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FUTURE OF TAX

Thank you for giving Packaging New Zealand the opportunity to submit to the Tax Working Group.

We would be happy to elaborate on any of the points raised here as part of the consultation process.

INTRODUCTION

Packaging New Zealand represents the whole packaging supply chain, including raw material suppliers, packaging manufacturers, brand owners, retailers and recycling operators. Our members represent more than 80% of the packaging industry by turnover, contributing \$4,229m to New Zealand GDP and supporting over 5900 businesses employing over 50,000 people.

Packaging New Zealand's role is to represent the interests of the packaging industry in applicable public policy and debate. Our members have a strong commercial incentive and statutory responsibility to manufacture 'fit for purpose' packaging. Fit for purpose includes, but is not limited to, reducing the environmental impact of packaging through applicable and cost effective solutions and product stewardship. Packaging must deliver goods in a condition in which they can be used, that meet the needs of many different groups in the community, and all at a price reflective of commercial pressures in an open economy.

Stakeholder interest has increased the number of our members actively aligning their activities and investment with Sustainable Development Goals (SDGs) and circular economy concepts. These global movements are likely to drive the pace, and shape the degree, of change in New Zealand's open economy.



What is clear is that to achieve transformational change will require changes to the way we make things; the way we use the resources of our planet; the way we communicate and interact with each other as humans; the way we learn; the way we work; the way we govern; and the way we do business.

We commend the objectives of the tax working group *“to apply a particular focus on the future to its work, with a view to exploring the major challenges, risks, and opportunities facing the tax system over the next decade and beyond.”*

SPECIFIC COMMENTS

The Waste Minimisation Act 2008 raises a \$10 levy on every tonne of waste going to registered landfills. These funds are hypothecated:

Waste Minimisation Act, Part 3 Waste Disposal Levy, Clause 25.

Purpose of Part. The purpose of the Part is to enable a levy to be imposed on waste disposed of to –

- (a) Raise revenue for promoting and achieving waste minimisation; and
- (b) Increase the cost of waste disposal to recognise that disposal imposes costs on the environment, society, and the economy.

Packaging New Zealand’s submission is limited to comments on the hypothecated tax (waste levy), which to date has raised more than \$192m¹, and is currently split:

LOCAL AUTHORITIES

Under the Act, half of the levy raised is given to local authorities in proportion to population. The intent of the Act is to support local authorities to promote or achieve waste minimisation.

The waste minimisation activities undertaken by local authorities are discretionary and not mandated in any sense other than “activities to reduce waste”. New Zealand’s larger Councils have been the beneficiaries of substantial extra funding as a result of the levy, funds for which they are not directly accountable to their ratepayers. It is reasonable to expect that the levy would after 10 ten years be showing measurable progress towards waste minimisation from actions funded by them to date.

However, media reports from the Ministry for the Environment² indicate that the situation in New Zealand has not shown any improvement with regards to waste minimisation since the Waste Minimisation Act came into effect.

¹ <http://www.mfe.govt.nz/sites/default/files/media/Waste/Review-of-the-effectiveness-of-the-waste-disposal-levy-2017.pdf>

² <https://www.beehive.govt.nz/release/time-turnaround-nz%E2%80%99s-rubbish-record-waste>



An inference of MFE's finding is that the value derived from levy expenditure is unclear, demonstrated by the lack of measurable improvement. It is therefore questionable whether the current distribution provisions of the hypothecated tax under the Act, represents the optimal use of this money from both a waste minimisation and a broader consolidated fund perspective.

The value of expenditure of public money on waste minimising, or any other activities, are better assured through open accountability and greater contestability. Ideally, government (all levels) expenditure on waste minimisation should be judged against all of Governments priorities by removing the hypothecation. As a minimum, 100% contestability of the hypothecated fund against a prioritised list of waste minimising options should be considered.

We reiterate our position stated in 2007:

Statement made in submission to the Local Government & Environment Select Committee on the Supplementary Order Paper to the Waste Minimisation (Solids) Bill (October 2007): *Any levied funds should be made 100% contestable. Giving territorial authorities 50% of revenues raised as a right, will not, in our opinion, advance a national strategic plan aimed at waste minimisation or resource recovery or allow the level of funding required to be quantified.*

WASTE MINIMISATION FUND

The other half of the revenue raised by the hypothecated tax (waste levy) (circa \$96m, less administration costs since the Act came into effect), is available on a contestable basis to any person or organisation to fund activities approved by the Minister to "promote or achieve waste minimisation" according to the criteria stipulated under the Act.

Whilst accountability for the value arising from this fiscal expenditure is greater than that of the Council's share, (being assessed by officials against set criteria), it is in our view less than ideal, since there is no requirement to measure efficacy of funding allocation relative to the activities being funded and/or against an overall strategy of national waste management and minimisation.

Thus, funded activities can meet the criteria to promote or achieve waste minimisation, but this does not necessarily translate into the intended outcome of broader societal impact. Reiterating our point above, it is therefore questionable whether the distribution provisions of the hypothecated tax represents the optimal use of this money from both a waste minimisation and a broader consolidated fund perspective.



IN SUMMARY

The Waste Fund epitomises the risk that hypothecated taxes expended without strong underpinning policy and overt accountability may be fiscally inefficient. What can amount to be substantial revenues have the potential to be squandered through fragmentation and diverse or contradictory objectives.

Consideration of hypothecated taxes, in our opinion, is perhaps an example of good intentions over-ruling accountability for best outcomes.

Sharon Humphreys

Executive Director