**From:** [redacted] S9(2)(a)
**To:** Consulting on fees and levies
**Subject:** Concerns Regarding Escalating Business Costs in New Zealand
**Date:** Wednesday, 30 October 2024 13:59:55
**Attachments:** image003.png

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Subject: Concerns Regarding Escalating Business Costs in New Zealand

To whom it may concern

We are writing to express our growing concern about the escalating cost of operating ships in New Zealand. Most recently, the Customs & MPI Goods Management Fee which proposes a charge of per vessel of NZ$6,268.00.

In addition, we have observed a significant increase in port costs without a correlating increase in port performance. We question the necessity and justification for the proposed Customs and MPI Fee and bring to your attention the substantial effort and cost Swire already commits to New Zealand business, not least in complying with MPI's biofouling requirements. While penalty payments might be more palatable, the proposed fee increase seems unreasonable for those who invest heavily to ensure they meet New Zealand's high standards of operation.

Sincerely,

[redacted] S9(2)(a)

SWIRE BULK

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|---|---|
| **From:** | [redacted] |
| **To:** | Consulting on fees and levies |
| **Cc:** | Admin |
| **Subject:** | Customs & MPI Goods Management Fees Review - Submission |
| **Date:** | Wednesday, 30 October 2024 19:18:18 |

Good Evening

I write this submission on behalf of Aquarius Shipping Consultants with regards to the upcoming Customs & MPI Goods Management Fees Review. We find this both unacceptable and concerning for the following reasons:

1. We feel it is unwarranted to have such a large increase to current rates. With the number of vessels that come to NZ we feel that the total revenue which would be collected under the proposed increase is unjustified when there appears to be no significant change or improvements being made to the status quo.
2. This will have considerable repercussions as ship owners may refuse to send vessels to NZ due to this drastic increase. If they do choose to still send vessels to NZ they will pass this cost back onto the importers and exporters who will in turn have no choice but to pass this cost on to the general public.

We thank you for the opportunity to make submissions on this proposal and trust you will take potential issues raised and the detrimental effect this could have on NZ into consideration.

Kind Regards

[redacted]

Aquarius Shipping Consultants Ltd. as agents only

[redacted]

**TPA Thompson Port Agency**

**SUBMISSION for Consideration**

30th October 2024

***To: NZ Customs & Ministry Primary Industries***

We refer to the current Consultation document out on **"Recovering the Costs of Goods Management Activities at the Border".**
As a NZ Shipping Agent for several Vessel Operators and Charterers ***we strongly object to the Proposed "Commercial Vessel Pre-Arrival" charge of NZ$6268.00 per call as proposed***.
We do not see this as an equitable charge and believe its imposition would impact severely on the NZ Taxpayers and end Consumer if this charge was to be applied to all inbound vessels.

**Reason against this charge**

- NZ itself should take responsibility for protecting its own borders and not expect the International Trade supporting NZ's ability to Trade world wide having to cover those costs.
- One size does not Fit all. How can this be considered equitable when you compare a large Container Ship of 300 metres carrying 8,000 containers to a Support vessel of say 55 metres carrying no cargo.
- Ships Calling NZ are arriving for the benefit of the NZ Importer and Exporter.
- Goods Management charges should therefore remain with the cargo and not the Ship, as this will then remain as a Real charge without any additional add Ons.
- Ships Owners and Operators already incur thousands of dollars meeting NZ compliance requirements in regard to Biofouling (Hull Cleaning) which are very restrictive and only applicable here in NZ, and not a requirement in other parts of the world at that level. Certificates of Freedom from FSMC, along with all other international regulations that are required under IMO and SOLAS to freely travel form Port to Port around the World.
- MPI Biofouling assessments (subject to the last UWC Report) can be approved for up to 12 months so a ship may call 7 to 8 times during that 12-month period where the Ship does not require any further assessment.
- Lanes of trade may clearly show that the vessel is not calling at any High-Risk Ports for Customs that require additional Risk assessment.
- Some vessels have an agreed CRMP with MPI which then allows them to enter NZ any time over a 2-to-3-year period without any additional assessments being required.
- Any Levy applied to vessels calling NZ, will only be passed on through the supply chain where the end cost will be with the NZ Consumer and that will be a substantially higher charge than this proposal.

**Alternative Options for some recovery**

- We do appreciate that there may be time costs involved with assessing, Targeting and Tracking a vessels as it enters NZ in a ballast state, so we do recognise some need for cost recovery in those instances.
- This should be charged on a user basis only. Time spent risk assessing for Biofouling, FSMC, Ballast water and from High-Risk parts of the world.

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S9(2)(a) [redacted]

- That charge should be identifiable on an hourly basis, as and when required. (Referring to comment on a 12-month cycle for biofouling) would be obvious as additional time would not be required.
- But once again we reiterate that NZ needs to take responsibility for the majority of their own requirement to protect the NZ Borders.

We thank you for the opportunity to be able to make this submission and we do hope that this will be taken into consideration during the consultation process. We would be happy to discuss further with you on our recommendation for any cost recovery for actual measurable time spent to do so.

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# Submission to The New Zealand Customs Service (Customs) and the Ministry for Primary Industries (MPI) - Recovering the costs of goods management activities at the border a Joint consultation on fees and levies for goods

## CBAFF Introduction

The Customs Brokers and Freight Forwarders Federation of New Zealand Inc. (CBAFF) is the leading industry association representing Customs Brokers, Freight Forwarders, and related service providers in New Zealand's part of the international supply chain.

CBAFF's representation extends to its members' clients, including Importers and Exporters, who are subject to regulations by the New Zealand Customs Service, the Ministry for Primary Industries, the Inland Revenue Department and among others. These border-related services are essential for facilitating the movement of goods into and out of New Zealand, as well as for ensuring compliance with international trade regulations.

CBAFF actively engages with New Zealand's border agencies on matters relating to the regulation of international trade and goods passage, such as Free Trade Agreement (FTA) development and cargo security initiatives.

As a member of FIATA (International Federation of Freight Forwarders Associations) and the Federation of Asia Pacific Aircargo Associations, CBAFF works closely with international counterparts like the International Forwarders and Customs Brokers Association of Australia.

The Membership of CBAFF includes 242 members of Customs Brokers, Carriers, Transport Operators, Freight Forwarders, Express Carriers, E-Commerce entities that deliver supply chain services for international trade both in New Zealand and globally.

Drawing upon the expertise of its members, CBAFF aims to provide informed responses to matters that impact the efficient and compliant operation of New Zealand's international trade and logistics sectors.

## Opening Statement

Representing our members, we recognise the importance of implementing a fair and transparent system for recovering costs associated with all streams ensuring that costs



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can be effectively passed on to relevant parties. Any implementation would need to be through a phased approach where possible.

CBAFF supports the long-overdue review of fees and levies imposed at the Border which funds the services provided by border agencies and the Federation recognises that these services are crucial for safeguarding the country from illicit goods, harmful substances, and invasive pests while ensuring the efficient clearance of goods at the Border.

Additionally, recovering the costs of goods management activities at the Border is essential, and a joint consultation on fees and levies for goods is necessary to ensure a fair and equitable approach for all stakeholders involved.

Key considerations:

1. Impact on Consumers – The review should carefully assess how the changes will affect consumers, ensuring that any additional costs are reasonable and justified.
2. Impact on Business – The effects on businesses must be evaluated to avoid any disproportionate financial burden.
3. Implementation Timeline – A well-structured and realistic timeline is essential, allowing businesses to adapt without undue disruption.
4. Limiting Impact on Industry – The review should minimise any adverse effects on Customs Brokers and Freight Forwarders to ensure continuity and efficiency in the supply chain.
5. Streamlined Implementation – All changes must be implemented concurrently across all streams to avoid inconsistencies and ensure smooth transitions.
6. Competitive Neutrality – Some members believe that any proposed new fees should be applied uniformly across the industry, regardless of the stream, to uphold competitive neutrality.

Our members appreciate and understand the necessity of these fees; however, they emphasise that such fees need to be fair and equitable across the board.

They argue that the financial burden should not disproportionately impact any one business or pathway, particularly small, medium-sized enterprises and higher volume



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providers within the supply chain that will struggle to fund and or absorb these additional costs as a business expense.

Additionally, Express Carriers and E-Commerce entities are particularly affected by these fees, as they often operate on tight timelines providing time sensitive deliveries and depend on efficient clearance processes. High fees can lead to delays, increased operational costs, and hinder their ability to compete effectively in their relevant markets.

Members maintain that the effectiveness of border agencies should not rely solely on fees charged to importers/exporters, as the costs of border protection should be considered that of a public good and funded accordingly. We advocate for a funding model that ensures fairness and supports all stakeholders.

Implementing a user-pays system for border fees is a fair approach, but the fees should be transparent and manageable for businesses, particularly SMEs or high-volume providers.

Carriers and reporting parties should not be burdened with costs when acting as intermediaries for border fees and a centralised billing system through the Crown might be a more effective solution long-term.

Some members have advised they hold a bad debt provision of less than 0.25%. The increased fees will require additional resources for debt recovery, necessitating an increase in Full-Time Employees (FTE).

Moreover, members would need to reassess their bad debt provisions, with the risk of losing business to other distribution channels where this levy is not applicable.

Any proposed fee changes should involve a phased transition over 12-24 months, ensuring alignment across all sectors to effectively manage these adjustments.

Members have suggested the need to address SES fees for imports. While the New Zealand SES program also functions under the AEO program, promising (MRA) Mutual Recognition Agreement partners that their goods will experience minimal interaction upon import into New Zealand, this should be reflected in a reduced import fee for SES members. Currently, the program offers a lower fee for exports, but given that SES members have demonstrated compliance, it is only fair that this benefit extends to imports as well.

The clearance fees should be proportional to the value and volume of the goods being processed. Comparing the resources required for risk assessment and



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inspection of a small, single-line, low-value airfreight consignment to those needed for large sea-freight shipments with multiple containers and entry lines highlights a significant difference. Sea-freight inspections and risk assessments demand substantially more manpower and time compared to smaller airfreight consignments.

However, the proposed fees do not reflect this difference and are disproportionate to the level of activity and risk, particularly for large-scale concealments. Additionally, Express Operators currently deliver all consignments directly to New Zealand Customs for inspection, which means that the agency is not exposed to these costs and time associated with travelling to complete these inspections.

The proposed new charges for export via air and sea appear to be highly disproportionate. For example, a low-value air consignment with little worth could incur a charge of $3.50, while a high-value sea export worth significantly more would only face a proposed fee of $9.66.

The fees proposed for exports in the Consultation document require careful reconsideration in light of the Government's current objective to promote and expand trade for export growth. Exporters are already burdened with significant cost increases, including MPI importer levies, rising prices for raw materials, production, transportation, registration, certification, and regulatory application fees, among others. Further increasing export-related costs could stifle efforts to establish or grow export businesses. Members urge for a comprehensive review of the cumulative impact of cost recovery across Government agencies, especially given the numerous consultations over the past 12 months, many of which expand cost recovery for services that may partially serve public good functions.

## Stakeholder Conclusion

After much consideration of key points received from our members, the below summary highlights that while the current per document (manifest) charging model is preferred for its feasibility and alignment with the existing framework, there are important considerations and concerns that must be addressed to ensure fairness, sustainability, and minimal disruption for all stakeholders, should another method be implemented.

The ongoing review of fees and levies for goods management at the Border is supported, with the status quo—charging per document—potentially being the preferred option. This approach is consistent with the key principles of financial



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sustainability, equity, efficiency, transparency, and justification. However, several important factors need to be carefully evaluated to ensure a fair and equitable outcome for all stakeholders:

- Although the per-document model benefits high-volume freight forwarders particularly due to the lower overall costs they would incur, it could disproportionately impact smaller-volume Freight Forwarders, who would end up paying more than they do under the current system.
- If a smaller ICR fee structure were introduced, this would lead to a more balanced outcome, with costs being more evenly distributed across consignments, thereby fostering a fairer environment for smaller Freight Forwarders.
- Even if lower fees were offered per document or consignment for larger operators, this may not be the best outcome. It risks benefiting those with greater volumes, potentially undermining competition, and fairness across the wider industry. Further review or detailed modelling is required to ensure any fee structure is equitable and supports all stakeholders fairly, regardless of their size or volume. Some members have indicated that they only support a per manifest charge, not at individual consignment level and with a tiered approach 0-100, 100-250, 250-500, 500-1000, plus 1000.
- Revisiting the per-document (manifest) or per-consignment fee structure raises the question of whether the model truly achieves an economically balanced outcome. Consideration for an option to have a per document (manifest) charge coupled with an additional activity charging (examinations & inspections) similar to the MPI model would be preferred.
- It is essential to ensure that while the current model may be economically viable for high-volume Freight Forwarders, it does not result in an unfair burden on smaller stakeholders. The emphasis should be placed on ensuring that any preferred option supports the principles of equity and fairness across the board.

1. Impact on Consumers:

    - Fee adjustments should be reasonable and justified to prevent undue negative effects on consumers.
    - The current per-document charging model must ensure that any additional costs to consumers remain manageable and justified.
    - With activity-based costing, the question arises whether businesses and consumers should bear the cost recovery for investigations,



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seizures, and prosecutions. Since these activities represent a public good, they should be funded by the Crown rather than being imposed on legitimate importers and exporters.

2. Impact on Businesses:
    - It is crucial to maintain a level playing field, ensuring that all stakeholders face fair and equitable charges.
    - Special attention is required to prevent disproportionate burdens on all companies, allowing them to absorb costs without jeopardising their operations.
3. Implementation Timeline:
    - A realistic and well-structured timeline is essential to facilitate smooth transitions.
    - Businesses should have adequate time to adapt to any changes without experiencing undue disruption.
    - All businesses must implement revised costs at the same time.
4. Limited Impact on Customs Brokers and Freight Forwarders:
    - The per-document fee structure should minimise adverse effects on Customs brokers and Freight forwarders.
    - Ensuring continuity and efficiency in the supply chain is paramount to maintaining overall operational effectiveness.
5. Streamlined Implementation:
    - All changes must be implemented uniformly across all sectors to prevent inconsistencies.
    - A consistent application of fees ensures smooth transitions and avoids confusion among stakeholders.

**Charging Per Document: Preferred Status Quo Consideration**

- Feasibility - Charging per document (manifest) is recognised as a feasible method for recovering goods management costs.
- Preference - It is currently the preferred option due to its straightforward implementation and existing infrastructure.



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- Concerns – Fairness/Financial Sustainability

  Fairness - While feasible, this method is not without its drawbacks. It may be perceived as unfair to some fee payers, potentially placing a disproportionate financial burden on certain businesses.

  Financial Sustainability - There are material concerns regarding the long-term financial sustainability of goods management activities under the per-document charging model.

**Stakeholder Perspectives**

Customs Brokers and Freight Forwarders:

- Acknowledge the necessity of fees but stress the importance of fairness and equity.
- Highlight that SMEs and high-volume providers will struggle to absorb additional costs, which could impact their competitiveness and operational viability.

Express Carriers and E-commerce Entities:

- Especially affected by fee increases due to dependence on efficient clearance processes and business models and inability to pass these fees to the end user.

- Higher fees could lead to delays and disruption to the supply chain with express operators holding freight to collect fee's increased operational costs, and reduced competitiveness in the market.

**Funding and Implementation Recommendations**

Public Good Consideration:

- Members contend that border management should not depend exclusively on business fees since it is a public good. They assert that specific activities, such as investigations, seizures, and prosecutions, should be funded by the government as part of its responsibility to provide public good.



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- Advocate for a funding model that shares the monetary responsibility equitably among all stakeholders.

User-Pays System:

- Support the implementation of a user-pays system, provided that fees remain transparent and manageable, especially for SMEs and high-volume providers. Fee's need to be across all pathways/sectors cost of collections should not exceed fee proceeds.

Centralised Billing System:

- Recommend exploring a centralised billing system through the Crown to alleviate the burden on carriers acting as intermediaries.
- A centralised approach could enhance efficiency and ensure a more equitable distribution of costs in the long term.

**Options Considered Summary**

Charging per document (manifest) status quo - Considered with an activity-based costing for inspections, tiered document (manifest) charges, 0-100, 100-250 as an example.

Charging overseas sellers directly (fall back option) – Considered

Charging per tariff item - Discarded

Charging based on individual goods items - Discarded

Charging based on the value of the goods - Discarded

Capping per consignment charging - Considered

Aligning charges with mail - Considered

Charging recipients – Considered



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## Question 1

### Do you think these forecasts are reasonable?

The volume forecasts seem accurate based on current annual figures and settled trends, whilst we appreciate that forecasting volumes in the goods market is challenging due to shifts in market factors which can impact on large volumes of goods, particular low value E-Commerce.

We find the volume projections to be reasonable under current conditions, however note, that volumes and consumer buying factors can change rapidly, and this should be considered in the proposals.

## Question 2

### What impact would the fee increases in the above tables (table 6) have on you or your business?

Maintaining the current fee structure is preferable, but not at such a high rate. The proposed increases for both low-value and high-value imports and exports indicate an additional monetary impact of more than double of the current rates. This will have a monetary impact on many of our member business.

Most of our members do not recover fees from the Low Value ICR/CRE modules and absorb this cost as a business expense, whist for some members the fees currently can be applied at the manifest level and are manually cross-referenced with the associated consol/master file.

We also believe the proposed per consignment cost is disproportionately high and needs to be reviewed. Members have expressed concerns that the cost is unsustainable, and had it been set at a more reasonable level, it may have mitigated much of the current dissatisfaction. Likewise, the per-document cost is also considered excessive, and a thorough review of these fees is essential to ensure they are fair, reasonable, and aligned with industry needs.

Maintaining the current fee structure and charging at the document (manifest) level at a lower rate than proposed, while introducing additional activity-based charges for examinations and inspections, similar to the MPI model, is one approach being considered.



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### Impact on Express Operators/E-Commerce Entities:

- Option 1: This would lead to additional costs for businesses, which would need to be absorbed, as is currently the case with document (manifest) charges.
- Option 2: This would impose costs that businesses cannot absorb, necessitating recovery by stopping goods at the border. The resulting costs would include hiring additional staff, increased warehousing needs, cash flow challenges, delivery delays, bad debt write-offs, and disruptions to the supply chain.

  Moreover, system and billing adjustments would be required. The cost of collection would likely exceed the fees, and businesses may need to pass these collection costs on to the industry.
- Option 3: This option would have the same impact as Option 2, but with even higher costs for importers and exporters.

Both Option 2 and Option 3 would significantly disrupt the supply chain, causing delays in time-sensitive shipments, including urgent documents, at the border.

Both Option 1 and Option 2 have no provisions for cost recovery from all streams, for competitive neutrality LVG clearance fee needs to be levied on all regardless of pathway.

Special Note: A significant concern for express operators and e-commerce entities is that, out of the three cost recovery proposals put forward by government agencies, only option 3 includes cost recovery from state-owned enterprises. Options 1 and 2 do not involve any cost recovery for this particular pathway or sector. Since state-owned enterprises are exempt from the charging regime under options 1 and 2, there is a risk that importers and exporters might shift their volume to these enterprises in order to avoid goods clearance fees.

### Question 3

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

Current software currently reflects entry fees in the TSW messages, which are subsequently mapped back into other systems. However, this mapping is currently not applied to ICRs, as there are no billing tabs in shipments like those for high-volume (HV)



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entries. Some members have indicated that they have already spent considerable time mapping ICR costs in under current business models, aiming to eliminate the need for manual accrual and invoice posting, while others have expressed that the required investment was not necessary.

Given this context, it is important to highlight that an investment will be required in TSW to implement changes that would allow these fees—whether at a per-document or per-consignment level—to be mapped appropriately. Support for this investment is essential, regardless of the charges, as modernisation is necessary for TSW to keep pace with industry needs.

Additionally, for some members to fully recover costs, enabling automatic reallocation of costs from the submission level within a manifest to a consolidated or master shipment file is crucial. Managing these fees manually would be highly time-consuming, requiring extra effort for reconciliation against monthly statements.

In some software providers modules, it may be possible to implement auto rating to establish costs more efficiently. However, for those using their own systems, extensive upgrades would be necessary, and this would again rely on feedback regarding entry costs through TSW.

This would necessitate significant software upgrades, leading to both additional costs and an extended implementation period.

We estimate a lead time of 12-24 months would be necessary to implement these changes effectively across all streams.

### Question 4

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

For imports, whether the fees are charged per document or per consignment, neither option will be recoverable at the border.

For exports, these costs are more than likely already incorporated into the cost of the carrier's operations and may or may not be reflected in the export rates. While this will not change, it may have the added benefit of reducing overall costs. If there are no OCR costs, this could particularly benefit traditional freight forwarders, who typically face flat OCR costs on their export co-load rates. Depending on the number of HAWBs cut, this could potentially result in increased profitability for the co-loader.



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Given the proposed fees, it is possible our members would exceed approved credit limits with New Zealand Customs, which would place additional strain on day-to-day operations and an additional monetary impact.

Low-value consignments generally involve fewer items and interventions, so the fees should reflect this.

### Question 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 would be fairer than continuing to charge a flat per-document fee, irrespective of the number of consignments? If not, can you tell us why?**

Moving from a charging a flat fee per cargo report submitted, to changing on the number of consignments listed would support fairness irrespective of the method used, however member organisations will still be financially impacted as they are unable to pass this cost on and would need to absorb the increase as an operating expense.

Brokers already pay this fee, so it is important to highlight that the suggested high fee per consignment could create an unfair financial risk for brokers, especially given the volume that some high-volume brokers already manage. The costs they would incur each month would be significant based on their current volumes.

Charging the fee for low-value consignments to a broker's account imposes an unfair financial risk on brokers, who already collect duties and GST on behalf of the Crown. With limited resources to manage these fees, this approach places an additional and disproportionate burden on brokers, making it difficult for them to effectively handle the financial liability.

The proposed thought, that importers/exporters could avoid paying fees entirely by clearing low value consignments on import entries not only undermines Crown revenue, but it is also unpractical.

This proposed fee structure would potentially create trade barriers for New Zealand Exporters, especially for E-Commerce businesses competing in an already tight international marketplace.

We also believe the proposed cost is disproportionately high and needs to be reviewed.



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The consultation document refers to the high cost in clearing low value air imports, reflecting on the high overall volume of these consignments that Customs clears, rather than the cost of clearing individual consignments, which is small in comparison, including a low intervention rate.

### Question 6

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

For imports, Carriers do not have contractual relationships with importers, as freight fees are paid at the point of export. However, carriers are not billed by Border Agencies until after goods clear customs. This may force members to consider warehousing inbound goods while awaiting reimbursement, leading to increased costs and delays, further burdening New Zealand families and businesses. Warehousing, customer engagement, and destruction of unclaimed goods would also incur additional costs.

For exports, passing the proposed per consignment fee onto Exporters is straightforward but would significantly impact New Zealand Exporters, particularly SMEs.

Cash flow would be strained, as freight forwarders would need to absorb the costs initially.

Members would also need to adjust business terms and conditions to recover these fees and allocate sufficient resources for invoicing, reconciliation, and payments.

Several members have expressed concerns that the proposed fee costs could reach several hundred thousand dollars, and in some specific cases, exceeding the million-dollar mark. Such costs are unsustainable under their current business models.

### Question 7

**What implementation issues would the changes raise for your business, and how much time would you need to manage these changes?**

For low-value imports, fees charged at the consignment level would require significant operational changes:



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- Software operating systems would require upgrades allowing to handle invoicing at the manifest clearance level, which will incur additional costs and require time to implement.
- Goods potentially would need to be held at the New Zealand Border until costs are recouped, requiring additional warehousing.
- Collection costs would need to be factored into any proposed fee charge, adding complexity and increasing fees.
- The method of charging fees—whether per consignment or per document—creates an unfair additional risk for brokers. If these fees increase, it could jeopardise the guarantees for operating accounts with New Zealand Customs, as members revenue accounts would need to increase significantly.
- Charging the fee for low-value consignments to a broker's account is an unfair additional financial risk for brokers, who are already collecting Customs duties on behalf of the Crown. This could jeopardise the guarantees for operating such accounts.

### Question 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?**

If a flat fee per consignment is adopted, we believe it should be capped to prevent excessive costs for high-volume shipments and management thereof.

It would be beneficial to understand the thought process on what the cap may look like regarding the number of consignments—specifically, should it be set at 100, 500, 1,000 as an example.

### Question 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 should be covered by the Crown, and the information should be used when the entry fees are reviewed, as this process should be conducted on a continued basis to ensure fairness.



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**Question 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?**

Maintaining the current fee structure is the best option to minimise trade disruptions and maintain smooth goods flow. However, here are some alternatives worth considering:

- Keeping the current structure and implement a proportional increase based on activity to ensure equality across all existing fee structures.
- Implement a model where GST and fees are collected at the point of sale, ensuring fee recovery regardless of the freight stream.
- Introduce a volume-based, bracketed document (manifest) charge, coupled with activity-based fees for inspections, similar to MPI's system.

**For High Value Consignments:**

**Q11-Q12 (Air vs Sea Freight Fees)**

It is reasonable to have differentiated fees reflecting the different logistical costs between air and sea freight. Air freight is typically faster and incurs higher costs due to the nature of movement, while sea freight is slower but often involves more opportunity for concealment. A fee structure based on these differences ensures fairness for the activity conducted at the border.

**Q13-Q14 (Business Impact of Separate Fees)**

Differentiating fees would align charges more closely with the resources utilised for clearance but could increase complexity in accounting. Lead time may be required to implement new systems for managing this, particularly for businesses handling both modes of freight. The lead time might be 12-24 months for businesses to adjust operational software.



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### For OCTF-OCR Fee:

### Q15-Q17 (Removing OCTF-OCR)

Spreading these costs across other export-related fees may not be appropriate as it dilutes the fairness principle. The OCTF-OCR fee is tied to specific activities, and its removal could lead to cost increases for smaller exporters if spread across the board.

This fee is absorbed by the reporting entity as an operating business expense.

### Commercial Vessel Charges:

### Q18-Q19 (Fairness of Vessel Charges)

Recovering vessel costs through commercial vessel charges rather than from goods fees paid by importers/exporters may be more appropriate. It ensures the costs are linked directly to the entity responsible for creating the cost—the vessel operators—rather than distributing them unfairly across a broader base.

However, the increase in landed costs for consignments will compound other significant expenses, such as unpredictable fluctuations in shipping line fees. These fees can rise with little notice, often ranging from hundreds to even thousands of USD, particularly during peak seasons or when supply chain constraints are present, with this cost being passed onto the end consumers.

### Q20 (Impact on Compliance)

A proposed vessel charge should have no impact on compliance with Customs and MPI regulations, as shipping companies are already known to adhere to these rules. However, it may still result in higher shipping costs to New Zealand, potentially reducing the availability of certain shipping services.

### Q21-Q26 (Exemptions and Phased Introduction)

Exemptions for certain vessel types, such as fishing boats or small private vessels, may be needed to avoid imposing excessive costs on businesses with lower risk. Phasing in the vessel charge over time would allow businesses to adjust their pricing and operational models accordingly.



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During COVID, we observed that some vessel operators completely omitted New Zealand from their routes. If the operating costs in New Zealand remain high, it could hinder our government's overall strategy to boost trade.

A phased transition over 12-24 months must be aligned with all streams to effectively manage these changes. Reducing charges on documents and non-commercial shipments would help alleviate unnecessary costs for businesses.

### Transhipped Goods, Transit Goods, and Empty Containers:

### Q27-Q32 (Fees on Transhipped Goods)

Recovering costs for transhipped goods and empty containers through a goods management charge makes sense, as these consignments still use border resources. However, applying a low-value consignment charge to transhipped goods will increase costs for businesses involved in transhipment logistics, as this cost will be unlikely to be passed on easily, adding to the financial impact on the supply chain.

Charging a fee for empty containers is not appropriate, as there are no goods contained.

Members are expressing concerns about charging for transshipments and the possibility of being charged twice for both the ICR and OCR.

### Low Value Consignments (Exports & Imports)

### Q33-Q34 (Full Cost Recovery)

Full cost recovery from importers/exporters could create significant operational challenges. For exporters, particularly SMEs, it may become a barrier to trade, increasing their costs and reducing their global competitiveness.

