparently, making it extremely difficult to assess whether offshore operators are passing this cost on fairly or not.

- Customs also needs to be aware that these charges are quite likely to be **marked up** by overseas-based shipping lines or vessel operators to reflect the inconvenience/cost of compliance. As such we contend that levying the charge against offshore interests is in fact likely to increase the final cost to the NZ consumer than if the levy was charged directly to NZ cargo interests.

- Finally we wish to make it very clear of our strong objection to a uniform charge per vessel. It is grossly unfair to consider all commercial vessels as posing the same risk and as such being liable to pay the same compliance costs. It's simply not realistic to suggest that a 45-metre Spanish fishing vessel with 100 tonnes of fish to land (of which we represent several) presents the same risk assessment task to NZ Customs as does a 6000-TEU container vessel with hundreds or perhaps thousands of individual consignees/Bills of Lading. In shipping it is customary for charges to be levied against the size of the ship (whether by gross tonnage, deadweight, length over all, or a combination of these criteria). In that way, as the cargo-carrying capacity of the ship increases according to size, so does the quantum of the charge payable.

In summary, the two key points we wish to make are:

1. **It is simply inequitable to charge this levy at the same rate for every vessel. If Customs proceeds with the new levy then it must be on a graduated scale according to the size of the vessel and/or the number of consignments on the vessel which require profiling.**

2. **If Customs persists with the methodology of charging at vessel level not at individual consignment level, the costs will end up being passed back to NZ cargo interests anyway, but not transparently, and likely marked-up to a level higher than is actually levied by Customs.**

Please do not hesitate to contact me if any clarification is required to any of the points raised above.

Best regards,

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Submission by

to the

New Zealand Customs Service
and the
Ministry for Primary Industries

On

Recovering the Costs of Goods Management Activities at the Border

Joint Consultation Document

31 October 2024

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Introduction

This submission is from Export New Zealand and Manufacturing New Zealand. Both are membership organisations and part of the Business New Zealand network (see Annex 1). By definition, members of ExportNZ send goods across the border from New Zealand, and many also receive goods from across the border. Many members of ManufacturingNZ export and/or import.

The role of Export New Zealand is to:

- Provide effective advocacy and lobbying on behalf of exporters,
- Inspire New Zealand firms to engage in exporting to expand their business horizons and grow internationally,
- Provide practical support programmes and networking events to help firms achieve these goals.

Manufacturing New Zealand works to provide the knowledge, information, contacts, training, support and services to help manufacturing businesses grow.

In preparation for this consultation, ExportNZ and ManufacturingNZ have consulted widely and have received comments from SMEs in the export and manufacturing sectors, industry association groups, and transportation services businesses.

The Case for Changing Fees and Levies on Exports and Imports

We recognise that there is a case for reviewing the way in which fees and levies associated with exporting and importing goods crossing New Zealand's borders. The fees and levies play an important role in supporting activities by the New Zealand Customs Service (Customs) and the Ministry for Primary Industries (MPI) help to keep the country safe from biosecurity hazards and the effects of crime, as well as meeting its international obligations.

We also understand that the level at which the fees and levies are currently set won't necessarily keep up with the cost of undertaking the activities, and there may be some unfairness in the structure of the fees and levies. Accordingly, we are satisfied that an occasional review is justified. However, as we explain below, we question whether opportunities for containing costs have been fully explored, and we also believe that there is a case for not setting the fees and levies at a level to recover the full cost of Customs' and the MPI's activities.

Current Landscape for Government Regulation and Cost Recovery Mechanisms

While not specific to just this consultation and cost recovery process, we are concerned that multiple cost recovery reviews and additional cost burdens on businesses and exporters are happening concurrently and without a complete understanding of what costs are increasing, the benefit to the businesses and the public, and the impact on growing businesses.

We have heard from both business and other industry groups about the impact these increasing costs have on their businesses and sectors.

One processed food exporter we spoke to talked about their first year's export revenue of $50,000 and having to pay 25 per cent of that to MPI for audits, compliance, and certificates. They seriously questioned whether it was all worth the trouble to export their products.

An industry group also spoke about the multiple reviews they are having to submit on. While we recognise the need to review cost recovery mechanisms and for agencies to keep up with their costs, we do believe the government needs to take a holistic approach when loading costs on to businesses.

Therefore, we would encourage MPI, Customs, and other Government agencies to undertake a full review of the cumulative impact of increased cost recovery on businesses across all Government agencies. A review should take place before implementing any increase to the cost on businesses.

Guiding Principles for Setting the Fees and Levies

We believe that it is right that the way in which the level and structure of fees and levies are determined should be guided by a set of principles. It is evident that the paramount principle embodied in the proposals in the Consultation Document is that the costs of undertaking Customs' and the MPI's activities should be fully recovered through the fees and levies charged. Further, the Consultation Document argues that the fees and levies should be Financially sustainable; Equitable; Efficient; Transparent; and Justified.

However, we do not believe that it would be fair and reasonable to aim to recover the full cost of Customs' and the MPI's activities through the fees and levies charged. The Consultation Document proposes, in effect, to make importers and exporters responsible for paying the full cost of Customs' crime prevention activities, although exporters and importers are not responsible for the crimes. The activities conducted at the border by MPI and Customs involve a high level of public good, therefore the public (i.e. the taxpayer) should bear some of the cost to support such activities.

An analogous situation is where road freight businesses are not expected to pay the full cost of the work of New Zealand Police work to prevent crime where trucks are simply the vector. The road freight businesses contribute to policing costs, but they do not bear the full cost. Other actors, namely criminals, are responsible, and taxpayers in general bear the cost for the provision of a public good.

We do, however, support the principle that there should be no cross-subsidy according to transport mode, or according to exporting and importing.

Are the Costs of Delivery Being Sufficiently Contained?

It is disappointing that the projected cost increases shown in Table 1 in the Consultation Document are not fully explained. More specifically, it is not stated what assumptions were made to derive the projections.

Equally, the Consultation Document goes into some detail on the structure of the costs associated with Custom's and the MPIs activities, why they have increased, and why they are expected to increase further in the future. However, it is disappointing that there is a lack of detail on what has been done to contain the cost increases, and what potential there is for containing future increases. It might well be the case that there has been, and will continue to be, cost containment, but it is difficult to accept what is being proposed in the absence of full transparency.

We, therefore, recommend that Customs and MPI should provide the necessary details on the projected costs and cost containment measures before any revised fees and levies are introduced.

Exporting Creates a Greater Good

Another reason why we question whether the fees and levies should be set so as to fully recover costs is that the benefits of exporting are not wholly private. Rather, they are shared more widely with the population because exporting strengthens the economy. Exporting involves undertaking business activities that are subject to GST and incomes taxes, and these contribute to public services, such as health, which are enjoyed by all. In this respect, the fees and levies associated with exporting are unlike the fees charged for other public services, such as obtaining a passport or a motor vehicle licence, which can be for wholly private benefit.

We are also concerned that the way in which fees and levies are charged can make it difficult for small businesses in New Zealand to become exporters, and so make a contribution to the strength of the economy and the greater good. We understand, for example, that small-scale processed goods exporters have to pay a number of different fees to the MPI to enable them to export. The exporters in question acknowledge that the MPI's work is important and is undertaken well, but the charges make it difficult for them to operate profitably in overseas markets. These charges should be abated for new or very small-scale exporters.

Moving From Per Report to Per Consignment Charging

The Consultation Document makes the argument that moving from charging on a per-report basis to charging on a per-consignment basis would be fair and would align more closely with costs. This would lead to a reduction in fees for reports with few consignments and an increase for reports with many consignments.

<u>Feedback From SME Manufacturers and Exporters</u>

However, for many small manufacturers and value-added goods exporters that rely on imported components, this change could be debilitating.

One manufacturer/exporter said:

"This is going to affect the cost of small items that we add into our assemblies or sell alongside them, possibly making us uncompetitive on those components. We would try to pool purchases as much as we can to minimise the impact, but this may lead to holding of higher stocks (capital and risk impact)."

Another manufacturer/exporter responded:

"A per-consignment charge on NZ exporters would be debilitating and adds a further penalty/hurdle for us, given we are already inconveniently located for our customers vs some competitors. We would have to eat this and would not be able to pass it through, as it adds no value to our customer."

<u>Feedback from Express Carriers</u>

> *"New Zealand e-commerce businesses export up to 20,000 shipments per month, which would equate to approximately $70,000 per month, and $840,000 per annum."*

While this amount may seem insignificant to some, for small businesses these kinds of costs can add up, strain limited budgets, impact growth potential, and ultimately small businesses' ability to compete in international markets.

