



## BRIEFING

### Fiscal sustainability options for the Commerce and Consumer Affairs portfolio

<b>Date:</b>	27 November 2023	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-0944

Action sought		
	Action sought	Deadline
Hon Andrew Bayly <b>Minister of Commerce and Consumer Affairs</b>	<p><b>Note</b> that MBIE has reviewed expenditure in the Commerce and Consumer Affairs portfolio to support the Government to achieve its fiscal objectives, and ensure value for money.</p> <p><b>Note</b> that we have identified <small>Confidential advice to Government</small> million of possible savings in the Commerce and Consumer Affairs portfolio.</p> <p><b>Discuss</b> this briefing with officials.</p>	30 November 2023

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Paul Stocks	Deputy Secretary, Building, Resources and Markets	Privacy of natural persons	✓
Suzanne Stew	Deputy Secretary - Te Whakatairanga Service Delivery		

The following departments/agencies have been consulted
The following Crown entities were engaged with in the process of preparing this briefing: Commerce Commission, Financial Markets Authority, Te Ara Ahunga Ora Retirement Commission, External Reporting Board, Takeovers Panel.

- Minister's office to complete:
- |  |   |                                    |
|--|---|------------------------------------|
| <input type="checkbox"/> Noted               | <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined  |
| <input type="checkbox"/> Overtaken by Events | <input type="checkbox"/> Needs change         | <input type="checkbox"/> Seen      |
|  | <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

#### Comments



# BRIEFING

## Fiscal sustainability options for the Commerce and Consumer Affairs portfolio

<b>Date:</b>	27 November 2023	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-0944

### Purpose

To set out savings options in the Commerce and Consumer Affairs portfolio, in support of the Government's fiscal objectives.

### Executive summary

The Commerce and Consumer Affairs (**CCA**) portfolio is heavily weighted towards essential operational and regulatory activity across seven policy and regulatory areas. It has a large reliance on third-party (fee and levy "user-pays") revenue.

This year, the CCA portfolio received \$149.0 million of departmental funding (funding received by MBIE), of which around 62% (\$93.0 million) was third-party revenue. The portfolio also received \$187.9 million of non-departmental funding (funding provided via MBIE, mostly to Crown entities), of which approximately 43% (\$81.3 million) was third-party revenue.

The mix of Crown revenue and third-party revenue used to fund activities in the CCA portfolio gives rise to three categories where potential savings could be sought: discretionary fiscal savings, savings arising from or dependent on policy decisions, and savings from the efficient use of third-party revenue.

Across these three categories, the possible fiscal savings from that we are currently able to quantify are Confidential advice to Government million. This is about Confidential advice to Government of Crown revenue in the CCA portfolio.

#### *Discretionary fiscal savings*

MBIE is committed to making a 15% reduction in discretionary spend as well as savings in cross-cutting core functions (eg human resources and IT). MBIE is also proposing a 10% reduction for its policy resource as a whole (Initiative 1). We suggest MBIE Ministers meet to discuss how best to allocate the remaining policy resource across portfolios.

Crown entities in the CCA portfolio have identified opportunities to reduce discretionary spend and lower contractor and consultant spend (Initiatives 2-5). This could provide approximately \$2.3 million in fiscal savings from FY24/25 onwards.

Initiatives	Saving (\$m)
<b>MBIE – Departmental, Crown revenue</b>	
Initiative 1: CCA portfolio share of cross-MBIE savings	TBC
<b>Crown entities – Non-departmental, Crown revenue</b>	
Initiative 2: Commerce Commission reduction in discretionary spending	1.400
Initiative 3: Financial Markets Authority reduction in discretionary spending	0.500
Initiative 4: Te Ara Ahunga Ora Retirement Commission reduction in discretionary spending	0.170
Initiative 5: External Reporting Board reduction in discretionary spending	0.230
<b>TOTAL</b>	<b>2.300</b>

*Fiscal savings arising from, or dependent on, policy decisions*

MBIE has identified that you could make a policy decision to disestablish the Consumer Advocacy Council which would deliver fiscal savings of \$1.597 per year (Initiative 6). The Consumer Advocacy Council was established in 2020.

## Confidential advice to Government, Constitutional conventions

Initiatives	Saving (\$m)
<b>MBIE – Departmental, Crown revenue</b>	
Initiative 6: Disestablish the Consumer Advocacy Council	1.597

## Confidential advice to Government, Constitutional conventions

*Savings from the efficient use of third-party revenue.*

We are also ensuring our work funded by third-party revenue is efficient. The fees for the Intellectual Property Office of New Zealand Confidential advice to Government, Constitutional conventions will be reviewed in the near future to ensure they are appropriate.

We will be looking for savings, and any savings should be passed on to fee or levy payers or used to address cost pressures facing our work funded by third-party revenue.

### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that the Commerce and Consumer Affairs (CCA) portfolio is heavily focused on operational and regulatory work required by legislation

*Noted*

- b **Note** that this year the CCA portfolio appropriation is \$336.9 million – funded from \$162.6 million of Crown revenue and \$174.3 million of third-party revenue – and comprising \$149.0 million of departmental funding and \$187.9 million of non-departmental funding

*Noted*

*Discretionary fiscal savings*

- c **Note** that:

- i. MBIE is committed to making reductions of 15% to discretionary spend, and reductions to cross-cutting core functions such as human resources and IT, as advised in our *Fiscal Omnibus Briefing* (2324-0917 refers)

- ii. MBIE is proposing a 10% reduction in its policy resource and suggests MBIE Ministers discuss how best to allocate the remaining policy resource across portfolios
- iii. Crown entities have identified possible fiscal savings of approximately \$2.300 million (about 1.5% of CCA Crown revenue) that could be progressed

*Noted*

*Fiscal savings arising from, or in relation to, policy decisions*

d **Note** that, dependent on policy decisions (which may take longer to deliver):

- i. MBIE has identified possible fiscal savings of up to \$1.597 million (about 1.1% of CCA Crown revenue)

- ii. **Confidential advice to Government, Constitutional conventions**

*Noted*

*Savings from the efficient use of third-party revenue*

e **Note** that:

- i. MBIE has upcoming reviews to ensure efficiency and address cost pressures in work undertaken by the Intellectual Property Office of New Zealand Confidential advice to Government, Constitutional conventions
- ii. any savings in work funded by third-party revenue should be passed on to fee or levy payers or used to address cost pressures

*Noted*

*Next steps*

f **Discuss** this briefing at your initial meeting with MBIE

*Yes / No*

g **Agree** to attend a meeting for MBIE portfolio Ministers to discuss the options in this paper and how best to achieve your respective portfolio priorities and overall fiscal objectives

*Agree / Disagree*

h **Note** that we will provide further advice on options you would like to progress, including phasing, costs of change, and risk management.

*Noted*



Paul Stocks  
**Deputy Secretary, Building, Resources and Markets**

Hon Andrew Bayly  
**Minister of Commerce and Consumer Affairs**

27 / 11 / 2023

..... / ..... / .....

# Strategic choices for reprioritisation in the Commerce and Consumer Affairs portfolio

---

1. As Minister of Commerce and Consumer Affairs (**CCA**), you are responsible for a portfolio that brings together the policy, operational and regulatory settings that shape how businesses and consumers trade, invest and innovate, and markets operate. The portfolio is responsible for seven policy and regulatory areas, and oversight of a number of Crown entities (see **Annex One** for more detail).
2. A large amount of the CCA portfolio's resource is dedicated to operational or regulatory activity, which is required by legislation, by Crown entities or operational units within MBIE. As a result, achieving cost savings requires active choices by Government about the level and quality of services.
3. The following sections of this briefing provide you with details of the possible CCA portfolio savings identified to date and current cost pressures. We then discuss next steps.

## Strategic overview of savings options

4. The mix of Crown revenue and third-party revenue used to fund activities in the CCA portfolio gives rise to three main categories of savings potential:
  - a. reducing discretionary spend that relies on Crown revenue
  - b. savings arising from, or dependent on, policy decisions
  - c. savings from the more efficient use of third-party revenue, where the benefits should be passed on to fee payers rather than the Crown.

### *Discretionary fiscal savings*

5. Discretionary fiscal savings can be achieved where MBIE or a Crown entity can reduce spending on things like travel, training, and reducing contractor and consultant use, provided the funding is from the Crown and not a third-party "user-pays" fee.
6. These savings should be able to be implemented relatively quickly, but are proportionally small at around \$2.300 million from FY24/25 onwards.

### *Fiscal savings arising from, or dependent on, policy decisions*

7. Changing policy settings in the CCA portfolio could provide further fiscal savings, but will likely take longer to implement. Policy related initiatives will require additional advice as they are investigated and developed and may require Cabinet decisions or legislative change.
8. Examples of the possible policy decisions are changes to scale (or stop) activities in the portfolio to reflect Government priorities Confidential advice to Government, Constitutional conventions  
[REDACTED]
9. Based on our initial estimates these fiscal savings could be Confidential advice to Government million, but may be higher as there are some possible changes we have not been able to quantify at this time.

### *Savings from efficient use of third-party revenue*

10. The CCA portfolio's third-party revenue generally comes from businesses paying fees or levies. Ensuring efficient use of third-party revenue is important and savings should be passed on to fee and levy payers.

11. We are ensuring third-party revenue is used efficiently by reducing discretionary spend and looking for other savings as part of upcoming fees reviews. We will provide you with further information on the possible savings as the work progresses.