Crown funding should continue for low-value imports and exports. Investigations and seizures are public services and should be funded by the Crown. There is no rational basis for treating these activities differently from other enforcement actions (such as prosecutions, fines, and penalties) that continue to receive appropriate Crown funding, as it is contrary to natural justice to recover costs from individuals or groups.

Investigation and enforcement activities aim to apprehend and deter criminal activity, which fundamentally serves the public good. These activities are not solely



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about facilitating efficient goods clearance at the border, and the private delivery industry should not bear the costs associated with the administration of the criminal justice system.

Carriers currently absorb the costs of processing the data they provide through TSW. Over the past few years, the quality of ICR and OCR submissions has improved due to more comprehensive reporting. This has enabled better customs profiling and is essential for risk assessment of current and future shipments.

### Q35-Q36 (Document-based vs Consignment-based Fees)

Moving to consignment-based charging, while potentially fairer, could increase administrative burdens, especially for businesses that deal with high volumes of low-value goods. This would require significant changes to software systems, warehousing, and invoicing processes, taking 12-24 months to implement.

### Q37-Q39 (Export Charges & Deficit Recovery)

Exporters, particularly those dealing in low-value goods, may face significant price sensitivity in their markets. Recovering accumulated deficits over two levy periods instead of one might mitigate the impact of price increases.

### Q40-Q41 (Exemptions)

Exempting specific consignment types like diplomatic shipments and documents would be appropriate, given their low impact on customs resources and international agreements.

### Costs of Clearing International Mail:

### Q42-Q44 (Mail vs Air Freight)

Note: The UPU uses 20g for a standard letter and 10g for a standard postcard.

It seems reasonable to recover costs for low-value mail consignments, but it is crucial to ensure that member businesses remain competitive.



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We also recommend conducting a full freight profile to fully understand the freight in this stream (UPU), while also acknowledging that this stream will also face a significant financial impact.

International mail may be slower than courier services but is often chosen by some businesses for its cost-effectiveness. Additionally, it is crucial to consider the nature of the freight involved, as mail shipments typically consist of lower-value goods compared to courier freight.

While our preference would be to algin this charge to reflect cost drivers more accurately, we understand the current limitations surrounding reliable item count data for UPU mail. Instead, using the reliable weight data we have allows us to move forward with a per-kg charge, which is a pragmatic approach given the circumstances.

The calculation of the proposed charge is based on sound methodology, including:

- Forecasting the expected weight of UPU mail during the forecast period.
- Estimating the costs that Customs and MPI will incur in relation to UPU mail over that period.
- Dividing projected costs by the anticipated consignment weight to establish an average cost per kg.
- Setting the fee at this level to ensure full recovery of expected costs.

We support this approach, as it promotes fairness in the marketplace by ensuring that costs are accurately reflected in the pricing structure. Furthermore, we appreciate Customs' commitment to the Data for Mail project, which aims to enhance the quality of information received on mail crossing the border.

Improvements in data collection may enable a transition from a per-kg charge to a per-consignment charge for goods that arrive via the UPU mail stream, further benefiting the industry and ensuring equitable treatment for all operators involved.

Increasing fees on the private sector could lead shippers to redirect their business to other entities. However, it is understood that some of these entities currently do not have the capability to fully provide all data via the Trade Single Window (TSW) for the Import Clearance Request (ICR) and the Outbound Clearance Request (OCR) for low-value goods. From a risk standpoint, this shift could result in more freight being funnelled through alternative streams due to higher charges in other channels, potentially jeopardising border security.



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Under point 128 of the consultation document, New Zealand Customs indicates that electronic data enhances screening capabilities and results in more seizures. The document states - "It is also likely that process changes, such as increasing the use of Electronic Advance Data to improve risk management, will also improve the detection and seizure of contraband. It would change the nature of Customs' costs of mail, decreasing physical screening and increasing electronic risk assessment. It could potentially increase detention and seizure of mail and investigations related to mail."

However, if the proposed consignment-level charging is implemented, there may be a significant shift in consumer behaviour resulting in shipments increasingly being redirected to more cost-effective options.

In conclusion, we believe that the proposed per-kg charge represents a balanced and necessary step toward improving cost recovery mechanisms, fostering fairness within the industry, and paving the way for future enhancements.

However, members are opposed to the introduction of a fee for processing commercial documents (non-goods). The proposed fee is calculated per consignment, and documents are being declared as such. Consequently, crucial documents should be exempt from these proposed fees.

Furthermore, all Freight Forwarders and Brokers manage original documentation, including original seaway bills, phytosanitary certificates, zoo sanitary certificates, and other essential papers. Implementing this fee would not only have a financial impact but would also lead to further delays in the processing of these crucial documents which could hinder trade.

### Q45-Q46 (Impact of Full Cost Recovery)

Phasing the cost recovery over time would help businesses adjust, particularly small and medium-sized enterprises that rely on mail services.

### Q47-Q49 (Phasing and Implementation)

A phased transition over 12-24 months must be aligned with all streams to effectively manage these changes. Reducing charges on documents and non-commercial shipments would help alleviate unnecessary costs for businesses.



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HV goods in this steam, should not be subject to both the IETF and the per kilogram charge. The IETF should not be reduced and should be effectively managed through correct reporting.

### Q50-Q52 (Cost Treatment for Mail)

Combining the costs of low-value goods by air freight and mail might be fairer than treating them separately, as it would create a consistent fee structure across shipping methods. Full reporting for mail consignments could help ensure transparency and compliance.

We also recommend conducting a full freight profile to fully understand the freight in this stream (UPU).

### Q53-Q55 (Crown Funding for Management of commercial vessels)

We recognise the importance of implementing a fair and transparent system for recovering costs associated with all streams ensuring that costs can be effectively passed on to relevant parties. Any implementation would need to be through a phased approach where possible.

### Q56-Q59 (Monitoring, modelling, and engagement on fees)

We support Customs adopting a regular cycle for reviewing and resetting its fees as suggested every three years, or annually based on changes in market trends in conjunction with key stakeholders as proposed.



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## Closing Statement

We support the goods fee review, provided it adheres to the following key principles, it must be financially sustainable, equitable, efficient, transparent, and fully justified.

This submission effectively conveys the key points reflecting the views of members, while balancing the diverse perspectives of our members presented a significant challenge and all member feedback has been carefully considered and included in this document.

We have made a dedicated effort to address each viewpoint, highlighting the importance of fairness and equality for all stakeholders throughout this submission.

We also believe that any proposed export fees should undergo further review, as they do not align with the current government's objective to promote and expand trade for export growth.

We believe there should be an ongoing review of any proposed or implemented fees to ensure that the rationale behind them remains relevant and fair to all parties involved.

An ongoing review of market trends would also be highly encouraged.

Prepared on behalf of CBAFF Members by S9(2)(a) [redacted]

S9(2)(a) [redacted]



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Freightways

## Feedback on possible withdrawal of Government Subsidies and timings thereof

**Prepared by:** Freightways
**Date:** January 2025
**Submission to:** New Zealand Customs and Ministry for Primary Industries

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Thank-you for the opportunity to provide feedback on the potential impacts of government subsidy withdrawal to the import and export of low value goods. Below we outline our assessment of the relative impacts of a single-phase withdrawal versus a three staged approach phased over 24 to 36 months.

### Implementation Impact

**Single Phase Withdrawal:**

- **Operational Strain**: Implementing changes in an early (less than 12 months) single step would require immediate adjustments to pricing, customer agreements, and operational process. The abrupt shift could overwhelm internal teams, creating risks of operational inefficiencies or delays S9(2)(b)(ii) [redacted].
- **System Updates:** A one-time adjustment necessitates rapid updates to systems, including rate cards, payment processes, and tax compliance, which may not be feasible within a short timeframe given IT backlog, resource availability and investment required for system changes.
- **Business Feasibility:** A one-time adjustment necessitates significant market price increases which will undoubtably challenge global customers to investigate alternative supply chain solutions for goods moving across NZ borders. This will destabilise advanced ecommerce business models in NZ and could simply put NZ Fast Freight companies out of business.

**Three Phase Withdrawal:**

- **Staggered Adjustments**: A phased approach would provide the time to plan and implement changes incrementally, ensuring operational continuity. Teams can adapt to initial changes, evaluate outcomes, and prepare for the second phase with fewer risks of errors.
- **Resource Allocation**: This approach allows more manageable resource allocation over time, minimizing disruption to day-to-day operations.

**Market Disruption**

**Single Phase Withdrawal:**

- **Sudden Price Shocks**: A rapid subsidy removal could lead to immediate price increases for imported goods, impacting consumer demand and potentially causing a sharp decline in sales volumes.
- **Sudden Job Loss**: With the above impact of a drop in consumer demand, many businesses would need to reduce headcount to offset the expected loss in business or worse shut down completely. The industry is highly competitive with low margins making it very difficult to withstand price shocks such as these.
- **Supplier Relations**: Suppliers may struggle to adapt quickly to new terms, leading to supply chain disruptions. Market competitiveness could be adversely affected as smaller players may not withstand the sudden cost pressures.

**Three Phased Withdrawal:**

- **Controlled Transition**: A gradual removal of subsidies would allow businesses and consumers to adapt progressively, reducing the risk of drastic price shocks and demand fluctuations.
- **Market Stability**: By easing the transition, the industry would likely experience fewer disruptions, preserving competitive dynamics and customer trust.

**Conclusion**

While both approaches will have implications for our business and the broader market, the phased withdrawal offers significant advantages in terms of operational feasibility and market stability. A phased approach over three years would allow businesses to navigate the transition more effectively, mitigating risks of market disruption and ensuring sustainable adaptation over time. <u>Despite outlining the benefits of a phased withdrawal versus a single step approach, our preference is still for Government to provide subsidies, as a duty of care, fairly and equitably to all carriers.</u>

We remain committed to working collaboratively with government. Please let us know if further details or specific analyses would be helpful.

Freightways

## Recovering the Costs of Goods Management Activities at the Border

**Prepared by:** Freightways
**Date:** 31 October 2024
**Submission to:** New Zealand Customs and Ministry for Primary Industries

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**Opening Comments**

1. We appreciate the opportunity to provide feedback on the consultation document "Recovering the Costs of Goods Management Activities at the Border." As a stakeholder in New Zealand's International freight industry, particularly in handling low-value goods (LVG), we fully understand the importance of recovering costs related to customs and biosecurity services.

2. However, we have concerns about the fairness, allocation of costs, and practicality of the proposed changes, particularly with regard to consignment-based charges and the potential market distortion between fast freight and postal services.

3. Our feedback focuses on ensuring the proposed changes support competitive neutrality, cost transparency, and phased implementation to minimize disruption to businesses and trade.

4. Freightways understands the need for government agencies to enhance their cost recovery model at the border and wish to work constructively with officials to arrive at a pragmatic solution.

5. Like many other key stakeholders, we agree in principle with the objective but have serious concerns about the proposed model.

6. The proposed fee changes for Low Value Goods (LVG) and International Mail:

    a. Seem preposterously high in total at around $36.45m
    b. The cost is disproportionally allocated to Low Value Goods commercial operators rather than UPU International Mail
    c. Drives an incredible cost per inspected item

7. The proposed changes would have a significant impact on our business, as detailed in this submission.

8. Freightways believes the model being proposed by Border Agencies could materially disrupt the flow of goods entering and exiting New Zealand.

9. Whatever method to improve cost recovery at the border is chosen needs to be competitively neutral, reasonable and not further distort the market.

10. In addition, the selected model must be financially sustainable, equitable, transparent and justified.

11. Freightways wishes to make some comments and observations about the proposals as they stand before providing responses to the questions of most relevance to us.

**Treatment of NZ Post**

12. The shift from a flat fee to consignment-based charges for LVG poses significant challenges for businesses, especially those operating in the Fast Freight sector. We believe that while cost recovery is necessary, the current proposal lacks fairness in its allocation and impact.

13. The proposal creates an uneven playing field by allowing NZ Post (UPU International Mail), a state-owned enterprise, to benefit from government subsidies while commercial operators are subject to significantly higher fees.

14. This imbalance threatens to push low-value consignments away from Fast Freight providers toward postal services, further undermining the competitiveness of the Fast Freight sector. The bid to recover for previous years shortfalls where the postal service was subsidised by the government also seems unfair to Fast Freight carriers who have paid their way.

15. We also believe the proposal would have some unintended consequences.

16. Given the proposed significant cost increases some, customers are likely to revert to bulk imports, choosing to pay the import duties and taxes instead.

17. The current proposal will make the NZ Post UPU International Mail network far more attractive to consumers as a cheaper option. This will result in even less cost recovery for Customs as well as a less rigorous border protect programme given the lack of data available to the UPU.

18. The preferred proposal further erodes fairness in the market.

19. Differing methodologies for NZ Post (UPU International Mail) and Fast Freight is unfair and gives NZ Post (UPU International Mail) a competitive advantage.

20. $1.68 per kg for NZ Post (UPU International Mail) versus $3.57 per consignment for Fast Freight is not equitable or justified.

21. When considering the cost recovery proposal for NZ Post (UPU International Mail), the crown subsidy for MPI activities has also been factored in (a cost that Fast Freight providers are already mandated to recover, which currently leaves them at a competitive disadvantage). The proposal suggests new charges of .48c per kilo for Customs-related activities and $1.20 for MPI-related activities. In total $1.68 per kg.

22. The $8m subsidy from MPI already benefits NZ Post (UPU International Mail) exclusively, whereas commercial operators pay their share already through the MPI BSEL fee collected by Customs and an additional hourly rate charged for a range of inspection and other services.

23. In addition to our concerns about the enormous cost increases for LVGs, the proposed additional subsidies for NZ Post threaten the competitiveness of the freight sector and are simply unjust.

24. We believe granting NZ Post a material competitive advantage will likely be exploited and will ultimately undermine the intent behind the changes.

25. It is proposed that the burden of Customs cost increases will be recovered from Fast Freight (LVG shipments).

26. It will be difficult to recover the costs associated with the preferred proposal of charging per consignment for LVG shipments at the current proposed rate.

27. If senders are burdened with this cost, alternative means of transport will be tested. The eCommerce supply chain is agile, and they will push boundaries.

28. If receivers are burdened with this cost, New Zealand consumers will seek alternative means of transport - primarily through the mail channel.

29. Undoubtedly, Fast Freight volume will migrate to NZ Post (UPU International Mail). International Mail letters/packets and parcels appear to be treated as the same commodity in the Border Agencies' proposal as it stands. However, in reality, they are not, and this is another flaw with the proposed model.

30. It appears that businesses with good data associated with LVG shipments (Fast Freight Operators) are now being penalised against those that do not possess good data (UPU International mail).

31. Charges levied to the Fast Freight sector must be the same as those levied to the UPU International Mail sector.

**Recommendations:**

- **Introduce Competitive Neutrality**: The charging mechanism whatever this may be, should be applied equally to all operators, including NZ Post (UPU International Mail). This ensures that no entity receives an unfair advantage through government subsidies or preferential cost structures. If a per kg rate is the only mechanism to charge NZ Post (UPU International Mail), then this charge needs to be comparable to any charges levied against Fast Freight service providers and must be implemented at the same time.
- **Flat Fee Structure for Low-Value Goods**: Maintaining the flat fee structure for low value goods would ensure stability and predictability for businesses. This is a mechanism that is already in place and widely accepted within the industry. The fee must be reasonable and capped at the proposed level of $247 per ICR. A volume based, bracketed manifest charge (ICR), would improve fairness to fee payers and remove some cross subsidies.
- **Cap Per Consignment Fees**: Introducing a cap per MAWB on fees for high-volume consignments would prevent businesses from facing excessive costs, ensuring that cost recovery is proportional to the actual effort required to process shipments.

**Transparency and Auditing of Costs**

32. The consultation document does not provide sufficient transparency regarding how the costs of "goods management" are calculated, particularly in terms of the level of effort required for different sectors, such as air freight versus sea freight and international mail.

**Key Concerns:**

- **High Costs Per Transaction**: The projected cost per transaction for LVG shipments (e.g., **$1,777 per held item**) raises questions about whether LVG shipments are subsidizing other sectors, especially UPU International Mail, which currently pays little to nothing in fees. *By way of comparison, Australia recently introduced a DAFF fee (Biosecurity fee) of 36c per item for Low Value Goods. A far more reasonable increase.*
  *(https://www.agriculture.gov.au/sites/default/files/documents/cost-recovery-implementation-statement-2024-25-low-value-goods.pdf)*
- **Lack of Independent Auditing**: The lack of detailed, externally verified cost breakdowns makes it difficult to assess whether costs are being allocated fairly across different sectors.

**Recommendations:**

- **Conduct External Audits**: Customs and MPI should commission an **independent audit** of the costs associated with processing LVG shipments. This would ensure transparency and fairness in cost allocation, with clear distinctions made between air, sea, and UPU International Mail shipments.
- **Align Costs with Duty of Care**: The government has a duty of care in protecting New Zealand's borders. Some portion of the costs associated with customs and biosecurity should be borne by the Crown, reflecting this responsibility. This would help reduce the burden on businesses and New Zealand consumers while ensuring border protection remains a public priority.

33. We do not oppose Border Agencies recovering increased costs. They play an important part in our society, protecting our border and facilitating international trade. They also collect revenue for the country through GST, duties, and levies, supporting and enforcing trade rules.

34. However, cost recovery mechanisms must be manageable, support fair competition across our market, and enable growth for New Zealand's Exporters and Importers.

35. The consultation document explains - but does not quantify - the effort per LVG transaction. The document indicates that it takes mere minutes to process a consignment stating "98.82 % of transactions cleared within 5 minutes of lodgement".

36. Limited transparency has been provided on how the cost of "goods management" is calculated by each activity sector. Nor has information been provided as to what level of effort (time, resources etc) is required to perform these activities.

37. Limited transparency has also been provided on how cost increase forecasts are derived for each activity sector.

38. Forecasts suggest that Customs costs will increase by 21% (6.769m) by 27/28 in the Fast Freight sector. Meanwhile, the consignment growth forecast by 27/28 is 8% (1.415m consignments).

39. Forecasts suggested that Customs costs will increase by 1.6% by 27/28 in UPU International Mail sector. No growth in this sector is forecasted which is not a reasonable assumption.

40. We require more information to recommend an appropriate rate, but we estimate something in the region mere cents per item is high enough to recover the costs Customs requires without disrupting the E-Commerce trade into New Zealand.

**Impact on our business (Confidential and not for public release)**

41. We offer a nationwide delivery service for low-value eCommerce items shipped from offshore.

S9(2)(b)(ii) [redacted]

S9(2)(b)(ii) [redacted]

S9(2)(b)(ii) [redacted]

S9(2)(b)(ii) [redacted]

S9(2)(b)(ii) [redacted]

S9(2)(b)(ii) [redacted].

S9(2)(b)(ii) [redacted]

49. Our customers will be forced to recover these costs from their customers.

50. Given that New Zealand is a small destination for these shippers and that this cost increase is extreme, New Zealand consignments will almost certainly be channelled back to traditional lanes (UPU International Mail network).

S9(2)(b)(ii) [redacted]

S9(2)(b)(ii) [redacted]

**Withdrawal of Crown Subsidies**

53. The complete withdrawal of Crown subsidies for the clearance of LVG shipments is concerning, particularly as it places an additional financial burden on fast freight operators.

54. NZ Post, in particular, benefits disproportionately from government subsidies, which creates an unlevel playing field.

**Key Concerns:**

- **Unfair Treatment of Fast Freight Operators**: While NZ Post benefits from government subsidies, Fast Freight operators are subject to full cost recovery, further exacerbating market imbalances.
- **Phased Withdrawal**: The sudden withdrawal of subsidies could cause significant disruption to businesses, particularly those that rely heavily on cost-effective shipping solutions for low-value goods.

**Recommendations:**

- **Retain Partial Crown Funding**: Given the government's duty to protect borders, some level of Crown funding should continue, particularly for high-risk goods. This would ensure that the burden of cost recovery is shared fairly between the public and private sectors.
- **Phased Implementation of Subsidy Withdrawal**: A **phased withdrawal of subsidies** over a period of at least three years would provide businesses with sufficient time to adjust to the new cost structures, renegotiate contracts, and implement necessary changes.
- **Flat Fee Structure for Low-Value Goods**: Maintaining the flat fee structure for low value goods would ensure stability and predictability for businesses. This is a mechanism that is already in place and widely accepted within the industry. The fee must be reasonable and capped at the proposed level of $247 per ICR. A volume based, bracketed manifest charge (ICR), would improve fairness to fee payers and remove some cross subsidies.

**Alternatives to the Current Proposal**

55. We believe that there are alternative approaches that could achieve the desired cost recovery goals without placing undue financial pressure on businesses or distorting market competition.

**Key Suggestions:**

- **Consider a Hybrid Charging Model**: A **base document fee combined with a considerably reduced per-consignment fee** would strike a balance between cost recovery and financial sustainability for businesses handling high volumes of LVG shipments.
- **A Per-Consignment Charge for All Operators**: Introducing a per-consignment charge for all entities, would ensure a level playing field and prevent market distortions. We estimate that a charge of **mere cents per item** would be sufficient to recover costs without disrupting the eCommerce trade into New Zealand. If UPU International Mail cannot charge a per consignment fee, then a per kilogram fee for International Mail is needed that is equitable to the per consignment fee that the other Fast Freight carriers are charged
- **To assist with cost recovery, we recommend:**
  - **maintaining the current costs for High Value Good Imports**. These costs mechanisms are already in place and accepted by the industry
  - **Introduce a customs inspection fee similar to the MPI biosecurity fee**

**Implementation and Timeframe Considerations**

56. The proposed changes will require significant adjustments from businesses, particularly in terms of contract renegotiations, IT system updates, and operational changes.

**Key Concerns:**

- **System and Contractual Changes**: Businesses will need time to implement these changes, particularly with regard to updating invoicing systems and renegotiating existing customer contracts.
- **Lead Time for Implementation**: A rushed implementation would lead to operational inefficiencies and increased costs for businesses, particularly those that rely on high volumes of low-value goods.

**Recommendations:**

- **Extended Lead Time**: Customs and MPI should provide a **minimum three-year transition period** to allow businesses time to adjust their systems and processes to the new cost recovery framework. This would help mitigate the risk of market disruption and allow for a smoother implementation.

**Conclusion**

While we understand the need for Customs and MPI to recover the costs of managing goods at the border, the proposed changes raise serious concerns about fairness, transparency, and competitiveness. The current proposal disproportionately impacts Fast Freight operators, lacks transparency in cost allocation, and risks creating an uneven playing field between postal services and commercial operators.

We urge Customs and MPI to reconsider the proposed cost recovery mechanisms with a focus on **competitive neutrality**, **transparent cost auditing**, **reasonable**, and **phased implementation**. By adopting a more balanced and transparent approach, New Zealand can continue to foster a thriving and competitive international trade environment.

**Thank you for considering our submission. We look forward to further engagement on this important issue.**

**For low value consignments:**

*Question 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?

| |
|---|
| On face value, charging fees based on the number of consignments may seem a fairer approach as it better aligns the cost recovery with the actual volume of goods processed. However, fairness could be achieved with a per document fee by introducing fees based on volume breaks, such as 100, 500 and 1000+. These fees would need to be reasonable though, around the current proposed $257 per document. We cannot support the current proposed per consignment fee of $3.57. We believe this proposed cost is excessive and unreasonable. It is important that any per-consignment fee remains reasonable, so it doesn't stifle smaller businesses, discourage international eCommerce trade, or encourage alternative supply chain solutions that work around the proposed charges. This is likely cents per consignment. It is also essential that all carriers including UPU International Mail services |

receive the exact same fee structure to ensure no further distortion of the market. Given NZ Post cannot measure the number of consignments, and therefore cannot be charged on a per consignment basis, this method is unlikely to work. At the very least, and to ensure fairness in the market, UPU International Mail Services needs to incur a per kg charge introduced at the same time as any proposed changes to other Fast Freight Carriers.

*Question 6*

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

A per consignment fee at the current proposed level of $3.57 would significantly increase operational costs for our business as we process high volumes of LVG shipments. This will have an impact on cashflow as well as bad debt provisions given the fees cannot be claimed at the point of sale. This will require system upgrades, cost recovery from customers, and potential loss of competitiveness, particularly in international markets. It will be difficult to recover these costs from our customers and it is very likely that it would drive customers to the UPU International Mail channel which would not be subject to the same cost structures in this proposal. We do not agree with the Sapere assessment of the fee impact to volumes outlined in Appendix 3 of the consultation pack. It is also difficult to evaluate how extensive a migration of volume to the postal channel would be. Our business sector operates in a low margin environment and relies on high consignment volumes per MAWB and the productivity efficiencies we receive from this. S9(2)(b)(ii) [redacted]. A further unintended consequence is that sellers move to a B to B to C model bringing their goods into New Zealand as bulk shipments. Customs would lose the additional revenue and the line-by-line consignment detail they currently get to support risk assessment and investigations.

*Question 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?

The introduction of per-consignment charges would necessitate changes to pricing and invoicing systems and potentially our entire logistics chain. We would need to integrate additional data collection to ensure that every consignment is tracked and billed correctly, likely requiring IT upgrades or changes to our systems, our billing platforms and that of our customers. Our customers would need time to consult and negotiate with their customers as this is a significant change. We estimate that adapting to these new processes would take a minimum of 12 - 24 months, depending on the final regulations, the extent of system updates required and negotiation of existing customer contracts.

*Question 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?

| |
|---|
| No, a cap should be considered and be reasonable. For businesses that deal with large volumes of LVG shipments, an uncapped fee could become prohibitively expensive, disproportionately impacting high-volume shippers. A cap would help mitigate excessive costs and ensure that businesses are not unduly penalized for efficiently managing bulk consignments. Without a cap, there could be unintended consequences, such as increased prices for consumers or businesses seeking alternative shipping methods. Again, this would give UPU International Mail providers an unfair advantage as well as the unintended consequence of shippers moving to a B to B to C model. |

*Question 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?

| |
|---|
| The costs not recovered due to the cap could be spread across the entire industry through a small, incremental increase in base rates or funded through general customs levies that apply to all shipments, including that of the UPU International Mail network . Don't look to reduce costs e.g. High Value imports where consumers are used to paying for these services. Cost recovery could also be balanced by efficiency gains through improved customs technology and automation, reducing the overall administrative burden. Additionally, providing all Fast Freight Carriers including NZ Post are paying the same fees, some portion of the costs could be subsidized by the government, as protecting the border is a public good that benefits the wider economy. |

**For low value imports and exports:**

*Question 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?

| |
|---|
| An alternative that could be fairer is a hybrid model where a base fee is charged per document, with an additional, lower-tiered fee per consignment. This approach would allow businesses to manage high volumes of LVG shipments without facing steep per-consignment fees, while still ensuring that customs can recover the costs associated with processing each consignment. Another option could be to introduce a Customs inspection fee to assist with cost recovery. |

**Low value goods carried by air freight:**

*Question 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?

| |
|---|
| While it is reasonable for importers and exporters to contribute towards the cost of clearing goods, full cost recovery will overburden businesses, especially smaller operators. Full cost recovery is not possible without the demise of the industry, or the unintended consequence of all freight being diverted to the UPU International Mail network or the aforementioned B to B to C alternative. Other alternatives need to be explored, such as introducing a Customs inspection fee, retaining the High Value fees as they are and ensuring NZ Post pays the same as other fast freight carriers. Customs and MPI need to look for ways to reduce costs, automate and deliver greater efficiencies. |

*Question 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 question 6. S9(2)(b)(ii) [redacted]. |

*Question 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?

| |
|---|
| Cost changes are generally passed through to our customers who in turn pass these costs onto their customers (eCommerce websites). One of the key constraints will be negotiating existing customer contracts. Moving from document-based to consignment-based charging will create complexities and additional billing overhead. The sheer volume of consignments in our business means that a per-consignment charge would disproportionately increase costs, requiring significant price adjustments. Customers will resist these increases if they are too high, it will make it difficult for us to remain competitive, especially when alternative shipping methods, UPU International Mail services, offer lower charges. It will be essential that any new fee structure is reasonable enough to be acceptable to customers and is the same for everyone carrying LVG shipments including UPU International Mail services. The Fast Freight industry is very agile, and it is likely that alternative transport solutions will be considered/developed as players find ways to move around the new fee structures. |

*Question 36*

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

| |
|---|
| Complex customer contracts would need to be renegotiated. We would need to overhaul our internal systems to track, report, and bill on a per-consignment basis rather than by document. This would involve system upgrades, staff training, and potential changes in customer agreements. A lead time of 24-36 months would be necessary to fully integrate these changes while ensuring that our operations remain uninterrupted. |

*Question 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?

| |
|---|
| The markets our customers sell into are highly price-sensitive, particularly for low-value goods. A per-consignment charge would increase shipping costs, making our customers' products less competitive internationally. Our customers would likely respond by either increasing product prices or seeking alternative shipping methods, such as UPU International Mail services to minimize the impact. This would in turn seriously impact our export business and further drive inflationary pressures It is likely that NZ exporters will have fewer shipping options and compromise their competitiveness in offshore markets. |

*Question 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?

| |
|---|
| A phased withdrawal over 5 years would be appropriate to allow businesses time to adjust. This timeline would give importers, exporters, and logistics companies the opportunity to rework their pricing structures, optimize operations, and adapt to the increased cost burden without sudden financial shocks. A slower transition would also reduce the risk of disruptions to trade, rapid migration to the postal channel and allow for a smoother integration of the new fee structures. |

*Question 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?

| |
|---|
| Recovering the deficit over three levy periods (six years) would be more manageable for businesses, spreading the cost over a longer timeframe. This approach would prevent sudden cost spikes that could hurt business operations and competitiveness. It also allows businesses to adapt incrementally, avoiding abrupt changes in financial outflows. |

*Question 40*

Do you think any consignment types should be exempt from the low value consignment charge? If so, what types of items? How could an exemption be implemented and why would it be appropriate?

| |
|---|
| Exemptions could be considered for essential goods such as medical supplies, educational materials, or humanitarian aid. However, the risk is some businesses mis-declare to avoid fees. It will also add additional overhead to manage these exemptions. |

*Question 41*

If any consignment types are exempted from the low value consignment charge, how do you think the costs Customs and MPI incur should be recovered (eg, from other fee payers or funded by the Crown)? Why do you think this is fair and appropriate?