There are also the added complications and costs involved with implementing a new system to pass on the charges from the freight carrier to the importer/exporter. We understand that express carriers currently absorb the cost of these charges; however, they would not be able to do so should Customs move to a per-consignment charging system.

We expect the costs passed on to carrier users to exceed the indicative fees on page 52 of the consultation document. This is because freight carriers must invest in new processes, payment systems, and additional warehousing to manage goods and process consignments.

Therefore, we are concerned that the proposed move from "per report" to "per consignment" cost recovery could dramatically impact New Zealand businesses that need to import or export large numbers of low-value items. We reject the proposed move to a "per-consignment" charge rate and recommend that Customs and MPI continue to adopt a "Per-Report" charging framework.

Conclusions and summary of recommendations

In summary, we have concerns about the changes to Customs and MPI fees and levies, as set out in the Consultation Document. **We, therefore, recommend that any changes should be put on hold for the time being, and that the agencies involved;**

- Undertake a full review of the cumulative impact of increased cost recovery on businesses across all Government agencies.
- Provide the necessary details on the projected costs and cost containment measures,
- Measure the public good of the MPI and Customs activities and ensure that exporters and importers do not bear the costs of criminal activity or biosecurity risks for which they are not responsible.

More widely, we recommend that the MPI consider abating some of their compliance charges for new and very small exporters to assist them in growing their contribution to wider economic well-being.

Lastly, we reject the proposed move to a "per-consignment" charge rate and recommend that Customs and MPI continue to use the "Per-Report" charging framework with a reasonable increase after consideration has been given to the above recommendations.

For information or questions, contact:

[redacted]

ANNEX 1.

ABOUT BUSINESS NEW ZEALAND

BusinessNZ is New Zealand's largest business advocacy body, representing:

- Regional business groups EMA, Business Central, Business Canterbury, and Business South,
- Major Companies Group of New Zealand's largest businesses,
- Gold Group of medium-sized businesses,
- Affiliated Industries Group of national industry associations,
- ExportNZ representing New Zealand exporting enterprises,
- ManufacturingNZ representing New Zealand manufacturing enterprises,
- Sustainable Business Council of enterprises leading sustainable business practice,
- BusinessNZ Energy Council of enterprises leading sustainable energy production and use,
- Buy NZ Made representing producers, retailers and consumers of New Zealand-made goods.

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development (OECD).

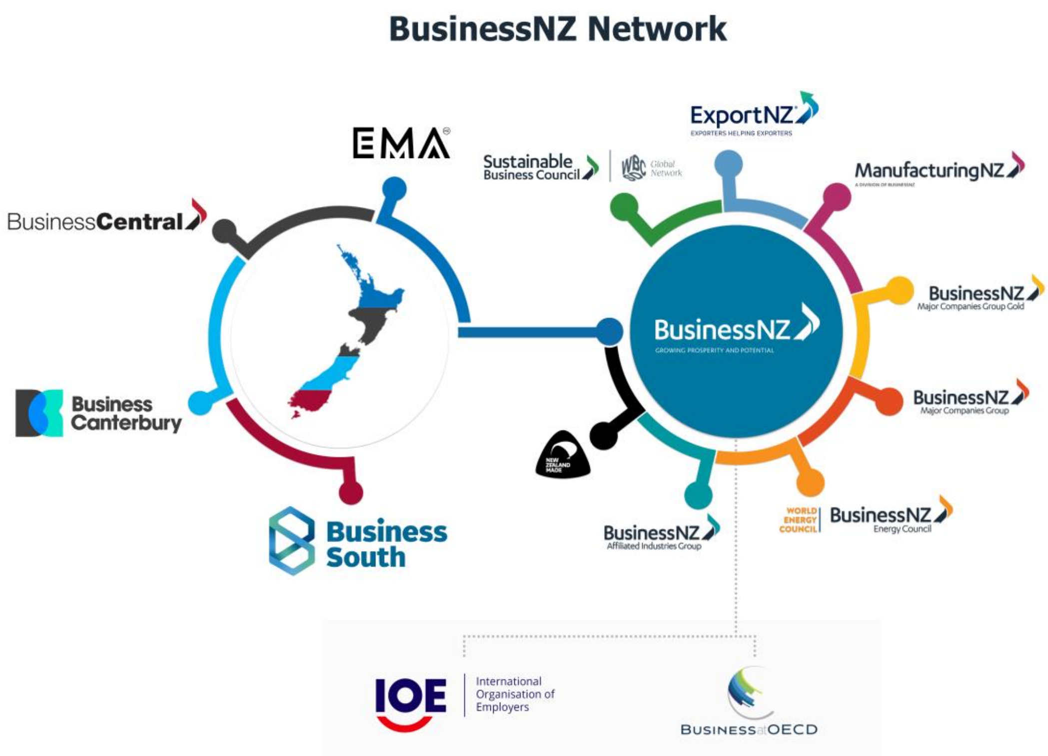
ABOUT EXPORT NEW ZEALAND

ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body.

We are a membership organisation and have approximately 2,000 export members around the country.

ExportNZ advocates for, inspires, connects, and celebrates New Zealand exporters. We aim to build a thriving ecosystem that supports each other.

We are exporters helping exporters.



DHL EXPRESS' SUBMISSION ON CUSTOMS AND MPI'S JOINT CONSULTATION ON "RECOVERING THE COSTS OF GOODS MANAGEMENT ACTIVITIES AT THE BORDER"

1. Introduction

DHL Express welcomes the opportunity to make a submission to the New Zealand Customs Service and the Ministry for Primary Industries (together, the "**Border Agencies**") on their joint consultation document of September 2024 titled "Recovering the Costs of Goods Management Activities at the Border" ("**Consultation Document**").

DHL Express provide daily carrier services to thousands of businesses of all sizes in all sectors of the New Zealand economy, as well as to millions of individual New Zealand consumers and households.

DHL Express services include moving goods such as AOG (aircraft on ground), urgent medical devices, vaccines and medicines, spare parts for the agricultural sector especially vehicle off road, machinery down in manufacturing and 'just-in-time' warehousing to allow New Zealand small and medium enterprises to hold less stock to support cashflow, ecommerce and retail.

The Border Agencies are consulting on a number of proposals, which comprise:

a) a base package of fee changes to ensure the Border Agencies' financial sustainability;
b) a supporting package to improve fairness for fee payers; and
c) a supporting package to improve fairness for taxpayers.

DHL Express supports the border agencies review to ensure financial sustainability but it needs to be done so it can be shown to be effective, efficient and does not impede productivity or service. However DHL has serious concerns with the proposal to charging fees on a per consignment basis for LVGs as this would be:

a) inequitably impose enormous price increases on incoming low value goods where industry participants cannot practically pass on those costs to importers (ie those who create the need for border services); and
b) be materially disruptive to the flow of goods entering and exiting the country.
c) Making it more difficult for small New Zealand exporters to be price competitive against their international counterparts; and
d) Granting NZ Post a material and unjustified competitive advantage that is likely to be exploited so as to undermine the intent of the changes.
e) Potentially see job losses in the NZ economy due to carriers downsizing or being force out of the NZ market.
f) DHL Express also sees investigations and enforcement activities should be categorised as core public services and not funded under proposed consignment based charging.

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Our submission is therefore focused on the relative benefits of continuing to charge on a per document basis for LVGs (the "Status Quo") (subject to adjustments to ensure that such arrangements are financially sustainable and competitively neutral), rather than moving to charging on a per consignment basis, which we understand is the Border Agencies' preferred option, and would include imposing new charges of $3.57 per consignment for imports, and $3.50 per consignment for exports ("Consignment Charge").

2. Impact on Low Value Imports

For imports, the Border Agencies are proposing to transition from a "per-document" model for charging cargo fees to a "per-consignment" model. A $3.57 per consignment would be imposed on the carrier. Given that the average number of consignments on any given document across the industry is 500, the average fee for an ICR would increase from $123 to $1785. This is an increase of **over 1350%** for inbound fees.

Carriers cannot charge this fee to the overseas shipper because only freight fees are paid at point of export, and over 99% of LVGs are shipped under DAP incoterms meaning the importer must pay for the freight regulatory fee.

As carriers would be hard pressed to absorb these fees the inbound goods would need to be warehoused whilst reimbursement is sought.

a) This would create additional costs and delays, increasing the cost of living for New Zealand families and businesses.
b) Whilst the cost per parcel from the Border Agencies proposed charging would be only $3.57 for imports there would need to be significantly more additional fees added to recoup the cost of new warehousing, engagement and destruction costs of the invariably unclaimed goods.
c) This is the exact outcome that the Government was trying to avoid when determining not to collect fees, duties and GST on low value goods at the NZ border in 2019. Some imports would become uneconomic, decreasing choice for New Zealand consumers.