## Fiscal background to the Commerce and Consumer Affairs portfolio

### Less than half of the portfolio is funded by Crown revenue

12. The CCA portfolio has appropriations of \$336.9 million based on the most recent October Baseline Update (OBU) in 2023. This is comprised of \$149.0 million of departmental funding (funding received by MBIE), and \$187.9 million of non-departmental funding (funding provided via MBIE, mostly to Crown entities). The biggest source of funding for the CCA portfolio is third-party revenue which accounts for \$174.3 million. Crown revenue accounts for \$162.6 million of portfolio expenditure.
13. The table below shows the allocation of funding within the CCA portfolio including the percentage that is funded from Crown revenue. More detail is in **Annex Two**.

	Funding (FY23/24, m)	CCA Crown Revenue (%)
<b>MBIE (Departmental)</b>		
Companies Office <i>Maintains business registries, including motor vehicle traders</i>	\$42.952	7.9%
Intellectual Property Office of New Zealand ( <b>IPONZ</b> )	\$37.824	2.1%
Official Assignee	\$24.051	67.1%
Standards NZ	\$7.780	0%
Trading Standards	\$7.808	98.0%
Insurance Claims Resolution	\$8.465	100.0%
Consumer Information	\$2.369	98.6%
Consumer Advocacy Council	\$1.597	100.0%
Trade Remedies	\$0.570	100.0%
CCA Policy	\$15.601	96.6%
<b>Crown entities (Non-departmental)</b>		
Commerce Commission ( <b>Commission</b> )	\$94.038	75.5%
Financial Markets Authority ( <b>FMA</b> )	\$74.843	22.5%
Te Ara Ahunga Ora Retirement Commission ( <b>Retirement Commission</b> )	\$8.622	100.0%
External Reporting Board ( <b>XRB</b> )	\$8.730	100.0%
Takeovers Panel	\$1.694	85.2%

### Third-party revenue

14. Over half of the CCA portfolio's expenditure (\$174.3 million in FY23/24) is funded by third parties through fees and levies. Third-party revenue is a "user-pays" system. This is generally appropriate where the user benefits from the service and/or where the need for the service arises from the third-party (eg regulation of a natural monopoly). A specific legislative provision is usually required and funding is usually ringfenced. Ringfenced funding is not available for another use, so if there are efficiency gains without cost pressures any savings should be passed back to the user in the form of fee or levy reductions.
15. MBIE prioritises transparency and efficiency when we collect and use third-party revenue. We undertake periodic reviews which include consultation with users to ensure our fee-funded activities are efficient and that amounts charged are appropriate. Ministerial approval is required for any fee changes.

## Recent funding for new functions and return of underspends

16. Over the past six years the CCA portfolio has received \$85.572 million of additional Crown funding. Most of this was for new functions.

The **FMA** received a total of \$40.401 million for:

- climate-related disclosures (\$1.856m, Budget 2022)
- conduct of financial institutions regime (\$13.740m, Budget 2022)
- financial adviser regime and financial markets regulatory functions (\$24.805m, Budget 2020).

The **Commission** received a total of \$36.287 million for:

- grocery industry regulation (\$7.286m, Budget 2023)
- fuel industry regulation (\$4.483m, Budgets 2021 and 2023)
- retail payment system regulation (\$5.111m, Budget 2022)
- competition studies (\$2.965m, Budgets 2018 and 2020)
- enforcement of Credit Contracts and Consumer Finance Act (\$4.000m, Budget 2019)
- competition and consumer regulatory functions (\$12.442m, Budget 2020, for a mix of cost pressures and new work relating to consumer credit and cartels).

**MBIE** received \$2.700 million for a new competition-related policy function from Budget 2022.

There was also funding for two other new initiatives:

- creation of the **Consumer Advocacy Council** (\$1.600m funding, Budget 2021)
- the **XRBS** new Climate Reporting Function (\$4.584m, Budget 2021).

17. The design of, and funding for, these new functions reflected Government policy at the time. These decisions can be reconsidered, as we discuss further below.
18. The CCA portfolio has also recently returned underspent funding. In Budget 2023, the FMA made a one-off return of \$3.000 million while the Commission's litigation funding was reduced by \$2.000 million per year.

## Discretionary fiscal savings from CCA portfolio

---

### MBIE – Departmental Crown-funded activities

19. MBIE is making savings by reducing discretionary spend and improving efficiency of cross-cutting MBIE functions while aligning resources with Government priorities.

#### Initiative 1: CCA portfolio share of cross-MBIE savings

MBIE will reduce discretionary spend by 15%. This will involve reductions to travel, training budgets, recruitment costs, and funds for events or conferences.

Cross-cutting core functions such as human resources, IT and finance are funded by all MBIE portfolios proportionally. Savings in these cross-cutting functions are partially dependent on decisions in other MBIE portfolios. MBIE will provide further advice on the total possible savings and the impact on each MBIE portfolio (including the CCA portfolio) when possible.

