

WEDNESDAY 19TH AUGUST 2009

The Speaker, Rt. Hon Sir Peter Kenilorea took the Chair at 09.57am.

Prayers:

ATTENDANCE

At prayers, all were present with the exception of the Ministers for Planning & Aid Coordination, Justice & Legal Affairs, Fisheries & Marine Resources, Agriculture & Livestock Development, Infrastructure & Development, and Education & Human Resources and South Choiseul, West New Georgia/Vona Vona, East Honiara, Central Makira, East Are Are, North West Choiseul, Temotu Pele, West Are Are, East Makira, Temotu Vattu, North Guadalcanal, North West Guadalcanal and Malaita Outter Island.

QUESTIONS AND ANSWERS

Hon SOGAVARE: I am not sure whether Parliament has the required quorum to continue with this meeting.

Mr Speaker: Point of no quorum has been raised. We shall wait 15 minutes under Standing Order 12. We do now have the quorum, do we?

Hon FONO: If we are looking at quorum, with the total number of Members of Parliament at 49, we need only 24. We now made it to 24.

Mr Speaker: We now have the quorum and so the proceedings of Parliament can now begin.

BILLS

Bills – Second Reading

The Customs Valuation Bill 2009

Mr Speaker: Honourable Members debate on the Customs Valuation Bill 2009 commences today. As you are aware on Thursday 13th August the Honorable Minister in charge of the Bill delivered his opening speech but adjourned debate

to this day. Members may now speak to the general principle of this Bill and in doing so may I kindly ask Members to comply with the rules of debate set out in our Standing Orders.

Hon LILO: Mr Speaker, since no one stood up, I stand up whilst others are still putting their notes together. Sir, firstly, let me take this opportunity in commending the Minister of Finance for coming up with this Bill, and also thank other relevant government authorities that have helped in putting together this Bill, especially given a very short period of time given in drafting this Bill. Even though it is very short but very essential that this Bill is brought to this House, especially given the fact that we are now facing a very critical situation in our country in which government's fiscal position is at a very, very uncertain position, even though just last night I watched the television and I noted that the IMF has actually put a tick that the recession is now officially over and that countries are now slowly flowing back into getting back into normal economic growth and so forth. But the official ending of the recession does not mean we can relax our fiscal policies. In fact what it means is that we need to manage our fiscal position very carefully now, in order for us to fare well in getting our country back on the growth part. And this is one strategy that the CNURA Government came up with in order to kick start the process of rebuilding the economic growth of this country, getting our fiscal discipline back in order and getting the fiscal position of the government on the right track again.

Just a little bit on the historical part of the way that our customs processes or especially valuation of customs systems in the country came through, this is the part that has been lacking over the years "valuation". Therefore, issues like "transfer pricing" always comes inside, and as you know transfer pricing is one very, very serious factor affecting all countries that have been involved in a lot of trading activity, transfer pricing where importers and exporters are engaged in activities of under valuing, under valuation of imported goods, under valuation of exported goods out of countries of origin of export to the destination of that import. And in our case one of the factors that always undermines the way the government is collecting our revenues, especially our indirect revenue is the problem of valuation. Importers have not been honest in the way they declare the value of goods imported into this country. And quite rightly the Minister has brought in this bill because we now must address this issue. As you know countries around the world have now moved out of this GATT system or the general tariff system. We are now promoting free trade and so forth. But the problem is that not all countries in the world are in equal terms, we are all not on equal terms. Some countries are more advanced in areas where they can move directly into direct taxation than others. For us, we still have to rely on this

indirect system. We have to rely on it until such a time that we build up comfortably the whole taxation capacity in the country so that we can eventually move into this direct taxation system in our country.

What I am saying is that as countries are moving out of this general tariff system into more free trade, we will find that the least developed countries will be more affected. That has always been our point of negotiation put to the industrialized countries in this debate of free trade. And this is not only in the arena of the world trade but also in our bilateral level, and even in the Pacific, and this PACER Plus negotiation that is going on right now. We are trying to get some common grounds so that Australia and New Zealand can understand our situation. They should understand our situation more but they chose not to. Why? These are the issues that we must look carefully at.

But for now there is need for us to tighten up our situation so that at all levels where we can manage our fiscal situation, we must put priority in ensuring that our fiscal policies must be in the right direction. Our fiscal policy must be in the right direction in steering the way forward for the economy to move back into the growth part.

It is very interesting that over the recent weeks, the IMF has come up with the report that they have now officially signed off that recession is over and that countries are now starting to move back into normal economic activity but the advice they given is that now is the time that we have to manage our way through in getting the economies back on the right track. And one of the important factors they have recommended that we must do is to manage the fiscal position of the government very well, managing it very well, and this is exactly what the CNURA Government is doing. This bill is not just by mere distress or that we are faced with a stressful situation and therefore we came up with it. No, it is in the interest of ensuring that we manage the fiscal situation of this country in the right way and in the proper way so that we can once again re-engage the economy back into the right part for growth to happen.

Mr. Speaker, we also understand the way that a lot of our importers, traders, business houses in the country have been dealing with the government in the area of customs, and not only in customs but also in excise duties too. We found that it has always been very difficult for the customs officers, especially in a situation where the law is not very clear in the way the valuation of goods that are imported are prescribed, especially if it is in the case that it is *ad valorem* and that is that some rates are applied in the way duty is computed out of the imported goods or the value of imported goods coming into the country. That is exactly what this Bill seeks to do. It seeks to empower the customs to ensure they come up with proper valuation, valuation that is based on proper findings research and source from sources that are credible so that such information can

be used for the purposes of ascertaining the *ad valorem* rates of duty that will apply on imported goods into this country. That is exactly what this Bill seeks to do; it empowers, it gives power to customs officers.

Sir, we all know that over the years the valuations that importers normally declare at customs entry points in the country are always undervalued, and we always have difficulty ascertaining the values declared. There is always difficulty. But with this Bill power is given to customs officers. Power is given to customs to come up with proper valuation.

We must welcome this bill as it is good for this country and good for the general business of this country too. But, of course, we must engage in a broader reform of our tax system. We have to involve in that, we have to engage in that. But as you know it takes time, because it is not just a matter of reforming the tax system but you have to look into reforming the investment situation of the country. When I said investment situation it is not only the rules and process of encouraging investment into the country, but it is the way we create an environment in this country that encourages foreign direct investment to come in, and not only foreign direct investment but also for domestic local investment to grow. We have to engage ourselves in this broad tax reform. As time goes on between now until such a time that we come up with a comprehensive tax reform, we have to manage the fiscal situation of the country, we have to manage the economy and therefore there is need to come up with this sort of bill so that provides a legislative base whereby government and appropriate authorities that are entrusted to perform those duties can perform their responsibilities in accordance with the policies and the public goods interest of this country.

I am not going to talk very much on this Bill because I know that others have their notes right now to start to contribute to this bill. I feel that this is a very important bill that we all must support. It is good for this country, as I have said that now that the recession is over, the global recession is over we now have a new responsibility to do and that is managing the country back on track into a more progressive development for the economy to move forward.

Mr. Speaker, with those few remarks I commend that this Bill be given the support and for me I support the bill.

Hon. SOGAVARE: I also want to join the Minister for Environment to debate this bill that is now before Parliament for debate.

As outlined in the objects and reasons of this Bill, the Bill seeks to institute, and quoting straight from the objects and reasons of the Bill, it seeks to institute the method of customs valuation that is consistent with our obligation. I think that is a very serious word, a crucial word, our obligation under the WTO General Agreement on Tariffs and Trade.

The Bill also seeks to modernize a number of customs offences considered inadequate to operate as a significant deterrent to people committing customs offence. That is taken straight out of the objects and reasons of this Bill.

Sir, the objects and reasons are clear and Parliament should not have problem understanding the reason why this Bill is brought before our attention for consideration. As a matter of fact this Parliament, as I mentioned already, was made to understand that as a party to the World Trade Organization General Agreement on Tariffs and Trade, Solomon Islands since it does not have any option here, we have to enact this, we are obligated to enact the law and maybe several other laws that will come under these obligations that we have as a party to the WTO. In other words, and I probably need to reiterate again, 'under obligation by reason of our membership to the WTO'. The obvious question that arises here is the wisdom of the country consenting to be a member of the WTO, considering our very weak bargaining position as far as international trading is concerned.

If that is not enough, and I am pleased that the Minister of Environment raised the issue of PACER Plus arrangement, Solomon Islands and other Pacific Island countries are, in fact, at the crossroads of trying to come to terms with the effects of the proposed Pacific Agreement on Closer Economic Relations (PACER Plus) with Australia and New Zealand. Now interestingly, a lot of the other smaller Pacific Islands countries are not members of the WTO, and so what that means is that they only have the PACER Plus agreement to worry about, but not so with Solomon Islands. We have the Melanesian Free Trade Agreement obligation, which is one and that is within the Melanesian Spearhead Group, and secondly our obligations under the WTO internationally, and within the region is the proposed PACER Plus arrangement to worry about. This is quite a lot for a small open, non-exporting, least developing country with a fast growing dependent population to worry about.