If exemptions are granted, the cost recovery should come from a combination of Crown funding and marginal increases in fees for non-exempt consignment types. This approach ensures that businesses handling essential goods are not unduly burdened while maintaining overall fairness in the cost recovery system. Shared funding between taxpayers and businesses could also support a balanced approach.

**In terms of low value goods carried by international mail:**

*Question 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?

A hybrid model could be fairer, where importers and exporters bear part of the cost, but the taxpayer continues to subsidize a portion providing this does not mean subsidising of the International Mail Provider (NZ Post or UPU). Given that Customs and MPI's activities protect the entire nation, some level of taxpayer funding could be appropriate if all other alternatives have been exhausted. Full cost recovery from businesses alone is not realistic and will create imbalances and higher costs that will negatively impact trade.

*Question 43*

What is the reason for your answer?

Customs and MPI services are a public good that benefit the entire country by protecting borders and supporting the economy. Taxpayer funding should cover part of these costs because the broader public benefits from secure trade and controlled borders. Overburdening businesses, especially those in the low-value goods sector, will stifle economic activity and growth.

*Question 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?

International mail is often more cost-effective for low-value goods, particularly when speed is less critical. The lower fees and simpler processes associated with mail services provide a viable alternative for small consignments, especially for eCommerce businesses shipping small, low-cost items. It is much easier to under declare via the International Mail network.

*Question 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?

Full cost recovery for mail clearances would ensure a fairer competitive landscape for fast freight operators. This improved cost recovery should also mean less need to use government funding which is overall better for the NZ taxpayer.

*Question 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?

| |
|---|
| Yes, interim taxpayer funding should be maintained during a phased transition to full cost recovery. This would allow businesses time to adjust and avoid sudden increases in operational costs. Having reviewed the numbers, full cost recovery is impossible without severely impacting the import and export of E-Com freight. A gradual approach would help prevent disruption to trade, particularly for small businesses that rely heavily on cost-effective mail services. |

*Question 47*

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

| |
|---|
| A transition period of 5 years would be appropriate to allow businesses to adjust to the new cost structures. This timeframe is sufficient for planning and restructuring pricing models, while also minimizing market disruption. |

*Question 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?

| |
|---|
| Yes, if the overall charge was deemed excessive and providing it was the same for items over a $1000 sent via other fast freight carriers. |

*Question 49*

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

| |
|---|
| N/A |

*Question 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?

| |
|---|
| Charges should be the same to ensure fairness across all consignment types and prevent businesses from gaming the system by switching between mail and air freight based purely on cost differences. This will ensure the continuity and stability of all competitors in our market. |

*Question 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 hybrid fee structure based on both weight and consignment value could be fairer. This would ensure that low-value, low-weight items are not disproportionately charged, while still recovering appropriate costs for higher-value goods. Alternatively, a tiered system could be introduced based on item weight ranges. Finally, a fixed fee per year based on total volume could simplify the cost model and ensure fairness across the board.

*Question 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?

This would not be fair to other fast freight operators unless they were subject to the exact same cost model.

**Crown funding for the management of commercial vessels:**

*Question 53*

Do you think it would be appropriate for the costs of managing commercial vessels to be fully cost recovered rather than partially funded by the Crown?

*Question 54*

What is the reason for your answer?

*Question 55*

Do you have anything else to tell us about this proposal not already covered by your responses to questions on the proposal to introduce a commercial vessel fee?

**From:** S9(2)(a) [redacted]
**To:** Consulting on fees and levies
**Cc:** S9(2)(a) [redacted]
**Subject:** Consultation Document: Recovering the Costs of Goods Management at the Border
**Date:** Thursday, 31 October 2024 9:13:57
**Attachments:** image001.png

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## Submission on the Proposed Customs Fee Structure for Commercial Vessel Calls

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### Background

Oceanic Navigation represents a number of ship owners, mainly handling refrigerated food cargoes transported to and from New Zealand.

The primary principal of Oceanic Navigation is Fresh Carriers Co., Ltd. (FCC), based in Tokyo, Japan.

FCC manages a fleet of 17 specialized reefer vessels that primarily carry single commodities like palletized fruit in their underdecks and containers on deck.

Typically, FCC conducts around 60 voyages to New Zealand annually, transporting fruit cargoes for Zespri and Market Gardeners (MG), along with additional imports such as Philippine bananas and used vehicles from Japan.

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### Key Concerns with the Proposed Customs Fee Structure

The proposed Customs fee structure is supposed to ensure financial sustainability, improve fairness for fee payers, and enhance equity for taxpayers.

However, the lump-sum fee structure as proposed does not align with these objectives.

Specifically:

1. **Fee Applicability to Vessel Calls**
   The lump-sum fee is applied to each vessel call, regardless of the cargo type, quantity, or Customs management needs. This flat fee does not reflect the complexity or level of Customs or MPI engagement required by different cargo types, vessel types or regularity of NZ call, trading patterns or the professionalism of the ship owner in ensuring the vessels comply with NZ regulations

2. **Increased Costs for Ship Owners and Lack of Transparency**
   Shifting fee liability from goods owners to ship owners introduces additional

administrative costs, which will inevitably be passed on to exporters or importers. There is a lack of transparency in how this cost is managed and apportioned to cargo owners.

3. **Equitable Sharing of Border Security Costs**
   Taxpayers, as stakeholders in border security, bear a responsibility for costs related to biosecurity and Customs (TNOC). Transferring the entire cost to ship owners, and subsequently to importers and exporters, is not an equitable distribution of expenses. Ultimately, these fees will pass down to consumers or will impact the competitiveness of New Zealand exporters

4. **Reduced Commercial Viability of New Zealand as a Shipping Destination**
   The added costs associated with New Zealand-bound voyages make the country less attractive to international ship owners. Biosecurity regulations in New Zealand are already some of the strictest globally, and the imposition of an additional fee of approximately USD 3,800 per voyage adds further deterrence.

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**Detailed Objections to the Fee Structure**

1. **Unfair Burden on Smaller Vessels**
   A flat fee of NZD 6,278 per commercial vessel places an undue financial burden on smaller vessels, such as those of 5,000-10,000 DWT carrying limited cargo, in comparison to larger container vessels that may carry up to 120-140,000 tons in 5-6,000 containers (import and export) or cruise ships that accommodate thousands of passengers.

2. **Indifference to Cargo Value and Purpose**
   The fee is imposed irrespective of cargo value or destination, e.g., vessels delivering high-value goods, such as wind turbines, solely for transit through New Zealand still incur the same fees.

3. **No Consideration of Risk Variation by Cargo Type**
   Different cargoes present different levels of risk for biosecurity and TNOC. For example, a reefer vessel carrying palletized fruit from New Zealand to Japan poses a much lower risk than a container vessel transporting varied and potentially higher-risk goods from regions with elevated drug-trafficking activity.

4. **Lack of Recognition for Compliant Vessels**
   Regular FCC vessels, with a consistent compliance track record for biosecurity, receive no consideration or fee adjustment for their established low-risk profiles and preventative measures (e.g., heat treatment for vehicles or low-risk status of Philippine bananas).

5. **Impact on the Importer, Exporter, and Ultimately the Consumer**
   Increased costs passed from ship operators to importers/exporters will ultimately fall upon consumers, with compounding markups as fees move through the supply chain.

6. **Request for Crown Contribution**
   Border protection is a national responsibility, akin to visitor and tourism-related expenses. It is recommended that the Crown share in funding these programs to avoid disproportionately burdening commercial vessels and their supply chains.

7. **Disparity Between Import Vessel Types**
   The proposed fee structure does not differentiate between vessel types and their associated Customs revenue. For instance, tankers in ballast or carrying minimal cargo generate minimal Customs revenue, whereas large container vessels provide numerous Customs entries, reflecting a need for proportionate fee structures.

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**Conclusion**
The proposed flat fee per vessel call lacks the flexibility and fairness needed to support the wide variety of vessels calling at New Zealand ports.

Oceanic Navigation urges a reconsideration of this approach to better address the realities of trade, vessel type, and cargo-specific risk, with a recognition of vessel sizes, cargo capacities, biosecurity and TNOC risk.

We are happy to be involved in further consultation

S9(2)(a) [redacted]
Oceanic Navigation Ltd
S9(2)(a) [redacted]

S9(2)(a) [redacted]
PO Box 37272, Parnell, Auckland, 1151, New Zealand
Website: www.oceanic.co.nz

**From:** [redacted]
**To:** Consulting on fees and levies
**Subject:** Concerns Regarding Fee Restructure for Exports
**Date:** Thursday, 31 October 2024 9:33:38

To whom it may concern, I hope this message finds you well. I am writing to address the proposed fee restructure for exports and the serious implications it poses for small businesses in New Zealand. As you know, small businesses play a crucial role in our economy, driving innovation and job creation. However, the planned increase in export fees places an additional financial burden on these enterprises, which often operate on thin margins. For many small businesses, particularly those looking to expand into international markets, increased costs could be detrimental, potentially hindering growth and competitiveness. The export fees serve as a significant part of the overall cost structure for small exporters. Higher fees could result in increased prices for consumers, which might reduce demand for New Zealand products abroad. This is especially concerning for emerging businesses that are striving to establish their brand in global markets. The last thing we want is to inhibit their ability to compete effectively, especially in sectors where we have a natural advantage. Moreover, small businesses often lack the resources and infrastructure to absorb such costs, making it more challenging for them to navigate the complexities of international trade. The risk is that some may be forced to scale back or even cease operations, resulting in job losses and negative impacts on the broader economy. I urge you to take these concerns seriously and consider a more measured approach to the fee structure that accounts for the needs of small exporters. Engaging with representatives from the small business community could foster a dialogue that leads to a solution beneficial for all parties involved. Thank you for your attention to this matter. Best regards, [redacted] Rubber Monkey Sales Ltd [redacted]

**Sent by email to:** consultingonfeesandlevies@customs.govt.nz

**Re: Consultation: Recovering the Costs of Goods Management at the Border**

Submitted by:

Maersk A/S [redacted]

[redacted]

Level 3, Building B/2 Graham Street,
Auckland CBD
Auckland 1010
New Zealand

[redacted]

**Introduction to A.P. Moller - Maersk ("Maersk")**

Maersk is an integrated logistics company, and we work to connect and simplify our customers' supply chains. As a global leader in logistics services, we have 100,000+ customers, we operate in more than 130 countries and employ around 100,000 people. Maersk is aiming to reach net zero emissions by 2040 across the entire supply chain supported by investments in technology, vessels operated on renewable fuels and green energy solutions.

With over twenty-five years of local presence in New Zealand and connections to and from seven of the country's ports, we combine local knowledge, service excellence, unmatched reliability and the world's largest shipping network to connect New Zealand businesses to and from the world. With its New Zealand head office based in Auckland, Maersk employs 121 staff across New Zealand.

Our New Zealand Ocean service network encompasses five mainliner services with a daily vessel arrival into New Zealand from international waters. Each year our vessels make over 930 port calls in New Zealand.

In February 2024, Maersk opened its state-of-the-art, integrated cold chain facility at the Ruakura Superhub, following a NZD 150m investment. The 18,000 sqm facility aims to improve supply chain efficiency by offering customers end-to-end supply chain solutions including import, export, and cross-docking services. It enables the exchanging of goods between transport modes, such as rail and truck, creating a highly flexible and more resilient supply chain within the Waikato and wider New Zealand.

**Feedback relative to the proposed introduction of a commercial vessel charge**

The following feedback relates to the proposed introduction of a commercial vessel charge and the proposed changes for transshipped goods, transit goods and empty shipping containers, respectively.

As a global shipping and logistics company, we fully acknowledge the various risks that commercial vessels pose to New Zealand, e.g. in respect of hidden contraband and biosecurity, as stated in the Joint Consultation Document. We also appreciate the significant efforts made by both Customs and the MPI to manage these risks and the costs associated with these efforts.

[redacted]

For Maersk, the proposed introduction of a commercial vessel charge gives rise to some substantial concerns which are primarily founded in the characteristics of offering shipping and logistics services in New Zealand.

These characteristics include the port infrastructure of New Zealand and the way business and operations are spread across the country. Such traits contribute to New Zealand being a high-cost environment to run an operationally effective shipping and logistics business in.

This cost picture, in turn, influences our decisions regarding global deployment of capacity (vessels and equipment, such as containers), and we are concerned that an implementation of the proposed commercial vessel charge S9(2)(b)(ii) [redacted] Notably, we are concerned that the implementation of a commercial vessel charge could negatively impact our ambitions of growing our coverage of New Zealand, as vessels and equipment could be absorbed by routes which offer lower operational costs.

In the Joint Consultation Document, the need for vessel operators to reflect the proposed commercial vessel charge in their pricing has already been identified by Customs and MPI as a key impact on businesses of the proposal. While in principle, we agree that we could to some extent reflect the proposed charge directly or indirectly in our pricing, we respectfully ask Customs and MPI to take the following factors into consideration regarding the feasibility of reflecting the proposed charge in our pricing.

Firstly, for importers and exporters, the implementation of a commercial vessel charge for vessel operators and, in turn, the reflecting of such charge in the pricing of operators would lead to added complexity of doing business in New Zealand.

New procedures would need to be adopted by importers and exporters who would no longer be charged based on the actual goods imported or exported. Instead, with this charge reflected in the pricing of vessel operators, the importers and exporters would have significantly less transparency into their cost base, and their cost base – for this part – would be detached from the actual goods that a business imports or exports.

Moreover, the reflecting of the proposed charge in the pricing of vessel operators will have global implications, given the nature of the industry, and the role of the commercial terms (typically Incoterms) agreed between a seller and a buyer.

Secondly, in practice, the reflecting of the proposed commercial vessel charge for vessel operators could be complicated and will in any case lead to an increased administrative burden of operating in New Zealand. This is of relevance in an industry where prices are highly volatile S9(2)(b)(ii) [redacted]

Thirdly, the fact that the proposed commercial vessel charge would apply to all vessels irrespective of type, tonnage, and whether the vessel arrives in New Zealand laden or empty could lead to quite different ways of reflecting the charge in the pricing structure between vessel operators. From the

Out of Scope [redacted]

importers' and exporters' point of view – especially those who do business with several vessel operators – this could lead to less transparency in respect of costs, as opposed to the current model where importers must deal only with Customs to pay (charges and levies) for costs associated with the public handling of goods.

We are further more concerned that the introduction of a commercial vessel charge by Customs and MPI, rather than the current model where cost recovery happens on the basis of fees and levies charged on the actual goods, would make New Zealand stand out negatively as a business environment, as such commercial vessel charge is not aligned with global standards within this field.

As an example, in Australia, they apply a cost recovery model with a vessel charge currently at AUD 1,410 and additional charges being applied by customs are charged separately, to ensure cost recovery. One such example is container inspections, which are billed to the terminal and or depot operator and on-charged to the applicable container shipping company. In New Zealand, the proposed vessel charge is at NZD 6,268, four times as high for the same purpose as Australia, cost recovery.

Based on the revised proposal for goods management and fees outlined in the consultation document we are concerned that the new proposal will result in double charging for empty container inspection. Today, we are already paying for customs inspection:

Current costs model for empty container customs inspection (excl. GST) are:

| | |
|---|---|
| Inspection/re-inspection | = $38.875 per 15 minutes (not per container) |
| Travel for offsite office (Zone charge) | = $53.00 (1-4 km range), $107.57 (up to 10km range) |
| Pre/Post Activity (data entry etc) | = $38.875 |
| Consignment submission | = $33.25 per consignment |

The additional charge proposed for transshipments is concerning as today the costs to transship cargo in New Zealand ports are significantly more expensive than in South East Asia, S9(2)(b)(ii) [redacted]

As these containers already are accounted for in the vessel charge under the new proposal it is unclear why these containers have an additional charge attached. The additional costs for transshipment units risks further reduction in transshipment operation in New Zealand. We would also like to request Customs to clarify the process for the inspection for transshipment units, given the short time frame the containers are situated in the transshipment port before loading on the connecting vessel/voyage.

Furthermore, we would like to request customs to clarify if the proposed charges for transshipment only will apply for international transshipment cargo or for New Zealand export cargo with first load port in New Zealand and subsequent transshipment in New Zealand for place of delivery at a non-New Zealand port.

Out of Scope [redacted]

We trust the above feedback is useful for Customs and MPI in the process from here, and we sincerely hope that the feedback is taken into consideration when deciding whether to implement the proposed commercial vessel charge.

Additionally, we would like to use this opportunity to invite Customs and MPI for further dialogue regarding the proposed changes, and we would be pleased to also make ourselves available in case further information about the shipping and logistics industry and market dynamics and developments is needed.

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Out of Scope [redacted]

31 October 2024

New Zealand Customs Service
*consultingonfeesandlevies@customs.govt.nz*

**Retail NZ submission on Consultation: Recovering the costs of goods management activities at the border**

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 27,000 businesses and employs around 220,000 Kiwis. We have consulted our membership in the preparation of this submission.

2. Retail NZ understands the objectives of the Consultation on recovering the costs of goods management activities at the border are to:
    - ensure the financial sustainability of Customs' goods management
    - improve fairness to fee payers by better aligning fees to activity costs, removing cross-subsidies and having a more level playing field for competing businesses, and
    - improve fairness to taxpayers by making sure that taxpayers are not paying for costs they do not create.

3. While Retail NZ is broadly supportive of these objectives, we feel that the proposals will create unacceptable inequities for exporters of low-value goods, impacting many small New Zealand retailers.

4. We recommend that the proposed new fees on low value exports, particularly those shipped by air, do not proceed and that further consultation is carried out with the ecommerce sector to identify a better solution.

## Online export sales

5. A significant portion of New Zealand retail sales take place online, and online is continuing to grow.

6. Research carried out in 2023 by New Zealand Couriers[1] found that half of Kiwi businesses reported they were doing more online trading as a result of the Covid 19 pandemic. 38% of respondent businesses reported that they sold to international customers.

7. The rise of social media has made it easier than ever for New Zealand businesses, especially SMEs, to reach offshore customers.

8. The profile of New Zealand ecommerce shipments are generally small parcels of low value that have been bought online by overseas buyers. While they are individually small sales, they contribute to the success of NZ Inc. by creating a valuable demand for New Zealand goods, including clothing, honey, cosmetic/herbal goods and other uniquely New Zealand products.

9. Given the current recessionary conditions in the New Zealand economy, New Zealand businesses struggle to generate enough trade from domestic customers to ensure their business' survivability. This leaves them reliant on international trade through ecommerce channels to be financially sustainable. However, they can only achieve success in the

[1] New Zealand Couriers, *Merchant 2023: Ecommerce insights*

international marketplace if they are price competitive with their international competitors.

## Discussion of key issues in consultation

10. Retail NZ has a particular interest in commenting on the following points in the consultation paper:
    a. Proposals impacting low value exports
    b. Monitoring, modelling and engagement on fees

11. The consultation document proposes to introduce an export fee for exports by air of low value consignments (under $1000) of $3.50 per consignment. While we accept that there must be an element of user pays in covering Customs' costs, our contention is that the proposed fees are disproportionate compared to the fees for high value consignments, and risk threatening the viability of the export operations of small New Zealand retailers.

12. The consultation document proposes that high value exports by air (more than $1000) will face a fee of $3.70 per consignment, a cut of almost 50% from the current $7.20. The proposed new fee is only 20 cents above the proposed fee for low value consignments.

13. This would see a high value exporter paying $3.70 on a multi-million dollar consignment, while a small exporter would pay $3.50 on a small consignment worth less than $1000. As a hypothetical example, a $20 t-shirt with a $15 shipping charge would have an additional $3.50 added to it That is a 10% increase for the buyer of the goods which could be replicated hundreds of times, each time the retailer sells a t-shirt.

14. The proposed new fee would create an unacceptable inequity for exporters of low-value goods. It unfairly loads the costs of Customs clearance onto SME exporters whereas more risk is likely to lie with exports from larger businesses.

15. Ecommerce retailers will have to pass on the additional costs to their customers, with significant implications on their price competitiveness in the international market.This does not align with the New Zealand Government's desire for New Zealand to be seen as 'open for business'.

16. It is difficult to see that Customs is justified in imposing such a substantial extra charge on low value, low risk goods, which are highly unlikely to require extensive attention or oversight from Customs.

17. Globally, high de minimis tariff thresholds promote the flow of goods entering and exiting the country. Goods below the de minimis threshold pass through customs without fees or duty. De minimis thresholds are promoted by organisations such as the World Customs Organization and OECD.

18. The UK de minimis threshold is GBP135, the EU is EUR150, US is USD800 and Australia is AUD1000. Imposing a goods fee on all low value New Zealand exports is out of step with our international competitors.

19. Collecting tariffs on low-value consignments, usually small parcels, is seen as both expensive and administratively intensive. Administration costs may be disproportionate to the revenue generated.

20. The Sapere economic analysis cited in the consultation document notes that the potential impact of these indicative fee changes will be greatest on low value air exports, potentially reducing them by $20.3 million (3.67%). Although this is only a small proportion of New Zealand's total air exports, it will have a disproportionate impact on the many small businesses who are selling their goods overseas in small consignments, and will potentially act as a handbrake on the growth of these businesses.

21. Retail NZ supports cost recovery for low value air imports, to improve the competitiveness of New Zealand retailers. As noted in the consultation document, international ecommerce

retailers shipping directly to consumers in New Zealand currently have an unfair competitive advantage over their New Zealand counterparts, as they are not paying the costs of clearing them.

22. Retail NZ also supports the proposal to move to a regular three-yearly review cycle for goods fees, to provide businesses with certainty for their planning cycles.

23. Retail NZ would value the opportunity to engage regularly with Customs and MPI on goods fees and levies. Such stakeholder engagement processes are effective in achieving greater understanding by all parties, and promoting opportunities to work together to achieve the best outcomes. They work well in other contexts and could easily be replicated for this purpose.

## Conclusion

24. Thank you for the opportunity to make a written submission, Retail NZ would welcome the opportunity to discuss our points further.

25. No part of this submission should be withheld under the OIA.

Sincerely,

[redacted]

**From:** [redacted]
**To:** Consulting on fees and levies
**Subject:** Regulatory Changes Feedback
**Date:** Thursday, 31 October 2024 12:45:01

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To Whom it may Concern

The new fees you are looking at charging would have a negative affect on our business.

We are a small business who sends low value goods packages overseas.

Imposing a charge to us for this is something that we could not cover ourselves and having to pass it onto our customers who make it less likely for them to make purchases since it would be too expensive for them to have the item sent overseas.

The postage costs are very expensive now and adding extra fees to that is not something people will be willing to pay in order to get a small package sent.

Thank you for listening to our feedback

[redacted]
Garth Wilson Jade
garthwilsonjade.co.nz

**From:** [redacted]
[redacted] Consulting on fees and levies
**Subject:** Fwd: DHL Express Important Message - Proposed NZ Government Fee Structure
**Date:** Thursday, 31 October 2024 12:55:22

---

Feedback below

[redacted]

www.gearshop.co.nz

[redacted]

Begin forwarded message:

> **From:** [redacted]
> **Date:** 31 October 2024 at 12:34:42 PM GMT+13
> **To:** [redacted]
> **Subject: Re: DHL Express Important Message - Proposed NZ Government Fee Structure**
>
> Hi [redacted]
>
> No we don't agree that this is a good idea at all, airfreight costs are high enough without further charges.
>
> Q5. Do not agree, as our business is a retail export business, most shipments are under $1000 and consumers are price sensitive to shipping charges.
>
> Q6 significant, any increased shipping cost impact on consumer buying and would likely result in a decline in spending.
>
> Q33 continue as it is, they are a govt agency, collecting fees for the govt, they should cover their own operating costs internally.
>
> Q37 yes this would have a significant impact, like resulting in less export sales, shipping charges are already expensive and any further increases would have a negative impact, likely making some markets non viable.
>
> Thanks
>
> [redacted]
>
> www.gearshop.co.nz
>
> [redacted]

Out of Scope

[redacted]

Out of Scope

[redacted]

J A M I E K A Y

Jamie Kay Limited
21 Commerce Crescent
Islington, Christchurch
New Zealand, 8042
S9(2)(a) [redacted]

New Zealand Customs Service
PO Box 2218
Wellington 6140

31st October 2024

**Re: Consultation Recovering the Costs of Goods Management at the Border**

Dear Customs Service,

We are writing to provide feedback on the consultation paper titled "Recovering the Costs of Goods Management at the Border," published in September 2024. This letter specifically addresses questions 5, 6, 10, and 37 in the paper, focusing on the proposed fee structure for low-value exports and its implications for our business.

***Question 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?***

While we recognise the need for cost recovery to maintain the financial viability of Customs Services, we do not agree with the proposal to charge a fee of $3.50 per consignment. For our business, which primarily deals in low-value exports averaging $100 per consignment, this fee represents a substantial percentage of the shipment value. We believe that a fee structure based on the value of goods would be fairer and more reflective of the impact on cargo shipments. A fixed cost per consignment disproportionately affects low value shipments.

***Question 6: What impact would setting fees per consignment likely have on your business?***

Jamie Kay has built a strong global customer base, distributing children's clothing and accessories designed in New Zealand. S9(2)(b)(ii) [redacted] the proposed fee structure would significantly impact our operations. It would force us reconsider our logistics strategy, including the potential relocation of operations offshore to remain competitive globally, which could have serious implications for local employment and the community.

***Question 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.***

We propose that a value-based fee structure would be a fairer and more feasible alternative to both the current system and the proposed consignment-based fees (i.e. fixed fee). Although the consultation document argues that such an approach contradicts cost recovery principles, it fails to consider the broader implications for shipment costs. A flat fee could discourage low-value shipments, adversely affecting both imports and exports. Given the price sensitivity of low-value goods, even minor increases could lead to significant reductions in volume, ultimately undermining Customs' revenue goals.

***Question 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?***

The markets we serve are highly price-sensitive, particularly for online retail where consumers can easily compare prices. For our business, the proposed per consignment export charge would threaten our competitive position against in-market retailers and larger international competitors. If implemented, we would be forced to re-evaluate our operational model, with a stronger business case to establish offshore distribution centres. This shift would not only adversely impact local employment but could also result in a greater loss of export value. S9(2)(b)(ii) [redacted]. Therefore, we believe the economic impact projections are not accurately reflective of the situation.

In conclusion, we urge Custom to reconsider the proposed fee structure considering its potential impact on businesses like ours. A more equitable approach, based on the value of goods rather than a per consignment fee, would better serve the interests of both exporters and Custom. If you'd like to discuss feedback further, please feel free to reach out to me at S9(2)(a) [redacted] Please also refer to **Appendix** of the letter on sentences to redact from publication.

