

## **Export Log Port and Infrastructure Levy**

**Final Draft**

**Richard Prosser**

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This proposal is for a policy intended to discourage the export of unprocessed logs from New Zealand, by making such export economically prohibitive.

The reason for this policy is to maximise the returns to New Zealand from our forestry sector, by increasing the production of existing companies and employees in the processing sector, and by encouraging the further development and production of value-added wood and timber products in New Zealand.

Unprocessed logs must first be offered to New Zealand sawmillers at a competitive price before being made available for export, as is employed successfully by British Columbia, which also imposes a Fee in Lieu of Manufacture on unprocessed export logs. Under this policy, logs not required by local processors and subsequently exported will be subject to a Port and Infrastructure Levy.

Outright bans on the export of unprocessed logs, although legislated by a number of jurisdictions, may be challenged as non-tariff barriers to trade under various trade treaties and agreements to which New Zealand has committed, as may punitive sales taxes.

In addition, vertically integrated foreign-owned companies holding cutting rights to New Zealand forests may simply transfer logs from New Zealand to their own processing facilities overseas, bypassing the sales process altogether, as well as bypassing the New Zealand processing sector.

A Ports and Infrastructure Levy applied to all unprocessed logs leaving New Zealand ports will allow us to either arrest the movement of such logs out of the country on the basis that such movement is made financially prohibitive for the exporter, or conversely to capture an additional portion of the unrealised value inherent in the log before it is processed into finished timber or timber products, should the processing exporter elect to pay the levy and continue with the export.

The justification for this proposed levy is that exporters of commodities in raw form do not contribute the maximum in terms of potential Crown revenues from direct and indirect taxation related to the processing of those commodities into finished products, but they do place great strain on the road, rail, fuel, electricity, and other infrastructures that support the country's network of ports. In addition, the exporting of resources in raw and unprocessed form minimises the returns available to New Zealand workers and firms, further impacting on potential Crown revenues through both reduced direct income taxation and reduced indirect expenditure taxation, whilst contributing to increased expenses associated with demand on social assistance mechanisms.

This proposal is for the levy to be set at a proportion of the potential value contained within a log, according to a schedule of pricing of various finished timber products relative to the value of the raw log.

On a volume to value scale, the averaged return for finished timber and wood products from a softwood log is approximately seven times the value of the unprocessed log. The intention of the proposed levy is to capture at least half of that additional potential value, in order to retain it in the New Zealand economy.

This dictates that the levy be set at around 300% of the value of the log at the wharf, payable by the owner of the log at the point of export. Thus an exporter or cutting rights owner sending a log with a nominal value of \$100 offshore, will be liable for a levy of \$300 on that log.

This will strongly incentivise forest owners to invest in sawmilling and other wood and timber processing in New Zealand, instead of exporting their forestry production in the form of raw logs, and provide existing processors with large increases in inventory. It will also guarantee local sawmillers and processors access to logs at competitive prices.

As a possible additional incentive, potential exists for both producers and processors of timber to be offered tax concessions and other assistance on the basis of increased volumes of timber processed in New Zealand, and the degree to which the value of timber is increased through processing, as well as for undertaking replanting of harvested forest lands.

Revenues collected via the levy may be used to offset tax reductions, to incentivise replanting, and to provide low-cost finance to New Zealand sawmillers and processors to enable them to further increase and improve the manufacturing of processed wood products in New Zealand.

A very similar policy based around a prohibitively high log export tax was very successfully implemented by Indonesia in the early 1980s.

Following the expected supply and demand correction this policy will initiate, new and increased production of value added products will continue to find good returns from ready markets, as countries that are New Zealand's existing major purchasers of logs are also net and significant importers of our finished wood and timber products. Even with their own domestic timber production, and access to what are at present ready supplies of imported softwood logs, these countries are unable to supply their own needs in this regard.

At this time at least 35 nations (including New Zealand) apply bans or restrictions on the export of logs, some limited to particular listed species or to native timbers.

The attached table gives details of these bans or restrictions by nation.

<http://www.sustainableforestprods.org/node/552>

## Table 4. Logging and export bans

Many countries have enacted log export ban policies to protect forests or to bolster their domestic timber industry. Below is a non-exhaustive list of export bans.

(Last updated November 2013)

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<b>Country</b>	<b>Product and applicability</b>	<b>Year first enacted*</b>
<b>Africa</b>		
<b>Cameroon</b>	Log export restrictions to progressively increase the share of local processing. Export ban that applies to some hardwood species (e.g., iroko, moabi, bibolo, wenge and bubinga).	1999
<b>Cote d'Ivoire</b>	Unprocessed logs export ban. Log export ban for high-value timber species.	1976
<b>Gabon</b>	Export ban on logs, boules and through cut logs.	1976
<b>Ghana</b>	Ban on all exports of raw logs	1994
<b>Madagascar</b>	Export ban on unworked wood of valuable species such as palissandra and voamboana.	1975
<b>Mozambique</b>	Ban on the export of raw logs	2007
<b>Nigeria</b>	Log export ban.	1976
<b>America</b>		
<b>Belize</b>	Rosewood logging and export ban.	2012
<b>Brazil</b>	Log export ban; moratorium on mahogany ( <i>Swietenia macrophylla</i> , CITES Appendix II) exports. Certain wood exports (e.g., imbuia, virola) are subject to specific rules and require prior authorization from the Brazilian Institute of Environment and Natural Resources (Ibama).	1969
<b>Bolivia</b>	Export of unprocessed forestry products is subject to restrictions and highly regulated.	1996
<b>Canada</b>	Restrictions on log exports from British Columbia. There are a variety of federal and provincial regulations regarding log exports.	1906
<b>Chile</b>	Logging ban on <i>Araucaria araucana</i> and <i>Fitzroya cupressoides</i> (both CITES Appendix I).	1976

