

NEW ZEALAND

CHAMBERS OF COMMERCE

Business Vitality

**New Zealand Chambers of Commerce & Industry
Submission to New Zealand Customs on
'Recovering the Costs of Customs' Goods Clearance Activities'
Discussion Document**

30 August 2019

Consultation: Goods Clearance Cost Recovery
New Zealand Customs Service
Via: feesreview@customs.govt.nz

Kei te rangatira, tēnā koe,

The New Zealand Chambers of Commerce & Industry (NZCCI) welcome the opportunity to make a submission on New Zealand Customs' Discussion Document titled *"Recovering the Costs of Customs' Goods Clearance Activities"*. We hope this feedback will help enable you to develop the right fee structure for customs clearances.

The NZCCI is the umbrella organisation serving the interests of 30 Chambers of Commerce nationwide. These in turn represent over 20,000 businesses, across all industries and all around the country. While many of our members are small to medium enterprises, our membership also includes some of the largest businesses in New Zealand.

As our organisation is seen as a general business organisation and our members are spread across all industries, we wish to look at the fee changes as a whole, rather than comment on each individual question.

Our organisation writes to endorse the proposed changes being made to the goods clearance fees under this review. It first must be acknowledged that business contributes substantially to the government's tax-take and as such ought to receive services that support business, we also believe that charges and fees are, in this case, a more appropriate way to apportion the cost for benefit.

We support more movement towards a 'user pays' model for fees and charges and agree that the proposed changes to the fees is a fair reflection of the processes undertaken by New Zealand Customs. NZCCI understands that 13 years have passed since the last review of customs clearance fees and there needed to be a review and a 're-balancing' of the costs to reflect the service provided by NZ Customs.

NZCCI is fully supportive of New Zealand Customs and grateful for the work they do in protecting our borders. The increase in monitoring of imports into New Zealand is required due to the rises in illicit drugs and arms trade and in cross-border retail deliveries that has occurred in the past 13 years.

Pricing Review

We appreciate the fact that NZ Customs has had the costing and pricing methods verified by an independent third-party. We are satisfied the new fees structure is a fair reflection of the actual costs of good clearance activities undertaken by NZ Customs.

Without further analysis of New Zealand Customs operational costs and budgets, we would not be able to scrutinise New Zealand Customs' fiscal control, but trust that these are being managed appropriately.

As mentioned above, our organisation supports a more 'user pays' method of operation, as such believe that these fees are simply a cost of doing international business to and from New Zealand. We note that the fees do not reflect full cost recovery, but that what is proposed is balanced approach. We would be concerned if the end goal was full cost recovery, given significant cost shifting consequences it could cause to business and the end-consumer.

We agree with the proposed monitoring system. We would note that 13 years between fee reviews is far too long and the time between reviews is reflected in the large increases that some fees will have. While the fee increases are understandable and justifiable, some companies may be surprised at the increase. We would recommend that Customs put in place robust communications to support the changes and explain the fee changes to customers.

We support the proposed three-year review of clearance fees, however we would also welcome an annual review adjustment with any cost recovery increase kept within inflationary pressures. Our organisation will want more discussion and detail about how fees will be adjusted in the future. We understand that a review of fee values and allocation framework could not have been undertaken due to the Customs Act being updated in 2018.

Recommendation: Support for the proposed three year reviews, but any future fee increases be kept within inflationary pressures.

New Zealand Customs is expected to ensure customers (both importers, exporters, and freight forwarders) are well informed of any decisions resulting from the clearance fees review and there is a long lead in period to any changes.

Good communication with the business community is a necessity and the New Zealand Chambers of Commerce are committed to help New Zealand Customs notify businesses of the changes to the clearance fees, as we have done in the past with the 2018 Act and implementation of the infringement regime.

Impact on Businesses

The obvious impact for importers is an increased cost to import goods, whether these businesses absorb that cost or pass it on to the buyer/customer is up to them. If it is the latter this may have consequences for the end consumer who would have to pay higher prices for goods and commodities.

If the former is to occur, there is some concern that increasing costs on business, in the current climate, is unhelpful given the other costs businesses are facing as a result of other domestic policy changes, as well as rising costs more generally. Such increases in a business's fixed costs does impact on their ability to grow or hire more workers and must be seen in the wider cost context as one of many increasing costs for businesses on top of rising rents, rising rates, rising insurance premiums, employment law changes.

We would again reinforce the need for robust communications to support the roll out of these changes and would strongly support the recommendation to review charges more frequently.

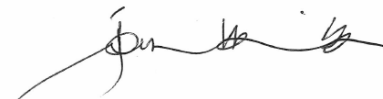
Thank you for the opportunity to comment on the discussion document. Our organisation looks forward to seeing the final recommendations to the Minister of Customs. We are willing and able to help communicate any changes to the customs clearance fees to our business members.

We are happy for this submission to be publicly released.

Nāku iti noa, nā



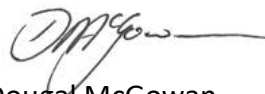
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