Your sincerely,

S9(2)(a) [redacted]

Out of Scope

[redacted]

**From:** S9(2)(a) [redacted]
**To:** Consulting on fees and levies
**Subject:** DHL EXPRESS' RESPONSES TO CONSULTATION DOCUMENT QUESTIONS
**Date:** Thursday, 31 October 2024 17:50:40
**Attachments:** image001.png
DHL Express - Response to Consultation Document Questions.pdf

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Attn NZ Customs

Please see attached response from DHL Express for responses to the consultation document questions.

Kind Regards,

S9(2)(a) [redacted]

www.dhl.co.nz

**DHL EXPRESS' RESPONSES TO CONSULTATION DOCUMENT QUESTIONS**

| QUESTION | | RESPONSE |
|---|---|---|
| **Volume projections for goods clearance fees and levies:** | | |
| **1** | Do you think these forecasts are reasonable? | No, we consider that the forecasted projections for LVGs are too low relative to the projections for high value goods ("**HVG**"). In particular, the Consultation Document states that, over the next five years:[1]<br>(a) LVG imports by air are forecast to have 8% growth, and LVG exports by air are forecast to have 4% growth; whereas<br>(b) HVG imports by air are forecast to increase by 14.6%, and HVG exports by air by 24%.<br>Given the LVG segment is the biggest growth area in the express package delivery market, we would expect the projected growth in LVG volumes to be increasing at a rate which is more comparable to that of the HVG projections.<br>High value imports by sea are only projected to increase by 1.1% over the next five years, yet commercial vessel arrivals are projected to increase by 26.7%. Given that larger vessels typically carry (high weight) HVGs and have more TEUs, this would suggest that the forecasted increase in HVG imports may not be accurate.<br>We also note that:<br>(a) If consignment level charging did go ahead, there would be different incentives on industry participants that would drive a shift in volume to different pathways (as described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission), which would contribute to making the forecasts even more inaccurate and unreliable.<br>(b) The Consultation Document forecasts zero growth in low value mail imports. This likely underestimates mail segment growth given, as described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, NZ Post is expanding into the market for express package delivery services. That is reflected in the Consultation Paper, where it is noted that goods consignments within the mail channel "have |

[1] Consultation Document at [55].

| | | |
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| | | followed a strong growth trend with the expansion of e-commerce globally". Therefore, it is unlikely that the volume of LVG imports through the mail channel would remain unchanged over the next five-year period.[2] |
| **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 fee increases proposed under Option One (Base Package) would result in additional costs to carriers which would likely have to be absorbed by the business, as is the case with the current manifest charges. |
| **3** | What implementation issues would the changes raise for your business and what lead time would you need to manage these? | Carriers would need to make systems changes to capture the increases in border fees – however such changes would not be expected to give rise to any material implementation issues. We consider that a lead time of 12 months would be satisfactory to carriers for budgeting purposes. |
| **4** | Is there anything else you would like to tell us about the likely impacts of these fee changes? | We consider that:<br>(a) For low value imports, maintaining the current fee structure will allow the uninterrupted flow of LVGs across the border - given that, in contrast to the position under a Consignment Charge fee model, there would be no need for carriers to stop them at the border to enable the recovery of such charges from importers (see paragraph **Error! Reference source not found.** of our submission).<br>(b) For low value exports, maintaining the current fee structure will allow New Zealand exporters to remain price competitive against their international counterparts, given exporters' costs should not be materially impacted by an adjustment to the current fee structure (as proposed under Option 1 - Base Package), especially compared to the impact of introducing Consignment Charges.<br>However, to ensure competitive neutrality (and for the reasons described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission), NZ Post should be required to pay the LVG weight charge under Option 1, as proposed for LVGs arriving by mail under Option 3 (Supporting Package – Improving Fairness for Taxpayers) in the Consultation Document.[3] |

[2] Consultation Document at [127].

[3] Consultation Document at [142].

<table>
<tr><th colspan="3">For low value consignments:</th></tr>
<tr><td>5</td><td>Do you agree that setting the fee for the submission of a cargo report for clearance of LVGs 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?</td><td>DHL Express are opposed to consignment level charging for LVGs. These changes would see a significant and infeasible increase in costs from $123 to $1,785 for the average import shipment of 500 low value items, and from $67 to $1750 for the average export shipment of 500 low-value items. The effective fees under a Consignment Charge structure will therefore have a significant impact on the industry and ultimately on New Zealand importers and consumers during a cost-of-living crisis.<br><br>Further, an ICR with twice as many air waybills ("AWBs") does not represent twice the screening and processing that would be required from the Border Agencies to process that ICR. Therefore, consignment level charging would not match the cost of the activities undertaken by the Border Agencies and is not fair or equitable to industry participants. In addition, the proposed Consignment Charge would be charged direct to a broker's account, which would mean that brokers carry all of the financial risks associated with any bad debts which is not an equitable outcome. Further issues include:<br><br>Imports:<br><br>(a) Express carriers of LVGs operate a low margin, high volume business model which does not enable additional material costs to be readily absorbed by the business. As such, it is unlikely that the costs associated with consignment level charging would be able to be absorbed by carriers if it were to be introduced.<br><br>(b) As described under paragraphs Error! Reference source not found. to Error! Reference source not found. of our submission, carriers would likely need to stop shipments at the border to collect the proposed LVG consignment fees from importers. Further costs would be incurred in terms of additional headcount to manage new internal processes (including customer management), warehousing, cash-flow, delivery delays, bad debt write offs (due to unpaid Consignment Charges), disruption to the supply chain, and systems and billing changes. Given the low margin, high volume business model for LVG freight, carriers are unlikely to be in a position to absorb these material costs, such that the cumulative impact to importers of consignment-level charging will likely be disproportionate to the value of the Consignment Charge itself (i.e. as carriers will</td></tr>
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| | | |
|---|---|---|
| | | likely need to recover the additional costs they incur to collect the Consignment Charge - which would add significant costs to imports). This would be materially disruptive to the supply chain and New Zealand trade.<br>(c) The proposed increase in LVG fees and significant reduction in HVG fees is disproportionate to the volume and value of each goods type (as discussed further below), which is not an equitable outcome given it does not ensure that the Border Agencies' services are being funded by those who create the need for them, i.e. consumers of LVGs will be required to bear a disproportionate share of the costs of the Border Agencies' goods management activities.<br>**Exports:**<br>(a) The proposed Consignment Charges for LVGs are excessive and would be at risk of undermining the competitiveness of New Zealand exports, as well as being disproportionately high compared to the equivalent charges for HVGs.<br>(b) For example, for a low value export, the charge would be $3.50 per consignment, compared to $3.70 per consignment for a high value consignment. It is illogical and inequitable that Consignment Charges applicable to LVGs and HVGs should be almost the same, as this would mean that LVG charges are significantly higher as a proportion of the value of an LVG consignment (i.e. given HVG consignments are higher value). For example, a $30 tee shirt will have a $3.50 charge compared to a high value shipment worth $1m which will be charged $3.70. Therefore, the fees would be entirely disproportionate to the value and volume of the goods, as well as the risk/costs faced by the Border Agencies in respect of managing such goods.<br>(c) In particular, both of these consignments are processed through TSW, however a high value consignment could contain hundreds of items at a line level compared to a low value consignment that could have one to two items. Therefore, the Border Agencies' goods management fees should reflect the relatively higher risks and costs posed by HVGs compared to LVGs.<br>**Low value exports:**<br>(a) Low value exports require little to no intervention by the Border Agencies. Therefore, the costs of |

| | | |
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| | | the Border Agencies' goods management for LVG exports (which are minimal) should not be charged at a consignment level to pay for the screening through TSW.<br>(b) This would be a clear barrier to export trade for New Zealand businesses. In particular, the costs imposed on exporters under this approach would severely impact small and large New Zealand ecommerce businesses and inevitably impact their export volumes around the world, especially given they are already competing in a tight international marketplace. Some larger New Zealand companies will be spending in excess of $120,000 per month on customs fees, which is a significant cost that will materially affect their price competitiveness in international markets.<br>(c) Under the LVG cost recovery proposal, NZ Post will not be subject to LVG export clearance fees at a consignment level, manifest level, or on a weight / per kg basis. As explained in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, this creates an unfair playing field, as it will give NZ Post an unjustified advantage in the market for express package delivery services (in which NZ Post is a key competitor) relative to other competitors, including the members of DHL Express.<br>**Border Risks:**<br>(a) Imposing higher fees on the private sector may lead exporters and importers to switch to NZ Post, as described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission.<br>(b) That outcome is concerning given that NZ Post is unable to provide data through TSW on the ICR and the OCR for their LVGs. From a risk perspective, if more freight went through the mail channel due to the increased charges in the express delivery pathways (which we consider would be likely to occur if a Consignment Charge was introduced), this would put New Zealand's borders at greater risk given a higher proportion of freight entering and exiting New Zealand would be processed without the security benefits of TSW. That is evidenced by comments in paragraph 128 of the Consultation Document – i.e. the Border Agencies elude to the fact that electronic data is better for screening and leads to more seizures: |

| | | |
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| | | "*It is also likely that process changes, such as increasing use of Electronic Advance Data to improve risk management, will also improve the detection and seizure of contraband. It would likely change the nature of Customs' costs of mail, decreasing physical screening and increasing electronic risk assessment. It could potentially increase detention and seizure of mail and investigations related to mail*". |
| **6** | What impact would setting fees per consignment likely have on your business? | **Imports:**<br>(a) As explained in paragraph **Error! Reference source not found.** of our submission, express providers have no contractual relationship with importers, and freight fees are paid at point of export. However, express providers are not billed by the Border Agencies until after the goods clear the border in New Zealand, such that express providers currently absorb customs charges rather than passing them on to exporters.<br>(b) However, as noted in our response to question 5 above, express providers operate a low margin, high volume business model which does not enable additional material costs to be readily absorbed by the business. As such, the imposition of Consignment Charges would put pressure on carriers' margins, and it is unlikely that they would be able to absorb the charges given their significant scale. Therefore, as described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, if carriers were to recover the fee from the importer, inbound goods would likely need to be warehoused whilst reimbursement is sought from the importer.<br>(c) This would create additional costs (including due to shipment delays) which carriers would struggle to recoup or absorb. This would have the effect of increasing the cost of living for New Zealand families and businesses.<br>(d) In that context, we cannot overstate the cost to carriers, and the potential impact to New Zealand consumers, associated with warehousing and holding consignments pending payment of Consignment Charges (which would be likely to occur if Consignment Charges were imposed), as well as customer engagement costs related to managing such arrangements. Whilst the cost per parcel proposed by the Border Agencies under a Consignment Charge model would be $3.57 for |

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| | | imports, there is a risk that importers will face significantly more additional fees related to the costs to carriers of implementing Consignment Charges, e.g. new warehousing, personnel, recruitment, training, cash flow costs and destruction costs of the invariably unclaimed goods. Therefore, under a Consignment Charge model, the cost of collection would far exceed the proposed fees.<br>**Exports:**<br>(a) Carriers would likely be left with no option than to pass the proposed fees onto New Zealand exporters. This fee would be $3.50 per consignment. Whilst passing this cost to exporters is administratively relatively straight forward, it would act as a significant cost and trade barrier to New Zealand exports, with a particularly negative impact on New Zealand SME's given they have less ability to spread the increased costs across large-scale operations.<br>(b) As explained in paragraph **Error! Reference source not found.** of our submission, New Zealand businesses 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. |
| **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? | **Low value imported goods:**<br>If consignment level charges were to be introduced, the following changes would need to occur:<br>(a) goods would likely need to be held at NZ border until costs are recouped;<br>(b) carriers would need to employ and train additional resources;<br>(c) IT system changes would be required;<br>(d) new warehousing would need to be set up to hold goods pending payment of fees;<br>(e) internal process would need to be adjusted due to cashflow issues; and<br>(f) arrangements would need to be made for the destruction of invariably unclaimed goods.<br>The estimated time to implement these changes is 18 to 24 months. |
| **8** | Do you agree a per consignment charge, payable when a document seeks clearance of a large number | For the reasons set out in our submission, we fundamentally do not agree with individual consignment level charging. Charging at manifest level should remain, with adjustments to ensure that |

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| | of low value consignments, should not be capped? | the Border Agencies' provision of goods management services is financially sustainable (as explained in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission). |
| **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? | The submitter should not wear the costs. As identified in the Consultation Document, the costs should sit with those who create the need for the services (i.e. the end user).<br><br>Further, the costs related to seizures, investigations and prosecutions (as distinct from costs associated with inspection and clearance) should be covered by the Crown as part of border protections as they are a public good. Legitimate importers and exporters, i.e. those who do not create the need for the Border Agencies to take such enforcement actions, should not wear this cost given this approach would be inconsistent with the principles of fairness and equity. |
| **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. | Continuing to charge on a manifest basis and not at a consignment level would be preferable. This approach would lessen the impact on trade for importers and exporters, and for express carriers it would mean that goods do not need to be stopped at the border for fee collection. Therefore, charging on a manifest basis would not be materially disruptive to the flow of goods entering and exiting the country.<br><br>Specifically, as described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, we believe a volume based bracketed manifest charge, coupled with an activity-based fee for inspections is a more feasible approach. The activity-based charge could be similar to MPI's hourly rate system, or a fixed amount per inspection. The benefits of this approach include:<br><br>(a) Tiered charges ensure that costs are recovered proportionally to the activities that give rise to those costs, which aligns fees to the actual resources used.<br><br>(b) An ICR with twice as many AWBs does not represent twice the work that would be required from the Border Agencies to process. Therefore, this approach is more equitable to industry participants as it does not unfairly allocate costs to particular users of the system. |
| **For high value consignments:** | | |

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| **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? | There should be higher fees for HVG shipments, and sea freight shipments. That is because the work and man power involved in inspecting large sea-freight consignments is far greater than what is typically required for air freight consignments (given HVGs transported by air are typically transported in smaller packages, e.g. of 5-10kgs). |
| **12** | What are the reasons for your answer? | For both imports and exports, the proposed charges for high value (light weight) consignments (which are more commonly carried by air) are disproportionate based on the value, risk, and resources required to clear the goods, compared to the proposed charges for high value (high weight) consignments (which are more commonly carried by sea).<br><br>For example, in addition to there being less resources required to inspect smaller packages by air, express operators that deliver high value freight by air (where such deliveries require inspection) make such deliveries direct to customs facilities, which reduces travel time and costs for the Border Agencies. Such cost reductions to the Border Agencies should be reflected in the fees applicable to HVG deliveries by air. |
| **13** | What impact would moving to separate fees for high value consignments for sea and air freight have on your business? | No impact because these charges are paid direct on the customer's deferred account or collected when the customer pays duty and GST.<br><br>For importers and exporters, there would be a positive impact, given this approach would enable the fees they pay to be more aligned with the size, mode of transport, and the risk level posed by their goods. |
| **14** | What implementation issues would the changes raise for your business? What lead time would you need to manage these? | The only material impact of establishing separate fees for mode of transport (i.e. air vs sea) would be the requirement to implement system / software changes to recognise the new fees. We estimate that lead time of 12 months would be required to implement these changes. |
| | **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? | Keeping the current fee structure and incorporating this fee into the CRE makes practical sense. |
| **16** | What are the reasons for your answer? | It makes it easier to reconcile invoices and BDP statement. |
| **17** | What impact would removing the OCTF-OCR likely have on your business? | - |

| | | |
|---|---|---|
| **Costs incurred in managing risks associated with commercial vessels:** | | |
| **18** | Do you think it would be fairer to recover vessel costs through a commercial vessel charge or keep recovering these costs through goods charges paid by importers and exporters? If not, why not? | - |
| **19** | What impact, if any, do you think a commercial vessel charge might have on the cost and the availability of shipping services to New Zealand? | - |
| **20** | Do you think the proposed vessel charge would impact compliance with Customs and MPI rules by vessels arriving in New Zealand? | - |
| **21** | Do you think there are any other options for meeting these costs that might be fairer than a commercial vessel charge or goods fees? If you do, what are those options? | - |
| **22** | Do you think the broad categories of exemptions for types of vessel and voyages are appropriate? If not, what specific exemptions do you think are needed and why? | - |
| **23** | What impact would the introduction of a commercial vessel charge, and the consequent reduction in goods fees, likely have on you or your business? | - |
| **24** | Who should be invoiced for the commercial vessel charge – ship operators, owners or agents? | - |
| **25** | What implementation issues would the changes raise for your business? What lead time would you need to manage these? | - |
| **26** | Do you think there is an argument for a new vessel charge to be phased in? If yes, how do you think it should be phased? Why do you think this would be fairer? | - |
| **Costs incurred managing risks associated with transhipped goods, transit goods and empty shipping containers:** | | |
| **27** | Do you agree it would be fairer to recover the costs of transhipped | Transhipments should only pay one risk assessment fee either on the ICR or OCR, noting that such |

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| | consignments and empty shipping containers by broadening the goods management charging base and attaching an appropriate fee to each of these goods? | charges would have to be absorbed by DHL Express as they have no means to pass these charges on. |
| **28** | Do you agree that, if a fee is imposed on transhipped consignments and empty shipping containers, it is appropriate to use the consignment charge for low value consignments (valued at $1,000 or less) as the basis for charging, in the interim until goods fees are next reset? | - |
| **29** | What impact would applying a charge to transhipped goods consignments and/or empty shipping containers have on you or your business? | Applying transhipment charges for airfreight may see goods no longer transhipped through New Zealand as carriers seek to avoid these charges. Also, as the fast freight carrier does not have a relationship with the importer/exporter of the goods, they would struggle to recover these costs. |
| **30** | Do you think there is any other option that would allow for the recovery of costs for transit goods? If so, can you tell us what this this? | Continue with the Status Quo (Option 1), as proposed in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, which can be used to cover the costs of transit goods. |
| **31** | Do you have any other comments to make on how the costs of transit goods, transhipped goods, and empty shipping containers should be recovered? | - |
| **32** | What implementation issues would the changes raise for your business? What lead time would you need to manage these? | The Border Agencies would need to ensure that any costs for transhipments are not charged for ICR and OCR. |
| | **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? | **Crown funding should continue for LVG imports and exports in respect of costs associated with investigations and seizures, as these are public services and a public good.**<br>(a) There is no rational basis to treat investigations and seizures differently to other enforcement activities (prosecutions, fines and penalties) that will continue to be appropriately funded by the Crown on the basis that there is no conceptual difference between these activities – they all relate to enforcing the law rather than processing goods at the border. It would be inconsistent, and contrary to the principles of fairness and |

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| | | equity, to recover some enforcement costs from individuals or a group that did not create the need for them while other enforcement activities are funded by the Crown.<br><br>(b) 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, which is what the Border Agencies' goods management fees should be applied to. Legitimate importers and exporters should not wear the costs of enforcement action when they are not the parties that are responsible for the Border Agencies needing to take such action.<br><br>**Crown funding should contribute to the costs of processing data through TSW given this data is used for a public good.**<br><br>(a) Express companies are wearing the costs for processing the data they provide through TSW. Over the last few years ICR and OCR submissions have improved in quality due to more information being reported. This has enabled better customs profiling, risk assessments, screening and maintaining a data base to better risk assess current and future shipments. However, NZ Post is unable to provide this type of information, such that there is a large gap in the dataset that informs border security activities, which means it is harder for the Border Agencies to investigate and carry out seizures at the border that have travelled through New Zealand.<br><br>(b) Carriers being charged an excessive amount for this data when NZ Post does not need to provide it (and does not incur the costs of doing so) creates an unfair burden on carriers (especially because this data is used for public good) and an unfair advantage to NZ Post. For example, the Consultation Document notes that "increasing the use of Electronic Advance Data to improve risk management, will also improve the detection and seizure of contraband", and that leads to lower costs for the Border Agencies.[4] Therefore, from a risk perspective, if more freight went through mail due to the increased charges in the Express pathways (which we consider is likely to occur if Consignment Charges were to be introduced), this would put New Zealand borders at greater risk given a higher proportion of freight entering |

[4] Consultation Document at [128].

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| | | and exiting New Zealand would be processed without the security benefits enabled through TSW. |
| **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? | **Imports:**<br>(a) As explained in paragraph **Error! Reference source not found.** of our submission, carriers have no contractual relationship with importers, and freight fees are paid at point of export. However, carriers are not billed by Border Agencies until after the goods clear the border in New Zealand, such that carriers currently absorb customs charges rather than passing them on to exporters.<br>(a) However, as carriers of LVGs operate a low margin, high volume business model (which does not enable additional material costs to be readily absorbed by the business), it is unlikely that the costs associated with consignment level charging would be able to be absorbed by carriers, especially given the significant scale of these fees. Therefore, as described in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, inbound goods would likely need to be warehoused whilst reimbursement is sought. This would create additional costs (including due to shipment delays) which would be at risk of impacting importers and consumers through higher prices for LVGs. This would have the effect of increasing the cost of living for New Zealand families and businesses during a cost-of-living crisis.<br>**Exports:**<br>(a) Express carriers would likely be left with no option than to pass the proposed fees onto New Zealand exporters. This fee would be $3.50 per consignment. Whilst passing this cost to exporters is administratively relatively straightforward, it would act as a significant cost and trade barrier to New Zealand exports, with a particularly negative impact on New Zealand SME's given they have less ability to spread the increased costs across large-scale operations.<br>(b) New Zealand businesses 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 does not |

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| | | align to the New Zealand Government's desire for New Zealand to be seen as "open for business".<br>(c) As explained in paragraph **Error! Reference source not found.** of our submission, some New Zealand ecommerce exporters ship up to 20,000 shipments per month, which would equate to \$70,000 per month (or \$840,000 per annum). |
| **35** | If your business involves carrying LVGs 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? | **Imports:**<br>As noted above in our response to question 34, express freight operators have no contractual relationship with importers, which creates a number of significant challenges (see paragraph **Error! Reference source not found.** of our submission for further details). In particular, the costs to carriers related to recovering the Consignment Charges (such as the cost of collection and warehousing) would far exceed the proceeds of the goods clearance fees received by the Border Agencies.<br>We note that, as a practical matter, local government agency fees cannot be included as part of freight costs.<br>**Exports:**<br>Express providers would be left with no option than to pass the proposed fees onto New Zealand exporters. This fee would be \$3.50 per consignment. Passing this cost to exporters is administratively relatively straightforward because carriers have an existing contractual relationship with these businesses. |
| **36** | What implementation issues would the above changes raise for your business. What lead time would you need to manage these? | **Imports:**<br>As noted above in our response to question 34, express providers have no contractual relationship with importers, which creates a number of significant challenges (see paragraph **Error! Reference source not found.** of our submission for further details).<br>Carriers are unlikely to be able to be absorb the proposed Consignment Charges given that LVG carriers operate under a low margin, high volume business model, and the significant scale of these fees will put pressure on their margins - meaning it is likely that importers and consumers will be impacted. Further, carriers would likely need to make arrangements for the secure storage of consignments in New Zealand until such time the importer has paid the applicable consignment fee (given that, if the goods are released prior to such payment, there would be no incentive on the importer to pay the fee). |

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| | | This would create additional costs (including due to shipment delays) which would be at risk of impacting consumers through higher prices for LVGs. This would have the effect of increasing the cost of living for New Zealand families and businesses, as well as causing disruptions to the supply chain.<br><br>In this context, we cannot overstate the likely cost to carriers, and the potential impact to New Zealand consumers, associated with the warehousing and holding consignments pending payment of Consignment Charges, as well as the customer engagement costs related to managing such arrangements. Whilst the cost per parcel from the Border Agencies under a Consignment Charge model would be $3.57 for imports, there would likely be significantly more costs to carriers that would put additional pressure on their margins, e.g. the costs of new warehousing, personnel, recruitment, training, cash flow costs and destruction costs of the invariably unclaimed goods.<br><br>Therefore, under a Consignment Charge model, the cost of collection would far exceed the proposed fees. |
| **37** | If you are a business exporting LVGs 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? | Extremely price sensitive. The fee increase could represent 10-20% of the value of the goods being exported, which would need to be on-charged to the end users. As explained in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, this would likely have the effect of making many New Zealand e-commerce exporters uncompetitive in global markets. |
| **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 explained in our response to question 33 above, crown funding should not be removed for investigation and enforcement activities. 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. Legitimate importers and exporters should not wear this cost. |
| **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? | The deficit should not be retrospectively recovered at all. We consider that, to the extent the Border Agencies have under-collected, the importers/exporters should not have to cover this deficit. Requiring them to do so would be unfair and inequitable. For example, some business may not have been trading when the deficit occurred, and there is no reason why they should be liable for a historic deficit that they did not contribute to or benefit from. |

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| **40** | Do you think any consignment types should be exempt from the low value consignment charge? If so, what types of items? How could an exemption be implemented and why would it be appropriate? | We have the following comments:<br>(a) We understand that documents and diplomatic consignments would be charged (both for exports and imports). This commodity generally has no commercial value and requires minimal intervention by NZ Customs or MPI. Under the Geneva Convention, diplomatic shipments cannot have any regulatory charges associated with them and should move freely between the borders. Accordingly, these consignment types should be exempt.<br>(b) Transhipments should not have to pay for both the inbound and outbound movement – i.e. only a single charge should apply to avoid overcharging relative to the costs of processing transhipments. |
| **41** | If any consignment types are exempted from the low value consignment charge, how do you think the costs Customs and MPI incur should be recovered (eg, from other fee payers or funded by the Crown)? Why do you think this is fair and appropriate? | We consider that goods with no commercial value, such as original documents, passports, diplomatic consignments etc, should not be subject to border charges given these consignment types require minimal intervention by the Border Agencies. That would be consistent with the approach to post which we understand is not subject to fees in respect of mail or documents (although noting that excluding the mail channel from being subject to border charges in respect of LVGs would be contrary to DHL Express' recommendation in our submission). Accordingly, it would be appropriate for the Border Agencies to absorb any costs associated with such non-commercial documents within the fees they receive in respect of commercial consignments. |
| | **In terms of LVGs 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? | As explained in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, in order to create a level playing field, postal volume needs to be treated exactly the same as express freight. Excluding the postal channel from being required to pay customs charges is anti-competitive and undermines competitive neutrality, which is ultimately to the detriment of New Zealand businesses and consumers as it will result in higher prices for LVGs.<br>Accordingly, the only exemption applicable to the postal channel should be for letters and postcards less than 20 grams as per the UPU definition of mail. |
| **43** | What is the reason for your answer? | The risk that mail poses to the public is the same as for packages. As such, moving towards an activity-based costing model should not include allowing a key pathway to be exempt from the regime, as this would |

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| | | not be reflective of the risks and costs to the public that arise through the postal channel.<br><br>Further, as explained in our response in question 5 above, express companies provide pre-arrival electronic data to allow TSW to risk access, build intel, and profile imports and exports at a considerable cost to the express industry. In contrast, the postal channel provides no such data and relies on 100% manual screening and physical inspection, which means the postal channel contributes significantly to the level of security risk at the New Zealand border. Therefore, to ensure the cost recovery regime is efficient, equitable and aligned to the reality of where risks and costs arise, the postal channel should pay a fair proportion of the costs related to managing the security risks that it creates.<br><br>As explained in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, there is also a risk that excluding the postal channel from the cost recovery regime, such that the Border Agencies are not charging fees or recovering clearance costs for parcels carried through the postal service, will change consumer behaviour by incentivising them to seek to avoid the charges by switching to post, with the outcome that the Border Agencies would collect increasingly less border fee revenue as a result. |
| **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? | - |
| **45** | If the costs of clearing goods in the mail stream were to be fully recovered, based on the indicative per item rates above, what impact would this have on you or your business? | As noted in our response to question 42 above, excluding the postal channel from the cost recovery regime would create an unfair playing field and undermine competitive neutrality in the express delivery market. Such an outcome would ultimately to the detriment of New Zealand businesses and consumers through less competition and higher prices for LVGs. |
| **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? | No – we do not consider that such costs should be fully recovered from importers and exporters. |
| **47** | How long should any phasing or transition last? Why do you think this timeframe would be fair and appropriate? | DHL Express do not support the costs of clearing these goods being fully cost recovered from importers and exporters, nor phasing in such charges. As set out in our responses above, the postal channel should not |

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| | | be excluded from the Border Agencies' cost recovery regime. |
| **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? | High value goods should not be subject to both HVG and LVG clearance fees. |
| **49** | What implementation issues would the above changes raise for your business? What lead time would you need to manage these? | - |
| **50** | Do you think the costs of LVGs 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? | As explained in paragraphs **Error! Reference source not found.** to **Error! Reference source not found.** of our submission, the costs of goods management should be treated the same regardless of the pathway to ensure there is a level playing field and to avoid undermining competitive neutrality.<br><br>However, due to the fact that the majority of NZ Post's consignments are not manifested, it has been asserted in the Consultation Document that making NZ Post subject to the same border charges is not currently possible to implement. However, we do not consider that challenges associated with incorporating NZ Post into the regime justifies the adoption of an approach that would, in our view, result in even greater costs to the industry and consumers. Rather, the only fair way for charging to exist between all pathways, such that all market participants are able to compete on a level playing field, is for NZ Post to move to processing 100% of its mail and packages under manifests, and to start using TSW or a per kilo rate if this is not possible. |
| **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? | Please see our response to question 10 above. We consider that charging at a manifest level and additional activity based costing (inspections) would be fairer. |
| **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? | We consider that a service charge to NZ Post is not a fair option and is not transparent. In particular, there would remain a discrepancy between the fees payable by express carriers in respect of LVG goods (with such fees unable to be passed on to customers due to the lack of a contractual and billing relationship between carriers and importers) and the disproportionately low service fees payable by NZ Post, which would result in an unfair playing field.<br><br>Therefore, this option would have anti-competitive effects on the market for express package delivery services by undermining competitive neutrality. To |

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| | | address these issues, costs incurred by the Border Agencies in respect of clearing LVGs need to be applicable to all market participants and introduced at the same time, i.e. irrespective of the pathway from which they originate. |
| **Crown funding for the management of commercial vessels:** | | |
| **53** | Do you think it would be appropriate for the costs of managing commercial vessels to be fully cost recovered rather than partially funded by the Crown? | - |
| **54** | What is the reason for your answer? | - |
| **55** | Do you have anything else to tell us about this proposal not already covered by your responses to questions on the proposal to introduce a commercial vessel fee? | - |
| **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)? | Yes. Provided the proposed review is comprehensive, has industry engagement, and does not seek to recover any deficits. |
| **57** | If Customs were to move to a regular review cycle for its fees, what do you think is an appropriate review period? | 3 years |
| **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? | Yes. The Border Agencies should regularly engage with representatives of key stakeholder groups, including (but not limited to) Logistics providers, Airlines, Carriers, NZ Businesses (both import and export representing different sectors eg ecommerce, FMCG etc). |
| **59** | What are the reasons for your answers? | - |

aramex
delivery unlimited

**Aramex submission on Consultation:**
**Recovering the Costs of Goods Management Activities at the Border**

## Aramex New Zealand

1. Aramex (formerly operating under Fastway Couriers in New Zealand) has been operating in New Zealand since 1983, where we now have a network including 18 regional franchises and over 280 franchise partners across the country. We operate in most regions across the country, with 345 staff members spanning from Kaitaia all the way through to Bluff.