What I am effectively saying in here is that we must tread the path of trade liberalization with great caution. It is interesting to note that the objects and reasons highlighted issues that make the intention of this Bill very attractive. I think the Minister of Environment dwelt on that already in his presentation in Parliament. We really have no quarrel with that. In fact he highlighted the following as the benefits arising from the Solomon Islands membership of the World Trade Organization and actions we are obligated to take by virtue of our membership and I quote: "the agreement is designed to", and this is referring to WTO GATT Agreement, "provide a neutral, fair and precise system of customs valuation which eliminates uncertainty". That is very true; it is designed that way. Secondly, "it facilitates customs clearance operations". That is true too. Thirdly, it "minimizes disputes between the importer and customs

administration". Fourthly it creates a climate of confidence". All those things are true; it is designed that way, it has to be designed that way under the WTO arrangement. It went on to say the following: "Adopting legislation based on the GATT model will have direct and immediate positive effects on revenue collection, assist in the investigation of undervaluation offences, and contributes to regional harmonization in acceptance of GATT valuation code and will support ongoing reform efforts. That is also very true and that is exactly what this Bill is trying to achieve.

My only concern is that it is easy for us to look at the good things in the Bill in regards to the strategies they came up with to use these quotes to jump straight to the trees and miss the forest on these issues. The issue here is the wisdom of Solomon Islands actively engaging in facilitating trade liberalization strategies in the context of our under performance in the exporting sector. This is as a direct result of our unclear national trade policy. I think several times we raised this on the floor of Parliament but it is not yet clear whether we are pursuing and aggressively pursuing an export oriented trade policy or an import substitution trade policy. That it is not clear, and it is important that we are clear on this because when we are clear, all our efforts, strategies and whatever are driven towards it, and we can also get the attention of investors, aid donors to be clear about the directions we are go. Any assistance that we need to realize that objective can come about because people are clear about the direction we are going.

I am raising this because there is a vast difference between these policies, and that difference also extends to the emphasis, as I mentioned already, of the strategies that can be employed to achieve the objectives. In other words, what I am effectively saying here is that we are doing injustice to ourselves. We are putting unnecessary pressure on ourselves, and surprisingly knowingly. We see our weaknesses on this issue and we knowingly put our signatures on it saying we want to be under pressure, by putting our signatures on and becoming a party to those arrangements. I think I can agree that we as a country are concerned and really concerned about our participation in the PACER Plus trade arrangements in our immediate region. I think I am pleased with the cautious approach the government is taking, and I think it is the right thing to do. We can, I think, for the sake of debate and raising issues that we are raising these concerns on the floor of Parliament so that it helps us to be more focused and strategic in the way we conduct ourselves around this PACER Plus arrangement. We need to appreciate that when we talk about WTO General Agreement on Tariffs and Trade, we are talking about the same thing but at the global level. The PACER Agreement is regional and the WTO is global, our global involvement in trade.

It is not my intention to go into full detail and to labor the House, in fact, with an intensive debate on this matter except to outline the potential threats or dangers just in passing. I think the debate that is going on now amongst our academics and amongst policy advisors to governments in the small Pacific Island countries is just amazing. We as a government and may be Parliament need to resort to some of these debates that are now taking place, we need to refer to them because these are serious debate that will help us to make informed decisions when the time comes for us to make some decisions on this matter. In fact we do not have to be really genius to agree with the concerns that are raised. And the following dangers are imminent. There is now the concern that PACER Plus will lead to substantial loss in government revenue. That we cannot argue about because it is true, it is absolutely true because the whole strategy is just about reducing tariffs so that the goods flow freely between countries. There is also now a strong argument that PACER Plus could lead to higher taxes for the poor, and that is very true too. There is also now a very strong argument that PACER Plus will lead to business closures on job loses. There is now very strong argument that PACER PLUS could undermine access to essential services. There is also very strong argument now that PACER PLUS will strip, a very interesting observation, Pacific governments of policy options they could use to stimulate industry and employment. In other words, it basically makes Pacific islands countries to stop thinking because we are a party to something, we are dictated as to how we will go. It is very important that we get this matter right from the very beginning first before we put our signatures on it. There is also the argument that PACER PLUS would make it very, very difficult for Pacific governments to favor local companies or agriculture producers. There is very strong argument that PACER PLUS will give unprecedented rights to foreign corporations. There is a very strong argument now that PACER PLUS could determine indigenous rights to land. This is very significant for Solomon Islands and the research that is carried out on this shows that Solomon Islands would be affected by this in on the concern on land. Solomon Islands' name appeared on the concern about undermining indigenous rights to land.

PACER PLUS could lead to more expensive medicine and educational materials. PACER PLUS, as put down here is not necessary for Pacific countries to benefit from international trade. But we need to have PACER PLUS to benefit from international trade. PACER PLUS offers a lot more in this case, Australia and New Zealand than it does for the Pacific. The argument now is that Pacific Island countries are in no way ready to engage PACER PLUS negotiations.

I am pleased that we have this kind of debate going on now before we consent to putting our signatures and become party to these arrangements. Unfortunately, probably we do not have that kind of debate at the time when we

consented to put our signatures and become a party to the World Trade Organization. I would have thought this is an issue that Pacific island countries should take as a combined position on or maybe thrush it out carefully before countries wanting to become members of the WTO join in. That is PACER argument.

The revenue improvement objective of this Bill is yet to be proven. This is something that we are assuming because we now believe that customs officers have enough power now to question valuation and are given more power in terms of determining the proper value for duty purposes. It is on that assumption we are saying this will improve revenue.

Mr. Speaker, I have my personal doubt as to whether this objective will be achieved, considering the international policy rationale behind the moves to liberalize trade. As I mentioned earlier on, one important strategy is the drastic reduction in tariffs on imported goods. What I am saying here is that common sense suggests that a persistent reduction in the effective rates of tax in a narrow based tax system will impact negatively on revenue collection. That is basically what will happen. It is logical sequence. I believe this is precisely the case in Solomon Islands.

There is also the issue of incidence of tax, and this is used in the broad application of these two terms. This is the concerned with who is actually paying tax under the tax system, and whether that group of taxpaying population can continue to sustain that tax burden when you have a situation where the country's tax base is very narrow.

As you know, the country's tax system comprises of indirect and direct taxation. The incidence of tax is reasonably clear when it comes to direct taxation since that tax is based on the earning capacity of the tax payer, of course, after allowing for statutory deductions and exemptions, the tax paid rests with that person. It really ends with him, he bears that tax. There the incidence of tax is clear as to who is paying the tax. This is not generally the case with indirect taxation, which this Bill is all about. The tax paid in indirect taxation is passed down to the final user of the goods and services. Right now, the distribution between direct and indirect taxation shows a very interesting balance. Indirect taxation accounts for 65 percent while direct taxation accounts for 35 percent. This is not surprising because we were advised by the IMF and the World Bank way back in the 1990's that the way to move forward in reforming this country's taxation system is to slowly shift the burden of taxation to indirect taxation. But I think the question now is how far are we intending to go to off-load the tax burden to indirect taxation? The figure I have stated of 65 percent could be higher because I only took into account the imports, export duties and, of course goods tax, this is indirect tax because it is off loaded to the final users and does

not account for the other indirect non-tax revenue base. I will take time later on just to brief Parliament on this. I am saying this because I think since the IMF and the World Bank advised us on this tax reform, Solomon Islands is yet to design a regime that strikes an acceptable balance between the main attributes of the goods tax system, namely equity, efficiency, simplicity and fiscal flexibility. Those are serious attributes of taxation which any reform must try to strike an appropriate balance between those two. If it is very simple it will have problem. If we are charging 20 percent on every one of them it will have a very regressive effect. There is an argument here that it may be very stiff thus the argument of moving the tax burden to indirect taxation.

On the issue of efficiency, our system is yet to strike an acceptable level of tradeoff between the different taxes and levies. And these are the followings, and the first is income tax. When we talk about taxation we are basically talking about the price of government and the base of levy and business cost implications is like this. In terms of income tax it is business profits and income, main source of government revenue collected under Income Tax Act considered as contingent costs on profit making. This is where if you make more profit you pay more tax and so it is probably a disincentive to make more profits or there is incentive here to under declare your profit. Therefore, the existence of that cost is contingent upon profit being made.

The next one is goods tax, wholesale value of goods. This is indirect tax collected on behalf of the government by wholesalers, manufactures, which is now at the flat rate of 15 percent. As probably the designer of that particular tax regime, I seem to be concerned a bit when we go direct to addressing the rate. The way this regime was designed is not go direct to addressing rate. It was 10 percent and now it is increased to 15 percent. What really should be addressed here if we want to reform that particular tax regime is to address its deemed marked up value. Those days when that system was designed and established, the deemed mark up was 30 %, thus this formula of marking up the sales value by 30 percent and apply the 15 percent rate. To either reduce it or increase it you amend that area and not go straight to the rate because we have sales tax, stamp duties, import taxes and the list goes on; import taxes, exercise duties, business licenses, registration fees, vehicle registration, immigration fees, investment applications, and you name it, are the kind of taxes that our people are paying.

