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New Zealand Customs Service

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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 Couriers¹ 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,



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