MBIE is also proposing a 10% reduction in total policy expenditure. The current allocation of policy resource reflects existing work programmes. We recommend MBIE Ministers discuss how best to allocate policy resource, given the new Government's priorities.

20. The savings from initiative 1 cut across MBIE and will be calculated centrally, further detail will be provided to Ministers in a subsequent *Fiscal Omnibus Briefing* (2324-0917).

## **Crown entities – Non-departmental Crown-funded activities**

21. Crown entities in the CCA portfolio have identified possible savings from their functions that are funded by Crown revenue. Some identified further savings that could be investigated if required, noting that these may carry higher risks.

### The Commerce Commission

22. The Commission received approximately \$70.95 million of Crown revenue (FY23/24), which is about 75% of its total CCA funding. About \$12 million of this funding is for litigation activity.

#### **Initiative 2: Commerce Commission reduction in discretionary spending**

The Commission has identified possible savings of approximately \$1.400 million from FY24/25 (about 2% of CCA Crown revenue).

The savings will come from reducing spend on contractors and consultants (currently at 22% of workforce costs due to new functions and specialist skills required), leaving some vacancies unfilled, reducing travel expenditure, and adjusting the pace and scope of discretionary work.

#### **MBIE's initial advice on savings from the Commerce Commission**

23. The savings identified by the Commission in initiative 2 are reasonable. There may be opportunities for the Commission to deliver more savings, for example from efficiency gains or by scaling work that uses the new funding the Commission recently received.
24. The Commission also has substantial financial reserves. We are working with the Commission to understand how much of this is uncommitted and whether, having regard to their forecast operational needs for the coming 12 months, there is potential to reduce the reserves to provide a fiscal saving. Any saving would be one-off.
25. We suggest you ask the Commission to make the savings identified in initiative 2 and/or any other savings target in relation to the Commission's baseline funding from Crown revenue.

### The Financial Markets Authority

26. The FMA received approximately \$16.9 million of Crown revenue (FY23/24), which is about 22% of its CCA funding. About \$5 million of this funding is for litigation activity.

#### **Initiative 3: Financial Markets Authority reduction in discretionary spending**

The FMA has identified possible savings of approximately \$500,000 from FY24/25 (about 5% of CCA Crown revenue). The savings will be delivered by reducing spend on contractors and consultants and may involve converting some contractors to permanent employees.

## **Confidential advice to Government, Constitutional conventions**

#### **MBIE's initial advice on savings from the FMA**

27. The savings identified by the FMA in initiative 3 appear reasonable. We share the FMA's concerns that further savings from Crown revenue may risk the delivery of frontline and core services, particularly because the FMA's CAPEX budget was recently reduced by \$1.94 million, that has required reprioritisation of its technology work programme.
28. The FMA also has larger financial reserves than may be needed. We are working with the FMA to understand how much of this is uncommitted and whether, having regard to their forecast operational needs for the coming 12 months, there is potential to reduce the reserves to provide a fiscal saving or reduction in cost to levy payers.



29. We suggest you ask the FMA to make the savings identified in initiative 3. If further savings are required, we will work with the FMA to identify options and provide advice for your consideration.

*Te Ara Ahunga Ora Retirement Commission*

30. The Retirement Commission is entirely funded by Crown revenue and received approximately \$8.62 million in FY23/24.

**Initiative 4: Te Ara Ahunga Ora Retirement Commission reduction in discretionary consultancy spend**

The Retirement Commission has identified possible savings of approximately \$170,000 from FY24/25 (about 2% of CCA Crown revenue).

The savings will be delivered by reducing consultancy spend Confidential advice to Government, Constitutional conventions. This carries some risk that the Retirement Commission's work will be less informed by insights in the future.

**Confidential advice to Government, Constitutional conventions**

***MBIE's initial advice on savings from the Retirement Commission***

31. The savings identified by the Retirement Commission in initiative 4 appear reasonable. A recent MBIE-commissioned review of the Retirement Commission's efficiency and effectiveness found that its team are highly regarded but that its core functions are under-resourced. Looking for further savings to the Retirement Commission's current work programme risks impacting the performance of current functions.
32. We suggest you ask the Retirement Commission to make the savings identified in initiative 4. If further savings are sought from the Retirement Commission, then we will work with the Retirement Commission to identify options and provide advice for your consideration.

*The External Reporting Board (XRB)*

33. The XRB is entirely funded by Crown revenue and received approximately \$8.73 million in FY23/24.

**Initiative 5: External Reporting Board reduction in discretionary spending**

The XRB has identified possible savings of approximately \$230,000 from FY24/25 (about 2.5% of CCA Crown revenue).

The savings will be delivered by reducing spend on contractors and consultants Confidential advice to Government, Constitutional conventions. This saving has some risk that XRB's work is less evidence based and that the XRB is less able to engage with stakeholders.

**Confidential advice to Government, Constitutional conventions**

***MBIE's initial advice on savings from the External Reporting Board***

34. The savings identified by the XRB in initiative 5 appear reasonable. We note the XRB's concerns that further savings will likely impact the delivery of frontline services.