The observations here is that we are yet to strike an acceptable level of tradeoff between these different taxes, which are effectively different measures of collecting taxes from the same ultimate source, ultimate base, namely business earnings. The Solomon Islands system is still very heavily front-loaded and the fear here is when we continue to increase the tax state of this country from indirect sources, which is now we are doing, we are not increasing rate on this

particular bill. What we are doing through improved mechanisms and may be now the customs officers can question the valuation, can increase the value of goods and when the rate is applied more revenue is collected by way of indirect taxes. Now it is 65 percent, as I have said already, the tax this country collects by way of indirect sources. The balance would now be more than 70 percent indirect taxation and less than 30 percent direct taxation. That is why this concern is very heavily front loaded, meaning businesses are heavily taxed upfront before they even begin to earn income. Before they start to put taiyo or whatever goods they bring from overseas in the shops and ask people to come and buy them, they are already paying very, very tax upfront and they just hope to God that customers will come and buy the goods in order to pass it to them eventually.

This is clear, it is the nature of most of the so called different taxes. And apart from income tax, which is a contingent cost and this defector goods and services tax, which is a semi broad based consumption tax, and therefore the incidence of tax is relayed to the final consumers or the other methods of imposts are upfront and directly add to the cost of productivity right in front before you even start to make any decisions to run a business.

I am basically addressing two areas this Bill is trying to address. The first is our obligation to the WTO and any other trade arrangements, trade agreements that Solomon Islands intend to enter into. We are already having a part, an active partner in the Melanesian free trade agreement and we are just seeing the effects of it now. We are used here; this is their market, this country. We are not an exporting country. We only export taiyo, and I think that is all; nothing more. That effect.

The World Trade organization, we are now starting to enact all the laws that will make us an effective and active player in that. As I stated already, the Melanesian Spearhead group thing is between us here, and WTO is the same thing internationalized, which will have more effects. I guess the message here is that we are a signatory and we are a party to it already and so may be we are obligated to do this. But we are also obliged to put in, may be strategies that will cushion. I guess the long term, I guess, solution to this is to actively address Solomon Islands ability to export more so that in the long run we benefit from the agreement.

The second issue that this Bill is trying to address and is trying to tell Parliament is that by adopting it, we will improve revenue. I am putting some cautions here that what we are addressing here, what we are saying we will collect more is indirect tax, and this is tax that is front loaded to people who are running businesses. This is a big disincentive to the running of business because

the businesses will eventually offload this tax to customers who will be the ultimate payer of this tax.

Sir, in putting those views across, as I said the objects and reasons of this bill coming before Parliament are clear that we are obligated to enact because we are a partner to the World Trade Organization. With that I have no real reason in opposing this bill rather than putting these views across to the government to seriously take note of when we implement the policies.

Mr. TOSIKA: Mr. Speaker, thank you for giving me this opportunity to speak briefly on this Customs Valuation Bill 2009. I want to thank the Minister responsible, the Minister of Finance for bringing this Bill to Parliament. I think the intention of this Bill is to improve government revenue.

Mr. Speaker, this Customs Valuation Bill will actually lead this country to go into indirect tax. And as we all know indirect tax is tax that places the burden upon consumers, the citizens of our country both rich and poor.

Mr. Speaker, the higher the tax the higher the price will be. This will raise the price index which will in turn inflate the inflation rate of the economy of our country. When one considers this kind of bill or valuations as such, where the notion is to increase revenue, one must also consider the effect that it will have on the lives of our people and the economy.

Yes, one will argue that Solomon Islands is a developing country, a country that does not have a base and relies heavily on raw materials for export. It does not have any industrial base that can be converted into finished products so that it competes with other foreign markets, like the MSG trade arrangements that we would want to achieve to compete with products locally produced in our country, and to compete with foreign products coming into the country and are charged normal duties on.

Revenue depends very much on import duties and tax because of the limited industries base that we have. However, when we look at imposing tax, if it is so regressive and very high, it would certainly create an opposite picture. As rightly stated by the Leader of Opposition it is going to create an opposite picture that will result in a decrease in revenue. It will create a decrease in revenue because importers will import only things that are sellable and demandable in the market. Because of the fact that valuation is so high and when fiscal policy of the government is applied on this very high valuation, you would certainly arrive at a higher duty. Therefore, the person who is importing will think twice before importing goods and will only import goods that are of high demand and sells fast. Therefore, it will create some ways in between, revenue will certainly decrease at some stage because the quantity only meets the

demand, and our domestic market, our economy as such, as I mentioned earlier cannot compete with goods that come in from other countries.

Mr. Speaker, when we increase tax, we certainly will lead this country and also people in the private sectors, people in government will also cry for salary and wage increase. Right now, a notice is circulated that public servants will go on strike as of midnight tonight over the demand in the increase to their pay. Therefore, if we are to further inflict the increase it will be just too much. If you read section 30 of the Customs Act, there are some aspects of valuation that are not added inside the value. For instance commissioner brokerage, but inside this new bill commissioner brokerage will be added into the values. Therefore, there will be a certain increase on the value, and that is our fear. But under the same Article, Article 7 of the GATT valuation, and if you read the rules and explanatory notes of the GATT valuation, you will find that it is left open to the country that accedes to this Article to implement in whole or in part the cost of freight, cost of unloading and loading from the point of exportation to the point of importation and insurance. Those things are left to the country that is a signatory to and accedes to this Article to decide on. As we continue to say, Solomon Islands is at the end of the earth unlike other countries that border with each other where they just go across the line to the gate and that is another territory. Solomon Islands is not like that. You have to travel two to three weeks or even one week before you arrive in Solomon Islands in terms of ships traveling into the country from Asian countries and therefore freight cost is very high. We must seriously think about this. If we want to create a new valuation that is fair and just to people we must take into account our economy. The base of our economy is very narrow and so if we are to create a valuation like that then our dependence on revenue will be there all the time and we will not create any new industries in our country that should broaden the base of the economy to enable us export products so as to lessen our deficit balance or lessen revenues that we get from imports.

Those are just some line of thinking. As I have said when these things increase it means an increase in fuel, increase in transport costs and increase in the delivery of services and at the end of the chain you are increasing poverty in the lives people. You are marginalizing the lives of the poor people of Solomon Islands in contrast to the rich people. Those are things we need to seriously consider when passing legislations.

Yes, we must live according to the WTO requirements that we have ratified because we are a member of the WTO and we are obliged to live up to the standards required of us. Again, the intention of the WTO GATT valuation is not to create hardship in countries, and that is why reservations are made in certain articles that a country can adopt it in whole or in part if there is

reservation, and that is done by writing to the general secretary for explanation to say that a part of the valuation has a reservation on. It is not given in its totality. It is given in a sense that whether it is accepted in whole or in part so that it is implemented so that it mitigates circumstances in the economy of our country. That is basically what they would like to achieve, so that it is fair and just to the importing country so that the valuation code is applied as unified on everybody.

As we understand it, the valuation came out from negotiations undertaken under a treaty called the Magna Carta Treaty. This treaty came into place after the Second World War and they met inside the Atlantic Ocean and then decide that to fight the war they would have to use trade in order to conquer the world. That was done, which led to the birthday of the United Nations. Before 1953, a group of European countries came together as a union acceding to some elements of GATT valuation, and some went into the Brussels definition of value which they called 'definition' and this is called agreement. What we are trying to adopt comes under one protocol called the Kyoto Protocol in 1981 which created a further 17 articles to further explain what Article 7 is about. They further explained it in detail the values and mechanisms that will be taken step by step until it gets to the fallback issue.

What I am seeing is that this Bill is creating a new law apart from the existing principal Customs Act. In the past, and this is not the first time that Customs adopted what is called the harmonization system based on international conventions to harmonize. I believe the Minister of Finance will know very well during the time we adopted the whole text of the harmonization system under Section 7 where the Minister of Finance has the power in the first schedule of tariff and where the coding is unified coding so that member states can read in one language. It was four coding and it moved to six coding and soon eight coding will be introduced. When it is slippers it is slippers everywhere, the code is the same so that it unifies and facilitates trade. This will make it easy to identify how much tax is collected in Solomon Islands from this code and that code. Now the tariff in Solomon Islands, which under the tariff there are six rules. Just like what we would like to adopt which has six mechanisms or six valuation rules. If I can read here because during that time it was adopted in the full context of the harmonization system, they adopted the feature of what is called Norman Clutch with all its rules as its legal notes. There is a technical committee from time to time that advises the member countries adopting the system to amend their tariffs according to the findings of the technical committees on tariff and valuation. Valuation is not a separate thing from tariff, they have to go together; valuation and tariff go together and at the end of the day it is the fiscal policy of the government that harmonizes the part of

the two systems. You do valuation and classification and you will surely attract fiscal policy, which is the rate of imports. That is what is intended to be achieved.