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<b>Country</b>	<b>Product and applicability</b>	<b>Year first enacted*</b>
<b>Colombia</b>	Restrictions on log exports from natural forests. Only roundwood from planted forests can be exported.	1997
<b>Costa Rica</b>	Log export ban, and export ban on roughly squared wood from specific species.	1986
<b>Ecuador</b>	Roundwood export ban, except in limited quantities for scientific and experimental purposes. Semi-finished forest products exports are allowed only when “domestic needs and the minimum levels of industrialization have been met.”	
<b>Guatemala</b>	Exports of logs of more than 11 cm in diameter are banned, unless they originate from plantations. Ban does not apply to furniture and processed products made from wood. Guatemala established a national red list of trees to protect in 2006. The 81 species in Category One are banned from export and commercial uses.	1996, 2006
<b>Guyana</b>	2009 national log export policy introduced phased-in commission rates on exports of key species, including <i>Bagassa guianensis</i> (cow wood), <i>Cedrela fissilis</i> , <i>C. odorata</i> (red cedar), <i>Diploptropis purpurea</i> (tatabu), <i>Dipteryx odorata</i> (tonka bean), greenheart, <i>Humiria balsamifera</i> (tauroniro), <i>Hymenolobium flavum</i> (darina), hububalli, <i>Jacaranda copaia</i> (futui), kabukalli, letterwood, <i>Licaria canella</i> (brown silverballi), <i>Loxopterygium sagotii</i> (hububalli), <i>Manilkara bidentata</i> (bulletwood), mora, <i>Ocotea rubra</i> (determa), <i>Ocotea puberula</i> (keriti silverballi), <i>Parahancornia fasciculata</i> (dukali), <i>Piratinera guianensis</i> (letterwood), purpleheart, shibadan, <i>Tabebuia serratifolia</i> (washiba), <i>Tabebuia capitata</i> or <i>insignis</i> (hakia), <i>Terminalia amazonica</i> (fukadi), <i>Swartzia benthamiana</i> (itikiboroballi), wallaba, wamara, and washiba. Only companies holding forest concessions are permitted to export logs.	2009
<b>Honduras</b>	Export ban on hardwood and sawnwood	1998
<b>Nicaragua</b>	Precious hardwoods export ban (mahogany, royal cedar and pochote). Mahogany exports are allowed only in the form of sawn wood, plywood or veneered wood. Sawn wood exports require a license.	1997

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<b>Country</b>	<b>Product and applicability</b>	<b>Year first enacted*</b>
<b>Panama</b>	Export ban of logs, stumps, roundwood or sawn wood of any species from natural forests, as well as from wood submerged in water.	2002
<b>Paraguay</b>	Log export ban.	2002
<b>Peru</b>	Log export ban. Export of forest products “in their natural state” is prohibited except when they originate from nurseries, forest plantations, and if they do not require processing for final consumption.	1972
<b>United States</b>	Ban on exports of unprocessed roundwood harvested from federal lands in Alaska; Forest Resources Conservation and Shortage Relief Act (1990): 100% export ban on logs from Federal lands west of the 100 th meridian, except timber surplus to needs, and 1995 ban on log exports from State and other public lands (excluding Indian land) west of the 100th meridian.	1926; 1990
<b>Venezuela</b>	Log export ban for five species: caoba, cedro, mijao, pardillo, pau d’arco.	2001
<b>Asia &amp; Pacific</b>		
<b>Cambodia</b>	Log export ban.	1994
<b>Fiji</b>	Log export ban.	1995
<b>Indonesia</b>	Log export ban. Ban amended in 2009 to allow plantation-grown logs to be exported.	1985
<b>Laos</b>	Export ban on logs, roundwood, sawn wood and semi-finished products sourced from natural forests.	1989
<b>Malaysia</b>	In 1972, a ban was imposed on the export of ten species (East Malaysia excluded), and the log export quota introduced in 1976.	1972, 1976
<b>New Zealand</b>	Export ban on most logs, chips, and sawn timber from natural forests, along with harvesting restrictions to areas with approved sustainable forest management plans	1993
<b>Papua New Guinea</b>	Quotas on allowable logs for export, now replaced by log export duties.	1996

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<b>Philippines</b>	Log export ban.	1986
<b>Sri Lanka</b>	Log export ban.	1990
<b>Thailand</b>	Log export ban.	1989
<b>Vietnam</b>	Log export ban; export ban on sawn timber from wood harvested from natural forests.	1992

\* Year in which the log ban was first enacted. There are cases where the bans have been rescinded temporarily or expanded. Wood importers from these countries should consult local authorities or local stakeholders for the most up-to-date information on trade restrictions.

Sources: African Timber Organization, 2006; Barney and Canby, 2011; Bird, Fometè & Birikorang, 2006; Cerruti & Tacconi, 2006; EIA, 2012; Goetzl & Elström, 2007; Guyana Forestry Commission, 2007; Illegal-logging.info, 2011; ITTO, 2010; ITTO, 2011; Kim, 2010; Llyewellyn, 2012; Olfield, 1998; Sesay, 2010.

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