2. We currently have approximately S9(2)(b)(ii) [redacted] coming into the country annually which we proudly deliver with reliability to a range of New Zealanders. We ship packages from some of the fastest growing and largest online marketplace retailers in the world, including Amazon, Shein, Temu and Alibaba which are consistently increasing in popularity with New Zealanders. Most of our business is centred around the importing of low value air packages, which is what we will focus on in this submission.

## We acknowledge Border Agencies need to recover costs

3. We recognise that periodic fee increases are necessary to ensure that Customs and the Ministry for Primary Industries (Border Agencies) can continue to deliver quality services and maintain effective operations at the border.

4. However, while we support the need for cost recovery, we have identified several significant concerns with the proposed per consignment fee structure for low value air freight within the Recovering the Costs of Goods Management Activities at the Border consultation (the document). These issues, if left unaddressed, could disproportionately impact certain freight companies operating within different areas of the sector, particularly those like ourself that deal with low value high volume air freight.

5. The result of this will be higher shipping costs for New Zealanders buying from international retailers, and ultimately reduce consumer choice as the higher fees may discourage the importing of low value goods from both New Zealanders and suppliers. We believe these issues merit further consideration to ensure a fair and equitable fee structure.

## Challenges with cost recovery proposal

**Proposed structure does not align with principles of cost recovery**

6. One of our primary concerns is that the proposed fee structure in section 4.4.1 for low value air freight goods does not align with the principles of the intended cost recovery framework.

7. Paragraph 118 of the document states that *a cost recovery principle for government-provided services is that those people who benefit from a service, or those who generate*

*the need for a service to manage risk, should pay for that service.* This aims to ensure fairness by aligning fees with the actual costs of activities undertaken by the Border Agencies – in other words, a cost recovery framework where costs are passed on to those who require resource. This is commonly referred to as 'user-pays'.

8. However, in the case of low value air freight, the resource required by the Border Agencies is minimal in comparison to the fees under the proposed fee restructure on a per consignment basis. This results in a disproportionate financial burden on parts of the industry and ultimately more expensive goods and less choice for New Zealand consumers that we deliver to.

9. The proposed per consignment fee structure treat each consignment as if it incurs a separate, significant Border Agency intervention and subsequent resource. However, more consignments under a master waybill does not proportionally require more resources from Border Agencies as the workload related to inspecting and clearing these consignments remains largely unchanged, regardless of how many there are.

10. In reality, the vast majority of our consignments pass through Border Agencies with little or no direct intervention. In fact, only around 0.001% of our consignments are held by Border Agencies for additional checks. This makes the current fee proposal inconsistent with the actual workload and resource required – therefore, not following the principles of the cost recovery framework or user-pays as it appears the levy is funding more than the resource required for this specific activity from Border Agencies.

**Overcompensating cost recovery from low value air imports**

11. We are also concerned that the current proposed fee structure appears to overcompensate through cost recovery from the low value air imports area of the industry. As per Table 14 in the document, if the levy charges set at the new rate of **$3.57** per consignment, Aramex alone would be expected to pay approximately [redacted] **per year** to Border Agencies. This amounts to [redacted] of the Border Agencies costs of clearing low value air cargo, despite our market share of the industry being far less than this at approximately [redacted]

12. In theory, if the principles of the cost recovery framework were being upheld, market share and the percentage of the Border Agencies costs that we cover should be similar. Since they are not, it suggests that the proposed fee structure must result in cross-subsidisation, where low value air freight operators like Aramex are effectively subsidising other areas of the sector. Such an approach unfairly burdens our low value air cargo section of the industry, which does not require equivalent demands from Border Agency resources.

13. While we understand, and support, the need for a sustainable cost recovery model, it is crucial that the structure better reflects the actual resources required by Border Agencies. The current proposal would lead to an unfair financial burden that does not

align with cost recovery principles and we urge the Border Agencies to reconsider the per consignment fee structure because of this.

## Practical challenges and unintended policy consequences

**Reduced consumer choice and a regressive impact**

14. The proposed increase in costs for low value air imports will significantly affect consumer choice, particularly for lower-income households that rely on affordable products from an ever-growing range of international online retailers. We service an increasingly large amount of lower-income households as we help them access more affordable goods. [redacted] S9(2)(b)(ii)

15. By raising the cost of importing these goods, New Zealanders – especially those in more financially constrained situations – will see fewer affordable options, with some suppliers potentially being forced to exit the New Zealand market. This creates a regressive impact, as it disproportionately affects those who rely on cheaper goods which tend to be lower-income households.

16. The reduction in consumer choice and less goods entering the country will also have a negative impact on the shipping and freight industry. As the volume of goods declines, there will be fewer shipments to handle, leading to potential job losses across the sector, including drivers, warehouse staff, and logistics providers. These roles are critical sources of employment in many regions across the country.

**Difficulty in passing on costs will cause delays**

17. For imports, carriers do not have direct contractual relationships with importers, as freight fees are paid at the point of export. However, carriers are billed by Border Agencies only after goods clear Customs, forcing low value air freight operators to place inbound goods in warehouse storage until reimbursement is received.

18. This approach leads to significant delays and higher costs, as operators must cover additional storage fees and incur expenses for the destruction of inevitably unclaimed goods. These added costs will ultimately place a financial burden on New Zealand households and businesses, while also lowering the quality of air freight services.

**Consolidation is common practice**

19. The document suggests that the proposed fee structure would help smaller operators by levying per consignment, mitigating the potential that those with lower count consignments under one master waybill document end out cross-subsidising those with higher count consignments. But this overlooks the reality of industry practice where consolidation of a number of packages under one master waybill is the standard in low value air freighters.

**International suppliers shift from air freight to sea freight**

20. The significant increase in costs for low value air imports may result in major suppliers of such goods to establish distribution operations in New Zealand. Rather than continuing to import goods through air freight, these suppliers may choose to set up a third-party logistics provider and move their stock to New Zealand via sea freight, as it is better value, and distribute products from a locally based warehouse instead.

21. This shift would reduce the volume of low value air freight shipments and increase the volume of sea freight. According to the document, sea freight is more expensive for Border Agencies to manage and inspect as it requires greater resource. Subsequently, Border Agencies may experience reduced revenue and increased inspection costs, resulting in a net loss of income due to this shift in method of freight from suppliers.

## Regulatory arbitrage for mail

**An uneven competitive landscape**

22. In section 4.4.2, the document emphasises the importance of fairness in how levies are applied across the sector, and we appreciate the recognition in the document that international mail is a direct competitor to fast freight. Given that international letters under the Universal Postal Union can weigh up to two kilograms, while our average parcel now weighs less than 500 grams, postal services are indeed competing directly with low value air freight. Both postal services and freight require similar resources from Border Agencies, and it's clear that both sides should contribute towards cost recovery.

23. However, while the proposal does introduce a carrier charge for international mail, it still creates an unfair competitive advantage for postal services over freight companies. The document proposed that low value air freight is levied on a per consignment basis, while post is charged based on weight (per kilogram). This distinction in levy systems means that similar low-value parcels incur drastically different costs depending on the delivery method, and in this case places freight at a disadvantage.

24. For example, under the proposed structure, we estimate that if freight were levied on a weight basis as is mail, we would pay approximately 47% of what we are currently projected to pay under the per consignment model. This demonstrates the substantial financial disparity between the two models, despite both requiring comparable resources from Border Agencies.

25. However, we do agree with the document that post needs to be charged some form of levy by Border Agencies for the resource they use as this aligns with the cost recovery framework. We believe the most equitable option is to charge post on the proposed weight basis, while air freight for low value goods retains the current per document fee structure but with increased charges as proposed in Table 6 of Section 4.2. This approach increases revenue for Border Agencies to cover resource and begins to level the playing field by reducing the fee discrepancy between post and air freight.

**Impact on private sector competition**

26. If the levy system does not align between low value air freight and postal services, as outlined above, then this will significantly disadvantage private sector competitors while solely advantaging the state-owned enterprise, NZ Post.

27. By placing a heavier burden on private freight companies through the proposed levy structure, it is likely that new competitors may be deterred from entering the market as they will have to compete against NZ Post who benefit from a significantly lower costing fee structure. This creates a significant barrier to competition which would ultimately harm innovation, the overall competitiveness of the New Zealand freight industry and will eventually lead to less consumer choice and lower service quality for New Zealanders.

28. A fee structure that advantages NZ Post by imposing higher fees on the private sector may lead to importers and exporters switching their parcels to mail from freight due to their lower prices as they have less costs to pass on. This shift in volume from courier freight to mail will increase the risk that Border Agencies will be unable to recover costs as the proposed fee structure for post has significantly lower effective fees per item.

**Freight is already helping mitigate security risks**

29. Freight companies currently provide detailed information to both Border Agencies about the contents of shipments – this includes place of origin and destination, the nature of the goods and details of the sender and receiver. This transparency enables each Border Agency to carry out more effective risk assessments and identify potential threats before shipments even reach New Zealand's borders.

30. In contrast, postal services operate with less detailed declarations, especially for international mail where the level of data provided is often minimal. The lack of information and declaration increases the potential for risks to go completely undetected.

31. Despite the fact that freight contribute significantly to improving security at the border, the current proposal penalises freight operators for providing more information. Penalising freight with higher levies, while postal services who offer significantly less information are charged lower fees, is unfair and creates a fundamental imbalance. This approach is also counterproductive as it discourages the very practices that help protect New Zealand's borders from illicit goods or risks.

32. This discrepancy between the level of information provided by freight and the proposed levy structure undermines the principle of fairness outlined in the document. A fair levy system should not only align costs with resource use but also recognise the transparency, compliance and risk mitigation practices that freight services bring to the process. Penalising those who contribute more to border security through higher fees is inequitable and counterintuitive.

## A more equitable cost recovery policy that will not disadvantage New Zealanders

33. We understand that cost recovery is necessary for the Border Agencies in their management of goods across the border. However, as outlined in this submission, we do not believe that the intended per consignment fee structure is the most equitable and justified method for fair cost recovery for the following summarised reasons:
    a) It does not align with the principles of the cost recovery framework, as the amount of resource required by the Border Agencies does not increase proportionally with each consignment.
    b) The drastic increase in annual levies overcompensates for the actual resources required to process low value air freight.
    c) It could lead to unintended consequences, such as reduced consumer choice, particularly for New Zealanders who rely on affordable low value goods.
    d) The low value, high volume nature of the industry makes it difficult to pass on increased costs to suppliers or consumers.
    e) The disparity between postal and freight levies creates an uncompetitive landscape, disproportionately disadvantaging private freight companies in favour of NZ Post, despite the effort and role freight companies like us play in risk mitigation at the border.

34. Instead, we encourage the following solution, which would provide a more balanced outcome for all stakeholders while still ensuring that the Border Agencies meet their cost recovery goals:

**A. Increase the rates on the current per document fee structure**

35. This option, as outlined in Table 6 of Section 4.2 of the document, involves simply increasing the existing charges without changing the overall fee structure. By maintaining the current structure, the Border Agencies can meet their financial needs without introducing the negative consequences of a per consignment charge, which disproportionately impacts low value, high volume operators. This approach ensures that cost recovery remains proportional to the actual resources used, preventing businesses from facing the significant financial strain that the proposed changes would bring.

36. Increasing rates within the existing framework also preserves operational stability, minimising disruptions to both Border Agencies and the industry. It avoids the need for businesses to overhaul their systems and processes to accommodate a new fee structure, helping mitigate the operational costs that would arise from a shift to per consignment fees.

**From:** Executive Officer NZCCO
**To:** Consulting on fees and levies
**Subject:** NZ Council of Cargo Owners submission
**Date:** Thursday, 31 October 2024 13:45:52
**Attachments:** NZCCO submission NZ Customs Service and Ministry for Primary Industries Public Consultation.pdf

Kia ora

Please find attached the submission of the NZ Council of Cargo Owners in response to the NZ Customs consultation on fees.

Kind regards,

[redacted] S9(2)(a)

New Zealand Council of Cargo Owners
The association for NZ's largest shippers

New Zealand Council of Cargo Owners

The association for NZ's largest shippers

**New Zealand Customs Service and Ministry for Primary Industries Public Consultation: Recovering the costs of Goods Management Activities at the Border.**

**31 October 2024**

This submission is made on behalf of the Cargo Owners Council (the Council). The New Zealand Council of Cargo Owners (NZCCO) is the principal association representing the shipping supply chain interests of New Zealand's major cargo owners including many of the country's largest exporters and importers. Formerly known as the NZ Shippers' Council, NZCCO's focus revolves around efficient, reliable, cost-effective movement of cargo; domestically and internationally. Our interests span matters relating to cargo handling and transportation, border processes, workforce, safety, infrastructure, environment, commerce, trade and legislative impacts on the supply chain.

The Council is grateful for the opportunity to comment on this matter. We welcome the assurances that we have received throughout the run up to the consultation – that Customs and MPI are not wanting to increase the amount recovered from importers and exporters through these changes. Rather Customs and MPI are wanting to make sure that specific goods are charged the real amount of the time that is required to process them by Customs and MPI. Some charges will increase and others will decrease.

We take Customs and MPI at their word that, overall, charges will not be increasing as a result of these changes. However, our assessment is that the bulk of our membership (our membership is predominantly made up of exporters who use sea freight for most of their exports) will be facing at least modest increases. The only groups that would seem to be benefitting from these proposed changes would be exporters and importers of high value goods imported or exported by air.

You note that ship operators will need to reflect the proposed commercial vessel charge in their pricing. They will and this will be passed on directly to our members. Indeed those members who charter vessels – this is common in the log and fruit trade – this will be a new direct cost which will impact the competitiveness of our exports.

Overall, the timing of these new charges is unfortunate. Our members are facing volatility in shipping costs, continuing high inflation in many cost areas throughout the domestic supply chain, many ports are also increases their charges or finding new ways to impose charges. These inevitably increase costs for New Zealand industry and the consumer for imported goods and increase costs for our exporters.  In many cases the margins at play are small in the export trade.  A new wave of increased costs at this time is the last thing the Council's members need.

We note that this is a particularly uncertain time for exporters with the Chinese economy running into difficulties and with no one knowing what the US import regime is going to be post the inauguration of the next President

We therefore oppose this proposal.  If the intention is to re-claim the same amount of money, but to change the way the charges are allocated, then we suggest that you drop the proposed changes and stick with the status quo, at least for the next few years.  It may be that changed global circumstances at that time, and improved port and wider supply chain productivity would make the proposed changed charging regime more palatable.

Customs Service
PO Box 2218
Wellington 6140

By email: consultingonfeesandlevies@customs.govt.nz

31 October 2024

## Re: Recovering the Costs of Goods Management at the Border New Zealand

In response to the Joint Consultation Document released September 2024, the document seeks feedback from the stakeholders impacted by the proposed changes.

**History**

One of our business divisions, Nature's Sunshine has been trading in New Zealand since 1979, through the highs and lows of economic growth and recession. We have maintained trading, even though at many times faced significant head winds.

Our other business division, healthy.co.nz, has been trading since 1998 and also has stood the test of time.

We are a company employing 10 staff and as New Zealand is a nation of small and micro businesses, we fall into the SME category.

According to MBIE — New Zealand is a nation of small and micro business – including self-employed. Defined as those with fewer than 20 employees, there are approximately 546,000 small businesses in New Zealand representing 97% of all firms. They account for 29.3% of employment and contribute over a quarter of New Zealand's gross domestic product (GDP). [1]

Q5: Do you agree with charging export consignments that are valued under 1000NZD that travel on a manifest $3.50 per shipment or would it 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?

**Answer:**
NO, we do not agree with charging export consignments under 1000NZD that travel on a manifest, a $3.50 per shipment fee, nor a flat fee per document.

To stay trading in the current climate is extremely challenging. NZ consumers are already purchasing more items online than previously in history, with many of these from the likes of Amazon, iHerb and other big companies. For New Zealand SME's to remain competitive, adding any additional costs to trading will severely impact the bottom line and sustaining a viable business.

Q6: What impact would setting fees per consignment likely have on your business?

**Answer:**
The additional cost would see our company lose many of its overseas customers, as we would need to pass this additional cost to the consumer.

Q33: 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?

**Answer:**

Although we don't wish to pass any additional costs to the taxpayer, we need every opportunity to keep New Zealand businesses trading and employing staff. Therefore, we would expect MPI and NZ Customs to be efficient, considering the advances and sophistication of current technology and the capacity to absorb any further costs.

Q37: 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?

**Answer:**
We are a business selling low value goods, via air freight. Our key market is Australia, which is extremely price sensitive and competitive. With majority of international transactions being NZD100 and under, the additional fee of $3.50 per export, proportionally will add a significant cost. As mentioned above, the company would need to pass this cost on to the customer, as the goods category that we trade in is highly competitive, low margin, price sensitive with a high level of discounting.

I trust that the above information clarifies our position on the proposed changes.

Yours sincerely

S9(2)(a) [redacted]

## References


1. *https://www.mbie.govt.nz/business-and-employment/business/support-for-business/small-business.* 16 October 2024. https://www.mbie.govt.nz/business-and-employment/business/support-for-business/small-business.

**From:** [redacted]
**Subject:** Re: DHL Express Important Message - Proposed NZ Government Fee Structure
**Date:** Thursday, 31 October 2024 17:46:56

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Hi [redacted], it's disappointing to receive this email just 5 hours before the deadline, as it's quite short notice. Charging $3.50 adds an extra challenge for small businesses. Shipping costs with DHL and other couriers are already high for smaller consignments leaving New Zealand, and we often absorb some of these charges since customers are reluctant to pay steep shipping fees for their purchases [redacted]

Ngā mihi,

[redacted]

On Thu, Oct 31, 2024 at 12:23 PM Fidel Dela Cruz (DHL NZ) [redacted]

> Dear Customer
>
> We would like to inform you of important regulatory changes being proposed by New Zealand Customs. They are seeking feedback on a new fee structure.
>
> **Proposed Key Changes that could effect you as an exporter based on the consultation document:**
>
> - Up to $3.50 per shipment for **exports** under 1,000NZD
>
> **Please see below 4 questions that are relevant for NZ business exporters:**
>
> - Q5: Do you agree with charging export consignments that are valued under 1000NZD that travel on a manifest $3.50 per shipment or 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?
> - Q6: What impact would setting fees per consignment likely have on your business?
> - Q33: 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?
> - Q37: 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?
>
> You can send your submission with your input by 5pm, 31st October 2024:
>
> Email to: consultingonfeesandlevies@customs.govt.nz
>
> Post to: Consultation: Recovering the Costs of Goods Management at the Border
>
> New Zealand Customs Service
>
> PO Box 2218
>
> Wellington 6140
>
> Should you have any questions, please refer to this consultation document or give me a call.

[redacted]

**From:** [redacted]
**To:** Consulting on fees and levies
**Subject:** Submission
**Date:** Thursday, 31 October 2024 17:05:56

I would like to make a submission regarding the following question

- Q5: Do you agree with charging export consignments that are valued under 1000NZD that travel on a manifest $3.50 per shipment or would it 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?
- We only have individual orders all are under $1000
-
- Q6: What impact would setting fees per consignment likely have on your business? -
- Every time Customs introduces a charge it impacts small business
-
- Q33: 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?

  When small businesses keep getting squeezed the economy suffers!
-
- Q37: 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?
- We work on a very small margin and [redacted]

Kind Regards

[redacted]

**Herbal Energy Centre - Homeobotanicals Training and Products**
[redacted]
New Zealand
info@herbalenergy.co.nz website: www.herbalenergy.co.nz

**From:** S9(2)(a) [redacted]
**To:** Consulting on fees and levies
**Cc:** S9(2)(a) [redacted]
**Subject:** CAPEC Submission
**Date:** Thursday, 31 October 2024 16:39:51
**Attachments:** CAPEC - goods management costs submission FINAL.pdf

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Good afternoon,

Please find attached Submission on behalf of CAPEC NZ.

Regards,

S9(2)(a) [redacted]

CONFERENCE OF ASIA PACIFIC EXPRESS CARRIERS

**CAPEC'S SUBMISSION ON CUSTOMS AND MPI'S JOINT CONSUTLATION ON "RECOVERING THE COSTS OF GOODS MANAGEMENT ACTIVITIES AT THE BORDER"**

**Introduction**

1. The members of the Conference of Asia Pacific Express Carriers ("**CAPEC**") welcome 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**").

2. CAPEC is a non-profit organisation representing the interests of a number of the world's leading integrated express delivery companies. CAPEC members are:

   (a) DHL;

   (b) FedEx; and

   (c) UPS.

3. CAPEC members provide daily carrier services for time sensitive and business critical shipments to businesses of all sizes and in all sectors of the New Zealand economy, as well as to individual consumers and play a critical role in servicing the small package supply chain whilst employing and maintaining a highly skilled labour force. Time sensitive and business critical industries include such industries 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 ("**SMEs**") to hold less stock to support cashflow, ecommerce and retail.

4. CAPEC has a history of working closely with governments and regulatory authorities in Australia and New Zealand to assist in developing an efficient and effective policy and regulatory framework for express delivery services while facilitating legitimate trade. Representing a significant part of the New Zealand express delivery industry, CAPEC is well-positioned to provide feedback on some of the key areas under review in the Discussion Document.

5. The Border Agencies are consulting on a number of proposals, which comprise:[1]

   (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.

6. CAPEC is broadly supportive of the Border Agencies taking steps to ensure that their services are financial sustainable, and of seeking to do this in way that is fair to taxpayers. However, we have several concerns in respect of the Border Agencies' proposal related to fees for low

[1] Consultation Document at [74].

value goods ("**LVGs**") by air. Specifically, we consider that charging fees on a per consignment basis for LVGs would be inefficient, ineffectual, and infeasible.

7. We understand that the Border Agencies are looking to move towards full cost recovery. However, CAPEC has serious practical and legal concerns over the Border Agencies' proposed fee increases, and the way in which they are structured. We believe that the private delivery industry is already paying more than its fair share. We view the proposed fee increases as blunt instruments to recover costs for investigations and seizure activities as well as services provided to New Zealand Post ("**NZ Post**"), neither of which should be the burden of the private delivery industry. In short, the proposals introduce greater inequity into the distribution of costs, will not reflect where costs lie, are inconsistent with New Zealand's international obligations, and are inconsistent with the Government's 'best practice' guidelines for setting charges in the public sector.

8. Stopping LVGs at the border to collect goods clearance fees will cause significant delivery delays and disruption to an essential supply chain and be detrimental to the core business of express courier operators and ultimately importers, exporters and all businesses, both locally and internationally reliant on time sensitive and e-commerce essential deliveries.

9. 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[2] ("**Consignment Charge**").

10. The proposal to charge at consignment level is an inefficient and inequitable means to recover costs. In this submission, we explain the reasons why the fee increase will impose significant additional costs on our businesses that cannot legally or practically be allocated to the true beneficiaries of the Border Agencies' services – the importers and exporters.

11. Please see **Appendix One** for specific responses to relevant questions in the Consultation Document.

**Executive summary**

12. CAPEC does not support a Consignment Charge. We do not consider that Consignment Charges are fit for purpose or would achieve the outcomes that the Border Agencies are seeking. Specifically:

(a) **Costs of collection would exceed the fee proceeds**: The costs of collecting fees under a Consignment Charge would far exceed the value of the proceeds from imposing those fees. In particular, a Consignment Charge would require fundamental changes to existing industry settings, such as requiring carriers to establish a direct contractual relationship with the importer. Implementing these changes would be impractical, costly, and inefficient compared to other options available to the Border Agencies. If these costs are to be recovered from consumers, they will need to be passed onto the consumer at an even higher rate in order to recover the collection costs.

[2] Consultation Document at [90].

(b) **NZ exporters would be less competitive**: The scale of the effective fee increases under a Consignment Charge would be a significant cost to exporters, representing a large proportion of the margin for the export of many LVGs. Therefore, imposing fees on exports on a per consignments basis would be at risk of undermining the competitiveness of New Zealand exports and, as a consequence, the continued viability of many New Zealand SMEs. In these circumstances, SMEs (particularly ecommerce businesses) will seek to avoid Consignment Charges by moving their businesses overseas.

(c) **Violation of principle of competitive neutrality**: Irrespective of how the Border Agencies ultimately decide to implement any change to the fees for LVGs, all competitors must be treated equally to ensure a level playing field. In particular, there is no objective justification for NZ Post, which is responsible for a significant and increasing proportion of all inbound LVGs (e.g. the Universal Postal Union ("**UPU**") has estimated that 80% of mail items generated by e-commerce today weigh under 2kg and are processed in the letter-post stream through the UPU channel),[3] not being subject to the same regime. Such an outcome would be inconsistent with New Zealand's international commitments and detrimental to the New Zealand economy.

(d) **High risk of avoidance**: Given NZ Post would not be subject to the regime, exporters and importers would be able to readily avoid the Consignment Charges by switching from private carriers to NZ Post. Based on the effective fees of the Consignment Charges, which represent a significant proportion of the price of LVGs, there will be a strong incentive on customers to do this. Avoidance of the charges will undermine the purpose of the cost recovery regime. With the shift of volume to post there is further risk of current express operators withdrawing from the New Zealand market affecting consumer choice, competition and reducing access to overseas markets and rapid trade.

(e) **Threatens the economic viability of some express operators**: If express operators are unable to recover the substantial proposed increase in the LVG clearance fee and associated collection costs, there is a real risk that some express operators may be left with no choice but to pull out of servicing the New Zealand market with the associated disruptions to supply, significant job losses and reduced choice and competition in the New Zealand market.