Yes, this goes in line to address the harmonization need of our country, but the problem I see here is why create a separate act. Why do we not just inbuilt this under section 13? We can do this by deleting section 13 and instead insert Article 7 under section and read it in its totality and have explanatory notes for it as it is a bit technical. We have to do this because we do not have access to any other information that we can make decisions from. When you read this, you would see that instead of it going up at the hierarchical order, there is a jump here and there, back and forth; it is not in sequence. Honestly speaking, it is not in sequence and not in the spirit of Article 7.

Sir, I strongly think that instead of creating this as a separate act, it should instead be inbuilt in the present principal act under section 13 and we can achieve a more transparency and clear valuation system because there is already a technical team available to address the issues. But I am happy that this comes about but this is the only concern I have that I am pointing out so that there is no need to work hard creating another technical committee. This is the responsibility of what is called in the past the Customs and Cooperation Council and now called the World Customs Organization, which is its responsibility under GATT or the WTO to carry out research on these findings and give its opinions and recommendations. That is its responsibility. I think it is only right that if we are to adopt Article 7 then it must be adopted in the full context of that Article so that it becomes part of the laws of our country.

Also when you look at the offences and you read the second part of the GATT valuation, it says, "administration and dispute settlement and consultation". I am a bit worried here because when the second part says to penalize people who commit offences under this Act, but the provision to penalize people is already in the Customs Act, the principal act. There are already penalties in there for offences like falsification of documents, false declaration, and so forth are already catered for in the principal act. Bear in mind that in valuation you cannot catch a man red handed and say he has committed an offence and so he is penalized because in the world today there is high competitiveness. Country A might sell these goods very high and Country B might sell the same goods very cheap depending on the production line or people manufacturing the products. That is reality. Because the markets are flooded with the same commodities, the millions of same items being manufactured and so there must be competition in trying to make the value of the commodities less. But this article says that if you identify goods it must come from the same country and from the same exporter at this time or at about this

time before it is identical or similar items. What we are trying to achieve here is that the transaction value is the golden rule. If you get the transaction value it means all the other charges included in there are inbuilt into it like labor, container, electricity, design and so on because it has to go from input to transformation and then the output, the finished product. Under the classification rule it says if a product goes in and is transformed and given a different character then there is a change of tariff heading and so it will attract an exemption. But if this import goes in here and goes out there it is just like water. Water goes in here and is bottled on the other side, it is further purified and is bottled on the other side but its classification is still water. It is water here and water there and so there is no change of tariff heading but is still the same. But if it is flour transformed into noodle where flour goes in there mixed with a bit of ingredients and noodle comes out then the classification of flour is different from noodle. These are things that are happening in trade, and this is what we are trying to add whether it will go in or will come out.

When you talk about identical goods or similar goods, you are talking about deductive value, which is its fallback and competent value. Competent value is simply unpacking the golden rule transaction value. It is like a basket that is packed and then unpacked to check its contents so that if the shoe is not then it should be put inside or if the lipstick is not inside then it also has to be put inside. That is what it is like. It is more like unpacking the actual price and re-looking at it again so that if anything is not part of it then it can be added on to it or if there is anything that you would like to be deducted then you can remove it and then you would arrive at the price that is payable, which is the transaction value. That is what a competent value is. The fallback issue rests on the Comptroller of Customs to decide on. When he finds something not relevant there then he has to use the transaction value or use the deductive value on identical goods to make the charge. But the lowest value must be charged. But under this GATT valuation, if you have to consider it amongst the others then you would not get the highest but you would get the lowest. Because the reason is for trade to flow and give affordability back to consumers. That is one of their reasons for coming up with this valuation. If we think otherwise just to increase revenue and to burden people, then we must think again because it will not work well with us.

Mr. Speaker, my only concern now is to look again at this Bill because if need be we include that article under section 13 other than creating a new set of laws that caters for valuation because the Customs Act already takes into account the valuations, like sections 13, 14, 15 & 16 which also talk about identical goods or composite items, they also talk about competent values. The Customs Act has those mechanisms already but it was just not further explained to the extent like

the Kyoto Protocol rules which were further explained as deemed part of Article 7. It is going to be difficult trying to find our way out if we do this but we do not access information or the opinion of technical people. This is going to bring burden and hardship to our importers. I asked a question on the number of entries that have been checked out of the 40 entries that have been uplifted and I was told 10 out of the 40 entries. Does this mean that 25% of the entries have been checked and examined? If the rate of 25% has been checked then you might as well forget it because you are going to create a lot of hardship to the importers. Out of the 40 entries and you only checked 10 then it means you are applying a 25% rate. And right now, and I have just been down there at Customs, they are uplifting import duties at 80%. The Customs Act does not allow for that, it only says to double it to 50% and the maximum is 50% but right now at the Customs they are uplifting 80% straight off. That is the reason why the goods have increased and we are complaining. But it is ourselves that inject abnormal things into our society. The system at Customs is such that when the true value of goods cannot be ascertained then a provisional entry is entered upon which can be rectified later. If you pay more for the goods then the Customs has to refund you but if you pay less for the goods then you have to pay Customs. That is how it works but today they just apply it and that is it, the government takes it to its consolidated fund.

What I am trying to say here is that if we are to apply this, then are we still going to apply that kind of system too just for the sake of increasing revenue. But we are going to find that at the end of day the burden will be upon us citizens because it is an indirect tax, and so the burden will be upon our shoulders and upon our families. Solomon Islands is a communal society. Many of us working or are in paid employment are also financially supporting our families, our brothers, sisters, uncles, aunties and so on back home or in town because they would often ask us money to support them in meeting their sea fares to go back home or to buy a bag of rice or to pay for school fees and so when we do that the burden will be upon us and only a little bit of money will be left to meet the high cost of goods at the shops. This means you will have to borrow money to sustain you until the next payday. This is real life in town today. People who are working borrow money to sustain them for the next payday and when the payday comes they repay the money they borrow and are left with nothing and so they have to borrow again. What I am trying to get at here is that if we have to do this then we must be genuine in doing it. Let us have some kind of understanding on our communities. We may think that doing this will increase our collection of revenue. One thing for certain that is going to happen is that when our tax laws become so rigid there is the tendency for importers to make false declarations. The container maybe labeled as noodles

outside but inside are watches. This is because noodle attracts 5% tax and watch attracts 20% and so to maximize their earnings at 15% they have to declare the container as noodles. There maybe a few cartons of noodle in front but behind the cartons of noodle are all watches.

I understand this Bill but you must move out from the system that is going on now where you are only there to capture data. You have to move out. It means that the team to examine cargoes must be at the frontline at all times to do random checks of cargoes. You must also not check on people necessarily. You have to look at their history and data if you have it. You should know those who should be given the green light and those who should be applied the red light. Something like that.

We are dealing with a whole lot of new arrangements in the system. When passing this Bill we are also looking at changing the systems in Customs to address the needs of this Bill. If we cannot achieve that then the purpose of introducing this Bill will just come to nothing.

Mr. Speaker, with these few remarks, we should think broadly on this Bill. I will touch on a few anomalies in this bill that I would like to be addressed when we go into the committee stage. There are many things being duplicated. There is transaction value, customs value and then there is another transactions value and customs value, and so which of these really homes the base in the calculation of duty. With these few remarks, I only support this Bill for its face value.

Hon TORA: Mr Speaker, thank you for allowing me to take the floor to contribute briefly on this very, very important Bill the Custom Valuation Bill 2009 moved by the Minister of Finance. At the outset, let me first of all thank the Honorable Minister for Finance and Treasury and his staff and also the staff of the Customs and Excise Division for their input in putting together this Bill that is before us this morning.

Sir, the Customs Valuation Bill 2009 is a very important Bill, in my humble opinion, and it is timely. Sir, allow me first to express my profound gratitude and thanks for the good work of the Comptroller of Customs and Excise and his officers for the recent arrest of two foreigners who tried to be smart in breaking the laws of this country. And as we know they have been tried before the High Court of Solomon Islands and were fined for what they did against the laws of this country.

Sir, the valuation system that the Customs and Excise Division is using at this time, I believe, is out of date and therefore the ability to counter immoral practices that importers are doing in their businesses in the invoicing of goods is a great concern. Sometimes I believe importers produce false invoices and this

false invoicing is a common problem of the importing communities in many parts of the world.

Sir, for this reason, governments, successive governments and the government of the day continue to be robbed of revenue they are entitled too. I trust that this Bill when passed will contribute to improvement in the collection of revenue by the Customs and Excise Division.

Sir, as I said I am going to be very brief to allow other Members contribute on the Bill, it is very important that as a member of the World Trade Organization, it is obligatory upon us to adopt the World Trade Organization and Valuation to be in abreast with other World Trade Organization member countries.

Sir, with those remarks few remarks, I support this Bill.