3. Barrier to Exports

The Border Agencies have proposed a similar change in fee structure for exports by air. However, high value exports (over $1,000) will be charged (indicatively) $3.70, and low value $3.50. It does not make sense to have a similar fee of $3.50 for both high value and low value consignments because a high value consignment is likely to contain more items than a low value. It also does not make sense because an OCR with 500 low value consignments, it will have a fee increase from $67 to $1750 when there is little or no intervention.

Also having a similar low value fee for imports and exports does not make sense, the Customs component of the ICR fee is $2.43 and the OCR fee is $3.50. As shown in the consultation document there is very little examination or investigation and compliance costs in this area but the fee is higher. Therefore we ask for the ABC model that NZ Customs/MPI have undertaken undergoes an in-depth independent assessment to ensure the correct costings have been assessed for each activity.

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Carriers would be left to pass the proposed fees onto NZ Exporters. Whilst passing this cost to exporters is relatively straightforward it would act as a significant cost and trade barrier to New Zealand exports, particularly impactful on New Zealand SME's. New Zealand business would be made to pay more to do business overseas, which they would struggle to pass on to overseas consumers in a competitive global marketplace. This goes against international best practice and would make a mockery of the Government's desire for New Zealand to be seen as "open for business". For example: some NZ ecommerce customers export over 10,000 consignments per month, they will be paying additional fee in excess of 35k per month.

In these circumstances, in order to continue to operate a viable business, some New Zealand exporters will face the prospect of needing to either:

a) Decrease their export margin, which is unlikely to be feasible given exporters of LVGs typically operate under a low margin, high volume business model; or
b) Attempt to pass on these costs to customers and risk losing them to overseas competitors that do not face the same export customs charges and can therefore offer more attractive pricing.

In either case, there is a material risk that some New Zealand exporters would no longer be in a position to operate a financially sustainable business if a Consignment Charge were to be imposed.

4. Competitor Neutrality

NZ Post's mail services also operate as a de facto express package delivery company. That is because a significant portion of NZ Post's mail volume relates to online, business-to-consumer, and business-to-business purchases that fall outside of the scope of what would traditionally be considered "mail" services.

This is particularly prevalent in the case of ecommerce deliveries, where most packages should (based on the characteristics of typical ecommerce packages) be directed through the international freight pathway, but instead are processed by NZ Post through the UPU channel as mail. As referenced on the UPU website it has stated that 80% of e-commerce today weigh under 2kg and are processed in the letter-post stream through the UPU channel. This issue is exacerbated by the fact that NZ Post is unable to process packages through the trade single window ("TSW") to provide detailed package profiling information. Specifically:

a) private carriers currently provide the Border Agencies with advanced manifest data (through TSW) prior to flight arrival for risk assessment, profiling and to build intelligence which results in 98.8% of all imports being precleared without intervention. The Border Agencies charge private carriers on a per manifest basis (not at a consignment level) to fund the operation of the TSW system;
b) NZ Post provide little or no manifest data and pay no fees in respect of the TSW nor contribute to the development of these data resources. For example, we understand that NZ Post have 100% manual screening and inspection, which is more labour intensive, costly and does not allow the Border Agencies to profile, risk assess, build intelligence or store and maintain data; and
c) The lack of manifest data from NZ Post makes it relatively more difficult for the Border Agencies to investigate seizures made at the New Zealand border. Given NZ Post is a key contributor to these inefficiencies, the resulting costs should be shared by NZ Post - rather than being imposed solely

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on private carriers, which burdens them with a disproportionate share of the costs for the provision of data (and operation of the TSW) that is used for public good.

The ability of private service providers to continue to compete with NZ Post would be materially impacted, given they are unlikely to be able to match NZ Post on price. This could lead to a lessening of competition in the market for express package delivery services, with New Zealand consumers potentially facing higher prices and/or lower quality services as a result.

If the consignment level charging was to be introduced then NZ Post must be charged at exactly the same rate and this charge only to be introduced once NZ Post could provide consignment level data for consignments that travel through the UPU channel of NZ Post(not at the kg rate as proposed). This will create fairness across the industry.

5. Forcing carriers out of the market

Increased costs to exporters and importers using carriers would create a market imbalance between New Zealand Post and carriers. The result would be that customers would increasingly use New Zealand Post.

As the volume of shipments decline, there will be fewer shipments to handle, leading to potential job losses across the sector, including drivers, warehouse staff, and other support staff. These roles are critical sources of employment in many regions across the country.

DHL Express believes some industry players will not have the ability to pass the low value good imports fees onto the shipper or the receiver. Due to the significant size of the fees, they will be impossible to absorb these fees onto their business, therefore some industry players will exit the NZ market. This will lessen competition and impact the facilitation of global trade into NZ.

6. Investigations and Enforcement Activities should be Categorised as Core Public Services

We submit that the Border Agencies' Customs' investigations and enforcement activities should be categorised as core public services and funded by the Crown itself and not cost recovered at a consignment level. It would be inconsistent, and contrary to the principles of fairness and equity, to recover some enforcement costs from individuals or a group that did not create the need for them while other enforcement activities continue to be funded by the Crown. There is no rational basis to treat these activities differently to other enforcement activities (prosecutions, fines and penalties) that will continue to be appropriately funded by the Crown on the basis that it is "contrary to natural justice to recover from individuals or the group. Not all tax payers generate the need for enforcement activity.

Investigation and enforcement activities take place to apprehend and deter criminal activity, which is fundamentally a public good. It is not about facilitating efficient goods clearance at the border. The private delivery industry should not wear the costs associated with the administration of the criminal justice system.

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7. Alternative Proposal

To avoid the detrimental impact of a Consignment Charge, we recommend that the Border Agencies continue to charge on a per document basis under the Status Quo, provided that:

a) Such charges should be tiered based on the number of consignments per document, with the fees applicable to each tier to be set at a level which ensures the Border Agencies can operate in a financially sustainable manner;
   Eg. the tiers could be set as $100 for any document with 0-100 consignments, $150 for 101-200 consignments, $200 for 201-300 consignments, and so on.
b) Inspections should be charged through an activity-based fee per consignment to ensure that inspection costs are funded on an equitable basis.

8. Conclusion

DHL Express does not support a Consignment Charge. Instead, we recommend that the Border Agencies continue to charge on a per document basis under the Status Quo. This approach would enable the Border Agencies to achieve their primary objective of ensuring the financial sustainability of their goods management services, while avoiding the risk of introducing unnecessary costs and inefficiencies that would undermine the purpose of the cost recovery model.

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From: [redacted]
To: Consulting on fees and levies
Cc: [redacted]
Subject: Customs & MPI Goods Management Fees Review - Submissions
Date: Thursday, 31 October 2024 18:23:32

To Whomsoever It Does Concern

On behalf of MUR Shipping DMC Co – Associate Member of Shipping New Zealand – our submission is AGAINST the imposition of NZD 6,268, intended for commencent July 2025

The new levy represents a drastic increase, without any specifics and transparency, as to how the new amount (NZD 6,268) has been derived.

Reasons for standing opposed to the imposition:
1/ The increase does not seem warranted, as there is no commensurate increase in the level of service nor productivity, at any NZ port

2/ The onerous directive for having a ship's hull inspected and cleaned prior entering NZ waters is being complied with however, the escalating cost to effect such inspection/cleaning is exorbitant. Regardless, responsible Ship Owners see merit in maintaining conformity with New Zealand Maritime regulations and should not now have to suffer further absorption of tariffs.

3/ The upsurge in outgoings resulting from the NZD 6,268 levy will ultimately be detrimental to NZ importers/exporters, as Owners then look to offset such tariff through increased freight rates that serve to encumber an already fiscally over-burdened industry. The flow through down the logistics chain will be further taxing to end-users and removes any competitive advantage for New Zealand.

4/ Risk of a reduction in trade with New Zealand can impact the nation's balance of trade and long term, become far more detrimental to national revenue.

5/ Shipping Lines are already under immense pressure, without having to endure further financial hardship. Commercial damage does raises questions of economic viability in sustaining trading with the country.

In closing, a harsh direct enforcement of excise levies seems imprudent with trading partners (Shipping Lines / Ship Owners), as the latter actually offer beneficial outcomes to an island nation like New Zealand. A more consultative (collaborative) approach with partners and stake holders will reflect fair play and visibility by way of two-way discussion and flow of ideas. This will not distill incentive to continue commercial enterprise in the region.