(f) **Legitimate importers are being unfairly penalised**: We submit that the Border Agencies' 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. 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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[3] Retrieved from: https://www.upu.int/en/universal-postal-union/activities/physical-services/postal-products.

13. For these reasons, CAPEC strongly cautions against proceeding with the implementation of a Consignment Charge.

*Alternative proposal*

14. 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,[4] 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;

(b) inspections should be charged through an activity-based fee[5] to ensure that inspection costs are funded on an equitable basis. Such fees should exclude the recovery of costs related to the Border Agencies' enforcement activities (i.e. investigations, seizures and prosecutions), which we consider should be funded by the Crown, on the basis that:

(i) these activities are not about facilitating efficient goods clearance at the border, which is what the Border Agencies' cost recovery regime should be focussed on. Legitimate importers and exporters should not bear the costs of enforcement action when they are not responsible for the Border Agencies needing to take such steps – that would be contrary to the principles of fairness and equity; and

(ii) we understand that costs related to prosecutions (including imposing fines and penalties) will continue to be funded by the Crown. In our view, there is no conceptual difference between these activities and investigation/seizure activities – they all relate to apprehending and deterring criminal activity, which is fundamentally a public good;

(c) NZ Post is made subject to the regime.

15. For the reasons set out in this submission, we consider that this approach would enable the Border Agencies to achieve their primary objective of ensuring the financial sustainability of goods management services for LVGs, while avoiding the risk of introducing unnecessary costs and inefficiencies.

16. That said, we also consider that the implementation of the Border Agencies "fall-back" option, i.e. charging overseas sellers directly based on existing GST registrations[6] ("**Vendor Collect**"), would be preferable to a Consignment Charge. In particular, Vendor Collect would have the benefit of helping to ensure that the party who creates the need for the Border Agencies' goods management services is responsible for the relevant costs, as well as Vendor Collect being competitively neutral - which, as explained in this submission, is not the case under a Consignment Charge.

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[4] For example, 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.

[5] The activity-based charge could be similar to MPI's hourly rate system, or a fixed amount per inspection.

[6] Consultation Document at [90].

**Costs of collection will far exceed the value of the proceeds**

17. The cost recovery framework adopted by the Border Agencies provides that any fee change should be:[7]

    (a) equitable, which is to say the services provided by the Border Agencies should be "funded by those who use them, or who create the need for them, and they match the costs of the activities undertaken"; and

    (b) efficient, which is to say the Border Agencies should "deliver high service standards at a sustainable cost".

18. Efficiency is more than just delivering high service standards at a sustainable cost. It is also about ensuring a level playing field and not distorting competitive outcomes.

19. We note that, for any fee model in the carrier industry to be equitable and efficient, it is critical that it is implemented in a way that is consistent with existing relationships and processes between carriers, importers and exporters. These arrangements are well-established across many jurisdictions and deliver fair and efficient outcomes for both industry participants and consumers. In our view, there is no way of implementing a Consignment Charge without fundamentally undermining these arrangements to the detriment of New Zealand businesses and consumers.

20. For example, in relation to the existing arrangements for inward goods:

    (a) Under the proposed model, a fee of $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 inward cargo report ("**ICR**") would increase from **$123 to $1785**. **This is an increase of over 1350% for inbound fees. The carrier would need to collect these fees at the New Zealand border for reasons given below**.

    (b) International carriers do not have a direct contractual relationship with the importer. Instead, they provide carrier services to the exporter, which is the party that pays the international freight fees at the point of export – they are not paid at the point of import. Practically, this means there is no existing billing relationship between a carrier and importer that would enable the carrier to pass on any Consignment Charge to the importer (being the party who created the need for the goods management services).

        Once the goods arrive in New Zealand, any fees, charges and/or levies are the responsibility of the receiver (importer). Additional costs at the point of entry cannot be allocated to the freight costs (which are calculated at the point of export).

    (c) Building the increased fees into carriers' overseas freight costs would put them at risk of contravening the globally recognised 'Delivered at Place' INCOTERM.

    (d) Therefore, to collect consignment fees from importers, it would be necessary for carriers to:

[7] Consultation Document at [65].

(i) establish a direct contractual relationship with importers, as well as billing arrangements, to enable the carrier to pass on the consignment fee – noting that this would represent a significant departure from existing industry settings (in which carriers contract with the exporter) and would therefore require time and resources to engage with importers to establish this relationship;

(ii) make arrangements for the secure storage of consignments in New Zealand until such time the importer has paid the applicable consignment fee (given that, if the goods are released prior to such payment, there would be no incentive on the importer to pay the fee);

(iii) implement additional customer service managers to administer enquiries related to the storage of customer consignments, customer disputes, and recovery of consignment fees, as well as establishing new internal customer management processes and training staff; and

(iv) make arrangements for the safe and secure destruction of unclaimed goods – noting that the material size of the proposed consignment fee, especially relative to the economic value of many LVGs, means there is a high likelihood that many goods will remain unclaimed and require destruction at significant ongoing cost to carriers.

(e) For each of these steps, carriers would incur additional costs. In assessing the fairness and efficiency of a Consignment Charge, the impact of these costs on the industry and to the wider New Zealand economy must be considered. We estimate that such costs could be as high as NZ$20 per consignment, which could only potentially be recovered from the consumer with shipments delayed and held at the border awaiting payment. CAPEC members would incur $79.5 million dollars in additional costs in establishing the necessary processes, procedures and facilities to administer the new regime including costs associated with additional warehousing, employment costs, additional fixed assets, bad debt write-offs, and cash-flow costs.

(f) Implementing a Consignment Charge would also introduce inefficiencies to the industry by materially impeding the flow of goods across the border, leading to congestion and disruption to trade in New Zealand. The potential consequences of such congestion could be far reaching. As noted in the Consultation Document, timely clearance is often vital to importers, particularly where goods are urgently needed or are perishable.[8] These delays would further exacerbate the impact on ordinary New Zealanders, both the importers who run small businesses retailing LVGs and the consumers who purchase them.

21. In our view, these costs would far exceed the value of the proceeds recovered by the Border Agencies from imposing Consignment Charges. Accordingly, if the Border Agencies were to proceed with implementing a Consignment Charge, we consider that it would achieve the opposite of what is intended, by imposing inequitable costs on New Zealand SMEs and consumers, and introducing unnecessary inefficiencies that would be unsustainable for the industry.

[8] Consultation Document at [39].

22. That would also be the case if the Border Agencies were to proceed with broadening the scope of the charging base to include transhipped goods, using a consignment charging approach.[9] In particular, there is a risk that introducing fees for transhipped LVGs on an ICR and outward cargo report ("**OCR**") would result in double charging and impose a disproportionate share of the Border Agencies' costs on industry participants that use transhipping, and on consumers that ultimately benefit from transhipping arrangements. Therefore, irrespective of how any change to the Border Agencies' fee structure is implemented, transhipping charges should only apply to either the ICR or OCR – not both.

**New Zealand relies on having exporters that are competitive in international markets**

23. Trade is critical to New Zealand's economy. New Zealand can only pay for the goods and services imported from overseas by selling exports to other countries. It is businesses that drive economic growth and build a more successful economy, including through creating jobs and increasing the Government's tax revenue.

24. Therefore, for New Zealand to build a more productive and competitive economy, it is essential that regulatory and administrative settings are designed in a way that supports New Zealand companies to sell their products globally. Where exporters are unable to compete effectively in overseas markets, there is a risk that New Zealand's existing trade deficit will widen and lead to more reliance on foreign lending and investment to fund economic growth.[10]

*Consignment Charges would undermine the competitiveness of New Zealand exporters*

25. New Zealand exporters will face additional pressure if a Consignment Charge is implemented, undermining their ability to compete in international markets, because:

(a) For LVGs (i.e. $1,000 or less), the proposed fee for exports of $3.50 per consignment would in many cases represent a material component of an exporter's margin, as these businesses are typically SMEs rather than being large corporates that can spread the increased costs across large-scale operations. Further, some New Zealand ecommerce businesses export up to 10,000 shipments per month, which would equate to consignment fees of approximately $35,000 per month (or $420,000 per annum). If the exporter passes on the full cost of the consignment fees, the cost of a customer's purchase from a New Zealand ecommerce website could increase by 8%, as demonstrated in the following example:

**Overseas Customer Purchasing Online from NZ Ecommerce Website (based on the Consignment Charge fee proposal)**

| | |
|---|---|
| Shirt | $30 |
| Freight | $15 |
| Export Customs Charges | $3.50 |
| **Total:** | **$48.50*** |

*8% increase to overall shopping basket

[9] Consultation Document at [113] to [115].

[10] Stats NZ, *Balance of payments statistics* (June 2024). Retrieved from: https://www.stats.govt.nz/topics/balance-of-payments/.

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

(i) 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

(ii) 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.

26. For completeness, we note that the Consultation Document includes a report by Sapere Research Group which analyses the potential impact of the proposed fee changes on exports and imports ("**Sapere Report**").[11] The Sapere Report identifies a potential reduction of low value exports by $20.3 million (equivalent to 3.67%), which is already significant.

*Exporters would be incentivised to minimise their costs by relocating operations overseas*

27. We consider that a likely outcome of a Consignment Charge is that some New Zealand exporters will seek to avoid the consignment fees by moving their operations overseas. That is, rather than importing LVGs into New Zealand and processing them at New Zealand based distribution centres for export, the imposition of Consignment Charges would incentivise these businesses to move their warehousing and distribution operations to a different jurisdiction that has lower export fees, which would include relocating the associated jobs and payment of levies and taxes to that jurisdiction.

28. To mitigate the potential impact on New Zealand's export industry, we strongly recommend that the Border Agencies focus on fee proposals that achieve the primary purpose of covering their goods management costs, while carefully avoiding the risk of undermining competition in other areas, particularly in New Zealand's export markets. To do this, any change to border fees for LVGs should be as targeted as possible to the outcomes that it is seeking to achieve, which includes limiting such changes to the minimum required to give effect desired outcomes.

29. For the reasons above, we do not consider that a Consignment Charge strikes the appropriate balance between achieving the purpose of the fee change while mitigating the impact in other areas. In contrast, an amended version of the Status Quo, as proposed in paragraph 14 above, would achieve this balance and is therefore a better approach.

**Competitive neutrality is fundamental to well-functioning markets**

30. While governments have a role to play in developing the laws and regulations that influence market dynamics (such as managing border controls), they also participate in markets directly through state-owned enterprises ("**SOE**"). That is the case with NZ Post (a New Zealand SOE), which is a key competitor in the market for express package delivery services in New Zealand.

[11] Consultation Document, Appendix 3 at page 62.

31. Businesses should be able to compete based on their merits without being at a disadvantage from regulatory policies that provide preferential treatment to any particular participant, especially a SOE. The principle of competitive neutrality, including in respect of SOEs that compete with private companies, is well-established and internationally respected.

32. Importantly, if NZ Post is excluded from being required to pay goods management fees, which we understand is proposed under each of the three proposal packages (including the supporting package which contains Consignment Charges for LVGs),[12] there is a risk of New Zealand coming into conflict with global expectations and its commitments under international law. For example:

   (a) In 2021, the Council of the Organisation for Economic Co-operation and Development ("**OECD**") officially recommended that governments ensure a level playing field between state-owned and privately-owned enterprises, noting that states should "avoid offering undue advantages that distort competition and selectively benefit some Enterprises over others". Such undue advantages include "favourable tax treatment, grants and goods or services provided by governments at favourable prices".[13] It is recognised by the OECD that "ensuring a level playing field is key to enabling competition to work properly and deliver benefits to consumers and the wider economy".[14]

   (b) New Zealand has made commitments to maintain competitive neutrality in its international treaties, including as a member of the World Trade Organisation ("**WTO**").[15] In particular, the concept of "national treatment" (i.e. giving others the same treatment as one's own nationals) is enshrined as a core principle in the three key WTO treaties that New Zealand is party to and must comply with.[16] For example, in the case of the WTO's General Agreement on Trade in Services, New Zealand has committed to ensuring that it will "accord to services and service suppliers of any other Member, in respect of all measures affecting the supply of services, treatment no less favourable than that it accords to its own like services and service suppliers".[17] In other words, New Zealand must treat local and foreign service providers equally – which is a principle that is inconsistent with imposing fees on CAPEC members and not NZ Post for the same services.

33. Therefore, implementing any of the three package proposals (including a Consignment Charge) would, in our view, put New Zealand at risk of breaching our international commitments under WTO treaties, as well as imposing regulatory requirements that are inconsistent with the expectations of New Zealand's key trading partners. That is because excluding NZ Post from payment of goods management fees in respect of LVGs would confer an unjustified competitive advantage to a state-owned competitor, and, as a result, discriminate against other private competitors, including the members of CAPEC.

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[12] Consultation Document at [74].

[13] OECD, *Recommendation of the Council on Competitive Neutrality*, OECD Recommendation 0462 (31 May 2021) at [2(a)].

[14] OECD, Competitive neutrality in competition policy. Retrieved from: Competitive neutrality in competition policy | OECD

[15] New Zealand has been a member of the WTO since it was founded in 1995.

[16] Specifically, the national treatment principles is included in: (a) Article 3 of the General Agreement on Tariffs and Trade (1994), (b) Article 17 of the General Agreement on Trade in Services, (c) Article 3 of the Trade Related Aspects of Intellectual Property Rights.

[17] Article 17 of the General Agreement on Trade in Services.

*NZ Post is a competitor in the market for courier services*

34. CAPEC understands that, as New Zealand is a member of the UPU, certain NZ Post services have been excluded from the Border Agencies' cost recovery scheme to date.[18] In particular, NZ Post is intended to be excluded from paying border fees in respect of its carriage of letters, post cards, printed matters, commercial documents and samples of merchandise – i.e. NZ Post's 'core' (mail) postal services.

35. However, in practice, 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 a consequence, the Border Agencies are required to expend a large amount of time and resource screening NZ Post consignments that increasingly include "mail" items that are in fact courier packages.

36. In that regard, we agree with the Consultation Document that Crown funding of costs associated with processing ecommerce packages (which occurs as a result of NZ Post processing such packages through the UPU channel rather than as international freight) is "unfair to…some fee and levy payers – for instance, fast freight operators".[19] Specifically, it is inequitable that fast freight operators "must pay Customs fees and MPI levies when low value goods are imported through air freight and cleared using inward cargo reports, while no fees are payable for an identical item imported by mail".[20] The unfairness of these arrangements is particularly acute in the case of NZ Post given its prominence in the fast freight market.

37. NZ Post's expansion into the market for express package delivery services is clearly evidenced in its annual report. For example, NZ Posts states that:[21]

   (a) "In the years to come we expect people to be shopping online more of the time". To prepare for these changes, NZ Post is opening the Auckland Processing Centre ("**APC**"), which is "a purpose-built facility spanning 30,000m 2 that has the ability to process more than 30,000 parcels per hour at capacity";

   (b) The APC "represents a first for NZ Post in that it combines international and national processing at one site", and the "APC has more capacity than any other parcel sorting facility in New Zealand";

   (c) The technology at APC includes an "automated processing operation for domestic parcels, packets, small packets, and international inbound and outbound parcels"; and

   (d) The Border Agencies will "begin operating from this site in 2025".

[18] Consultation Paper at [127].
[19] Consultation Document at [130].
[20] Consultation Document at [130].
[21] NZ Post, *Annual Integrated Report* (2024) at page 29.

38. Accordingly, it cannot be said that NZ Post's activities are confined to processing what is traditionally thought of as "mail". Rather, NZ Post is a key competitor in the market for express package delivery services and is expanding its capability in this area at pace. However, despite its growing presence in the market for express delivery of LVGs in New Zealand, we understand that NZ Post would continue to benefit from being excluded from paying border charges in respect of these activities.

*Excluding NZ Post would undermine competition*

39. Importantly, excluding NZ Post from paying fees to support the Border Agencies' goods management activities would have a detrimental impact on the market for express package delivery services, which would ultimately be to the detriment of New Zealand consumers. As noted above, it is well established that ensuring a level playing field is key to enabling competition to work properly and deliver benefits to consumers and the wider economy.

40. In particular, the exclusion of NZ Post would have the following consequences:

(a) The Border Agencies would be unable to recover fees in respect of one of the largest competitors in the market for express delivery of LVGs – i.e. we understand that NZ Posts accounts for the majority of courier traffic through New Zealand Customs. This represents a significant shortcoming in the Border Agencies' ability to implement an effective "user-pays" cost recovery model, given importers and exporters that use NZ Post to deliver packages can effectively bypass the scheme.

(b) 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:

(i) 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;

(ii) 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

(iii) 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 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.

(c) As noted above, it is inequitable (and inconsistent with New Zealand's international commitments) that express package delivery companies should face higher fees as a result of NZ Post being excluded from the Border Agencies' cost recovery scheme. 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.

41. For these reasons, we consider that any proposal to increase or impose new fees on private service providers for LVGs must also be applied to NZ Post. That includes not only ensuring that the quantum of fees faced by NZ Post and private service providers is the same, but also that the timing of implementation of the fees is consistent across all participants in the market, to create a level playing field.

**There is a high risk that customers will seek to avoid a Consignment Charge**

42. Given NZ Post would not be subject to the regime, exporters and importers would be able to readily avoid Consignment Charges by switching from private service providers to NZ Post. Based on the effective fees of the Consignment Charges, which would represent a significant proportion of the price of many LVGs, there will be a strong incentive on customers to do this. If that were to occur, there is a risk that:

(a) the Border Agencies will be attempting to recover their goods management costs from a diminishing group of exporters and importers – i.e. those that continue to use private service providers for LVG deliveries;

(b) as the number of customers contributing to covering the Border Agencies' costs falls, the proceeds from the Consignment Charges will be increasingly less likely to cover the Border Agencies' goods management costs for processing LVGs; and

(c) therefore, the Border Agencies will be required to impose even higher costs on a smaller group of customers, with the outcome that NZ Post's unfair competitive advantage would be strengthened, leading to more customers switching to NZ Post and exacerbating the challenges for the Border Agencies of recovering their costs.

43. To the extent that the volume of goods processed by private service providers decreases (i.e. as described in the circumstances above), there would be flow-on consequences for the ability of private service providers to continue to participate in the New Zealand market.

44. We note that this is not a purely hypothetical concern. For example, in relation to increases to border levies proposed by the Border Agencies for cruise ships visiting New Zealand (which we understand included increases of up to 88%[22]), industry representatives noted that "the rising costs of operating in New Zealand had already been off-putting to the cruise lines" and suggested that the proposed levy increases would "turn companies off visiting" New Zealand.[23] In response, we understand that cruise ships are considering bypassing New Zealand as a

[22] We understand border levy rates were proposed to be increased from $11.48 to $21.54. Industry representatives speculated that as 279,000 passengers were expected this season, the total increase per traveller would cost cruise operators an estimated $2.2 million dollars. Retrieved from RNZ News, *Cruise ship companies that have to wear a sudden fee rise will be turned off coming to NZ – representative* (17 August 2024).

[23] RNZ News, *Cruise ship companies* (17 August 2024).

cruise ship destination, with New Zealand set to experience an estimated "22% drop in cruise visitation over the coming season, but this number is projecting to drop even further the following season".[24]

45. Accordingly, to avoid similar issues in the market for the express delivery of LVGs, we recommend that the Border Agencies adopt a 'least regrets' approach that seeks to minimise the impact of the fee changes to other areas of the industry and reduces the potential risk of 'regulatory error' – noting that costs of such error could outweigh the very purpose of implementing the change in the first place.

**Conclusion**

46. CAPEC 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, as described in paragraph 14 above. 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.

[24] Cruise, *New Zealand government ignores industry cries and adds new border clearance fees for cruise ships* (10 October 2024). Retrieved from: https://cruisepassenger.com.au/news/new-zealand-government-ignores-industry-cries-and-adds-new-border-clearance-fees-for-cruise-ships/.

## APPENDIX ONE

## RESPONSES TO CONSULTATION DOCUMENT QUESTIONS

| | QUESTION | RESPONSE |
|---|---|---|
| | **Volume projections for goods clearance fees and levies:** | |
| **1** | Do you think these forecasts are reasonable? | No, we consider that the forecasted projections for LVGs are too low relative to the projections for high value goods ("**HVG**"). In particular, the Consultation Document states that, over the next five years:[25]<br>(a) LVG imports by air are forecast to have 8% growth, and LVG exports by air are forecast to have 4% growth; whereas<br>(b) HVG imports by air are forecast to increase by 14.6%, and HVG exports by air by 24%.<br>Given the LVG segment is the biggest growth area in the express package delivery market, we would expect the projected growth in LVG volumes to be increasing at a rate which is more comparable to that of the HVG projections.<br>High value imports by sea are only projected to increase by 1.1% over the next five years, yet commercial vessel arrivals are projected to increase by 26.7%. Given that larger vessels typically carry (high weight) HVGs and have more TEUs, this would suggest that the forecasted increase in HVG imports may not be accurate.<br>We also note that:<br>(a) If consignment level charging did go ahead, there would be different incentives on industry participants that would drive a shift in volume to different pathways (as described in paragraphs 42 to 45 of our submission), which would contribute to making the forecasts even more inaccurate and unreliable. |

[25] Consultation Document at [55].

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| | | (b) The Consultation Document forecasts zero growth in low value mail imports. This likely underestimates mail segment growth given, as described in paragraphs 34 to 38 of our submission, NZ Post is expanding into the market for express package delivery services. That is reflected in the Consultation Paper, where it is noted that goods consignments within the mail channel "have followed a strong growth trend with the expansion of e-commerce globally". Therefore, it is unlikely that the volume of LVG imports through the mail channel would remain unchanged over the next five-year period.[26] |
| **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 fee increases proposed under Option One (Base Package) would result in additional costs to carriers which would likely have to be absorbed by the business, as is the case with the current manifest charges. |
| **3** | What implementation issues would the changes raise for your business and what lead time would you need to manage these? | Carriers would need to make systems changes to capture the increases in border fees – however such changes would not be expected to give rise to any material implementation issues. We consider that a lead time of 12 months would be satisfactory to carriers for budgeting purposes. |
| **4** | Is there anything else you would like to tell us about the likely impacts of these fee changes? | We consider that:<br>(a) For low value imports, maintaining the current fee structure will allow the uninterrupted flow of LVGs across the border - given that, in contrast to the position under a Consignment Charge fee model, there would be no need for carriers to stop them at the border to enable the recovery of such charges from importers (see paragraph 20 of our submission).<br>(b) For low value exports, maintaining the current fee structure will allow New Zealand exporters to remain price competitive against their international counterparts, given exporters' costs should not be materially impacted by an adjustment to the current fee structure (as proposed under Option 1 - Base |

[26] Consultation Document at [127].

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| | | Package), especially compared to the impact of introducing Consignment Charges.<br><br>However, to ensure competitive neutrality (and for the reasons described in paragraphs 30 to 41 of our submission), NZ Post should be required to pay the LVG weight charge under Option 1, as proposed for LVGs arriving by mail under Option 3 (Supporting Package – Improving Fairness for Taxpayers) in the Consultation Document.[27] |
| **For low value consignments:** | | |
| **5** | Do you agree that setting the fee for the submission of a cargo report for clearance of LVGs 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? | CAPEC are opposed to consignment level charging for LVGs. These changes would see a significant and infeasible increase in costs from $123 to $1,785 for the average import shipment of 500 low value items, and from $67 to $1750 for the average export shipment of 500 low-value items. The effective fees under a Consignment Charge structure will therefore have a significant impact on the industry and ultimately on New Zealand importers and consumers during a cost-of-living crisis.<br><br>Further, an ICR with twice as many air waybills ("**AWBs**") does not represent twice the screening and processing that would be required from the Border Agencies to process that ICR. Therefore, consignment level charging would not match the cost of the activities undertaken by the Border Agencies and is not fair or equitable to industry participants. In addition, the proposed Consignment Charge would be charged direct to a broker's account, which would mean that brokers carry all of the financial risks associated with any bad debts which is not an equitable outcome. Further issues include:<br><br>**Imports:**<br><br>(a) Express carriers of LVGs operate a low margin, high volume business model which does not enable additional material costs to be readily absorbed by the business. As such, it is unlikely that the costs associated with consignment level charging would be able to be absorbed by carriers if it were to be introduced. |

[27] Consultation Document at [142].

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| | | (b) As described under paragraphs 17 to 21 of our submission, carriers would likely need to stop shipments at the border to collect the proposed LVG consignment fees from importers. Further costs would be incurred in terms of additional headcount to manage new internal processes (including customer management), warehousing, cash-flow, delivery delays, bad debt write offs (due to unpaid Consignment Charges), disruption to the supply chain, and systems and billing changes. Given the low margin, high volume business model for LVG freight, carriers are unlikely to be in a position to absorb these material costs, such that the cumulative impact to importers of consignment-level charging will likely be disproportionate to the value of the Consignment Charge itself (i.e. as carriers will likely need to recover the additional costs they incur to collect the Consignment Charge - which would add significant costs to imports). This would be materially disruptive to the supply chain and New Zealand trade.<br>(c) The proposed increase in LVG fees and significant reduction in HVG fees is disproportionate to the volume and value of each goods type (as discussed further below), which is not an equitable outcome given it does not ensure that the Border Agencies' services are being funded by those who create the need for them, i.e. consumers of LVGs will be required to bear a disproportionate share of the costs of the Border Agencies' goods management activities.<br>**Exports:**<br>(a) The proposed Consignment Charges for LVGs are excessive and would be at risk of undermining the competitiveness of New Zealand exports, as well as being disproportionately high compared to the equivalent charges for HVGs.<br>(b) For example, for a low value export, the charge would be \$3.50 per consignment, compared to \$3.70 per consignment for a high value consignment. It is illogical and inequitable that Consignment Charges applicable to LVGs and HVGs should be almost the same, as this would mean that LVG charges are significantly higher as a proportion of the value of an LVG consignment (i.e. given HVG consignments are higher value). For example, a \$30 tee shirt will have a \$3.50 charge compared to a high value shipment worth \$1m which will be charged \$3.70. Therefore, the fees would be entirely disproportionate to the |

value and volume of the goods, as well as the risk/costs faced by the Border Agencies in respect of managing such goods.

(c) In particular, both of these consignments are processed through TSW, however a high value consignment could contain hundreds of items at a line level compared to a low value consignment that could have one to two items. Therefore, the Border Agencies' goods management fees should reflect the relatively higher risks and costs posed by HVGs compared to LVGs.

**Low value exports:**

(a) Low value exports require little to no intervention by the Border Agencies. Therefore, the costs of the Border Agencies' goods management for LVG exports (which are minimal) should not be charged at a consignment level to pay for the screening through TSW.

(b) This would be a clear barrier to export trade for New Zealand businesses. In particular, the costs imposed on exporters under this approach would severely impact small and large New Zealand ecommerce businesses and inevitably impact their export volumes around the world, especially given they are already competing in a tight international marketplace. Some larger New Zealand companies will be spending in excess of $120,000 per month on customs fees, which is a significant cost that will materially affect their price competitiveness in international markets.

(c) Under the LVG cost recovery proposal, NZ Post will not be subject to LVG export clearance fees at a consignment level, manifest level, or on a weight / per kg basis. As explained in paragraphs 30 to 41 of our submission, this creates an unfair playing field, as it will give NZ Post an unjustified advantage in the market for express package delivery services (in which NZ Post is a key competitor) relative to other competitors, including the members of CAPEC.

**Border Risks:**

(a) Imposing higher fees on the private sector may lead exporters and importers to switch to NZ Post, as described in paragraphs 42 to 45 of our submission.