35. We suggest you ask the XRB to make the savings identified in initiative 5. If further savings are required, we will work with the XRB to identify options and provide advice for your consideration.

The Takeovers Panel

36. The Takeovers Panel received approximately \$1.444 million of Crown revenue (FY23/24), which is about 85% of its total funding.
37. The Takeovers Panel has not identified any fiscal savings. It suggests that any reduction in baseline funding carries risks that it will not meet its outputs and performance expectations.

**MBIE’s initial advice on savings from the Takeovers Panel**

38. We do not think the Takeovers Panel can provide savings without risks to the performance of its statutory functions. The Takeovers Panel has already implemented a range of savings to manage costs because its appropriation has been unchanged for over a decade.

**Total discretionary fiscal savings**

39. The table below shows the possible discretionary fiscal savings identified by MBIE (departmental funding) and Crown entities (non-departmental funding).

\$ million	2024/25	2025/26	2026/27	2027/28 & Outyears
MBIE – Departmental funding	-	-	-	-
Crown entities – Non-departmental funding	2.300	2.300	2.300	2.300
<b>Total potential fiscal impact</b>	<b>2.300</b>	<b>2.300</b>	<b>2.300</b>	<b>2.300</b>

**Fiscal savings arising from, or dependent upon, policy decisions in the CCA portfolio**

**MBIE – Departmental Crown-funded activities**

40. We have identified one policy decision that could deliver fiscal savings within MBIE by stopping work that was started within the last few years.

**Initiative 6: Disestablish the Consumer Advocacy Council**

The Consumer Advocacy Council was created in 2020 in response to the electricity price review. It is an independent advocate for residential and small business electricity consumers in regulatory proceedings and relevant policy initiatives. More recently its mandate was expanded to cover water consumers, as part of the previous Government’s water infrastructure reforms. Though no additional funding was provided for this expansion.

While the Consumer Advocacy Council is a consumer advocate, we are not certain that it provides additional value beyond other consumer organisations and parts of Government. Further commentary on the Consumer Advocacy Council is provided in **Annex Three**.

Disestablishing the Consumer Advocacy Council would deliver savings of approximately \$1.597 million per year, with approximately 3 FTE impacted within MBIE as well as the Consumer Advocacy Council members themselves.

41. If you want to proceed with this initiative then we will provide further advice on the possible costs or risks involved, and the implementation process and timeframes.
42. Our initial view is that this initiative could be progressed using existing resources. We estimate Cabinet approval could be sought and changes in place for the financial year 2024/25 (ie Budget 2024). There are likely to be implementation costs due to the impact on FTE and the Consumer Advocacy Council members.

**Crown entities – Non-departmental Crown-funded activities**

*Policy decisions* Confidential advice to Government, Constitutional conventions

Confidential advice to Government, Constitutional conventions



**Total fiscal savings arising from, or dependent on, policy decisions**

57. The table below shows the possible savings arising from or dependent on policy decisions (only where we have estimated a possible saving). It factors in the initial comments on timing in relation to the initiatives above.

\$ million	2024/25	2025/26	2026/27	2027/28 & Outyears
MBIE – Departmental funding	1.597	1.597	1.597	1.597

## Savings arising from MBIE's efficient use of third-party revenue

---

58. The CCA portfolio's third-party revenue of \$174.3 million (FY23/24) generally comes from businesses paying fees or levies. Crown entities receive \$81.3 million of this revenue while MBIE receives \$93.0 million.
59. Any third-party revenue has come from fee or levy payers and should be used efficiently. We are ensuring all of MBIE's functions that are funded by third-party revenue are efficient by reducing discretionary spend and travel and reducing expenses that do not impact frontline services delivered to businesses. The benefits of any savings in areas funded by third-party revenue should be passed on to fee and levy payers.
60. MBIE's fees review process are transparent and ensure efficiencies in our service delivery. We follow the Treasury's best practice guidance for our reviews, which show in detail the costs we face and how these are recovered from fee payers, and include consultation phases to test any fee changes with users.
61. We will provide you with further advice on two upcoming fees reviews for CCA functions:
  - a. Confidential advice to Government, Constitutional conventions
  - b. a review of the fees for the Intellectual Property Office of New Zealand (**IPONZ**) is planned to begin by December 2023, with any changes to fees to be made (with Cabinet approvals) by 2025. IPONZ's patent and trade mark fees were last changed in 2020 following a review in 2018-2019.