Kind Regards

[redacted]

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[redacted]

1 November 2024

Consultation: Recovering the Costs of Goods Management at the Border

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FREIGHT & TRADE ALLIANCE
E-Commerce Reference Group – ECRG

Recovering the Costs of Goods Management

Freight & Trade Alliance (FTA) would like to extend appreciation to the New Zealand Customs Service and the Ministry for Primary Industries for engaging directly with our E-Commerce Reference Group (ECRG) representatives in an online meeting on Friday 25 October 2025.

This engagement complimented the comprehensive publicly available materials and has assisted FTA in providing the following commentary in response to the specific questions on low value imports (under NZD$1,000) as outlined in the 'Recovering the Costs of Goods Management' consultation paper:

- While justification for the proposed model is on 'Activity Based Costing', FTA is of the view that any charging regime should be commensurate with the specific risk generated by importing parties.
- The quantum of both the proposed import and export charges is exorbitant.

Low value import (air)	NA	3.57	↑
International transhipment (air)	NA	3.57	↑
Low value import (sea)	NA	9.11	↑

- By way of an international benchmark, the Australian Border Force does not charge any cost recovery on low value goods. The Department of Agriculture, Fisheries and Forestry charges 36 cents on low value goods (per consignment across both air and sea).
- This impost of the New Zealand model will generate significant costs for cargo reporters with these likely to cascade down the supply chain to cover associated administration of the regime. This will add to inflationary pressures ultimately borne by consumers.

Low value export (air)	NA	3.50	↑
Low value export (sea)	NA	5.69	↑

- It is unclear why low value exports by mail is exempt a cost recovery charge. This provides a competitive imbalance against commercial operators.
- By way of an international benchmark, regardless of the mode of transport, neither the Australian Border Force or Department of Agriculture, Fisheries and Forestry charge on low value exports.
- The proposed export low value charge is another financial impost on New Zealand small to medium size businesses, impacting the commercial viability of reaching international markets via e-commerce marketplaces.

- Rather than a ‘one size fits all’ model as proposed, highly compliant importers, exporters and service providers should be incentivised with a differential (lower) cost recovery impost.
- Until an environment exists whereby charging is administered on a risk and resource utilisation basis, low value goods imported and exported by mail should attract at least the same cost recovery rate as the low value by air.

FTA looks forward to ongoing engagement with the New Zealand Customs Service and the Ministry for Primary Industries in the implementation of the proposed cost recovery arrangements and ongoing reform of statutory reporting to better address risk and facilitation of e-commerce trade.

In the interim, we request FTA representation on the formal industry consultative forum to be established to provide transparency on cost recovery results and to make a positive contribution via this forum to ongoing reform.

Please feel free to contact me direct on S9(2)(a) [redacted]

S9(2)(a) [redacted]

Consulting on fees and levies

From: [redacted]
Sent: Monday, 4 November 2024 11:07
To: Consulting on fees and levies
Subject: Export consignment fees

Categories: [redacted]

Dear Sir/ Madam,

I think that the taxpayer funding should continue.
As a low value exporter of goods in a very price sensitive market it would devastate our international sales.
During covid it was the only sales chanel we had left and it carried my business.
We were able to retain all our staff and recover ver quickly

Kind Regards

[redacted]

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Submission

Public Consultation: Recovering the Costs of Goods Management Activities at the Border

07 November 2024

Fonterra Co-operative Group Ltd

Fonterra Co-operative Group Limited (Fonterra) appreciates the opportunity to work collaboratively with the New Zealand Customs Service and the Ministry for Primary Industries in support of the New Zealand dairy industry and to protect and build on New Zealand's reputation as a world class producer of safe food.

We are proudly owned thousands of New Zealand farmers and their families. We set out every day to ensure New Zealand farmers, the New Zealand economy and every New Zealander gains the greatest benefit from the New Zealand Dairy Industry.

We share the goodness of dairy nutrition with the world through our brands, and our farming and processing operations across four continents. We're the world's largest dairy exporter and proudly share our products in around 130 countries and with one billion people every day. Our portfolio of well-known brands includes Anchor, Anmum, Anlene, NZMP and Farm Source. Made using trusted processes and the highest quality natural dairy, our brands are loved by consumers in New Zealand, and around the world.

General Comments

1. Fonterra is a member of the Customs Brokers and Freight Forwarders Federation of NZ (CBAFF) and as such have taken part in the development of the CBAFF submission. We endorse the CBAFF submission.

2. **Transition:** this needs to be provided with adequate period of time for financial budgeting CBAFF have asked for 12-24 months which will be sufficient from our perspective also.

3. **Cost impact:** We acknowledge that the fees have not been reviewed for some time and that increases are inevitable to ensure we have robust system to protect NZ borders and adequate funding to ensure it is well implemented. There will be significant direct cost impact to our dairy exports and ingredient imports S92(b)(ii) [redacted] and we will see further indirect cost impact via our freight companies and freight forwarders after implementation when contracts are due for renewal.

4. **Secure Export Scheme (SES):** Where companies such as Fonterra are part of the NZ Customs SES there is a higher level of trust in the company's security procedures. Whilst this is a NZ programme, it is also an Authorized Economic Operator (AEO) programme where they promise Mutual Recognition Arrangement /Agreement (MRA) partners that their goods should have minimal interaction upon import into NZ. This should be reflected by having a lower fee for SES members and the same or more favourable increase or decrease in fees. This is not seen when comparing SES exports against High Value Exports as shown in the table below.

	% Increase or decrease
SES Export (air)	43.3 Decrease
High Value Export (air)	48.6 Decrease
SES Export (sea)	48.3 Increase
High Value Export (sea)	34.2 Increase

5. **Core Activity**: Before any new activity is undertaken and cost recovery considered, there must be policy direction and assessment that the activity is supported by government as a core function. In 2020/2021 when COVID19 impacted our borders the *Assurance Program* was developed and implemented, which would have had the effect of keeping border management staff utilised and employed. This meant that low risk businesses or low risk activities which didn't require oversight were being scrutinised which was not proportionate with risk.

   Fonterra supports a risk based approach when it comes to border agency activities in attempting to stop any dangers, hazards and threats entering New Zealand. However, activities such as Customs' *Assurance Program* moves away from risk-based activity towards random compliance checks.

   Movement of imported & exported goods is and will remain a core function of both Customs and MPI. Goods that require a formal clearance because of Duty, GST or any other reason requiring a formal clearance is covered under the Import & Export Transaction fee. This fee is to cover the costs of the associated duties related to the goods importation or exportation,

   These fees are used to cover the costs associated with goods that sit outside of the scope of an import or export transaction fee. Whilst businesses will form some level of the overall percentage of the volume of these consignments, the majority will be consumers who (for imports) will be paying GST on the purchase of these products. Therefore, it would be fair to keep these costs funded by the New Zealand taxpayer.

   Activities that sit outside of a risk-based approach should be endorsed by government and funded by the taxpayer unless industry create a level of risk which warrants additional activity.

6. **Public Good Consideration:** Preventative activities should not depend exclusively on business fees. For fairness and equity and reflection the multiple benefit owners this should be funded through both the crown and business levies. Criminals have caused the need for the preventative activity rather than legal movements of goods and vessels across the border. Response activities should be fully crown funded and recovered from the perpetrators of illicit trade. We note a great example has been provided by ExportNZ in their submission, which we have copied below;

   > *An analogous situation is where road freight businesses are not expected to pay the full cost of the work of New Zealand Police work to prevent crime where trucks are simply the vector. The road freight businesses contribute to policing costs, but they do not bear the full cost. Other actors, namely criminals, are responsible, and taxpayers in general bear the cost for the provision of a public good.*
   > *We do, however, support the principle that there should be no cross-subsidy according to transport mode, or according to exporting and importing.*

If there are any queries relating to this submission, please contact S9(2)(a) [redacted]

Yours faithfully

S9(2)(a) [redacted]

[redacted] that the contact details and signatures of the Fonterra representatives referred to in Fonterra's submission letter and/or cover email should not be included, and/or be redacted, if a copy of Fonterra's submission, or extracts of that submission, are requested by any third party and provided by MPI in accordance with its submission review process.

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T S9(2)(a) [redacted]
E [redacted]

7 November 2024

Consultation: Recovering the Costs of Goods Management at the Border
New Zealand Customs Service
PO Box 2218
Wellington 6140

By Email: consultingonfeesandlevies@customs.govt.nz

NON-CONFIDENTIAL VERSION (<u>FOR PUBLIC DISCLOSURE</u>)

Recovering the Costs of Goods Management Activities at the Border

New Zealand Post ("NZ Post") welcomes the opportunity to provide its feedback to the NZ Customs and MPI joint consultation on Recovering the Costs of Goods Management Activities at the Border.

Please find below our submission.