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| | | (b) That outcome is concerning given that NZ Post is unable to provide data through TSW on the ICR and the OCR for their LVGs. From a risk perspective, if more freight went through the mail channel due to the increased charges in the express delivery pathways (which we consider would be likely to occur if a Consignment Charge was introduced), this would put New Zealand's borders at greater risk given a higher proportion of freight entering and exiting New Zealand would be processed without the security benefits of TSW. That is evidenced by comments in paragraph 128 of the Consultation Document – i.e. the Border Agencies elude to the fact that electronic data is better for screening and leads to more seizures:<br><br>"*It is also likely that process changes, such as increasing use of Electronic Advance Data to improve risk management, will also improve the detection and seizure of contraband. It would likely change the nature of Customs' costs of mail, decreasing physical screening and increasing electronic risk assessment. It could potentially increase detention and seizure of mail and investigations related to mail".* |
| **6** | What impact would setting fees per consignment likely have on your business? | **Imports:**<br><br>(a) As explained in paragraph 20 of our submission, express providers have no contractual relationship with importers, and freight fees are paid at point of export. However, express providers are not billed by the Border Agencies until after the goods clear the border in New Zealand, such that express providers currently absorb customs charges rather than passing them on to exporters.<br><br>(b) However, as noted in our response to question 5 above, express providers operate a low margin, high volume business model which does not enable additional material costs to be readily absorbed by the business. As such, the imposition of Consignment Charges would put pressure on carriers' margins, and it is unlikely that they would be able to absorb the charges given their significant scale. Therefore, as described in paragraphs 17 to 21 of our submission, if carriers were to recover the fee from the importer, inbound goods would likely need to be warehoused whilst reimbursement is sought from the importer. |

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| | | (c) This would create additional costs (including due to shipment delays) which carriers would struggle to recoup or absorb. This would have the effect of increasing the cost of living for New Zealand families and businesses.<br>(d) In that context, we cannot overstate the cost to carriers, and the potential impact to New Zealand consumers, associated with warehousing and holding consignments pending payment of Consignment Charges (which would be likely to occur if Consignment Charges were imposed), as well as customer engagement costs related to managing such arrangements. Whilst the cost per parcel proposed by the Border Agencies under a Consignment Charge model would be $3.57 for imports, there is a risk that importers will face significantly more additional fees related to the costs to carriers of implementing Consignment Charges, e.g. new warehousing, personnel, recruitment, training, cash flow costs and destruction costs of the invariably unclaimed goods. Therefore, under a Consignment Charge model, the cost of collection would far exceed the proposed fees.<br>**Exports:**<br>(a) Carriers would likely be left with no option than to pass the proposed fees onto New Zealand exporters. This fee would be $3.50 per consignment. Whilst passing this cost to exporters is administratively relatively straight forward, it would act as a significant cost and trade barrier to New Zealand exports, with a particularly negative impact on New Zealand SME's given they have less ability to spread the increased costs across large-scale operations.<br>(b) As explained in paragraph 25 of our submission, New Zealand businesses 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. |
| **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? | **Low value imported goods:**<br>If consignment level charges were to be introduced, the following changes would need to occur:<br>(a) goods would likely need to be held at NZ border until costs are recouped; |

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| | | (b) carriers would need to employ and train additional resources;<br>(c) IT system changes would be required;<br>(d) new warehousing would need to be set up to hold goods pending payment of fees;<br>(e) internal process would need to be adjusted due to cashflow issues; and<br>(f) arrangements would need to be made for the destruction of invariably unclaimed goods.<br>The estimated time to implement these changes is 18 to 24 months. |
| **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? | For the reasons set out in our submission, we fundamentally do not agree with individual consignment level charging. Charging at manifest level should remain, with adjustments to ensure that the Border Agencies' provision of goods management services is financially sustainable (as explained in paragraphs 14 to 16 of our submission). |
| **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? | The submitter should not wear the costs. As identified in the Consultation Document, the costs should sit with those who create the need for the services (i.e. the end user).<br>Further, the costs related to seizures, investigations and prosecutions (as distinct from costs associated with inspection and clearance) should be covered by the Crown as part of border protections as they are a public good. Legitimate importers and exporters, i.e. those who do not create the need for the Border Agencies to take such enforcement actions, should not wear this cost given this approach would be inconsistent with the principles of fairness and equity. |
| | **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. | Continuing to charge on a manifest basis and not at a consignment level would be preferable. This approach would lessen the impact on trade for importers and exporters, and for express carriers it would mean that goods do not need to be stopped at the border for fee collection. Therefore, charging on a manifest basis |

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| | | would not be materially disruptive to the flow of goods entering and exiting the country.<br><br>Specifically, as described in paragraphs 14 to 16 of our submission, we believe a volume based bracketed manifest charge, coupled with an activity-based fee for inspections is a more feasible approach. The activity-based charge could be similar to MPI's hourly rate system, or a fixed amount per inspection. The benefits of this approach include:<br><br>(a) Tiered charges ensure that costs are recovered proportionally to the activities that give rise to those costs, which aligns fees to the actual resources used.<br><br>(b) An ICR with twice as many AWBs does not represent twice the work that would be required from the Border Agencies to process. Therefore, this approach is more equitable to industry participants as it does not unfairly allocate costs to particular users of the system. |
| **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? | There should be higher fees for HVG shipments, and sea freight shipments. That is because the work and man power involved in inspecting large sea-freight consignments is far greater than what is typically required for air freight consignments (given HVGs transported by air are typically transported in smaller packages, e.g. of 5-10kgs). |
| **12** | What are the reasons for your answer? | For both imports and exports, the proposed charges for high value (light weight) consignments (which are more commonly carried by air) are disproportionate based on the value, risk, and resources required to clear the goods, compared to the proposed charges for high value (high weight) consignments (which are more commonly carried by sea).<br><br>For example, in addition to there being less resources required to inspect smaller packages by air, express operators that deliver high value freight by air (where such deliveries require inspection) make such deliveries direct to customs facilities, which reduces travel time and costs for the Border Agencies. Such cost reductions to the Border Agencies should be reflected in the fees applicable to HVG deliveries by air. |

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| **13** | What impact would moving to separate fees for high value consignments for sea and air freight have on your business? | No impact because these charges are paid direct on the customer's deferred account or collected when the customer pays duty and GST.<br><br>For importers and exporters, there would be a positive impact, given this approach would enable the fees they pay to be more aligned with the size, mode of transport, and the risk level posed by their goods. |
| **14** | What implementation issues would the changes raise for your business? What lead time would you need to manage these? | The only material impact of establishing separate fees for mode of transport (i.e. air vs sea) would be the requirement to implement system / software changes to recognise the new fees. We estimate that lead time of 12 months would be required to implement these changes. |
| **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? | Keeping the current fee structure and incorporating this fee into the CRE makes practical sense. |
| **16** | What are the reasons for your answer? | It makes it easier to reconcile invoices and BDP statement. |
| **17** | What impact would removing the OCTF-OCR likely have on your business? | - |
| **Costs incurred in managing risks associated with commercial vessels:** | | |
| **18** | Do you think it would be fairer to recover vessel costs through a commercial vessel charge or keep recovering these costs through goods charges paid by importers and exporters? If not, why not? | - |
| **19** | What impact, if any, do you think a commercial vessel charge might have on the cost and the availability of shipping services to New Zealand? | - |
| **20** | Do you think the proposed vessel charge would impact compliance with Customs and MPI rules by vessels arriving in New Zealand? | - |

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| **21** | Do you think there are any other options for meeting these costs that might be fairer than a commercial vessel charge or goods fees? If you do, what are those options? | - |
| **22** | Do you think the broad categories of exemptions for types of vessel and voyages are appropriate? If not, what specific exemptions do you think are needed and why? | - |
| **23** | What impact would the introduction of a commercial vessel charge, and the consequent reduction in goods fees, likely have on you or your business? | - |
| **24** | Who should be invoiced for the commercial vessel charge – ship operators, owners or agents? | - |
| **25** | What implementation issues would the changes raise for your business? What lead time would you need to manage these? | - |
| **26** | Do you think there is an argument for a new vessel charge to be phased in? If yes, how do you think it should be phased? Why do you think this would be fairer? | - |
| **Costs incurred managing risks associated with transhipped goods, transit goods and empty shipping containers:** | | |
| **27** | Do you agree it would be fairer to recover the costs of transhipped consignments and empty shipping containers by broadening the goods management charging base and attaching an appropriate fee to each of these goods? | Transhipments should only pay one risk assessment fee either on the ICR or OCR, noting that such charges would have to be absorbed by CAPEC members as they have no means to pass these charges on. |
| **28** | Do you agree that, if a fee is imposed on transhipped consignments and empty shipping containers, it is appropriate to use the consignment charge for low value consignments (valued at $1,000 or less) as the basis for charging, in the interim until goods fees are next reset? | - |
| **29** | What impact would applying a charge to transhipped goods consignments and/or empty shipping containers have on you or your business? | Applying transhipment charges for airfreight may see goods no longer transhipped through New Zealand as carriers seek to avoid these charges. Also, as the fast freight |

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| | | carrier does not have a relationship with the importer/exporter of the goods, they would struggle to recover these costs. |
| **30** | Do you think there is any other option that would allow for the recovery of costs for transit goods? If so, can you tell us what this this? | Continue with the Status Quo (Option 1), as proposed in paragraphs 14 to 16 of our submission, which can be used to cover the costs of transit goods. |
| **31** | Do you have any other comments to make on how the costs of transit goods, transhipped goods, and empty shipping containers should be recovered? | - |
| **32** | What implementation issues would the changes raise for your business? What lead time would you need to manage these? | The Border Agencies would need to ensure that any costs for transhipments are not charged for ICR and OCR. |
| | **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? | **Crown funding should continue for LVG imports and exports in respect of costs associated with investigations and seizures, as these are public services and a public good.**<br>(a) There is no rational basis to treat investigations and seizures differently to other enforcement activities (prosecutions, fines and penalties) that will continue to be appropriately funded by the Crown on the basis that there is no conceptual difference between these activities – they all relate to enforcing the law rather than processing goods at the border. 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 are funded by the Crown.<br>(b) 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, which is what the Border Agencies' goods management fees should be applied to. Legitimate importers and exporters should not wear the costs of enforcement action when they are not the parties that are responsible for the Border Agencies needing to take such action. |

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| | | **Crown funding should contribute to the costs of processing data through TSW given this data is used for a public good.**<br>(a) Express companies are wearing the costs for processing the data they provide through TSW. Over the last few years ICR and OCR submissions have improved in quality due to more information being reported. This has enabled better customs profiling, risk assessments, screening and maintaining a data base to better risk assess current and future shipments. However, NZ Post is unable to provide this type of information, such that there is a large gap in the dataset that informs border security activities, which means it is harder for the Border Agencies to investigate and carry out seizures at the border that have travelled through New Zealand.<br>(b) Carriers being charged an excessive amount for this data when NZ Post does not need to provide it (and does not incur the costs of doing so) creates an unfair burden on carriers (especially because this data is used for public good) and an unfair advantage to NZ Post. For example, the Consultation Document notes that "increasing the use of Electronic Advance Data to improve risk management, will also improve the detection and seizure of contraband", and that leads to lower costs for the Border Agencies.[28] Therefore, from a risk perspective, if more freight went through mail due to the increased charges in the Express pathways (which we consider is likely to occur if Consignment Charges were to be introduced), this would put New Zealand borders at greater risk given a higher proportion of freight entering and exiting New Zealand would be processed without the security benefits enabled through TSW. |
| **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? | **Imports:**<br>(a) As explained in paragraph 20 of our submission, carriers have no contractual relationship with importers, and freight fees are paid at point of export. However, carriers are not billed by Border Agencies until after the goods clear the border in New Zealand, such that carriers currently absorb customs charges rather than passing them on to exporters. |

[28] Consultation Document at [128].

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| | | (a) However, as carriers of LVGs operate a low margin, high volume business model (which does not enable additional material costs to be readily absorbed by the business), it is unlikely that the costs associated with consignment level charging would be able to be absorbed by carriers, especially given the significant scale of these fees. Therefore, as described in paragraphs 17 to 21 of our submission, inbound goods would likely need to be warehoused whilst reimbursement is sought. This would create additional costs (including due to shipment delays) which would be at risk of impacting importers and consumers through higher prices for LVGs. This would have the effect of increasing the cost of living for New Zealand families and businesses during a cost-of-living crisis.<br>**Exports:**<br>(a) Express carriers would likely be left with no option than to pass the proposed fees onto New Zealand exporters. This fee would be $3.50 per consignment. Whilst passing this cost to exporters is administratively relatively straightforward, it would act as a significant cost and trade barrier to New Zealand exports, with a particularly negative impact on New Zealand SME's given they have less ability to spread the increased costs across large-scale operations.<br>(b) New Zealand businesses 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 does not align to the New Zealand Government's desire for New Zealand to be seen as "open for business".<br>(c) As explained in paragraph 25 of our submission, some New Zealand ecommerce exporters ship up to 20,000 shipments per month, which would equate to $70,000 per month (or $840,000 per annum). |
| **35** | If your business involves carrying LVGs 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? | **Imports:**<br>As noted above in our response to question 34, express freight operators have no contractual relationship with importers, which creates a number of significant challenges (see paragraph 20 of our submission for further details). In particular, the costs to carriers related to recovering the Consignment Charges (such as the cost of |

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| | | collection and warehousing) would far exceed the proceeds of the goods clearance fees received by the Border Agencies.<br><br>We note that, as a practical matter, local government agency fees cannot be included as part of freight costs.<br><br>**Exports:**<br><br>Express providers would be left with no option than to pass the proposed fees onto New Zealand exporters. This fee would be $3.50 per consignment. Passing this cost to exporters is administratively relatively straightforward because carriers have an existing contractual relationship with these businesses. |
| **36** | What implementation issues would the above changes raise for your business. What lead time would you need to manage these? | **Imports:**<br><br>As noted above in our response to question 34, express providers have no contractual relationship with importers, which creates a number of significant challenges (see paragraph 20 of our submission for further details).<br><br>Carriers are unlikely to be able to be absorb the proposed Consignment Charges given that LVG carriers operate under a low margin, high volume business model, and the significant scale of these fees will put pressure on their margins - meaning it is likely that importers and consumers will be impacted. Further, carriers would likely need to make arrangements for the secure storage of consignments in New Zealand until such time the importer has paid the applicable consignment fee (given that, if the goods are released prior to such payment, there would be no incentive on the importer to pay the fee).<br><br>This would create additional costs (including due to shipment delays) which would be at risk of impacting consumers through higher prices for LVGs. This would have the effect of increasing the cost of living for New Zealand families and businesses, as well as causing disruptions to the supply chain.<br><br>In this context, we cannot overstate the likely cost to carriers, and the potential impact to New Zealand consumers, associated with the warehousing and holding consignments pending payment of Consignment Charges, as well as the customer engagement costs related to managing such arrangements. Whilst the cost per parcel from the Border Agencies under a Consignment Charge model would be $3.57 for |

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| | | imports, there would likely be significantly more costs to carriers that would put additional pressure on their margins, e.g. the costs of new warehousing, personnel, recruitment, training, cash flow costs and destruction costs of the invariably unclaimed goods.<br>Therefore, under a Consignment Charge model, the cost of collection would far exceed the proposed fees. |
| **37** | If you are a business exporting LVGs 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? | Extremely price sensitive. The fee increase could represent 10-20% of the value of the goods being exported, which would need to be on-charged to the end users. As explained in paragraphs 23 to 29 of our submission, this would likely have the effect of making many New Zealand e-commerce exporters uncompetitive in global markets. |
| **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 explained in our response to question 33 above, crown funding should not be removed for investigation and enforcement activities. 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. Legitimate importers and exporters should not wear this cost. |
| **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? | The deficit should not be retrospectively recovered at all. We consider that, to the extent the Border Agencies have under-collected, the importers/exporters should not have to cover this deficit. Requiring them to do so would be unfair and inequitable. For example, some business may not have been trading when the deficit occurred, and there is no reason why they should be liable for a historic deficit that they did not contribute to or benefit from. |
| **40** | Do you think any consignment types should be exempt from the low value consignment charge? If so, what types of items? How could an exemption be implemented and why would it be appropriate? | We have the following comments:<br>(a) We understand that documents and diplomatic consignments would be charged (both for exports and imports). This commodity generally has no commercial value and requires minimal intervention by NZ Customs or MPI. Under the Geneva Convention, diplomatic shipments cannot have any regulatory charges associated with them and should move freely between the borders. Accordingly, these consignment types should be exempt. |

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| | | (b) Transhipments should not have to pay for both the inbound and outbound movement – i.e. only a single charge should apply to avoid overcharging relative to the costs of processing transhipments. |
| **41** | If any consignment types are exempted from the low value consignment charge, how do you think the costs Customs and MPI incur should be recovered (eg, from other fee payers or funded by the Crown)? Why do you think this is fair and appropriate? | We consider that goods with no commercial value, such as original documents, passports, diplomatic consignments etc, should not be subject to border charges given these consignment types require minimal intervention by the Border Agencies. That would be consistent with the approach to post which we understand is not subject to fees in respect of mail or documents (although noting that excluding the mail channel from being subject to border charges in respect of LVGs would be contrary to CAPEC's recommendation in our submission). Accordingly, it would be appropriate for the Border Agencies to absorb any costs associated with such non-commercial documents within the fees they receive in respect of commercial consignments. |
| **In terms of LVGs 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? | As explained in paragraphs 30 to 41 of our submission, in order to create a level playing field, postal volume needs to be treated exactly the same as express freight. Excluding the postal channel from being required to pay customs charges is anti-competitive and undermines competitive neutrality, which is ultimately to the detriment of New Zealand businesses and consumers as it will result in higher prices for LVGs.<br><br>Accordingly, the only exemption applicable to the postal channel should be for letters and postcards less than 20 grams as per the UPU definition of mail. |
| **43** | What is the reason for your answer? | The risk that mail poses to the public is the same as for packages. As such, moving towards an activity-based costing model should not include allowing a key pathway to be exempt from the regime, as this would not be reflective of the risks and costs to the public that arise through the postal channel.<br><br>Further, as explained in our response in question 5 above, express companies provide pre-arrival electronic data to allow TSW to risk access, build intel, and profile imports and exports at a considerable cost to the express industry. In contrast, the postal channel provides no such data and relies on 100% manual screening and |

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| | | physical inspection, which means the postal channel contributes significantly to the level of security risk at the New Zealand border. Therefore, to ensure the cost recovery regime is efficient, equitable and aligned to the reality of where risks and costs arise, the postal channel should pay a fair proportion of the costs related to managing the security risks that it creates.<br><br>As explained in paragraphs 42 to 45 of our submission, there is also a risk that excluding the postal channel from the cost recovery regime, such that the Border Agencies are not charging fees or recovering clearance costs for parcels carried through the postal service, will change consumer behaviour by incentivising them to seek to avoid the charges by switching to post, with the outcome that the Border Agencies would collect increasingly less border fee revenue as a result. |
| **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? | - |
| **45** | If the costs of clearing goods in the mail stream were to be fully recovered, based on the indicative per item rates above, what impact would this have on you or your business? | As noted in our response to question 42 above, excluding the postal channel from the cost recovery regime would create an unfair playing field and undermine competitive neutrality in the express delivery market. Such an outcome would ultimately to the detriment of New Zealand businesses and consumers through less competition and higher prices for LVGs. |
| **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? | No – we do not consider that such costs should be fully recovered from importers and exporters. |
| **47** | How long should any phasing or transition last? Why do you think this timeframe would be fair and appropriate? | CAPEC do not support the costs of clearing these goods being fully cost recovered from importers and exporters, nor phasing in such charges. As set out in our responses above, the postal channel should not be excluded from the Border Agencies' cost recovery regime. |
| **48** | Do you agree that, if mail items are valued over $1,000 and are subject to both the IETF and the per kilogram | High value goods should not be subject to both HVG and LVG clearance fees. |

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| | charge, the IETF should be reduced to avoid applying two charges? | |
| **49** | What implementation issues would the above changes raise for your business? What lead time would you need to manage these? | - |
| **50** | Do you think the costs of LVGs 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? | As explained in paragraphs 30 to 41 of our submission, the costs of goods management should be treated the same regardless of the pathway to ensure there is a level playing field and to avoid undermining competitive neutrality.<br><br>However, due to the fact that the majority of NZ Post's consignments are not manifested, it has been asserted in the Consultation Document that making NZ Post subject to the same border charges is not currently possible to implement. However, we do not consider that challenges associated with incorporating NZ Post into the regime justifies the adoption of an approach that would, in our view, result in even greater costs to the industry and consumers. Rather, the only fair way for charging to exist between all pathways, such that all market participants are able to compete on a level playing field, is for NZ Post to move to processing 100% of its mail and packages under manifests, and to start using TSW or a per kilo rate if this is not possible. |
| **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? | Please see our response to question 10 above. We consider that charging at a manifest level and additional activity based costing (inspections) would be fairer. |
| **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? | We consider that a service charge to NZ Post is not a fair option and is not transparent. In particular, there would remain a discrepancy between the fees payable by express carriers in respect of LVG goods (with such fees unable to be passed on to customers due to the lack of a contractual and billing relationship between carriers and importers) and the disproportionately low service fees payable by NZ Post, which would result in an unfair playing field.<br><br>Therefore, this option would have anti-competitive effects on the market for express package delivery services by undermining competitive neutrality. To address these issues, costs incurred by the Border Agencies in respect of clearing LVGs need to be |

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| | | applicable to all market participants and introduced at the same time, i.e. irrespective of the pathway from which they originate. |
| **Crown funding for the management of commercial vessels:** | | |
| **53** | Do you think it would be appropriate for the costs of managing commercial vessels to be fully cost recovered rather than partially funded by the Crown? | - |
| **54** | What is the reason for your answer? | - |
| **55** | Do you have anything else to tell us about this proposal not already covered by your responses to questions on the proposal to introduce a commercial vessel fee? | - |
| **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)? | Yes. Provided the proposed review is comprehensive, has industry engagement, and does not seek to recover any deficits. |
| **57** | If Customs were to move to a regular review cycle for its fees, what do you think is an appropriate review period? | 3 years |
| **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? | Yes. The Border Agencies should regularly engage with representatives of key stakeholder groups, including (but not limited to) Logistics providers, Airlines, Carriers, NZ Businesses (both import and export representing different sectors eg ecommerce, FMCG etc). |
| **59** | What are the reasons for your answers? | - |

Out of Scope [redacted]

**From:** S9(2)(a) [redacted]
**Sent:** Monday, 20 January 2025 14:52
**To:** S9(2)(a) [redacted]
**Cc:** S9(2)(a) [redacted]
**Subject:** Seeking industry perspective on options to inform advice to Ministers - DRAFT

Dear S9(2)(a) [redacted]

S9(2)(a) [redacted] is currently on annual leave and has requested in his absence I forward CAPEC's response to your attached question.

We appreciate the opportunity to provide feedback for the timings on the proposed changes to the fee structure for exports and imports.

As per CAPEC's recent submission, our overall recommendation is to maintain the current charging structure, specifically the flat rate for ICR/OCR. This approach is preferred due to its ease of implementation, ensuring competitive neutrality with NZ Post, avoiding delays at the border for revenue collection, and minimizing market disruption for logistic providers and New Zealand businesses.

Additionally, as highlighted in CAPEC's submission, we strongly advocate for the continuation of Crown funding for LVG imports and exports. This funding is crucial for covering costs associated with processing, investigations, and seizures, which are public services and serve the public good.

Nevertheless, we suggest a phased approach to withdrawing Crown subsidies to mitigate the impact on the Fast Freight Industry. We propose that the subsidies be withdrawn in two steps, allowing for a smoother transition and lessening the overall cost burden on the industry. Below, we have outlined our position and concerns regarding the implementation and timing of implementing the new charges for both exports and imports.

## 1. Exports:

### a. Status Quo:

If the fee structure remains the same but the charges increase due to the withdrawal of Crown subsidies, there will be no significant impact on CAPEC members in terms of implementing system changes. However, we propose that the removal of Crown subsidies be carried out in **two steps** to lessen the impact on the overall cost burden to the Express Industry.

### b. Consignment-Based Charging:

As outlined in our submission, CAPEC members do not support the proposed export fee per consignment. We consider the fee excessive given the low risk and minimal intervention required for export LVG consignments. The proposed fee is disproportionate to the border agency activity and intervention within the LVG export pathway. Additionally, the proposal to exclude consignment-based LVG charges on export consignments through NZ Post is anti-competitive and does not align with the proposed activity-based costing model. NZ Post should be subject to identical cost regimes as CAPEC members.

While there will be no direct impact on the Express Industry regarding the implementation of these charges—since most exporters have locally billed accounts and these charges will be directly passed to them—the main impact will be on exporters in the e-commerce market. These exporters could face significant disruption and may struggle to remain competitive on the global stage.

If a consignment-based charging model is to proceed, a **two-step approach** is preferred to reduce market disruption for NZ exporters. A gradual increase in fees would allow export customers to adjust their budgets and pricing strategies accordingly, potentially reducing dissatisfaction among their customers.

## 2. Imports:

### a. Status Quo:

If the fee structure remains the same but the charges increase due to the withdrawal of Crown subsidies, there will be no significant impact on CAPEC members in terms of implementing system changes. However, we propose that the removal of Crown subsidies be carried out in **two steps** to lessen the impact on the overall cost burden to the Express Industry.

### b. Consignment-Based Charging:

As outlined in CAPEC's submission, we will pass these costs on to the consignee, requiring shipments to be held at the border for customs fee collection. This necessitates establishing processes, procedures, and facilities to administer the new regime, including costs associated with additional warehousing, employment, fixed assets, bad debt write-offs, and cash flow.

Both a one-step and a two-step approach will not negate the need to stop shipments at the border, so a minimal timeframe of two years will be required to set this up once the decision to proceed with the fee structure changes is made by the NZ government.

The need for a minimum of Two-Year Implementation Requirements are detailed below:

- Corporate and global approvals for additional capital to fund larger or additional facilities. A commercial new build process can take 2-3 years, including consents and approvals.
- Approvals and budgeting for additional working capital to support increased lease costs, staffing levels, staff training, and bad debts.
- Approvals, recruitment, and training of additional personnel for warehousing and administration roles.
- Impacts on current lease agreements, with most businesses signed up to long-term leases in 5-10 year increments.

Given the significant impact and implementation challenges to the express industry CAPEC would welcome ongoing dialogue around the proposed goods fee increases.

Thank you for considering our feedback. We look forward to further discussions on this matter.

Best regards,

CAPEC NZ

S9(2)(a) [redacted] | FedEx Logistics New Zealand
S9(2)(a) [redacted] | Suite 101, 38 Business Parade South
Highbrook Business Park, East Tamaki, Auckland 2013, New Zealand | fedexlogistics.co.nz

| | |
|---|---|
| **From:** | S9(2)(a) [redacted] |
| **To:** | Consulting on fees and levies |
| **Subject:** | Recovering the Costs of Goods Management at the Border |
| **Date:** | Thursday, 31 October 2024 16:53:55 |
| **Attachments:** | image001.png |

To Whom it May Concern,

Please see below my responses to the questions posed in the consultation document that pertain specifically to my small business:

- **Q6: What impact would setting fees per consignment likely have on your business?**

Setting fees per consignment would have a huge negative impact on our business. Many of our shipments S9(2)(b)(ii) [redacted] therefore an additional $3.50 NZD would have a substantial effect on our profitability.

- **Q33: 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?**

We believe that taxpayer funding should continue to subsidise Customs and MPI's costs for clearing goods. Small businesses are the backbone of the New Zealand economy, generating an estimated 28% of GDP. Most small business have already been hit hard following Covid.

- **Q37: 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?**

We would lose our competitive edge and anticipate sales would sharply decline. Price is a key driver of purchases, with loyalty often being abandoned in favour of a cheaper price for the same stocked item due (in part) to the cost-of-living crisis. In order to remain competitive and deliver goods to customers in a timely manner, we are already absorbing additional fuel surcharges and demand surcharges from freight carriers.
Big corporations such as Amazon Australia, Ubuy Australia, Desert Cart Australia, Ebay Australia and iHerb would have a distinct competitive advantage. If we were to try and compete, we would experience a significant drop in our already tight margins and overall profit – it would in effect be a 'race to the bottom' with risk of business closure.

Out of Scope [redacted]

Sincerely,

[redacted]

Nutritional Medicine Ltd [redacted]
PO Box 9, Snell's Beach, 0942
New Zealand
Ph: [redacted]

## Consulting on fees and levies

**From:** [redacted]
**Sent:** Thursday, 31 October 2024 16:32
**To:** Consulting on fees and levies
**Cc:** [redacted]
**Subject:** NZ Winegrowers submission - cost recovery of goods management activities
**Attachments:** NZW Border Management Cost Recovery Submission October 2024.pdf

**Categories:** [redacted]

Tēnā koe

Please find attached a submission from NZ Winegrowers on the Consultation: Recovering the costs of goods management activities at the border

We welcome any follow up discussion should you have further questions.