## Cost pressures in the CCA portfolio

---

### Cost pressures in functions funded by Crown revenue

62. MBIE currently manages assets that have been seized by the Crown as alleged proceeds of crime. These assets, which are currently worth over \$500 million, must be managed until the proceedings have been completed and the assets can be either sold or returned. Revenue from the sale of assets determined to be proceeds of crime is put into the Crown's Proceeds of Crime Fund.
63. Confidential advice to Government, Constitutional conventions

### Cost pressures in functions funded by third-party revenue

64. The Companies Office, which maintains business registers, is facing a cost pressure in its work funded by third-party revenue. Costs to maintain the integrity and security of IT systems that are necessary to keep business registers running are increasing. These costs – which are estimated to be around \$5 million annually – will be factored into an upcoming review of the fees for the Companies Office. We expect to mitigate some of the cost by delivering efficiencies and making savings through spreading the required work out over time.
65. IPONZ also faces some cost pressures. IPONZ's trade mark fees were deliberately set below cost in 2020 to return money accumulated in the IPONZ memorandum account to fee payers, this below cost level may need to be adjusted in the next review. Additionally, IPONZ

## Next steps

---

### *Progressing options*

66. We will provide you with further advice on initiatives you would like to progress to seek savings. This advice will include how fast savings can be realised, any costs of change, further information on the likely impacts of changes, and risk management.
67. We also expect to receive advice from Treasury shortly about the process for submissions for the Fiscal Sustainability Payment, and/or Budget processes.

### *An All-of-MBIE approach to reprioritisation*

68. MBIE has a number of functions that operate across portfolios to ensure efficiency. We are trying to consider these functions as a suite to enable:
  - a. development of savings options for MBIE's enablement and stewardship functions (which will have proportional savings for each portfolio)
  - b. alignment and consolidation between different portfolios within MBIE, Confidential advice to Government
  - c. consideration of trade-offs across functions while reallocating resources to priority areas (eg policy).
69. We therefore recommend that MBIE Ministers meet to consider their portfolios jointly.

## Annexes








---

Annex One: Policy and regulatory areas within the CCA portfolio

Annex Two: CCA portfolio funding

Annex Three: Commentary on the Consumer Advocacy Council

## Annex One: Policy and regulatory areas within the CCA portfolio

Regulatory system	Markets	Businesses	Consumers	Essential infrastructure	Government	Key legislation
 <p>Competition</p>	Protection and promotion of competition to improve productivity and the long term benefit of consumers. Includes generic and sector specific regulation and competition studies.				<ul style="list-style-type: none"> <li>• MBIE policy</li> <li>• Commerce Commission</li> </ul>	<ul style="list-style-type: none"> <li>• Commerce Act 1986</li> </ul>
 <p>Consumer and commercial</p>	Interactions between businesses and consumers before, during, and after the sale of a good or service.				<ul style="list-style-type: none"> <li>• MBIE policy and operations</li> <li>• Commerce Commission</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Trading Act 1986</li> <li>• Consumer Guarantees Act 1993</li> <li>• Credit Contracts and Consumer Finance Act 2003</li> </ul>
 <p>Financial Markets</p>	Functioning of financial markets to promote fair treatment, and confident and informed participation.				<ul style="list-style-type: none"> <li>• MBIE policy</li> <li>• Financial Markets Authority</li> <li>• Retirement Commissioner</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Markets Conduct Act 2013</li> </ul>
 <p>Trade and Regulatory Co-operation</p>	Tariffs, trade remedies, restriction of trade in dangerous and hazardous goods, and International Regulatory Co-operation.				<ul style="list-style-type: none"> <li>• MBIE policy and operations</li> </ul>	<ul style="list-style-type: none"> <li>• Tariff Act 1988</li> <li>• Trans-Tasman Mutual Recognition Act 1997</li> </ul>
 <p>Corporate Governance</p>	'Lifecycle' and operation of companies and other types of legal entities.				<ul style="list-style-type: none"> <li>• MBIE policy</li> <li>• Companies Office</li> <li>• Official Assignee</li> <li>• External Reporting Board</li> <li>• Takeovers Panel</li> </ul>	<ul style="list-style-type: none"> <li>• Companies Act 1993</li> </ul>
 <p>Intellectual property</p>	Supporting the endeavours of innovators and creators by providing incentives for innovation, investment and facilitating trade.				<ul style="list-style-type: none"> <li>• MBIE policy</li> <li>• Intellectual Property Office New Zealand (IPONZ)</li> </ul>	<ul style="list-style-type: none"> <li>• Copyright Act 1994</li> <li>• Patents Act</li> <li>• Trade Marks Act 2002</li> </ul>
 <p>Standards &amp; conformance</p>	Implementing and verifying adherence with domestic and international standards, measurements and technical regulations.				<ul style="list-style-type: none"> <li>• MBIE policy and operations (Standards New Zealand)</li> <li>• Accreditation Council</li> <li>• Joint Accreditation System of Australia and New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>• Standards and Accreditation Act 2015</li> </ul>

## Annex Two: CCA portfolio funding

1. This Annex provides an overview of the CCA funding against the relevant functions it is spend on.

2.