Hon SIKUA: I too would like to contribute to the debate on this Bill. Usually I do not contribute because as the leader of the government, the fact that the Bill is before the House shows the support of the government, but I feel I should contribute to the debate at this instance because of the issue raised by our good Leader of Opposition and the Minister for Environment on PACER Plus and the government's position, which is a matter I would like to make a few remarks on. But let me thank my good Minister of Finance for all the hard work he has put in as well as his staff in the Ministry of Finance in the various divisions responsible for this Bill as well as the Honorable Attorney General and his staff, and of course staff of Parliament in enabling us to deliberate this Bill today. I thank the Honorable Leader of Opposition, the Leader of the Independent Group for their very valuable contributions to the Bill. It really tells you who the former Commissioner of Inland Revenue is and a former Customs Officer and so are really well versed on this subject, unlike both of us, Mr Speaker, we are just humble educators.

Sir, on the issue of PACER Plus, I would like to inform Parliament that our Trade Ministers have actually agreed on a very clear and specific roadmap on how we deal with PACER Plus which directly concerns the valuation of goods and Customs issues that are addressed in this Bill. The agreed roadmap on the PACER Plus is that the first thing that needs to be done is the establishment of the office of the Chief Trade Officer. The agreement that was reached in the last Leaders' Summit in Cairns is that temporarily the office of the Chief Trade officer will be housed at the Forum Secretariat in Suva until the permanent office in Port Vila, Vanuatu is ready. Mr Speaker, the advertisement for the Chief Trade Advisor is already closed and they are looking at the applicants now. Temporarily this office will be established at the office of the Forum Secretariat Office in Suva but will move permanently to Vanuatu when the facilities are

ready there. The importance of having this Chief Trade Advisor is that he will be advising individual countries in both national consultations and in eventual negotiations. The second big step that needs to be done is the need for individual countries to conduct national consultation with all stakeholders. All stakeholders include the private sector, the non-government organization and the civil society. That means everybody and each everyone who will be affected by the PACER Plus when it is agreed to. Only following extensive national consultations will we then be ready for negotiations and national consultations may take three to five years and then negotiations can follow, and negotiations on this kind of thing do take a long time. Overall you are talking about 10 years, may be. Solomon Islands approved this roadmap and supports it because we cannot negotiate if we are not ready.

Mr Speaker, in the days before the Second World War leading up to the cold war period, we have been talking about political conspiracy. We now must be very, very careful and be on guard on trade and economic conspiracy. As the honorable Leader has pointed out as well as other speakers, we are already beginning to see the consequences of trade and economic conspiracy. Fortunately, in WTO agreements, we do have fallback positions or safeguards, and much of it is due to the fact that Solomon Islands is a least developed country. We do have some preferential treatment there. What I am saying is that we must guide our people's interests as a government and as leaders against what is going on now in terms of trade and economic conspiracy.

Mr. Speaker, under PACER Plus, you are talking about very common household goods that have the potential to flood our markets with things like soap, toilet paper, matches, footwear and things like that. It is very important that we talk to our private sector, our local businessmen that produce these goods as well. If we sign up to PACER Plus, how would this affect their business? How will this affect our local industry? Our local industry involves our people that are employed in these industries if these things come in and these businesses close down and our people become unemployed then we will have big problems in our hands. Unemployment will be the result and when our people do not have money they will go and steal things in the shops and when you steal things in the shops you are against the law and so our people will go to prison or sometimes dissatisfaction breeds conflict. And so the biggest concern of the government is that these things coming in, if we are not careful will cause further conflicts between our people because people who are not employed will not have money, they will go hungry and a hungry man is an angry man. And so we have to be very, very careful with these things. I just want to assure the house that we are treating this matter on our talks with PACER Plus very, very cautiously. We can understand the position of Australia and New Zealand

because they need employment for their people too. The raw materials they produce go directly to places that need those raw materials. Things like soap, toothpaste, mineral water creates employment for their people. The consequence on us is that it might create unemployment for our people and so we have to be very careful, especially with Australia, and now with a Labor Government whose interest is to keep its people employed, and so we must be careful with these kinds of things. We understand their position but we must not be too carried away with it. Mr. Speaker, what we really want Australia and New Zealand to do is what other Members of Parliament and other contributors have already said and that is we want them to come and help us increase our capacity in the export of goods otherwise it will all be a one-sided affair and it is not fair.

Mr. Speaker, as far as we are concerned we have to be very careful because PACER Plus is a regional trade agreement and we might not have a fallback position as we do with WTO agreements. Because we do not have fallback positions and so if we do not leave up to our agreements the government could suffer a lot of loss in revenue. There is real possibility that it could result in loss of revenue to government as goods flow freely into our markets. The whole issue of PACER Plus is something we are very cautious about and I would like to assure this House that Solomon Islands will not rush into negotiations until it is ready. Negotiations will only take place after we have fully exhausted all stakeholders' views during national consultations. There will be no negotiations entered into until our national consultations are completed.

Mr. Speaker, during CNURA's time we will not attempt to talk with anybody until we are satisfied that national consultations are carried out and that everyone is being consulted on the good and bad side of PACER Plus and any other trade agreements that we are going to be involved in. This Bill is a bill that we think will maximize on providing a neutral, fair and precise system of customs valuation and revenues coming to government. With that assurance on our work with PACER Plus, I want to thank the Minister and his staff once again for their hard work. This Bill receives the full support of the government.

Mr. TANeko: Mr. Speaker, the Bill itself is trying to improve the import of goods into the country in line with Article 7 of the World Trade Organization General Agreement on Tariffs and Trade.

Sir, many speakers have stated that this Bill is to modernize the whole system within customs to be in line with the Customs and Excise Act. From a layman's point of view we have to make sure who are beneficiaries at the end of this exercise. Many have raised very valid points under the trade agreement. I will try and make an analogy of this bill this way. When an architect draws up the plan of a house, he will know exactly how he is going to design the house so

that the house is built according to how the owner of the house wants it. Most of the laws we pass in here are laws according to the Westminster system. There is an old trade agreement coming up trying to make us a part of the globalized world. For me, I think differently. I think Solomon Islands must think about tailoring its own bills that are appropriate and suitable for its people to enjoy it. Some speakers have already said this.

We must try to shift away from the importing mentality to the manufacturing mentality. We have materials here but how long is it going to take us to import small items that should be produced in here, as mentioned by the Prime Minister. Most of the goods in here, if you go to China town, we are trying to improve the system to enhance the revenue collection of the government.

There is another system, and this is only a suggestion because the bill here. The whole concept of this Bill is to improve the mechanism of collecting revenue for the government so that the government better serve its people. Why not? When an entry comes in make sure the Customs clear the items by conducting of all the products in the container, and any goods not allowed to come into the country are seized and penalize the importer of the prohibited goods. All the products must be entered by the importer, they go to the importer. The supplier sends the goods and the importer receives the goods and all the communities go inside the business. This is where we come in. We already have the goods tax, and I am going to repeat once again that we are looking for a mechanism, the system that will improve the revenue collection of the country of Solomon Islands to feed its people and to deliver services. That is what we are looking for. You either charge the minimum cost of an entry, check all the goods under the Solomon Islands law where the goods come in and we see them that yes these goods are allowed into the country or these goods are prohibited and so are seized and all the goods go out.

When you do that you are flooding goods to all manufacturers or business houses and you are creating more employment because things are there and business is developing in the country, and all the provinces are receiving more. The time to collect the revenue of the governments is through the goods tax. The sales tax that we got today, the poor man gets into the wholesale, they charge him the goods tax but that goods tax money does not reach his daddy, the government on the same day he buys the goods. There is maneuvering freedom on the sales. But you can collect revenue every day. We are looking for the system. What can we do? This is only a suggestion.

If a business house sells his goods today, my office is besides him, you got to have an office in the system as well, in his business he collects it, sells his goods, the government collects its goods tax on the same day by 4.30 pm into its

basket. Why do we not do it ourselves? Why? Why can we not collect ours? By doing that the business will be encouraged more by importing goods, selling goods openly, they are free and what is due to Caesar or to the government is given.

We are trying to improve the system in Customs and Excise and so my question is whether this document before us, this Customs Valuation Bill 2009 is really the thinking of Solomon Islands? Are all the clauses here to our satisfaction and suitable for us? I do not know. But I believe it will help us to improve Customs valuation of imported goods coming into the country. This Bill is also going to exercise Custom offences. Penalties of customs offences will be raised, it is coming if we make false declaration of goods, which is good.

I see a lot of things that is going to happen under this bill. The invoices, as some have mentioned that sometimes suppliers came up with two invoices. When it is time for clearance of goods maybe the invoice is a different one. When the markup is made that is when the real invoice comes. Those are some of the things we have experienced already.

Sir, I do not want to talk very long on this bill because of its ending part. When we go to the shop to buy goods we are not categorized as rich or poor. The rich man, the middle man and the poor man when we go to the shop we all buy the same goods at the same cost. They will not ask us whether we have money or not. No, we just buy the goods. The main thing we are looking for in this system is to improve the mechanism of collecting revenue. But we must always bear in mind that the end part of it are the users of the goods.

