




**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

**LABOUR,
SCIENCE AND
ENTERPRISE
GROUP**



Proposed amendments to Schedule 2 of the Heavy Engineering Research Levy Act 1978

Consultation Document

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Making a submission

The Ministry of Business, Innovation and Employment (MBIE) seeks written submissions on the issues raised in this document by 10am on **Friday 22 January 2020**.

If you wish to provide contact details, please include your name and (if applicable) the name of your organisation in your submission in the cover letter or email accompanying your submission.

Submissions may be made electronically (preferred) or by post.

Email your submission in Adobe Acrobat, Microsoft Word or compatible format as an attachment to: MBIELSEConsultation@mbie.govt.nz

Mail a postal submission to:

Innovation Policy Team
Labour, Science and Enterprise
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

If you have any questions regarding this proposal, please also send them to:
MBIELSEConsultation@mbie.govt.nz

Use of information

MBIE will use the information provided in submissions to inform policy development and advice to Ministers. We may contact you directly if we require clarification of any matters in your submission.

Please be aware that submissions will be subject to the Official Information Act 1982. If your submission contains information that you consider should be treated as confidential, please clearly identify such information and provide justification for why you believe it should be withheld.

We cannot guarantee that the information will be withheld if it is required to be released under the Official Information Act but your reasons will be taken into account in the decision whether to release it. Please provide contact details if you wish to be contacted regarding the release of this information subject to the Official Information Act 1982.

The Privacy Act 2020 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information you supply to MBIE in the course of making a submission will only be used for the purpose of assisting in the development of policy advice in relation to this proposal. Please clearly indicate in the cover letter or e-mail accompanying your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that MBIE may publish.

Context

The Heavy Engineering Research Levy

The Heavy Engineering Research Levy (“the levy”) provides revenue to the Heavy Engineering Research Association (HERA), to promote and conduct the research and other scientific work into, or relating to, the heavy engineering industry. You can read more about HERA on their website: <https://www.hera.org.nz/>.

HERA collects the levy on items manufactured within New Zealand, while the New Zealand Customs Service (Customs) collects levies on imported items on behalf of HERA. The levy is intended to apply equally to items, independent of whether they are locally manufactured or imported.

The Heavy Engineering Research Levy Act 1978

The Heavy Engineering Research Levy Act 1978 (“the Act”) authorises the imposition of the levy on “*persons engaged in heavy engineering manufacture and related industries to provide funds for research into heavy engineering.*” You can view the Act at this link: <http://www.legislation.govt.nz/act/public/1978/0081/latest/DLM25391.html>

Schedule 1 of the Act describes typical items produced by the heavy engineering industry, while the levied items and levy rates are prescribed in Schedule 2 and Schedule 3.

The current proposal concerns Schedule 2 of the Act, which prescribes the levied steel and iron items and a levy rate of no more than \$20 for each tonne.

Key players	Primary role in levy administration
<i>HERA – The Heavy Engineering Research Association</i>	To collect the levy on locally manufactured Tariff items specified in the Schedules of the Act. To use levy revenue to promote and conduct research and other scientific work of value to the heavy engineering industry.
<i>The Minister for Research, Science and Innovation, Hon Dr Megan Woods</i>	The administering Minister of the Act.
<i>MBIE – The Ministry for Business, Innovation and Employment</i>	Administers the legislation, including policy advice and legislative settings. Legislative responsibilities to: <ul style="list-style-type: none"> advise the Minister on policy and administrative issues related to the Act; advise the Minister on setting the rate for the levy.
<i>Customs – The New Zealand Customs Service</i>	Responsible for collecting the levy on imported Tariff items specified in Schedules 2 and 3 of the Act. Pays this levy revenue to HERA.

Issue: Levy payment inequity

At present, there is a levy payment inequity between local manufacturers and importers. Local manufacturers pay a levy on each of the component items when producing prefabricated items for the heavy engineering industry. Importers of these same prefabricated items do not pay any levy.