	Appropriated Funding (\$, millions)				
	2023/24 <sup>1</sup>	2024/25	2025/26	2026/27	2027/28
<b>MBIE (Departmental)</b>					
Companies Office	42.952	40.478	40.405	40.405	40.405
Intellectual Property Office of New Zealand	37.824	38.678	38.682	38.682	38.682
Official Assignee	24.051	19,682	19,684	,19,684	19.684
Standards NZ	7.780	7.790	7.791	7.791	7.791
Trading Standards	7.808	6.991	6.992	6.992	6.992
Insurance Claims Resolution	8.465	7.165	7.165	7.165	7.165
Consumer Information	2.369	2.372	2.372	2.372	2.372
Consumer Advocacy Council	1.599	1.599	1.599	1.599	1.599
Trade Remedies	0.570	0.570	0.570	0.570	0.570
CCA Policy	15.601	15.762	15.378	15.392	15.101
<b>Total CCA Departmental</b>	<b>149.017</b>	<b>141.087</b>	<b>140.638</b>	<b>140.652</b>	<b>140.361</b>
<b>Crown entities (Non-departmental)</b>					
Commerce Commission	94.038	79.859	80.804	80.383	79.859
Financial Markets Authority	74.843	78.424	81.963	81.984	81.401
Te Ara Ahunga Ora Retirement Commission	8.622	8.622	8.622	8.622	8.622
External Reporting Board	8.730	8.994	8.994	8.994	8.994
Takeovers Panel	1.694	1.694	1.694	1.694	1.694
<b>Total CCA Non-departmental</b>	<b>187.927</b>	<b>177.593</b>	<b>182.077</b>	<b>181.677</b>	<b>180.570</b>
<b>Total</b>	<b>336.944</b>	<b>318.680</b>	<b>322.715</b>	<b>322.329</b>	<b>320.931</b>

<sup>1</sup> Based on the October Baseline Update (OBU)



3. This table provides a breakdown of CCA funding by source (Crown revenue or third-party revenue).

	Crown Revenue (\$, millions)					Third-party Revenue (\$, millions)				
	2023/24	2024/25	2025/26	2026/27	2027/28	2023/24	2024/25	2025/26	2026/27	2027/28
<b>MBIE (Departmental)</b>										
Companies Office	3.407	0.946	0.871	0.871	0.871	39.545	39.532	39.534	39.534	39.534
Intellectual Property Office of New Zealand	0.789	0.844	0.248	0.748	0.748	37.035	37.834	38.434	37.934	37.934
Official Assignee	16.129	11.897	11.899	11.899	11.899	7.922	7.785	7.785	7.785	7.785
Standards NZ	-	-	-	-	-	7.780	7.790	7.791	7.791	7.791
Trading Standards	7.648	6.831	6.832	6.832	6.832	0.160	0.160	0.160	0.160	0.160
Insurance Claims Resolution	8.465	7.165	7.165	7.165	7.165	-	-	-	-	-
Consumer Information	2.336	2.339	2.339	2.339	2.339	0.033	0.033	0.033	0.033	0.033
Consumer Advocacy Council	1.597	1.599	1.599	1.599	1.599	-	-	-	-	-
Trade Remedies	0.570	0.570	0.570	0.570	0.570	-	-	-	-	-
CCA Policy	15.076	15.100	15.101	15.101	15.101	0.525	0.662	0.277	0.291	0.000
<b>Total CCA Departmental</b>	<b>56.017</b>	<b>47.291</b>	<b>46.624</b>	<b>47.124</b>	<b>47.124</b>	<b>93.000</b>	<b>93.796</b>	<b>94.014</b>	<b>93.528</b>	<b>93.237</b>
<b>Crown entities (Non-departmental)</b>										
Commerce Commission	70.953	65.424	65.424	65.424	65.424	23.085	14.435	15.380	14.959	14.435
Financial Markets Authority	16.873	17.482	17.314	17.317	17.224	57.970	60.942	64.649	64.667	64.177
Te Ara Ahunga Ora Retirement Commission	8.622	8.622	8.622	8.622	8.622	-	-	-	-	-
External Reporting Board	8.730	8.994	8.994	8.994	8.994	-	-	-	-	-
Takeovers Panel	1.444	1.444	1.444	1.444	1.444	0.250	0.250	0.250	0.250	0.250
<b>Total CCA Non-departmental</b>	<b>106.622</b>	<b>101.966</b>	<b>101.798</b>	<b>101.801</b>	<b>101.708</b>	<b>81.305</b>	<b>75.627</b>	<b>80.279</b>	<b>79.876</b>	<b>78.862</b>
<b>Total</b>	<b>162.639</b>	<b>149.257</b>	<b>148.422</b>	<b>148.925</b>	<b>148.832</b>	<b>174.305</b>	<b>169.423</b>	<b>174.293</b>	<b>173.404</b>	<b>172.099</b>