You talk about equipments such as bulldozers and all those, why not, those things cannot be, but in the future we can also do it here as well. But let me say this, and I am going to repeat before I sit down that we must change the mentality on this shift from the importing goods mentality to manufacturing so that we can employ our own people to work.

The Minister of Fisheries, while you are here listen to this. The Solomon Taiyo, the chilly taiyo will soon run out. Another product as well will also run out of stock because we are bringing in another company that will not be able to produce the chilly taiyo and the other canned tuna products. We must look at this carefully. We must do things that our people want. When we send fish out the market value, the added value in the world market today, we are making other countries getting richer and richer and those of us who are the owners of the fish get nothing.

Sir, we are looking forward to improve the system in our Customs and Excise Division under this Customs and Valuation Bill 2009. With those few contributions, I support the Bill.

Mr ZAMA: I will be very brief in my contribution and precise to some of the points raised by other Members. But I would like to thank the honorable Member for Shortlands for giving me time before it is lunch to briefly contribute to this Bill.

Mr Speaker, first I would like to thank the Minister of Finance for introducing this Bill to Parliament. It is a short bill, the Customs Valuation and it has four parts, but I will come to that later.

Firstly, over a number of years and just quite recently maybe three or four years ago, the way bills find themselves in Parliament is through different forms and ways. It would appear to me that the government system in terms of drafting of bills has been badly affected and is now fragmenting. Bills are now finding their way into Parliament through the Bills Committee from different angles. In the past, Bills were strictly drafted by the Government's Legal Draftsman, and that is final. But these days, as part of our institutional strengthening, as part of strengthening of government ministries and entities, we have bills coming directly from ministries and department to the Bills Committee and then to Parliament. Some may have used the Attorney General's Chambers but whether they have been properly vetted by the government's legal draftsman, I doubt it. Therefore, it seriously calls on government, and the Minister of Public Service is listening, to now seriously look at employing a government legal draftsman. In the past we have one very competent and experienced legal draftsman and after he left this country there is a vacancy that still needs to be filled. No wonder why we find bills, when they come before the Bills Committee, being openly debated by people. This Bill is no different. I seriously call on the Minister of Public Service, the Prime Minister and the Attorney General to quickly fill up the post of the Legal Draftsman so that bills are properly drafted by the Legal Draftsman and properly vetted by the Attorney General's office. Now that the Attorney General is experienced, qualified and well paid, it is part of his duty and responsibility to look at bills, every single government instrument that go through his department must be properly vetted by the Attorney General's Chamber. Therefore, it calls on the Minister of Public Service to quickly engage a Legal Draftsman to draft government bills. Yesterday the Bills Committee sat to look into the Telecommunication Bills, and I am surprised. I am raising this point to reiterate and illustrate the point that we need to quickly strengthen that post in the Attorney General's Chambers.

Now getting on to this Bill, this is a very short Bill with only four (4) parts. Part 1 is the preliminary, Part 2 is customs valuation of imported goods, Part 3 talks about customs offences and Part 4 is miscellaneous. Looking at the objects of the Bill in clause 3, the objects of this Bill are:

- a. to set out a mechanism consistent with Article 7 of the World Trade Organization General Agreement on Tariff and Trade to determine the value of imported goods for purposes of imposing imported duty;
- b. to establish a range customs offences that will operate as a substitute to bringing proceedings under the Customs and Excise Act Cap 121.

Sir, after looking at the objects of the Bill, it therefore raises a question in my mind whether it is really necessary for the government at this point in time to introduce this Bill. That is the question. This has been well elaborated on by the MP for West Honiara who is a former government regulator and also an operator in Customs, and as well as well covered by the former Inland Revenue Commissioner and now Leader of Opposition. The issue I would like to raise is whether it is absolutely necessary for the government to introduce this Bill as a separate bill when in fact we already have the Customs and Excise Act, the principal act which, as the MP for West Honiara stated, Clause 13 of that principal act, the issues that have raised in this act are well covered or they could have been well built into that section of the principal act.

Sir, in further raising the issue as to what is the whole intention of introducing a bill when there is already a principal act that can be amended or revised or harmonized to cater for what is intended in this Bill. It does not take me one or two days to look through this Bill. It only takes me five to 10 minutes to look through it, and only to understand that this is a duplication of what is already in the principal act. I really fail to see the genuineness or the intensity which this Bill finds itself in here other than for the Minister of Finance with his technical officials and the Legal Draftsman in the Office of the Attorney General to may be just look at the existing act itself and improve it or may be built into existing clauses or sections of the principal act on the improvements they would like to do on the objects of this present bill.

The object (a) of this Bill is forcing Solomon Islands as a state and an entity to do something. We are forced by this Bill to set out a mechanism to be consistent with Article 7 of the World Trade Organization. We are living a world that is full of impurities and not perfect. There will be winners and there will be losers. There will be exporters and there will be importers, and at the bottom of that there will be consumers.

Countries of the world are doing this deliberately and the Prime Minister said that it is deliberately to create employments, jobs and opportunities for themselves and Solomon Islands as a price taker with a narrow economic base, and yes is engaged in the export of very limited raw resources, will continue to be at the receiving end and will continue to import. Just as well this Bill is introduced to improve the system. I agree with that, but there is no need of

introducing a new bill, a separate to do that when that can be built in or improved on the existing principal act.

Yes, I agree that there is need to improve the system and may be maximize valuation because at the end, the bottom line would be to increase government tax revenue, and that is if we can collect it. On that note, I truly want to thank the Minister and his officials in Customs whereby the capacity that they are now displaying at the wharf on inspection of containers, and that is if we have to go by what the MP for West Honiara said that they are now only doing 25%, I think all the containers should be opened up because most of the containers that come to the wharf now are full of mixed goods. A lot of the containers, the declaration maybe is noodles or something else but the real content are different things and that is why we need to have an improved system in regards to valuation and in terms of proper monitoring to monitor of the system. I agree with that but not in the form of a bill. It should be just an improvement to an existing act of the government.

I am glad that people are now flowing in because they would like to listen to me and continue to contribute but because it is almost lunch time, I will cut my mind short. Sir, while it is good for us to improve our revenue collection mechanisms, we will not all be dependent. When we continue to depend on imports for tax, what I really want to emphasize is that Solomon Islands needs to grow its economic base instead of depending on imports because a lot of exports we are doing, the fish, maybe the end of the day some of these fish would find themselves in the shelves of shops in our own country and how much have they been charged. What we should be doing is to encourage local industries. And I agree with those speakers who have called on the government to fully support our local industries. I call on the government that we should increase government tariff, duty on imported goods where there are local substitutes. Fish is one very good example. The Solomon Soap needs to be supported. We have honey here, we have a lot of peanuts here that can produce peanut butter and there are a lots of other things that Solomon Islands need to look into seriously, and this is where the government needs to set out its goals and policies on what we need to do instead of continuing to be dependent on imported goods or tax revenue.

By strengthening our local industries we are creating opportunity for people in the rural areas and we are empowering them instead of having them coming here sitting under those trees government waiting for Members of Parliament. But we cannot blame them when they have nothing to do, and so we must really create employment opportunities for people through local industries and that is where government policies need to be in place. The government really needs to do what it is saying through these policies.

Sir, whilst I quite agree with the principles and objects of this Bill, I do not quite agree on how it is put forward to Parliament because there are much better ways, in my view, this could be introduced in Parliament.

Therefore, I further call on the Minister of Public Service, the Prime Minister, the Deputy Prime Minister and the Attorney General to quickly fill up the post of the legal draftsman. This is not a joke and I need to reiterate before I sit down that bills that find their way into Parliament, we can see advisors openly arguing between themselves on the bill. This shows that these people are not working together. It means bills have not been coming through the Attorney General's Chambers. But that said, I would like to thank the Minister for Finance for the wisdom he has in coming up with this bill. But maybe whilst looking at this Bill you should also look at the principal act because there are ways you can improve it and maybe harmonize some of the things that you are trying to do in this Bill.

That said, I would like to thank the Minister for this Bill and I would like to throw my support behind the government on this Bill.

Sitting suspended for lunch break at 12 pm.

Mr KWANAIRARA: Mr Speaker, I too rise to speak briefly on this important Bill. This is important because this Bill for the first time this will be a tidy up of this country's Customs procedure. It will also be the first time the value of goods imported into the country are revised and made valuable so that we will be blessed in line with international bodies in particular, the WTO.

I am sure for a long time this country losses revenue because of our Customs laws and their operations are not up to date with what is happening on the ground. In other words, the real value of goods have not been collected in terms of duties therefore the government receives less than the real actual value for imported goods in terms of fees collected and duties imposed. Furthermore, at a time when the world is moving so fast and things are changing almost on a daily basis, it is important that the government keeps at pace and keep above things.