If you have any questions regarding our submission, please do not hesitate to contact me.

Yours sincerely,

S9(2)(a) [redacted]

New Zealand Post Group

Volume projections for goods clearance fees and levies:

1. *Do you think these forecasts are reasonable?*

General economic outlook

NZ Post notes that trading conditions for many businesses across New Zealand and worldwide are proving extremely difficult due to the very challenging economic environment at present.

The short-term trading outlook for NZ Post is also challenging, [redacted].

We anticipate this weaker demand, particularly for domestic and international mail that carries goods, and the economic slowdown are likely to be persistent for the remainder of the 2024/25 financial year and possibly beyond until the state of the domestic and global economies improve.

Low value international mail – UPU postal imports

[redacted].

[redacted].

In Table 2, the fee category "*Low value mail imports*" represents incoming UPU mail carried by NZ Post in fulfilment of New Zealand's UPU treaty obligations, consisting of letters, packets and parcels for the conveyance of documentation and physical goods. In terms of weight, the actual and forecasted financial year kilogram amounts shown are static over the five-year period. [redacted].

It should be noted that the indicative weight figure of 7,790,650 kgs in Table 2 is the gross weight of inbound UPU mail for the calendar year 2023 and includes the weight of receptacles or containers that are used to transport the mail into New Zealand, such as bags, trays, ULDs and air cans. The weight figure also includes the weight of all UPU mail item content including non-physical goods (e.g., postcards, letters, magazines), low-value goods, high-value goods with a Customs value over $1,000, and dutiable items such as tobacco and alcohol.

Overall inbound UPU import mail volume on an item level basis has been historically trending downwards and we anticipate that this negative trend will continue in the short term.

Although not shown in Table 2, in line with the ongoing structural decline in the use of letter mail domestically and internationally, the volume and weight of letters carried by UPU mail (inbound and outbound) is rapidly declining year-on-year.

Low value mail – UPU postal exports

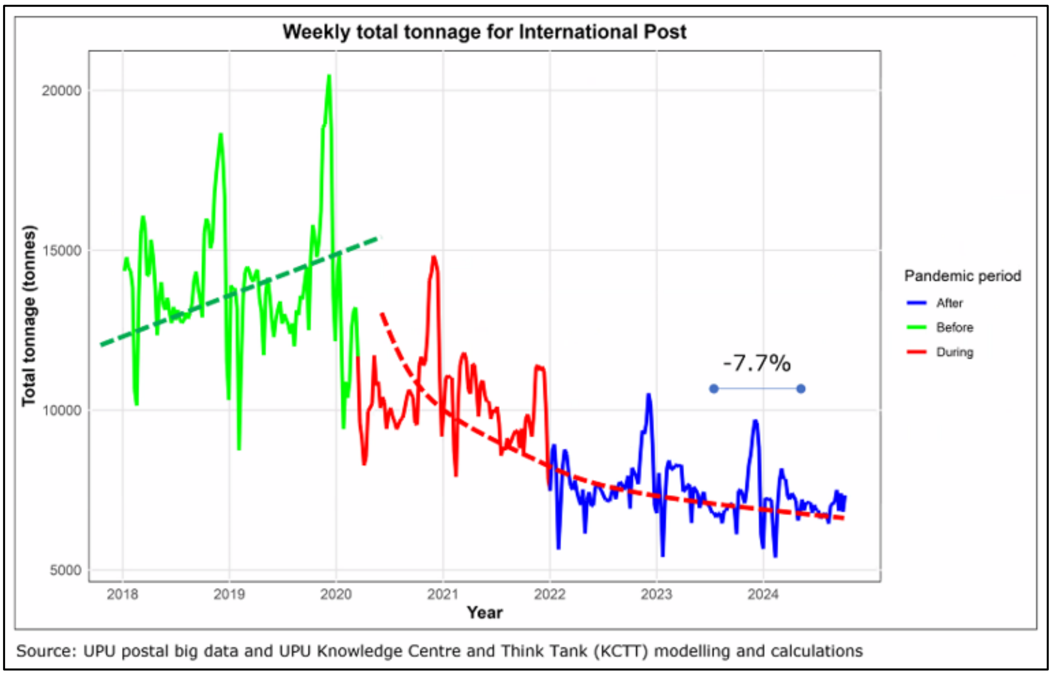
Table 2 does not provide forecast export volume for outbound UPU international mail.

[redacted].

Outbound UPU mail consists of goods and letters sent by businesses and consumers to overseas destinations where the mail is handled and delivered offshore by destination UPU postal operators. In New Zealand, the acceptance of this outbound mail is facilitated, in part, by the minimum presence of

240 retail postal outlets that only NZ Post is obliged to provide as part of NZ Post's universal postal service obligations on behalf of the New Zealand Government.

On a worldwide level, the chart below depicts the ongoing decline across UPU international mail with no clear signs of recovery of global international postal traffic yet after the COVID-19 pandemic. Weekly total tonnage has declined -48.3 percent from Jan-Oct 2019 to Jan-Oct 2024 and shown ongoing year-on-year deterioration of -7.7 percent.



Commercial mail imports and exports

Customs' forecasted volumes for commercial mail channels seem reasonable [redacted]. However, projecting volumes remains challenging due to the unpredictability of the e-commerce market and other economic variables.

If fees are reset without any change to the fees structure:

2. What impact would the fee increases in the above tables have on you or your business?

The proposed increases and decreases to Customs' fees under its Base Package proposal would raise the overall amount of cost recovery fee revenue that NZ Post would need to collect from its import and export commercial customers and remit to Customs.

There would be no direct impact on NZ Post as we can cost recover Customs' fees by passing the various fee cost changes to our overseas and domestic customers, noting however, that the proposed increases in costs may result in reduced demand for cross border sending.

3. What implementation issues would the changes raise for your business and what lead time would you need to manage these?

NZ Post does not envisage any significant implementation issues related to Customs' proposed changes to existing fees' levels. NZ Post has established systems for recovering costs from its commercial customer base, minimizing the implementation impact on our business. However, NZ Post is required to give formal advance notice to most of its customers and needs time to prepare for notifications. We would need a minimum of six months lead time to manage implementation.

4. Is there anything else you would like to tell us about the likely impacts of these fee changes?

NZ Post supports maintaining the existing fee structure. Customs could also investigate introducing an activity-based charging system for Customs, similar to MPI's approach. This model could potentially allow Customs to recover more costs fairly and would require minimal changes for our business compared to other proposed options.

However, implementing activity-based charging would require significant changes to our billing and clearance software, necessitating a lead time of at least 12 to 18 months.

For low value consignments:

5. Do you agree that setting the fee for the submission of a cargo report for clearance of low value goods based on the number of consignments listed on it would be fairer than continuing to charge a flat per document fee, irrespective of the number of consignments on it? If you don't agree can you tell us why?

Refer to our response to Question 6 below.

6. What impact would setting fees per consignment likely have on your business?

NZ Post considers that transitioning to consignment-based charging would be extremely disruptive and expensive. It would require a complete overhaul of our business model, including new billing systems and additional warehousing. If the fee is charged to the broker deferred account, it poses a significant financial risk due to the likelihood of unpaid charges, and potentially a material cash flow impact due to the timing between NZ Post incurring Customs/MPI fees and then receiving billing revenue from our customers.

The proposed change would likely adversely impact inbound volumes for e-commerce, leading to higher shipping costs that would most likely discourage online purchasing. The per-item charge could make low-value parcels commercially unviable. Some overseas suppliers/customers may not be able to absorb the proposed pricing levels [redacted].

The proposed option poses a considerable risk to NZ Post's commercial air/sea fast freight business model and financial stability. At this stage, we have not undertaken any analysis to quantify the potential impact and costs.

NZ Post also has concerns around the unintended consequences that could develop from introducing per-consignment charging combined with higher partial/full cost recovery fee levels, and the potential impacts on New Zealand's import and export markets, such as materially changing the behaviour of, and incentivising, businesses/customers to seek out more cost-effective e-commerce logistic and fulfilment solutions offshore.

7. What implementation issues would the changes raise for your business? What changes would you need to make to your business processes? How much time would you need to manage these changes?

Consignment-based charging would require significant changes for both NZ Post and our customers, including:

For NZ Post:

- Upgrading clearance and billing systems to facilitate per-consignment charges. These changes would be significant and the costs to facilitate this would be very high.
- Increasing the broker deferred account limit considerably if charged there.

For customers:

- Implementing IT changes to collect charges from importers/exporters.
- Overhauling processes and delivery options in New Zealand, particularly for customers offering free delivery.

These changes would require at least 18 to 24 months lead time to implement.