Kind regards

[redacted]

New Zealand Wine
Altogether Unique.

**NEW ZEALAND WINEGROWERS SUBMISSION**

**Recovering the costs of goods management activities at the border**

**October 2024**

1. New Zealand Winegrowers (NZW) provides strategic leadership for the wine industry and is the body that represents the interests of all of New Zealand's grape growers and wine makers. Established in 2002, NZW is funded by compulsory levies under the Commodity Levies Act and the Wine Act and has approximately 1,400 members. New Zealand is the only major wine producing country to have a single, unified industry body that represents both grape growers and winemakers.

2. Our industry's social and economic contribution is significant. While covering over 42,000 hectares of planted grapes and directly employing over 7000 people, the annual value of our exports has surpassed $2 Billion with 281.2 million litres leaving New Zealand on average over the past 5 years. Despite fluctuations year to year[1], continued growth in both plantings and volume/value of wine exports is forecast. This is essential for both individual business and the national economy in the face of persistent economic and cost pressures.

3. These numbers also reflect the key intersect between wine exports and border management operations. New Zealand wine is exported as a *high value, low risk* product (either packaged or unpackaged) primarily by sea. As such, changes to process, fees, and recovery mechanisms can have a notable impact on our producers.

4. NZW welcomes the opportunity to submit on this consultation and acknowledge the need for a more sustainable approach to recovering cost at the border. In principle we support the proposals but submit these must be balanced with the cumulative impact of the Government's broader cost recovery programme. Where greater consideration is given to the public good impact key export industries provide, specifically when assessing what 'benefit' derived from provision of business-as-usual functions that are a necessity.

**Border management proposals**

5. We understand the proposals seek to increase oversight of the risk vessels present and close gaps where costs are incurred by Government. This risk profile is notable with increasing trade volumes (and dependency) and driven by container volumes and higher value items entering and leaving the country.

6. NZW supports new charges for recovering for low value imports given the risk presented, pressure they place on border functions, and subsequent impact on time/resource that could be assigned to other functions – such as supporting high value export activities. Where possible, we submit recovered cost is best redistributed across these other functions.

[1] Fluctuations can be driven by grape volumes harvested in any given season which accordingly impacts the volumes of wine produced. Economic and market conditions are also a key factor year-year.

7. Proposals with the greatest anticipated impact on wine producers will be increases to:

   - High value export (sea) $7.20 per report to change to $9.66 per consignment
   - Secure Exports Scheme (sea) $3.44 per report to $5.10 per consignment[2]
   - High value import (sea) $81.25 per report to $96.92 per consignment

8. NZW acknowledges under the future operating deficit these increases ensure the sustainability of management activities.

9. The main cost impact will be on the large volumes of wine exported by sea in addition to the cost impact on importing production materials for bottles, closures (e.g. screw tops, corks), wine barrels. This overall cost is difficult to quantify, but given the volumes associated with each flat fee increase, the impact is not minor.

10. We support moving to a three yearly review cycle as is done for other border levies. On the proviso this is complemented by regular reporting of activity outputs, demonstrable efficiency, and continued engagement with affected industry on the costs of production that could impact a future review.

**Biosecurity System Entry Levy**

11. NZW welcomes the proposal to retain existing fees for the Biosecurity System Entry. Unlike Customs, the *value* of a consignment is not the proxy for risk, the major driver of biosecurity risk is the *volume* of items entering the country. This support is also within the context of additional, separate cost recovery fees being proposed under the current review of the Biosecurity Act.

**Cost Recovery – the long-term outlook**

12. Beyond these proposals, NZW wishes to make general comment on the need to reassess Government cost recovery models. These comments are made at a time of increasing expansion of cost recovery across Government and the multiple, often isolated proposals on which industry is asked to submit.

13. We submit a greater 'all of Government' lens is required for funding activities that sit across multiple, often interrelated policies and pieces of legislation. What ours and related industries currently experience is a fragmented and unpredictable sequencing of cost recovery proposals.

14. Within their vacuum individual proposals may be efficient and transparent, but cumulatively place a significant cost-impact on individual businesses that sit across multiple systems. To illustrate, a wine business may prospectively pay levy/recovery charges for 'services' across:

    - Border management
    - Biosecurity
    - Food safety
    - Wine export levy covering standard setting and certification requirements.

[2] A number of our larger producers are members of this scheme as exporters of low risk product.

- Territorial authorities (e.g. licensing fees, resource management applications)

15. The impact can be significant without accounting for other regulatory, tax and increasing supply chain costs. Over time these services remain largely the same in function, however Government costs continue to expand,  which are passed on with their own acute impact on cost and viability for those paying.

16. A tension exists between enabling trade growth and efficiently managing the expanded services/functions required to do so. Given New Zealand's export dependency and the Government's priority to double the value of our exports in 10 years, we submit a more connected approach to funding core Crown activities across multiple systems is required that assesses recovery with a greater emphasis on the public good impact, as opposed to simply the 'direct beneficiary' approach currently employed.

17. A dedicated cross-agency work programme aimed at reassessing the equity, justifiability and collaboration in Crown funding could ensure with increased border, market and regulatory demands, Crown activities remain sustainable and efficient whilst growing costs do not act as a barrier to the businesses they seek to support.

18. Thank you for the opportunity to provide feedback on these proposals. We are available to discuss any of the matters in this submission if it would be helpful.

S9(2)(a)

[redacted]

ONLINE DISTRIBUTION

S9(2)(a) [redacted]

**Web** onlinedistribution.co.nz
**Address** PO Box 7104, Sydenham
Christchurch 8240, New Zealand

**Subject:** Submission Against Reviewed Low Value Air Export Shipment Rates – Recovering the Costs of Goods Management at the Border

**To:** New Zealand Customs Service
**Date:** 31st October 2024

Dear Sir/Madam

**Introduction**

This submission is presented on behalf of McKenzie Balfour & Associates Limited (trading as Online Distribution), a third-party logistics (3PL) provider supporting a wide range of eCommerce exporters in New Zealand. We manage large volumes of low value export air shipments on behalf of small and medium-sized enterprises (SMEs), whose growth and success rely on competitive shipping costs. We strongly oppose the proposed increase in customs fees for low-value export air shipments outlined in the Recovering the Costs of Goods Management at the Border consultation document. The proposed fee structure is inequitable and risks undermining New Zealand's ability to maintain a thriving export market.

**1. Issues with the Proposed Fee Structure**

The stated aim of Customs is to "recover costs from those who create the need for our services," yet the shift from a manifest-level charge to a per-consignment fee imposes a disproportionate cost burden on low-value goods exporters. This is particularly concerning given the unique challenges faced by SMEs operating in the eCommerce sector, where profit margins are low.

Under the proposed fee model, a $3.50 charge will apply per low-value consignment. This translates into a substantial additional cost for SMEs who already contend with high logistical expenses in a very competitive global market. For example, an SME shipping 8,000 consignments each month would incur an extra $28,000 monthly, equating to $336,000 annually. This example is not excessive, for comparison we service 24 clients shipping more than 45,000 consignments per month. For many of these businesses, passing on such costs to consumers is not a viable option. This fee structure places New Zealand exporters at a distinct disadvantage compared to other international eCommerce markets, eroding their ability to compete globally using New Zealand as a base.

Example Scenario: Suppose an international customer living in Australia places an order for a $49.99 fleece shirt from a New Zealand eCommerce site:

| | |
|---|---|
| Fleece Shirt: | $49.99 |
| Freight: | $21.25 |
| Export Customs Fee: | $3.50 |
| **Total:** | **$74.74** |

This 4.7% increase could deter international customers, as the final cost of their shopping cart is substantially inflated by this increase.

**2. Disproportionate and Inconsistent Fee Structure**

The fee structure itself is disproportionately burdensome. A flat $3.50 per consignment fee for low-value exports is excessive, especially when juxtaposed with the $3.70 fee for high-value consignments. High-value consignments may include hundreds of items per shipment, with extensive customs processing and intervention warranted, whereas low-value shipments typically require minimal oversight.

According to the consultation document, screening and seizure costs for high-value goods amounted to $6 million, while there were no similar costs associated with low-value goods. Applying a near-equal fee structure disregards the realities of processing requirements and costs, effectively penalising exporters of low-value goods. The proposed fee structure therefore appears unjustified and excessive for low-value consignments, as it is not representative of the services provided.

**3. International Discrepancies – Australia's Lower Fees**

The proposed fee contrasts sharply with practices in Australia, where no customs fees are imposed on low-value exports. Additionally, goods valued below AUD2,000 are exempt from export declarations under Australian Border Force regulations. This policy helps Australian exporters remain globally competitive by minimising the export costs associated with customs processes. The $3.50 fee in New Zealand would hinder eCommerce businesses, particularly those focused on high-volume, low-value exports to key markets like Australia. New Zealand's exporters would struggle to compete with Australian firms, who can offer more attractive pricing without these additional export charges.

**4. Negative Impact on our Business and Employment**

At Online Distribution, we anticipate a significant adverse impact on our operations should this fee structure be implemented. Our clients, primarily small- and medium-sized eCommerce businesses, operate on slim margins, and many would likely relocate their business to countries with lower export costs.

This relocation would result in substantial revenue loss that could exceed $10 million and directly impact [redacted] S9(2)(b)(ii) [redacted] The proposed fee risks not only the competitiveness of our clients but also the employment of our staff. For businesses like ours, it is vital to retain these clients, yet the proposed fee would ultimately make New Zealand a less attractive location for high-volume, low-value eCommerce logistics.

**5. Alternatives for New Zealand eCommerce Exporters**

If the proposed per consignment fee is enacted, New Zealand eCommerce exporters who remain operational in New Zealand will be compelled to consider alternatives to manage rising costs. These alternatives, however, may undermine the government's objectives in several ways:

a. Shift to NZ Post Air Mail Services: Due to a significant disparity in costs between Universal Postal Union (UPU) mail processing and fast freight services, eCommerce exporters would likely shift to NZ Post air mail for their shipments. This option incurs no additional customs fees under the current or proposed programme. This discrepancy will encourage exporters to use mail services over fast freight, contradicting the government's aim to fully recover costs. Such a shift would mean fewer items are shipped through fast freight, reducing Customs' cost recovery and hampering the intended efficiency of the policy.

b. Consolidation of Low-Value Exports: Exporters may consolidate multiple low-value shipments into high-value consignments to avoid per-consignment fees. These high-value shipments could then be disaggregated after border entry for domestic delivery, circumventing the fee. This not only reduces Customs' revenue but also reduces the quality of data available for risk management. Customs and MPI may face challenges in monitoring and assessing risk accurately if this consolidation practice becomes more widespread.

**6. Public Goods Services Should Be Crown-Funded**

Customs services such as border protection, investigations, and enforcement are public goods benefiting all New Zealanders. The costs for these services, especially those related to illegal activities, should not be transferred to exporters who are engaged in legitimate, lawful trade. Instead, funding for these services should be sourced from the Crown, as they are crucial for maintaining public safety and economic security.

By imposing these costs on businesses, particularly SMEs, the government inadvertently penalises those engaged in lawful trade, when the cost of services provided for the public interest should be borne by society as a whole, not by businesses whose role in these areas is limited.

**7. Low-Value Goods Technical Advisory Group**

As a major exporter of low-value goods, Online Distribution has actively participated in the Low-Value Goods Technical Advisory Group. Our National Sales Manager, Sam Stokes, has represented our concerns and supported recommendations related to the export of low-value goods. We fully endorse the findings of the Low-Value Goods Technical Advisory Group, as they reflect the feedback of affected businesses and provide a balanced perspective on these issues. Additionally, we support the Advisory Group's recommendations on the importation of low-value goods, which have implications for the wider industry and economy.

**Conclusion**

We urge the New Zealand Customs Service to reconsider the proposed fee structure for low value export air consignments. The limited intervention required for low-value exports, the economic contributions of the eCommerce sector, the comparative disadvantages against countries like Australia, and the potential loss of revenue and jobs underscore the need for a more balanced approach. We recommend that Customs explore alternatives to the per-consignment fee, potentially adopting a model that aligns more closely with Australia's competitive fee structure.

We appreciate the opportunity to present this submission and would welcome further discussion to achieve a fair outcome for all stakeholders.

Yours sincerely

S9(2)(a) [redacted]

S9(2)(a) [redacted]

ONLINE DISTRIBUTION

S9(2)(a) [redacted]

**Web** onlinedistribution.co.nz
**Address** PO Box 7104, Sydenham
Christchurch 8240, New Zealand

**Subject:** Feedback on Fee Structure Changes and Withdrawal of Subsidies

**To:** New Zealand Customs Service
**Date:** 21st January 2025

Dear S9(2)(a) [redacted]

Thank you for the opportunity to provide further input on the potential changes to Customs' and MPI's goods fees, particularly in relation to the withdrawal of subsidies for low-value export goods processing. We appreciate the collaborative approach to ensuring that Ministers have robust advice to make informed decisions. We have considered the two proposed options for withdrawing subsidies, should Ministers decide to either partially or fully remove Crown subsidies:

1. Full withdrawal at the time of consignment charging.
2. Gradual withdrawal in two to three steps, with 12 months between adjustments.

**Preferred Approach**

Our strong preference is for the withdrawal of the subsidies to be staged across two to three phases with even incremental increases with 12 months between these adjustments. Staging any increases to Customs fees over two to three years, rather than implementing them all at once, is a more balanced and strategic approach for several reasons, both operationally and in terms of maintaining New Zealand's position in the global eCommerce market:

**Operational Impacts**

1. ***Time for Adjustment by SMEs***: Small and medium-sized enterprises (SMEs) often operate on tight margins. A sudden and significant fee increase could result in immediate operational disruptions, forcing businesses to make drastic cuts or consider relocation of operations outside of New Zealand. By staging increases, SMEs would have time to adjust their pricing structures, streamline operations, or absorb the costs more gradually, reducing the risk of sudden closures or relocations.

2. ***Avoiding Overburdening Supply Chains***: New Zealand's eCommerce logistics providers, such as Online Distribution, rely on a stable client base. A phased fee increase would prevent a sudden drop in shipment volumes that could destabilise operations, allowing logistics providers to plan and adapt to evolving client needs while maintaining service levels.

3. ***Mitigating Workforce Impact***: A sudden fee increase could lead to immediate downsizing for service providers like Online Distribution. Spreading the cost over several years could help businesses avoid abrupt layoffs, allowing them to retain skilled employees while navigating a challenging financial environment.

**Impact on eCommerce and Online Distribution**

1. ***Competitiveness of New Zealand Exporters***: The proposed per-consignment fee would significantly raise costs for low-value exporters, particularly when shipping to key markets like Australia, where no such fees are imposed. If the fees are phased in, businesses would have a longer runway to maintain

their competitiveness, explore efficiencies, or advocate for policy adjustments to remain viable in the global eCommerce market.

2. ***Customer Retention and Perception***: For international customers, even small price increases can deter purchases, especially in highly competitive markets. A phased approach would help exporters maintain customer trust and loyalty while finding ways to minimise price hikes in their products.

3. ***Encouraging Innovation***: A gradual implementation gives businesses time to innovate, such as developing new packaging, consolidating shipments, or adopting digital tools to manage costs. A sudden fee increase could stifle such innovation by forcing businesses into survival mode.

**Preserving the Growth of eCommerce in New Zealand**

1. ***Encouraging Sustainable Export Practices***: By gradually increasing fees, New Zealand exporters would be more likely to remain in the country rather than relocating to regions with lower export costs. A sudden shift could lead to a significant outflow of eCommerce exporters, harming the industry and reducing the government's ability to collect any Customs revenue.

2. ***Protecting Market Share Against Competitors***: Australia, a key trading partner, imposes no similar fees on low-value exports. If New Zealand introduces sudden high fees, it risks ceding its eCommerce market share to Australian firms. A phased approach would slow this shift, giving exporters time to adapt and compete more effectively.

3. ***Maintaining Confidence in Policy Stability***: Staging increases over time signals that the government understands the challenges faced by SMEs and values the role of eCommerce in the economy. This can help build trust between businesses and policymakers, encouraging long-term investment in New Zealand.

**Conclusion**

A sudden removal of subsidies or immediate imposition of the suggested $3.50 per-consignment fee would likely cause significant harm to SMEs, the logistics sector, and the broader eCommerce ecosystem in New Zealand. Phased fee increases over 2–3 years would mitigate these risks, providing businesses with time to adjust, innovate, and remain competitive while preserving jobs and the economic contributions of the sector. This approach also aligns with the broader public interest by ensuring sustainable growth for one of New Zealand's most promising export industries.

Thank you again for considering our perspective. We look forward to contributing to a fair and practical outcome for all stakeholders.

Yours sincerely

S9(2)(a)
[redacted]

Out of Scope

[redacted]

**From:** [redacted]
**Sent:** Thursday, 31 October 2024 11:05 AM
**To:** consultingonfeesandlevies@customs.govt.nz
**Cc:** [redacted]
**Subject:** Consulting on fees and levies - NZ Customs Service & MPI - Seko Logistics Australia Pty Ltd

Dear New Zealand Customs Service,

I hope this email finds you well.

I am writing on behalf of SEKO Australia to express our concerns regarding the proposed changes to the 'fees and levies for goods management activities', proposed by the New Zealand Customs Service and Ministry for Primary Industries. While SEKO fully understands and supports the need to raise additional revenues to support the vital protection of New Zealand's border, SEKO believe the suggested fee structure will have significant negative impacts on cross-border trade, in particular eCommerce.

SEKO Australia operates across the Ocean and eCommerce/Air verticals, importing more than [redacted] into New Zealand annually, in addition to [redacted] Our operations contribute over [redacted] in inbound trade. The proposed increases in fees and levies are disproportionately high, which will not only affect our ability to retain and grow our customer base but also reduce competition.

Following a meeting on Friday 25th October, New Zealand Customs Service and Ministry for Primary Industries presented additional information deepening SEKO's concerns which we would like to provide additional insights on for reflection.

1. **Cost comparison to Final Mile and Cross Border Movements**: The proposed **$3.57** fee for 'International Transhipment (air)' [redacted] This extreme increase will result in retailers/wholesalers diverting their focus away from the NZ market resulting and lead to a major decrease in volume and produce a negative economic impact. [redacted]

| Carrier / Fee | Cost | % increase |
|---|---|---|
| International Transhipment (air) | $ 3.57 | |
| NZP | $ [redacted] | |
| NZC | $ | |
| [redacted] | $ | |

2. **NZP Pass Through Costs**: The proposal for New Zealand Post to not incur the 'International Transhipment (air)' and pass it on to the inbound air carriers will in no uncertain terms provide the national carriers with an unfair competitive advantage which directly conflicts with New Zealand's Commerce Act of 1986 section 27. "Contracts arrangements, or understandings substantially lessening competition prohibited". National Postal Carrier hold long term and financially favourable Block Space Agreements (BSA's) with National Airlines. For example:
    a. If the $3.57 fee was passed on, the air carrier could simply reduce the air freight rates to the postal carrier to provide a more competitive solution and make up for the loss of revenue via freight forwards or passengers.
3. **Low Value Mail Import (per KG):** The proposal for the postal network to be offered a KG rate instead of a the specified $3.57 is very problematic. Although we understand the complexities of how correct data is collected, providing an alternative that only the National Postal Network can benefit from also conflicts with New Zealand's Commerce Act of 1986 section 27. This format encourages retailers/Wholesalers to get creative in the way they send freight which undermines the initial requirement for the proposed fees in the first place. This saving would be greater that 50% of the International Transhipment (air) cost.

Given this, SEKO respectfully proposes that the New Zealand Customs Service and Ministry for Primary Industries undertake a review of the proposed rates and consider reducing them to levels that ensure financial sustainability without unduly impacting businesses and trade. We would welcome the opportunity to discuss this matter further and commit to working collaboratively towards a more balanced approach that benefits both the protection of New Zealand's borders and the continued strength of its trading relationships.

Thank you for your consideration of this important issue. We look forward to your response.

Kind Regards,

S9(2)(a) [redacted]

[redacted]
B4 / 9 Coal Pier Road | Banksmeadow | NSW 2019 | Australia
Mobile: S9(2)(a) [redacted]

S9(2)(a) [redacted] Australia
**SEKO Logistics Australia**
B4, 9 Coal Pier Road | Bankmeadow | NSW 2019 | Australia
Mobile: S9(2)(a) [redacted]

sekologistics.com

**Seasonal measures for Brown marmorated stink bug (BMSB)**

**For the 2024-25 BMSB risk season**, BMSB seasonal measures will apply to targeted goods manufactured and shipped from target risk countries, that have been **shipped between 1 September 2024 and 30 April 2025 (inclusive)**, and to vessels that berth, load, or tranship from target risk countries within the same period.

**Please refer to below link for further information.**

https://hyp.sekologistics.com/SEKO-BMSB-2024-2025-Seasonal-Measures-Notification



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| | |
|---|---|
| **From:** | [redacted] |
| **To:** | Consulting on fees and levies |
| **Cc:** | [redacted] |
| **Subject:** | Opposition to Proposed Changes to Commercial Vessel Charges |
| **Date:** | Thursday, 31 October 2024 13:50:21 |

**Subject: Opposition to Proposed Changes to Commercial Vessel Charges**

Dear NZ Customs and MPI.

I am writing to express my concerns regarding the proposed changes to the commercial vessel charges as outlined in the recent consultation document. While I understand the idea of cost recovery, I believe the proposed changes will have several adverse effects on the shipping industry and end consumers. Below are the key points of my opposition, based on the impact on bulk shipping and does not address the container trade (which is likely to be similarly, if not more, affected due to the proposed container charges):

1. **Cost Passed on to Shippers with Multiple Factors Applied:**
   - The proposed changes will inevitably be passed on to shippers. Given the complexity of shipping logistics, these costs will be compounded by various factors such as handling fees, administrative costs, and additional surcharges. This will significantly increase the overall cost burden on shippers compared to the current direct charges to importers or exporters.
2. **Overcharging from Vessel Owners Likely:**
   - There is a high likelihood that vessel owners will overcharge to cover the new fees. This overcharging can occur due to the lack of transparency and regulation in how these costs are passed down the supply chain. As a result, shippers may end up paying more than the actual cost recovery amount.
3. **Freight Rate Increase:**
   - The increased charges will lead to higher freight rates. Shipping companies will need to adjust their pricing structures to accommodate the new fees, leading to an overall increase in freight rates. This will affect the competitiveness of New Zealand's shipping industry and could deter international shipping companies from operating in the region due to high costs and high risks associated with New Zealand regulations.
4. **End Users Pay More:**
   - Ultimately, the increased costs will be passed on to end users. Higher freight rates will lead to increased prices for goods and services, affecting consumers and businesses alike. This could have a ripple effect on the economy, leading to higher inflation and reduced purchasing power.
5. **Invoicing Challenges with Multiple Charterers/Owners:**
   - The proposed changes do not address the complexities of invoicing when multiple charterers or owners are involved with a single vessel. This could lead to disputes and delays in payment, further complicating the cost recovery process. Clear guidelines and mechanisms need to be established to ensure fair and transparent invoicing practices.
6. **Government Funding for Border Protection:**
   - I expect the additional costs for labour and resources are primarily due to increased standards required by border authorities (e.g., CRMS and biofouling) and efforts to secure our borders further from "poor performers" and criminal organizations. A share of

consolidated government funds should be allocated to protecting borders, rather than placing the burden on the international shipping industry.

In conclusion, while the intention behind the proposed changes is understood, the potential negative impacts on the shipping industry and end consumers cannot be overlooked. I urge you to reconsider the proposed charges and explore alternative solutions that balance cost recovery with the economic well-being of all stakeholders involved.

Thank you for considering my submission.

Sincerely,& Kind Regards

S9(2)(a) [redacted]

**Southern Maritime Services Ltd – As agents only.**

S9(2)(a) [redacted]

Rory Personal: S9(2)(a) [redacted]

Website: www.southernmaritime.co.nz

Please consider our environment before printing this email

Australia Post

31 October 2024

New Zealand Customs Service and the Ministry for Primary Industries
Via email: consultingonfeesandlevies@customs.govt.nz

**Response to the Joint Consultation on Recovering the costs of goods management activities at the border**

Australia Post welcomes the opportunity to comment on joint consultation by the New Zealand Customs Service (Customs) and the Ministry for Primary Industries (MPI) on proposed changes to fees and levies for goods management. While we recognise that border agencies need to be sustainably funded to maintain the integrity of border protection and goods management, it is critical to ensure that any new charging mechanisms support trade.

At Australia Post, we continue to improve the reliability and sustainability of our operations to meet the rising demand of eCommerce and cross-border trade. While we note the intention to ensure equity, in our view, the proposed cost structures are expensive and unsustainable for businesses and postal operators. New Zealand is a key trading lane for Australian customers and citizens, and we want to ensure we continue to provide a viable service for goods exchanged between the two nations. The proposed overall import fee increases are substantial at 200 per cent with less than 12 months for businesses to recalibrate (Section 4.2). If this proposal is adopted, we will be unable to sustain current or growing levels of trade with New Zealand and this will harm trade between the two nations.

We support a fit-for-purpose increase to charges to respond to changing business and consumer needs, namely the introduction of separate fees for high value air and sea consignments (Section 4.3.2). Such fees, however, need to be fair and reasonable for all parties. The suite of proposed import rates increases will create significant cost imposts for operators and senders, who will pass on costs to consumers and New Zealand citizens. In response, businesses will likely recalibrate trade routes to avoid paying increased fees. In particular, we note the following changes will adversely impact the volume of parcels and letters sent from Australia to New Zealand:

- The significant increase in charges in restructuring fees for low value import per report and per consignment (Section 4.3.1) would significantly reduce volumes, S9(2)(b)(ii) [redacted] S9(2)(b)(ii) [redacted] This would compound rising costs and increase trade barriers for New Zealand consumers to access international goods.
- The proposed increase to low value air freight at Section 4.4.1 to $3.57 per consignment will place significant pressure on business and freight operations. This will impact trade volumes between Australia and New Zealand, both net-importing

Australia Post acknowledges the Traditional Custodians of the land on which we operate, live and gather as a team. We recognise their continuing connection to land, water and community. We pay respect to Elders past, present and emerging.

island nations. In contrast maintaining the current rates for air freight would help to ensure the large volume of commercial freight items from Australia to New Zealand [redacted] S9(2)(b)(ii)

- The proposed consignment charge on goods that transit through New Zealand (Section 4.3.5) is prohibitive. These goods do not enter New Zealand or require internal processing, thus the additional cost would be burdensome for freight and postal operators and as such, place an additional cost burden on Australian consumers. Charges could be applied more equitably on a case-by-case basis, i.e. only on goods that require processing.
- Based on the costs and volumes of goods outlined in Section 3.1.5, the proposed import charges would go beyond cost-recovery and will be trade-limiting. The clearance cost for low value mail import, as outlined, is at $0.55/kg based on 2023/24 financial year data, while the proposed charge at Section 4.4.2 is $1.68/kg. While we acknowledge the challenges of cost-recovery for New Zealand Post the proposal includes letters and documents, adding significant costs to senders, which do not currently require customs control or inspection. This proposal disadvantages designated postal operators with mandatory service obligations under domestic legislation and the Universal Postal Union, as competitors are not required to meet these additional obligations.[1]

It is difficult to forecast goods volumes due to fast-changing market and geopolitical conditions. As such, Australia Post supports shorter periodic reviews post-implementation (Section 5.3) to ensure any charges are fit-for-purpose and reasonable. Australia Post can look to support an incremental approach to restructuring and increasing import charges over a period of years (i.e.: 2-5 years).

We urge Customs and MPI to consider:

- Instead of such substantial, drastic step changes as proposed, phasing in **gradual** increases to inward cargo fees and charges, notably for air freight, and low value goods arriving by mail. Such fees must be reasonable and based on actual costs.
- Implementing annual or bi-annual reviews to ensure any increases in import fees are fit-for-purpose and do not create adverse trade-limiting impacts, including charges for goods transiting through New Zealand without entering its borders.
- Ensuring that designated postal operators providing universal service obligations (USO's) are not disproportionately or adversely affected as they are obligated to provide a number of services (some at a loss).

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[1] For Australia Post, these are Section 27 – Community Service Obligations, *Australian Postal Corporation Act 1989* and Article 3 – Universal Postal Service, *UPU Convention*.