The production and flow of goods in the world today is such that it is often difficult to determine, for example, the customs value of imported goods. Here the law has to be clear in determining the different values placed on goods imported and what imported duties can be imposed. In the same way, when goods are regarded as similar or identical, what do those words actually mean unless the law clearly defines that category or types of goods? On the other hand, there is difficulty with distinction such as transactional value of imported

goods and the customs value of imported goods. This Bill addresses such technical difficulties. It is here also, and as witnessed in the past that much government revenue is lost if such a bill is not forthcoming. I therefore take this opportunity to thank the Minister and thank the Ministry of Finance for bringing this Bill to tidy up these areas from which substantial amount of government revenue is collected.

In terms of offences, as stipulated in the Bill, allow me to say this. This will be the first time that a comprehensive catalogue of offences is provided and is made available. For a long time, most offences reported from customs officers have been cases where customs officers misappropriate government revenue. Rarely, did we hear offences committed by importers of goods, whether they are individual companies or other incorporated bodies. This Bill clearly lays out the type of offences with their respective penalties.

Finally when this Bill is eventually made into law, it will create a climate of confidence in this country for our people and for most of us who carry out the work of this nation on our shoulders. It is my greatest hope that much needed government revenue will then be collected and service delivery is bettered for all us and for our government.

With these brief and upbeat notes, I thank you for allowing me the floor.

Mr OTI: Thank you for the opportunity to add my voice to the debate on the Customs Valuation Bill 2009.

Indeed, everyone of us see the urgency in the review and update on what may be an updated legislation or mechanism, especially those that are stunt and become stumbling blocks to the promotion of investment hindering trade between us and our trading partners. More so, the indigenous business and foreign businesses that would be subjected to this law must be provided with a level playing field for all of them.

At this juncture too, I want to thank the Minister of Finance for this Bill, however, I have some questions to ask in relation to the Bill itself, its intentions and how it will be implemented and how it will be carried out by the Ministry and the Department concerned.

First, what I would like to know is the capacity of the Ministry to administer the operations of the Bill, and if not whether there are any plans or strategies being put in place in preparing relevant government authorities for its implementations and enforcement. Paramount to this will be the training needs of our Customs officials to administer the operation of the Bill. The question is, who will provide the training, identify the training needs and who will provide the resources - human, financial, technical and other types of resources for this program, although I note in the report of the Bills Committee to Parliament that

this is being put in place. Unfortunately, it looks like just because the House is asking for the capacity and so the excuse is that we are going to prepare for the training program. Otherwise that question should not have been asked neither should I asked it if I know the capacity is there.

Mr. Speaker, the issue about the assessment on the likely costs in administering any law, and in particular this law, may have on the government and more so on our private sector. What is the cost? Of course, it is for revenue, but whether the revenue raised will meet the cost proportionately to administering this law. Indeed, what is the timeframe the government is looking at to recover the costs in terms of training from the administration of the revenue that will be drawn from the enforcement of this legislation?

Mr. Speaker, although the intention of the Bill amongst others is to increase government revenue, what is the percentage estimated that would be over and above our current rate of revenue collected under the current legislation.

Furthermore, how certain is the government that in the adoption of this bill, there would be direct and immediate positive effect on government revenue collection? How certain are we on this? I raise these questions because it is important that issues like this, we cannot just pass the bill and expect things will turn out the way we expect if we do not put any effort into the preparatory mechanisms of ensuring we realize the objects of this particular legislation.

One other important consideration that I think the Bill, and perhaps not the intention, it cannot be addressed but the implications are likely to flow on to the private sector, and this is to do with which provisions of the bill will not have a negative impact on our infant manufacturing industries.

Having the Customs Valuation Bill compatible with WTO GATT Article 7 is fine however the government's capacity in implementing this obligation should be a concern to government because if the government is not careful, this piece of legislation may cost the government rather than benefit from what it envisages the law will positively contribute to our development.

Given that our country is LDC, a least developed economic status, there is no strict obligation for Solomon Islands to completely adhere to obligations that are beyond our capacity to implement. Therefore, the government should be more concerned on matters that will create and have immediate real increase on revenue to government, especially those that will enhance the country's trade and economic development. Look at our primary sector, and areas that will bring in revenue, restrictions and standards required from products coming in. Right now, Solomon Islands is almost like a dumping ground where all junks are coming in here. I mean just for the sake of revenue we accepted goods like that. Consumers should pay for things that benefit them and not things that will

increase their bills on health. Making money is not in itself an end, in fact it goes beyond that. Obviously there must also be a link between this bill and the existing current Customs and Excise Act, particularly in terms of tariffs where there should be a concern to the Ministry of Finance if we are not mindful of the linkage between this legislation and the Customs and Excise Act, in so far as it impacts on government revenue.

Mr. Speaker, furthermore, tariff or import duty must not be seen purely on economic perspective for it involves development, environment and health. These are cornerstones and important considerations in our economy. It is a more simple and cost effective system used by least and small economies like Solomon Islands that lack the capacity to administer complex tax regime, like those in the developed economies with resources. For development purposes, environmental protection, infant industry development our tax regime should be targeted at these important considerations. As such and I note from the report of the Bills and Legislations Committee, the Permanent Secretary for Finance has admitted that even as far as consultation, the private sector is the most important, and they are the ones who will pay revenue through this bill, were not consulted in the preparation and formulation of this legislation. They are only called in as witnesses before the Bills and Legislation Committee and their concerns are raised in the report. I think when we talk about wider consultations, and I note that this is now becoming common practice in the observation of the Bills and Legislations Committee in its reports. The reference to stakeholder consultations is very limited. They only turn up as witnesses when they put in their position or their views when the bill has been already drafted, and this bill is no exception.

Sir, it is not completely correct to say that being a member of the WTO, Solomon Islands is directly obligated to implement the GATT requirements. That is why in the WTO GATT requirement there is an 'enabling clause' that immediately comes into play to assist LDC's or least developed countries, transiting economies to work on their capacity and building programs before they undertake their obligations under the WTO if they are members of that organization.

Also on this note because tariff is charged on goods that are imported and therefore we must recognize that the countries we are trading with, the goods that originate from them have the same mechanism with us too. What about those countries where already there is a free trade agreement we have with them? What about the MSG countries? What are the legislative mechanisms that must be compatible with us in order for us to make sense because trading is not an internal matter rather it is between us and those other states?

I am concerned on the tough competition that this bill may indirectly place on our infant industries. As we know, at this present time, our tariff rate of 10% maximum is already one of the lowest in all the Pacific Island economies including Australia and New Zealand. Solomon Islands has the lowest maximum tariff applied in terms of import of goods.

Also the exemption that is provided for our infant industries appeared to be very discriminatory against our own very local investors who already have difficulty in accessing credit facilities, financial assistance from financial institutions and others. Even the financial institutions are not ours. This is doubly killing the local investors who wanted to invest and we are taxing them. Of course, section 13 of the Customs Act that this law is repealing, I think other colleagues have already spoken on this. One tidy way that we would have done is to factor the valuation provision, customs valuation provisions under Section 13 of the existing one. This is because the penalties charged or imposed there, most of the penalties are already in the Customs and Excise Act. I have not checked but I am going to check whether the perception is right that since we have just passed a law to do with penalties, I think we have disposed of this two weeks ago, in that particular law the Customs and Excise Act has a lot of penalties imposed on it. Now this bill also has one. I am going to check but the Minister may be wrong whether it is compatible with that amendment or are we bringing in legislation into Parliament that is totally disjointed. I am not saying it is but subject of course to further clarification we will be checking on that. The penalties to deal with breaches of Customs and Excise Act are already well catered for under the existing legislation.

Mr Speaker, I have no difficulty with the bill but I have concerns and my concerns are those I have raised, and of course in the long term what is the time frame? What is the time frame of implementing this legislation? If you do not yet have the capacity to implement it, how will it affect the revenue you are talking about? Is it tomorrow, next week or next month if you do not have the capacity? Or will it be imposing additional burden in terms of costs to you in administering this law? And contrary to expectations that instead of immediately impact directly on the increase of revenue, the contrary might occur. I am not saying that it will but these are questions I am raising so as to ensure that anything that is passed in here has meaning on our intentions as a country, as a government and as a Parliament.

With those few remarks, I resume my seat.

Hon. TOZAKA: Mr Speaker, thank you for allowing the floor to contribute to this Customs Valuation Bill 2009. Accordingly, I would like to thank the Honorable Minister for Finance for tabling this Bill.

Sir, I see this Bill as timely in the context of our development and strengthening of our capacity in the various ministries. One of the beauties of government structures and systems is that it operates under fundamental style of approach. Sir, as you are aware one of which is rigid and one is flexibility. Rigid means hard, sticks by the rules and regulations and flexibility is accommodating, listens and negotiates and one that works as partners with other people. In this context, I see this bill that the whistleblower in the Ministry of Finance is none other than the Minister of Finance himself and he sees this Customs Valuation Bill timely for him to introduce under this system which the CNURA Government, I think, under the leadership of our Prime Minister wants to take on. We take up things that we see would move us on. Therefore, I have no problem with this bill.