Furthermore, given the potential economic impact on e-commerce, NZ Post does not support an immediate move to the proposed (indicative) new rates per consignment immediately, if implemented. It would be essential that the path to partial cost recovery is gradually phased in over at least three years to soften the potential impacts across the industry.

8. Do you agree a per consignment charge, payable when a document seeks clearance of a large number of low value consignments, should not be capped?

NZ Post considers that consignment-based charging should be capped at an appropriate level and/or phased in to limit the likely business impacts.

9. If you favour a cap on these charges, where do you think the costs not recovered from the submitter because of the cap should come from?

It would be appropriate for the non-recovered costs to be Crown funded as currently is the case.

For low value imports and exports:

10. Do you think any of the options above, or any other option, would be fairer than either the status quo or consignment-based fees? If yes, please tell us why you think they would be fairer and feasible to implement.

NZ Post notes that the alternative options in the consultation document have been largely discounted by Customs and MPI as infeasible.

As noted above in our response to Question 4 above, NZ Post support maintaining the status quo fee structure (with increased fee levels) as it requires minimal changes to existing systems. Another option for consideration could include introducing an activity-based charging structure for Customs inspections, similar to MPI, with a minimum lead time of at least 12 to 18 months.

For high value consignments:

11. Do you think high value consignments should pay the same fee, irrespective of whether they are carried by air freight or by sea freight, or do you think there should be different fees, reflecting the different costs incurred in clearing air and sea consignments?

NZ Post considers that the current high value goods fee structure should be changed as proposed to better reflect the different levels of work undertaken by Customs for each mode of transport.

12. What are the reasons for your answer?

Refer to our response to Question 11 above.

13. What impact would moving to separate fees for high value consignments for sea and air freight have on your business?

There would be no direct impact on NZ Post given these costs would be onforwarded to either the importer of record or the sender, depending on air and sea freight Incoterms (International Commercial Terms).

14. What implementation issues would the changes raise for your business? What lead time would you need to manage these?

NZ Post considers that communicating changes to key customers and making system adjustments would require a minimum lead time of 6 to 12 months.

For the OCTF-OCR fee:

15. Do you think removal of the OCTF-OCR, and spreading the costs it currently recovers through other export-related fees, is appropriate?

NZ Post considers that removing the Outward Cargo Transaction Fee – Outward Cargo Report (OCTF-OCR) would not be appropriate and that the current OCTF-OCR fee structure should be maintained.

16. What are the reasons for your answer?

Spreading the cost collected by the current fee across other export charges would result in system and software upgrade requirements and associated changes for our customer base.

17. What impact would removing the OCTF-OCR likely have on your business?

At this stage, we have not undertaken any analysis to quantify the potential impacts and costs of removing the OCTF-OCR.

Costs incurred in managing risks associated with commercial vessels:

Questions 18 to 26

NZ Post has no specific comments.

Costs incurred managing risks associated with transhipped goods, transit goods and empty shipping containers:

Questions 27 to 32

NZ Post has no specific comments.

Low value goods carried by air freight:

33. Do you think it would be fairer for Customs and MPI's costs of clearing these goods to be fully recovered from the importers and exporters or do you think taxpayer funding should continue? If you think ongoing funding from the Crown is appropriate, why do you think this?

NZ Post considers it is vital that any move to full cost recovery is gradually introduced and phased in over five years to dampen the economic impact on the industry and wider economy.

34. If the costs of clearing these goods were fully cost recovered from importers and exporters, what effect would this have on you or your business?

Refer to our responses to Questions 6 to 9 above.

35. If your business involves carrying low value goods consignments for other senders, including submitting documents to clear those consignments, how do you incorporate changes in costs in your pricing? Would you face any constraints in moving from document-based to consignment-based charging?

No comment.

36. What implementation issues would the above changes raise for your business. What lead time would you need to manage these?

Refer to our response to Question 7 above.

37. If you are a business exporting low value goods by air freight, how price sensitive are the markets you sell into? What would the impact of a per consignment export charge indicated have on your competitive position? How might you respond to the introduction of such a charge?

No comment.

38. If the withdrawal of Crown funding was phased, how long should any phasing-in transition last. Why do you think this would be fair and appropriate?

As noted above, NZ Post considers that any move to full cost recovery should be phased in over a minimum five-year period (with semi-regular reviews of costs and rate levels).

39. Do you consider that that the accumulated deficit related to low value air exports should be recovered over one levy period (i.e., three years) or over two levy periods, and why?

NZ Post considers that the accumulated deficit should be written off by the Government. It seems unfair that future generations of fee payers should be subsidising the historical transactions of previous importers and exporters by paying much higher fees than they should.

Questions 40 and 41

No comment.

Low value goods carried by international mail:

42. Do you think it would be fairer for Customs and MPI's costs of clearing these goods to be fully recovered from the importers and exporters or do you think the taxpayer should still meet this cost?

In principle, NZ Post considers that full cost recovery directly retrieved from importers and exporters is appropriate but only when the cost recovery mechanism is feasible, equitable, cost effective and efficient, and fully compatible with the Government's cost recovery principles.

We note that the border agencies have always partially or fully cost recovered against high and low value goods carried in the international mail stream in some form or another directly from importers using Universal Postal Union (UPU) mail. Until recently, before the implementation of the Inland Revenue's offshore GST collection model on 1 December 2019 for low value imported goods valued at $1,000 or less, Customs and MPI had the ability to partially cost recover on low value goods carried by incoming UPU mail subject to a $400 de minimis threshold. Inland Revenue's GST collection removed a key source of funding recovered from importers for Customs and MPI, but it now generates significant annual revenue for the Crown (circa. $160 million per year, based on Inland Revenue estimates of quarterly GST returns, up to March 2023). This annual tax revenue gain could be directed towards supporting Customs and MPI's Crown funding while other cost recovery options remain infeasible.

Crown funding is still suitable when there is no feasible cost recovery alternative or in cases where there is a public good or treaty/regulatory obligation associated with a Government provided service. The border clearance management and the international exchange and delivery of UPU postal product fulfilled by NZ Post, Customs and MPI is a feature of the New Zealand Government being a signatory of an international UPU treaty which comes with universal postal service obligations to accept and deliver international UPU mail. Where appropriate, the Government should bear the cost of its decision to be part of the UPU and accept all the border control functions and commitments, costs, and obligations linked to this.

Critically, we note that given New Zealand's treaty obligations and membership of the UPU, NZ Post has no control over the sending of international mail. We, on New Zealand's behalf, must accept all inbound UPU international mail with no control over, or connection with, the senders.

43. What is the reason for your answer?

Refer to our response to Question 42 above.

44. If you are a business sending or receiving goods through the mail, why do you use international mail instead of a fast freight service?

From a global universal postal service perspective, the New Zealand Government has been party to the UPU Treaty since 1 October 1907. Membership of the UPU provides New Zealand businesses and consumers with guaranteed access to a global postal network of 191 other countries around the world to receive and send international mail.

It is also important for New Zealand's international standing and influence, noting that the UPU is a specialised agency of the United Nations and a critical component of international communication and development.

45. If the costs of clearing goods in the mail steam were to be fully recovered, based on the indicative per item rates above, what impact would this have on you or your business?

Proposed inbound international mail carrier charge

NZ Post supports the preferred option to implement a carrier charge as an alternative to Crown funding.

As a recipient of incoming international mail after UPU mail items have been cleared at the border by Customs and MPI and released to NZ Post for onward domestic delivery, the proposed carrier charge, whether fully or partially cost recovering, should have no direct expenditure impact on NZ Post. There may be some indirect impact on the extent of sending.

Proposed outbound international mail NZ Post service charge

With respect to the option for outbound international mail that would impose a Customs'-only service charge on NZ Post on behalf of exporters (as set out in paragraph 140), NZ Post does not feel this option is feasible or appropriate. Crown funding should be maintained.

There is no equitable or cost-efficient mechanism for NZ Post to cost recover a Customs' service charge from New Zealand senders (exporters) or receivers (importers) of New Zealand outbound international mail.

This mail is sent subject to New Zealand's international treaty obligations and involvement in the UPU. It is not appropriate for NZ Post, who delivers it in order for the New Zealand Government to meet its obligations, to incur the clearance costs associated with this UPU mail.

It would be cost ineffective and inefficient to set up a system to hold outbound UPU mail at our international facility, invoice senders in New Zealand or overseas, and recover payments that NZ Post would be liable for. Outbound mail items would have to be held in storage until payments are received which would then delay the outbound delivery of goods. In addition to the specific cost of Customs' fees charged to each item, NZ Post would also have to consider charging senders an additional administration fee for handling and processing.

