31 October 2024

Consultation: Recovering the Costs of Goods Management at the Border
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Tēnā koe

Attached are the comments that the New Zealand Food and Grocery Council wishes to present on New Zealand Customs Service and Ministry for Primary Industries' joint consultation document *Recovering the Costs of Goods Management Activities at the Border.*

Ngā mihi nui

Raewyn Bleakley
Chief Executive

Recovering the Costs of Goods Management Activities at the Border

Submission by the New Zealand Food and Grocery Council

31 October 2024

NEW ZEALAND FOOD AND GROCERY COUNCIL

1. The New Zealand Food and Grocery Council (**NZFGC**) welcomes the opportunity to comment on the joint consultation document *Recovering the Costs of Goods Management Activities at the Border* (**the *Consultation document***), from the New Zealand Customs Service **(CS)** and the Ministry for Primary Industries **(MPI)**.

2. NZFGC represents the major manufacturers and suppliers of food, beverage and grocery products in New Zealand. This sector generates over $40 billion in the New Zealand domestic retail food, beverage and grocery products market, and over $34 billion in export revenue from exports to 195 countries – representing 65% of total good and services exports. Food and beverage manufacturing is the largest manufacturing sector in New Zealand, representing 45% of total manufacturing income. Our members directly or indirectly employ more than 493,000 people – one in five of the workforce.

OVERARCHING COMMENTS

3. As a small nation in the South Pacific, New Zealand's economy and standard of living is completely dependent on imports and exports. By the same token, reducing the ability for businesses to operate by increasing the costs of these activities will limit opportunities for the New Zealand population. NZFGC agree that it is essential to ensure that systems for imports and exports are efficient, financially sustainable, equitable, transparent and justifiable without contributing to inflationary pressures.

4. NZFGC members recognise the importance of implementing such a fair and transparent system for recovering the costs of the efficient handling of goods at the border. We propose that such a system should be funded by a mix of justifiable business expenses and public good funding by the Crown.

5. Because NZFGC members vary in size and type of operation, from small importers of essential fast moving consumer goods to some of the largest food manufacturing and exporting companies in the country, the proposals outlined in the Consultation document affect all of our members in different ways and to different degrees. Hence we have not addressed the individual questions designed for companies, but rather provided overarching comments, raised by our members, that are relevant to some questions, and that balance their diverse perspectives. All member feedback has been carefully considered and included in this submission.

6. Fees proposed for export in the Consultation document require review in line with the Government's current objective to promote and expand trade for export growth. Exporters already face significant increases in the cost of doing business, from increases in MPI importer levies, raw materials, production and transport costs to registration, certification and regulatory application fees, plus many more. Adding to this by increasing good handling costs for export will likely have a chilling effect on anyone trying to establish a foothold in exporting. NZFGC encourages a wider review of the cumulative impact of increased cost recovery across Government agencies, noting the large number of consultations being presented in the last 12 months, all expanding the level of recovered costs for what may (at least in part) be considered public good functions.

7. Key considerations of such a review should include what impact this is likely to have on:

   - *Consumers*. The CS stated that one of the main objectives of the proposed changes in this Consultation document is to ensure taxpayers are not funding services that could legitimately be seen as business costs. New Zealand taxpayers may, however be required to pay in other ways if businesses simply cannot absorb extra costs without passing them on to consumers, at least in part.

- *Business*. Bearing in mind that businesses also pay significant levels of corporate tax and GST for public good services, the financial burden should not disproportionately impact business – especially small to medium sized enterprises and higher volume providers within the supply chain, that will struggle to fund and absorb these additional costs as a business expense. Again, this will have a chilling effect on export success, which is contrary to the Government's current stated objectives for export.

8. Many NZFGC members import large amounts of low value goods, with many consignments per document. Even when the proposed cost increase per shipping consignment is only $3 for low value goods, this can add up quickly when it is typical to import 300-500 consignments per month via sea. For high value goods there is a higher cost increase of $15.67 per consignment. In addition, as many companies also export, an increase of $1.66 per entry adds to the total costs. This results in annual cost increases based on current volumes in the range of $10-30K for many NZFGC members. As previously mentioned, with the cost of doing business rising from every angle, this may not be able to be absorbed without a corresponding price increase to consumers.

9. In terms of the impact on landed costs for consignments, this increase will add to other significant costs such as fluctuations in shipping line fees, which can occur with little notice and vary from hundreds to sometimes thousands of USD, especially during peak seasons or due to supply chain constraints.

10. While it is possible that the commercial vessel per arrival charge may be passed on by shipping companies through additional port arrival fees, it is anticipated that these costs will not be substantial if distributed among containers on a user-pays basis.

11. Some FGC members see favourable and unfavourable impacts of the proposed fee changes, as they have near equal volumes of air and sea freight, so the marginal increases in sea freight are offset by the marginal decreases in air freight.

12. Providing a glossary in the Consultation document including the definitions of commonly used terms throughout the document, would have saved some confusion amongst our members.

13. Finally, it is not clear from the Consultation document what the timeline or roadmap is for implementing the results of this Consultation. Allowing sufficient time and signposting the process going forward is essential for our members to plan accordingly.