

# PROPOSED 'GOODS COST RECOVERY' AMENDMENT OF CUSTOMS AND EXCISE ACT 1996

## SUBMISSION OF THE

### NEW ZEALAND FOREST INDUSTRIES COUNCIL NEW ZEALAND FOREST OWNERS ASSOCIATION NEW ZEALAND PINE MANUFACTURERS ASSOCIATION

#### **Introduction**

New Zealand's forest industry currently accounts for 4% of GDP, is the 3rd largest export sector with international sales in excess of \$3.5 billion (representing 12% of New Zealand's total exports), directly employs 25,000 and generates an estimated 100,000 additional jobs. New Zealand currently supplies, respectively, 1.1 % and 8.8 % of global and regional Asia-Pacific forest products trade. Since 1988, over \$4 billion has been invested in further forest products manufacturing capability.

Within the next 25 years, New Zealand's forest industry has the potential to become a world leader, and to provide very significant regional development, wealth and employment opportunities. Its annual harvest is forecast to almost double by 2015. All of this extra production will need to be exported.

Ongoing development will be driven by enhancing the international competitiveness and investment attractiveness of forestry, forest products manufacturing, and technology development in New Zealand.

Together the New Zealand Forest Industries Council, Forest Owners Association and Pine Manufacturers Association represent and promote the interests of all sectors involved in the New Zealand forest and wood processing industry.

The forest and wood processing industries consider that the Government should meet the costs of introducing the new border security requirements.

#### **Public Good – A Government Role**

Our organisations accept that New Zealand has an obligation to combat the threat posed by international terrorism and acknowledges the need to provide assurance that goods exported from New Zealand pose a low security risk.

However, the Government must adequately recognise the high public benefit of a secure border. Border protection and supply chain security are public goods, and, as such, a Government role that should be funded through general taxation.

Traditionally, securing trade access has also been the function of Government. It is the contention of our organisations that the increased security measures represent the minimum required to allow for normalised access to U.S. and other markets and so fall within the ambit of trade access.

### **Inequitable**

The Government intends to charge all exporters irrespective of the level of risk or the destination of exports. As a consequence, sectors exporting low risk products will inevitably be subsidising those trading in high risk goods.

It is an important principle that there should be a demonstrable benefit accruing to the payer of any service fee. This is impossible under the current proposals.

Ensuring the security of cargoes trans-shipped through our ports may mean that New Zealand exporters are, in effect, subsidising competitors in third party countries that themselves are not subject to security charges.

### **Untimely Burden on Exporters**

Forest and wood processing sector exporters already meet significant existing compliance costs. In addition, the need to satisfy higher security standards has already seen cartage and port companies raise prices.

The New Zealand forestry industry operates in a highly competitive international marketplace. With an ever-strengthening New Zealand dollar and increasing shipping rates, margins are low. Absorbing the added burden of the proposed charges would push them still lower and yet these costs cannot be passed on to our customers without eroding further our international competitiveness.

### **Charges amount to an Export Tax**

The document *'Treasury Guidelines for Setting Charges in the Public Sector'* states that "charges for services provided by Crown organisations that are in excess of the costs of provision could be interpreted as a tax". We believe that the proposed measures are excessive relative to the actions required and are, therefore, by the Government's definition, a tax.

In this regard, the proposed charges may also be incompatible with WTO regulations, which dictate that a charge being levied should not exceed the cost of the service provided. The WTO also requires that fees on services do not amount to a tax on trade.

### **Inadequate Consultation**

Despite ongoing consultation and interaction between our member companies and the Customs Service, no mention was made of the September Cabinet decision to proceed with a security fee until the formal announcement in November. This lack of openness does little to promote trust and confidence.

Implementing the proposed charge by amendment after the Select Committee has received submissions will undermine faith in the Parliamentary process.

**Conclusion**

The New Zealand Forest Industries Council, Forest Owners Association and Pine Manufacturers Association strongly oppose the imposition of additional charges on exporters as a means of recovering the Government's border security costs.

We would welcome the opportunity to meet with you to discuss its concerns.