The value of exported goods varies, therefore depending on the scale of Customs' fees in relation to the value of goods, and possibly an administration fee, the value of some export items could be below the total cost of fees. Regardless, as Customs has noted, its current costs of processing outwards mail "*are very small*", so any new systems or methods of cost recovery are likely to be unreasonably complex and costly for the very low amounts involved.

NZ Post could then see items abandoned by senders resulting in NZ Post incurring the write off cost of Customs' fees, as well as destruction costs as it would be cost ineffective to attempt bad debt recovery procedures and/or return goods to senders. It was for similar reasons that Customs previously applied a $400 de minimis threshold to cost recovery on low value imported goods.

We note there is no detail on this proposal in the consultation paper, and Customs has not provided NZ Post with any detail to provide informed feedback, so we cannot form a robust view on whether it would be cost effective and practical to cost recover from senders, the likely fiscal impact on NZ Post, and the increased cost of sending mail overseas. Accordingly, and given the "*very small*" associated costs, we assume this is unlikely to be considered a viable option at this stage.

In summary, NZ Post considers that the option would be inequitable if implemented creating cost recovery distortions inconsistent with the Government's cost recovery principles. We recommend that Crown funding is maintained for the time being, and that Customs either continues with Crown funding in the longer term or otherwise investigates how it could recover its costs related to outbound UPU mail more efficiently directly from senders.

46. If the costs of clearing these goods were fully cost recovered from importers and exporters, do you think interim taxpayer funding should continue to phase this change in. If you think so, why?

In respect of the proposed carrier charge for inbound UPU mail, NZ Post strongly considers that any transition to full cost recovery from carriers should be gradually phased in over time to minimise the financial impact of moving to full cost recovery straight away from any implementation date. Crown funding would be required in the interim.

Trading conditions are extremely challenging and moving to full cost recovery quickly would result in a price and demand shock if all costs were to be fully passed onto carriers immediately.

The phased cost recovery transition should also commence after appropriate lead time has finished.

NZ Post notes that all of the UPU international mail cost recovery options in the consultation document – inbound carrier charge and outbound and inbound NZ Post service charges – only consider a move to full cost recovery, while the options proposed for inbound and outbound commercial mail range from partial, to phased, to immediate full cost recovery.

NZ Post would strongly disagree with any Government decision where UPU international mail was moved to being fully cost recovered while commercial mail cost recovery remained partially cost recovered. Cost recovery for both international UPU mail and commercial mail must be implemented on a level playing field otherwise UPU mail would be placed at a considerable competitive disadvantage to commercial fast freight items.

47. How long should any phasing or transition last? Why do you think this timeframe would be fair and appropriate?

For the proposed inbound carrier charge, following expiry of any lead time, NZ Post thinks the transition to full cost recovery should be gradually phased in over a five-year period.

New Zealand would be an outlier on the global stage to implement the carrier charge option so it is important that a reasonable length of time is given to reduce the impact on the international supply chain and senders that transport UPU mail into New Zealand.

48. Do you agree that, if mail items are valued over $1,000 and are subject to both the IETF and the per kilogram charge, the IETF should be reduced to avoid applying two charges?

It is not very clear what Customs and MPI are proposing to do when high value good imports could be subject to dual charging under two separate cost recovery regimes or how prevalent the problem would be.

Paragraph 136 implies that the carrier charge itself would be reduced by the equivalent amount of the Import Entry Transaction Fee (IETF) and the Biosecurity System Entry Levy (BSEL). Question 48 above then only considers the reduction of the IETF with no regard to the BSEL.

Foremost, NZ Post considers that 'double-dipping' should be completely avoided in the first place because it immediately creates inequitable outcomes, higher costs for affected parties, and is inconsistent with cost recovery principles.

49. What implementation issues would the above changes raise for your business? What lead time would you need to manage these?

As a receiving destination postal operator that accepts and delivers international inbound UPU mail in New Zealand, there would be no direct implementation issues or lead time requirements for NZ Post if the preferred option for Customs and MPI to charge carriers of inbound UPU mail was implemented.

We consider that there should be a 12-to-24-month lead time to provide a reasonable amount of time for affected parties across the end-to-end UPU postal supply chain to prepare and adjust their business processes to be ready.

50. Do you think the costs of low value goods carried via international mail should be treated separately to the costs of low value air freight? Do you think they should be combined so that the same charge applies to low value consignments whether carried by air freight or by mail?

NZ Post considers that the border agencies' costs, and their recovery, for low value goods carried in the international mail and freight should continue to be separated.

International UPU mail and fast freight mail operate under a very different operating models and governing rules, and with goods subjected to distinct border clearance processes. UPU mail is sent subject to New Zealand Government treaty obligations and membership of the UPU, as opposed to commercial channels.

We note that Customs has assessed that having the same charge for low value items carried in both air freight and through international mail would be "*both inconsistent with cost recovery principles and infeasible, and therefore discarded*."

51. Are there any options you feel would be fairer than a per kilogram charge for recovering costs of mail clearance by Customs and MPI?

A volumed based per item carrier charge would be preferable to the weight-based carrier charge currently proposed as this would allow for greater transparency, for example cost recovery charging can accurately target physical goods and would encourage clearer shipping rates and postage.

NZ Post's preferred fall-back option

If the Government determines that the proposed preferred option of a carrier charge is unfeasible, NZ Post's preferred and recommended option is that the Government seeks reform of the UPU inbound international mail remuneration system to allow Customs and biosecurity related border clearance charges to be fully incorporated into UPU international mail postage rates so that the costs are equitably incorporated into the postage paid for importing goods into New Zealand. The Ministry of Business, Innovation and Employment (MBIE) as the responsible government department for postal affairs would need to be involved to support the work and approve any proposals.

At the moment, essentially international mail postage is governed by UPU rules and therefore NZ Post (for example) is unable to adjust its inbound New Zealand domestic leg pricing to recover fees on behalf of Customs and MPI.

NZ Post receives revenue (remuneration) from the designated postal operators of UPU member countries for delivering their inbound international mail based on provisions determined according to rules established under the UPU Convention that apply globally to a network of 191 other member countries that cover approximately 220 overseas designated postal operators. The New Zealand Government is party to the UPU Convention, not NZ Post.

As part of NZ Post's continuing efforts to modify UPU remuneration to better reflect the cost of delivering mail and provide reasonable compensation, NZ Post could at the UPU multilateral level advocate on behalf of the Government, for further reform to the existing UPU remuneration system to formally permit the incorporation of the border agencies' customs and biosecurity clearance charges to pass these fully onto the appropriate users of the international UPU mail system.

To achieve this change at a multilateral level could take time. Pragmatically, reform at the UPU legislative level would be the subject of Congressional quadrennial cycle multilateral negotiations so it may be difficult to successfully seek change in the near to medium term.

It is important to note that New Zealand is predominantly a net importer of international UPU mail (approx. 70% inbound compared to 30% outbound volumes), so NZ Post would be at a negotiating disadvantage in terms of bargaining power, particularly in discussions with key exporting nations.

However, if such change was adopted by the UPU it is uncertain to NZ Post as to how many other UPU member countries would actually move to incorporate the costs of their own national customs authorities into UPU postage rates (and biosecurity costs too, though relatively few countries have such stringent biosecurity concerns as New Zealand). There is some risk though that key outbound mail destination countries for New Zealand exports would incorporate border clearance costs which in turn would make it more expensive for New Zealanders to send their mail and goods overseas via the UPU international mail pathway.

52. If the fall-back option of recovering the costs of clearing inwards mail through a service charge to NZ Post were to be implemented, what impacts would this have on you or your business, and do you consider that this would be fairer than the preferred option?

NZ Post strongly objects to the proposed fall-back option that would impose irrecuperable multi-million-dollar annual service charges on the UPU international mail inbound postal service.

This service is undertaken by NZ Post on behalf of the New Zealand Government to ensure affordable and comprehensive access to a global universal postal service for all New Zealanders to be able to enjoy the benefits of sending and receiving international postal mail containing items such as postcards, greeting cards, letters, and physical goods ordered online by Kiwis and businesses from overseas vendors, or sent as gifts.

Unlike commercial channels, NZ Post has no control over, or connection with, senders of international UPU mail. Rather, we carry this mail in order for the New Zealand Government to meet its international treaty obligations. It is not appropriate for NZ Post to incur the clearance costs associated with international – essential UN treaty – mail.

As noted above in relation to Question 51, there is no ability within the UPU rules to allow for NZ Post to set international inbound prices in a manner that takes account of border clearance costs.