The Act does not include any Tariff item numbers for prefabricated steel and iron items. These items are not currently included because they were not in use at the time that Parliament introduced the Act in 1978. The items were first included in the Working Tariff Document¹ in 2010 and 2012, indicating that they were not commonly imported or traded before this point. Analysis of the import data for steel and iron Tariff items shows that there are increasing volumes of prefabricated items being imported.

This creates a levy payment inequity between local steel and iron manufacturers and importers of prefabricated items for use in the heavy engineering industry. This is a market distortion, as there is monetary incentive for heavy engineering industry members to purchase imported prefabricated items instead of locally manufactured items.

This inequity is counter to the policy intent that the levy apply equally to items, independent of whether they are locally fabricated or imported.

MBIE's proposal

MBIE proposes to update Schedule 2 of the Act to include four steel and iron Tariff item numbers. This would allow Customs to collect a levy of no more than \$20 for each tonne from importers of these items. Levy collection would begin from the time of the amendment and would not apply to past imports.

These Tariff items fall under Tariff category 73.08:

73.08: Structures (excluding prefabricated buildings of heading 94.06) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frame-works, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, or iron or steel.

The four Tariff codes specify subcategories of goods within that grouping:

- 73.08.10.00 00H: *Bridges and bridge sections*
- 73.08.90.90 10C: *Other – Channels, joists, girders, beams and columns*
- 73.08.90.90 15D: *Other – Tubes and the like, prepared for use in structures*
- 73.08.90.90 29D: *Other – Other.*

MBIE has proposed for this amendment to be included in Regulatory Systems Bill 4

MBIE has proposed for this amendment to be included in the next Regulatory Systems Bill. This Regulatory Systems Bill will go through a complete parliamentary process before the various amendments become law. This process includes three separate readings by the House of Representatives, as well as a Select Committee process. If this proposal continues as part of

¹ The Working Tariff Document outlines Tariff item numbers for items that are commonly imported and locally traded in New Zealand.

the next Regulatory Systems Bill, you will have the opportunity to input through a submission to the Select Committee. You can read about the Select Committee submissions process at <https://www.parliament.nz/en/pb/sc/how-to-make-a-submission/>.

Regulatory Systems Bills are legislative vehicles to make amendments required to improve, repair or maintain existing regulatory systems. Regulatory System Bills move through the parliamentary process as omnibus bills to make most effective use of parliamentary time. You can read more about Regulatory Systems Bills here: <https://www.mbie.govt.nz/cross-government-functions/regulatory-stewardship/regulatory-systems-amendment-bills/>.

MBIE anticipates that Parliament will enact the next Regulatory Systems Bill any time from late 2022. If Parliament enacts this proposal within the Bill, levy collection will begin on subsequent imports of these items.

Consultation questions

Please refer to “**Making a submission**” and “**Use of this information**” on page one for information on how to submit your response and how MBIE will use this information.

Business demographic

These questions will help to identify what kind of business the proposed changes will affect. You may wish to refer to “**Use of this information**” on page 1 of this consultation document.

1. What size business are you?
 - Small (0-19 employees)
 - Medium (20-49 employees)
 - Large (50+ employees)
2. What kind of business are you?
 - Supplier
 - Manufacturer,
 - Engineering consultant
 - Other (please specify)
3. How familiar are you with the Heavy Engineering Research Association (HERA) and the research and services they provide?
 - Not familiar
 - Familiar with their research and/or support
 - Familiar and have previously benefitted from their research and/or support
 - Other (please specify)

Regulatory impact analysis

4. What use(s) do you import the relevant prefabricated iron or steel items for?
5. How do you expect the proposal to collect the levy on these items to affect your business? Please elaborate on the effects, such as monetary and business operations.

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- Not at all
 - A little
 - Moderately
 - Significantly
6. Do you expect the proposal to collect the levy on these items will have unintended impacts on the Heavy Engineering, or related, industries? If so, please elaborate.
7. Please share any other comments you have on this proposal.