

20. Other Compliance Costs

20.1 UNALLOCATED ADMINISTRATION COSTS – IMPORTERS OF RISK GOODS

The administration costs that importers of risk goods incur in complying with biosecurity requirements is difficult to estimate because of the many thousands of importers involved, each of whom has its own biosecurity requirements and issues to deal with.

Many of New Zealand's importers employ the services of a customs broker, freight forwarder or shipping agent to facilitate the import process. Recognising this, we have approached customs brokers / agents as a way of estimating the administration costs involved with importing risk goods to New Zealand. For customs brokers, time spent on compliance includes obtaining BACC clearances, arranging fumigations / decontaminations, checking documents, discussing MAF requirements with the importer, obtaining MAF releases, keeping abreast of changes in MAF policy and arranging MAF paperwork. Many of these activities would be performed by an importer themselves if they chose not to use the services of a broker or agent. For example, participants in the seed industry workshop (refer chapter 11) noted that between 5 percent and 10 percent of the transitional facility staff time was spent on MAF-related administrative activities.

Brokers and agents typically charge their costs to importers as part of the total cost of shipping the product. To prevent double counting, we have not included cost estimates for customs brokers fees and charges as a compliance cost applying to the import of risk goods. In contrast, however, transport costs are included with the cost estimates of the imported "risk" good, even though transport may be arranged by a broker.

The costs of decontaminating containers and managing "risk" packaging materials are included in the costs estimates for containers and risk packaging (chapter 16 refers) even though customs brokers may arrange these activities on behalf of importers. The costs associated with inspecting containers unloaded at transitional facilities are also included as part of the costs associated with containers and risk packaging (chapter 16 refers). It has not been included as an administrative cost so as to prevent double counting.

20.1.1 Compliance Activities and Costs

For many importers of risk goods, the cost of administrative time represents a large proportion of total compliance cost. There was a mixed response from agents about the costs of this administration and the extent of the time spent on it. One agent noted that

roughly a third of his team's time was spent on MAF issues, and that this was growing over time. Therefore, around \$100 of the \$300 charged by the company for import facilitation per container load could be attributable to MAF administration.

Other agents specify a charge for obtaining BACCs from MAF on behalf of clients for FCL loads that contain risk goods. This charge is between \$20 and \$45 per BACC issued, reflecting the time it takes to arrange permits and clearances. This charge excludes any MAF fees and only applies to full container loads. The agent also noted that MAF administration took their team of five an additional two hours a week (an equivalent cost of \$3,000 per annum) which was not charged to customers. In total, the average cost of administration for this particular agent was estimated at around \$40 per container load, but this cost varied greatly by the type of good being imported.

20.1.2 Cost Estimate for Administration Costs

Based on MAF container clearance estimates for the period 1 January 2005 – 30 June 2005, 361,490 loaded containers arrived in sea ports in New Zealand. According to MAF surveys, around 17 percent of these contained biosecurity risk goods, or roughly 61,453 containers. Applying a MAF-related administration cost of between \$40 and \$100 per full container, the administration cost is between \$2.45 million and \$6.15 million per annum.

Administration costs for non-containerised goods are not included in this estimate, because we do not have any information about them. Therefore, time spent on arranging clearances for products arriving via the air cargo pathway, non-containerised vehicles and bulk-loaded products has not been accounted for in this estimate.

20.1.3 The Customs Broking, Freight Forwarding and Shipping Agent Industry

According to Statistics New Zealand, in 2004 there were 250 businesses in New Zealand that are "Customs Agency Services", employing 750 people. Based on discussions with a customs broker 20 percent of staff time is involved in arranging border clearances on behalf of import clients. Applying this ratio to customs broking firms New Zealand wide, we estimate that there are around 150 people employed in New Zealand who deal directly

with border clearances (customs and MAF clearances) for imported goods.

Assuming an average remuneration of \$50,000 - \$60,000 per annum,³⁴ we estimate that the customs broking industry spends \$7.5 million to \$9 million on obtaining border clearances per annum. If it is further assumed that overhead costs add a further 50 percent to costs over and above remuneration, the estimated annual cost of border clearance to importers who use customs brokers would be around \$11.3 to \$13.5 million. We note that this estimate does not capture administrative activities that are not conducted by brokers and agents.

20.2 UNALLOCATED ADMINISTRATION COSTS – AIRPORTS AND PORTS

Airport company staff are involved in general liaison with MAF in relation to biosecurity matters, as well as more specific issues such as terminal development. Although difficult to measure, based on discussions with airport personnel, we estimate costs might be in the order of \$119,000 - \$174,000 per annum.

Port company staff are also involved in general liaison with MAF in relation to container inspections, movements and clearance, as well as more specific issues such as fulfilling the documentation requirements for MAF audits. Records of time spent by port company staff on documentation and administration are not kept by port companies. This makes administration costs difficult to estimate with any certainty. However, based on an estimate provided by one port company on time spent by its logistics staff, costs might be in the order of \$67,000 to \$175,000.

20.3 SUMMARY OF OTHER COMPLIANCE COSTS

The table below summarises the estimated “other” compliance costs, as defined and discussed in this chapter. The costs are mostly administrative in nature, and are difficult to allocate to any particular pathway or risk good type.

Table 36 Estimated “Other” Compliance Costs

Compliance Activity	Cost Estimate \$NZ
Unallocated administration costs – importers of risk goods	\$2.46 - \$6.15 million
Unallocated administration costs – airports and ports	\$0.19 - \$0.35 million
Total	\$2.64 - \$6.49 million

Source: PwC, using data from MAF, airport companies, port companies and customs brokers.

³⁴ Source: O’Neill’s Personnel, Customs broker with 5 – 10 years experience.