In NZ Post's opinion, the fall-back option would not be fairer compared to the preferred proposed option of a carrier charge, and we do not agree with the unsubstantiated assessment of Customs and MPI that charging our business circa. $13 million (excluding GST) or more per year for costs not created by NZ Post, and that it is unable to recover, is credibly a "*feasible*" option.

NZ Post does not endorse this option and considers it infeasible and inequitable. Apart from the patently unfair and significant fiscal burden on NZ Post and incompatibility with the Government's cost recovery guidelines, it would only be shifting, and not changing, the cost recovery problem from central Government to a Crown-owned entity.

The option is also in direct conflict with the State-Owned Enterprises (SOE) Act 1986, which requires NZ Post to be as profitable and efficient as competitors and for the Crown to fund any non-commercial activities it wishes to be carried out by NZ Post. Clearance costs for UPU mail are by definition non-commercial, in particular because there's no mechanism within the UPU rules to recover the costs. This option would severely undermine the Government's expectation that NZ Post operates a financially sustainable business. NZ Post would need to seriously consider whether it could continue carrying UPU mail, without funding for the unrecoverable clearance component, on the Government's behalf.

If the preferred proposed option of a carrier charge is not implemented, NZ Post considers that the status quo of Crown funding should continue until an equitable cost recovery regime for inbound UPU international mail can be developed, which more than likely will need to be implemented by the Government at a UPU multilateral treaty level.

Business impact on NZ Post

Under the fall-back option for Customs and MPI to charge NZ Post a service charge for inbound UPU mail border screening costs, NZ Post has no UPU treaty legal recourse or cost-efficient means to directly cost recover from overseas senders, origin sending postal operators such as Australia Post or Royal Mail, or from the receivers (addressees/importers) of international inbound mail in New Zealand. These options are all prevented by UPU rules among other factors.

If agreed to and implemented by the Government, the combined cost of the Customs and MPI service charge – fully cost recovered and currently forecast to be on average approximately $13 million per year between FY26 and FY28 – would go straight to NZ Post's financial bottom line and would have a material and enduring fiscal and business impact on NZ Post.

The cost impost would represent a substantial additional operating expense for our business to manage, with particular relevance to increasing operating costs associated with New Zealand's incoming UPU mail stream. An irrecoverable cost of this magnitude would have a significant effect on the viability of NZ Post meeting New Zealand's UPU international obligations, negatively impact its ability to pay dividends and its wider enterprise value, undermine its ability to operate as a commercial enterprise as per the SOE Act, and ultimately lower NZ Post's credit ratings if the service charge is a key factor in sustained NZ Post Group level annual financial losses.

NZ Post has very little control over cost escalation in future years (as does Customs and MPI which would inflate the proposed service charge even higher), and while we are on a pathway to profitability that has been agreed with the Government, taking on the liability of the proposed service charge would seriously jeopardise that objective.

On inbound UPU mail, based on the costs identified by Customs and MPI, if the option to charge NZ Post was implemented it would reduce our profitability by $13 million (or more) on average per year for the next three financial years from FY26 to FY28 (based on Customs and MPI forecasts provided to NZ Post).

The indicative cost burden on NZ Post would also increase as Customs' and MPI's annual costs continue to increase and UPU mail volumes decline, as projected. As noted, NZ Post cannot recover this cost from any third party.

NZ Post has no feasible commercial options to respond to a service charge of such scale, while noting too that NZ Post is a commercial enterprise, competing with other courier and mail operators around New Zealand. Having to cross-subsidise massive UPU mail costs would severely undermine NZ Post's competitive position and place it at a serious disadvantage to private competitors.

Alternatively, NZ Post would need to seriously consider whether it could continue carrying UPU mail, without funding for the unrecoverable clearance component, on the Government's behalf.

Crown funding for the management of commercial vessels:

Questions 53 to 55

NZ Post has no specific comments to make on commercial vessel charging.

Monitoring, modelling and engagement on fees:

56. Do you support Customs moving to a regular cycle for reviewing and resetting its fees (we propose three-yearly)?

NZ Post welcomes the commercial certainty a routine periodic review and fee resetting cycle would give to our business and the wider industry, and to ensure cost recovery remains effective and efficient.

We feel that a regular three-yearly (triennial) review period would be reasonable for simple limited-scope pricing level reviews (i.e., existing fee levels are changed every three years for the next triennium business cycle period, e.g., over three financial years).

For more in-depth reviews investigating for example current fees, levies and charges and potential cost recovery arrangements, NZ Post considers that an appropriate review period would be at least every five years (quinquennial).

57. If Customs were to move to a regular review cycle for its fees, what do you think is an appropriate review period?

It would be helpful to know in more detail from Customs what it regards as being a "*review period*" and what reviews could encompass.

Cost recovery reviews can vary in scope from straightforward existing pricing fee level adjustment proposals to raise or rebalance revenue, to re-examining underlying cost recovery principles and Government policy rationale related to the funding framework, or complex and broader 'first principles' level funding model reviews evaluating potential new and multiple cost recovery structures or charging activities (or a combination thereof), and sometimes with the need for external independent expert advice and financial auditing of memorandum accounts and cost allocation methodology.

As above, we have suggested a range of review terms of at least three or five-year review periods depending on the level of change being contemplated.

If by "*review period*" Customs means the length of public consultation for fees' reviews, NZ Post recommends that consultation should run for a minimum of six weeks or longer depending on the scale and complexity of the proposed changes.

This is particularly pertinent to future Customs and MPI consultations given the wide range of fees, levies and charges under each portfolio and potential for a wide range of international cross border system participants and intergovernmental stakeholders that could be affected.

In our view, this consultation was not a simple straightforward pricing level review but a fundamental review of Customs' (and MPI's) funding framework. Compared to previous Customs and MPI public consultations and level of engagement, the review process, stakeholder engagement, and consultation period was fragmented, rushed and not transparent.

Also, the breadth and complexity of the consultation warranted a significantly longer public consultation period than eight weeks (and particularly noting that the consultation document was republished several times due to multiple errors noted by submitters). The republished consultation document still has factual errors.

This current consultation was also poorly timed in our view, coinciding with the start of NZ Post's and other industry participants' peak volume season. For future reviews, the review period and/or public consultation should ideally take place over the industry's quieter off-peak trading season, i.e., April to September.

Implementation of pricing level and structure changes should be timed for the start of the financial year (i.e., 1 July), with significant advance notice.

58. Do you think Customs and MPI should have regular engagement with key stakeholders on goods fees and levies? If you do, what form should this take?

NZ Post thinks it is imperative that Customs and MPI have regular engagement with key stakeholders when reviewing their fees, levies and charges. However, as well as being regular, stakeholder engagement should also be effective, meaningful, collaborative, transparent and genuine.

We are aware that Customs conducted pre-consultation with a range of key stakeholders ahead of the public consultation. This included bilateral meetings with NZ Post, in our capacity as New Zealand's sole designated postal administration representing New Zealand at the Universal Postal Union (UPU) and the Asian Pacific Postal Union, to provide technical advice on potential cost recovery options for international postal mail and related UPU matters.

However, in June 2024 we were made aware of confidential Stakeholder Reference Group (SRG) meetings conducted by Customs and MPI between November 2023 and May 2024 with the SRG's members being involved in discussions around commercial mail with Customs and MPI officials about potential information, issues and options for inclusion in the consultation prior to advice going to Ministers for approval to publicly consult. NZ Post was not invited to participate in the SRG or had knowledge that it was being represented by an industry association, [redacted].

We recommend that Customs and MPI evaluate other domestic or overseas models for more effective stakeholder engagement platforms for future reviews, such as the Sustainable Biosecurity Funding Advisory Panel established by Department of Agriculture, Fisheries and Forestry in Australia (see here: https://www.agriculture.gov.au/biosecurity-trade/policy/partnerships/sbfa-panel).

Stakeholder industry groups should have clear terms of reference that clearly set out the purpose, objectives and scope, roles and responsibilities, conduct and operational procedures of the group. For full transparency, terms of reference should be publicly published along with supplement information produced by the group such as minutes of meetings, external advice and reports, and any advice or recommendations produced by the group.

For industry group gatherings that involve competitors, we have legitimate concerns about the risks and best practice in relation to the Commerce Act 1986. However, these concerns can be addressed with clear purpose statements and terms of reference, explicit recognition of the competition law risks and potentially supporting documentation such as a communication protocol.

We strongly object to stakeholder meetings being chaired by industry participants, even if they are an executive member of an industry or trade association, as was the case for the Low Value Technical Advisory Group established by Customs at the request of its Minister for this consultation. NZ Post thinks it is more appropriate that cross-sector industry groups are facilitated and chaired by government officials or chaired by someone completely independent with no conflict of interest.

59. What are the reasons for your answers?

Refer to our responses above.