I also would like to feel the same as the other side of the House that it should come as wholesome and not piecemeal. But I also recognize that the government has a system they can approach it any way the government wants to say it. The Minister of Finance has seen it fit then in bringing this bill to Parliament for its passage. I am sure the best is yet to come from the government on this, and I leave that to the Minister himself to explain when he winds up the debate.

Having said this, I would just like to very briefly turn to some comments made on my Ministry this morning by some of our colleagues, and which I would like to correct them and so I am obliged to do so as the Minister of Public Service responsible for our public officers. In regards to the comment on the industrial relations issue and the strike notice by the Public Service, I would like to assure the House and also the public that there is not going to be any strike tonight. The statement made by my colleague, the Leader of Independent and Member of West Honiara is not exactly correct. It is true that there is a log of claim submitted by the Public Service Union which follows the normal practice in the system of submitting log of claims to the government and the government will go through the system. We have put this on motion and negotiations are actively taking place between our Ministry and the Public Service Union. And so we are sorting that out in the usual manner. I would like to correct that. The strike notice will in fact lapse on Sunday, the 23rd August. But we hope we will come to a collective agreement, the Union and Government as we always do where we will come to an understanding on those logs of claims issued to us.

Secondly, I would also like to take this opportunity to clarify some of the comments made on our Attorney General's post. The Attorney General's post is very clear in the Constitution under section 42 that it is a public office and he is the principal legal advisor to the government. At no time have I shared with you and confirm that any piece of legislation coming into this House comes directly

from the ministries. No. There is no such thing like that. What happens, as you know yourself, the system of government is that bills must come from respective ministries, and in this case the Ministry of Finance, the Ministry of Finance has technical people, its expertise are there who work through networking and so on through the system of government before bills are formalized but not independently. It is in close consultation with the Attorney General's Chamber working together with the Chamber and eventually it comes to the stage that it has to go officially to the Attorney General's Chamber for vetting. It is only after the Attorney General's approves a bill that it comes to the next scrutiny which is here in this honorable house. I am sure those procedures have been adequately followed for all the bills that find their way onto the floor of parliament. And so I am sorry that I am not going to support what my colleague, the MP for South New Georgia/Rendova/Tetepare has said today about the Attorney General. I know the Attorney General is doing his work very well indeed and we thank him, and respect that very important office for supporting us in passing all the bills we have passed so far in this House, and not only him but members of his staff in the Chamber as well. Those are the two points I would like to clarify.

The last one is that we do have a vacancy we are currently going ahead to recruit a legal draftsman. In the meantime work has been properly done through the system, again by the legislative advisor in the Attorney General's Chamber. Those are the things I would like to clarify in regards to this morning's comments by some of our colleagues.

In regards to this Bill, I am happy to see some authorities of public officers and their limitations as well which are stated very clearly in this Bill. It is just simply updating what is there at the moment. I am sure we have the capacity because we would not have put things into this house without checking the capacity of the government to implement this Bill. I am sure the Ministry of Finance has that capacity and we also have the trainings of our officers.

With those comments, I support this Bill.

Hon. HAOMAE: Mr. Speaker, I shall be very brief and thank you for allowing me take the floor to contribute to this important Bill.

At the outset, I would like to thank the Minister for Finance and Treasury for introducing this important Bill. The Member for Tetepare/South New Georgia contended that the Bill should be an amendment Bill. But let me correct my friend, the MP for Vona Vona/ South New Georgia that pursuant to any government policy, any government of the day, in their assessment they will decide whether they will bring a principal bill, that is the process or an amendment to a principal act or regulations specimen to any enabling act of Parliament. In its due diligence the government will then decide whether a

principal bill is needed. At this particular instance, the government in its deliberations has decided that it is fitting and proper that rather than amending the Customs Act it brings along another bill. And I support the Minister of Finance on that and the government as a whole. It is important that this bill is a principal bill to complement the Customs Act so that they mutually reinforce each other. I know the Minister of Finance would clear that point when he responds to the comments by other colleague, but I would to make this point in advance that the Bill is in order, is complementary and it will mutually reinforce the Customs Act.

It is very important to establish the procedures to make us understand the customs valuation bill. There have been instances, and I think it was from experience that this bill came up, that there are no procedures to do those things or if the procedures are there we find the procedures wanting. Therefore, this Bill has been introduced in order to address those gaps or situations that need the bill to address. An example is that one big area in the bill deals with transactions of value whether the value on the cost of transaction should be subject to taxation so as to attract revenue for government. That is an important area the bill is addressing.

No man is an island and if no man is how can a nation be. Solomon Islands is part and parcel of the whole world hence it is also a party to international agreements. We not only trade internally but we also trade with other countries, which are members of the WTO and Solomon Islands being a member of the WTO makes us conform to some of the rules required by the WTO from countries that are members of the organization to comply with. This is not new. We are a party to the Vienna Convention on Diplomatic Immunities and Privileges and because of that the 1978 Diplomatic and Immunities, Privileges Act domesticated the fact that we are a party to the Vienna Convention on those aspects, and so this is not something that is new. We were in Geneva in May this year for the Solomon Islands trade policy review at the WTO where Solomon Islands came out in flying colors. This bill only deals with imports because maybe the exports part of it is fine. There are certain things about customs and importation mentioned that we have to conform to certain requirements of the WTO. Also being a LDC, we have big opportunities to use and that there are certain areas in the WTO that we do not have to comply with because of our status as a LDC country, and we have been trying to utilize those opportunities. But at the same time we have to ensure that we conform to some of the rules to the WTO that apply to trading countries. Since we also trade with other countries like Singapore, the European Union countries, the Asian countries and other countries like China, all of which are members of the WTO and so if we use one standard and others use another standard, I believe this

world is going to be confused. I guess that is one of the reasons why the standards have been set and the requirements are there for us to conform to. But let me assure Parliament that the government in its due diligence ensures that in doing so the national interest of Solomon Islands is protected, and is not selling it here and there. As the Prime Minister stated today, we are protecting the national interest of Solomon Islands in any trade negotiations. I do not want to go into that because I think the Hon. Prime Minister has already explained eloquently and adequately the issue of PACER PLUS and all those. I endorse those comments but I stand just to clarify some of the points that seem to be hanging pertaining to my Ministry.

The issue of, although is not mentioned in this Bill as it concerns the export side of the equation where we sell to utilize the provisions of trade agreements was also raised. The Ministry of Foreign Affairs and External Trade under the External Trade Division is dealing with that issue in terms of the integrated framework. We have to ensure that as a government, ministries and all stakeholders including the private sector are organized and we have to bridge the gap in some of these things. That is why the integrated framework is carrying out diagnosis studies to identify the strengths and weaknesses of the economy, where do we have strengths, the gaps so that we can address them, get ourselves organized to address the gaps. All these things have been going in other government ministries, the private sector and other interested stakeholders within the country. If we do not have any products to sell then we are not using the trade agreements; we signed the agreements but we are not utilizing the opportunities that exist under those agreements. But we need to organize ourselves first in order to come up with the policy framework and then implementation of those policies on areas we have strengths on so that we can have products to export in order to utilize the opportunities that exist under the various trade agreements that we are a party to. I would like to assure Parliament that my Ministry is dealing with that under the integrated framework. On Friday this week the stakeholders will have a meeting to be briefed on the EPA, the PACER, the PACER Plus and all these things so that we know where the country is going.

I want to reiterate the statement made by the honorable Prime Minister this morning that in terms of PACER we will not go into negotiations until the country is ready, until national consultations are completed and we are ready to enter into negotiations. Thank you and I support the Bill.

Mr Speaker: Honorable Members, I understand that the government wishes an early adjournment today. I will allow this time for that motion to be moved.

Hon Rini: Under Standing Order 35, I move that debate on the Customs Valuation Bill 2009 be adjourned until the next sitting day.

Mr Speaker: Unless any Members would like to make any brief comment to that motion?

Mr Zama: Mr Speaker, whilst I would like to support that, I think we have in the past continue to adjourn Parliament for various reasons and this is another circumstance that we have to adjourn Parliament. Whilst there are good reasons for government to continue to suspend Parliament to do other things, there are also important Parliament businesses and now that we have been dragging this meeting for so long and that Members are now having fatigues, we need to be serious into having more Parliament business and more debates instead of continuing to ask for adjournment. Otherwise I support that motion.

Hon Sikua: The reason for calling for this early adjournment is that I have called for an important meeting with four of my Ministers including the Minister of Finance who is responsible for this Bill, the Deputy Prime Minister and the learned Attorney General in relation to the Strike Notice by the SIPEU, which I want the meeting to be held this afternoon so that the matter is cleared for it to go to Cabinet tomorrow so that we can avoid the SIPEU Strike, which is officially to take effect from midnight 23rd August. that is the reason for this early adjournment, and that is to clear this matter before it goes to Cabinet tomorrow. And so I ask the understanding of the House on this motion so that we have an early adjournment today. Thank you.

Debate on the Bill adjourned to the next sitting day

Hon Sikua: Mr Speaker, I move that Parliament do now adjourn.

The House adjourned at 2.56 pm