## **Annex Three: Commentary on the Consumer Advocacy Council**

---

1. The Consumer Advocacy Council is a Ministerial advisory committee that was established in 2020 in response to the electricity price review which found that small electricity consumers — like residential and small business customers — were struggling to make their voice heard within the electricity sector. The role of the Council is to provide evidence-based advocacy on policy and regulatory consultations, in decision-making processes and on matters of strategic importance or material consequence for consumers.
2. As part of the recent water sector reforms, it was planned that the Consumer Advocacy Council will increase its scope to advocate on behalf of water services consumers.
3. The Council has four members and a Chair with secretariat support from MBIE (which currently consists of 3 FTE's). It has ongoing funding through an appropriation of \$1.597 million per year.
4. To date, the Council has:
  - a. provided 13 submissions on a variety of consultations, including consultations held by the Electricity Authority, MBIE, and the Commerce Commission
  - b. commissioned and published five pieces of research, including around power bills to produce a 'model' power bill
  - c. undertaken three sentiment surveys.
5. The Council provides a perspective that might not otherwise be received by Government, as other consumer advocacy groups can lack the expertise or resource to engage across relevant parts of Government on all matters that impact consumers. Electricity information can be highly technical, and it can be difficult for consumers and small businesses to engage with it or provide submissions on potential changes.
6. However, it is difficult to quantify the impact of the Council's work to date, particularly as it has only recently been established. However, we are not certain that the Council is providing additional value given the work of other consumer organisations and parts of Government.

# Fiscal Summary for Commerce and Consumer Affairs portfolio



## Current Baseline

The following table sets out the appropriated funding for the Commerce and Consumer Affairs portfolio, by funding source. Departmental funding is received by MBIE to directly provide services. Non-departmental funding is provided via MBIE to other agencies, including Crown entities and grant recipients.

Changes to Crown funded activities will have a direct impact on the Government's financial position. Changes to third-party funded activity will generally have no impact on the Government's financial position, as most third-party charges are set on a cost-recovery basis.

Baseline Crown (\$m)	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyrs
Operational	40.941	32.793	32.125	32.625	32.625
Policy	15.076	15.1	15.101	15.101	15.101
<b>Dept.</b>	<b>56.017</b>	<b>47.291</b>	<b>46.624</b>	<b>47.124</b>	<b>47.124</b>
Commerce Commission	70.953	65.424	65.424	65.424	65.424
FMA	16.873	17.482	17.314	17.317	17.224
Retirement Commission	8.622	8.622	8.622	8.622	8.622
External Reporting Board (XRB)	8.730	8.994	8.994	8.994	8.994
Takeovers Panel	1.444	1.444	1.444	1.444	1.444
<b>Non-dept</b>	<b>106.622</b>	<b>101.966</b>	<b>101.798</b>	<b>101.801</b>	<b>101.708</b>
<b>Total Crown</b>	<b>162.639</b>	<b>149.257</b>	<b>148.422</b>	<b>148.925</b>	<b>148.832</b>

Baseline 3 <sup>rd</sup> party (\$m)	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyrs
Operational	92.475	93.134	93.737	93.237	93.237
Policy	0.525	0.662	0.277	0.291	0.000
<b>Dept.</b>	<b>93.000</b>	<b>93.796</b>	<b>94.014</b>	<b>93.528</b>	<b>93.237</b>
Commerce Commission	23.085	14.435	15.380	14.959	14.435
FMA	57.970	60.942	64.649	64.667	64.177
Retirement Commission	-	-	-	-	-
XRB	-	-	-	-	-
Takeovers Panel	0.250	0.250	0.250	0.250	0.250
<b>Non-dept</b>	<b>81.305</b>	<b>75.627</b>	<b>80.279</b>	<b>79.876</b>	<b>78.862</b>
<b>Total Third Party</b>	<b>174.305</b>	<b>169.423</b>	<b>174.293</b>	<b>173.404</b>	<b>172.099</b>

## Fiscal Sustainability

The following table summarises options identified for reprioritisation within the Commerce and Consumer Affairs portfolio.

Option for reprioritisation	Fiscal implication (\$m, per annum)	FTE implication	Implementation	Comment
<b>Initiative 1:</b> CCA portfolio share of cross-MBIE reprioritisation options	TBC	To be determined	Apportioned to portfolios, following discussions with Ministers.	The MBIE ownership fiscal briefing includes options for reductions in core services (both immediate efficiencies, and further "right-sizing" following portfolio decisions), 15% reduction in specified discretionary spend, and 10% reduction in policy capacity with resources to be redirected based on Government priorities.
<b>Initiative 2:</b> Commerce Commission reduction in discretionary funding	1.400	-	Implement from 2024/25	The savings will be delivered by reducing spend on contractors and consultants, reducing travel expenditure and adjusting pace and scope of discretionary work (such as education). Some vacancies may also be left unfilled, but this is still to be determined.
<b>Initiative 3:</b> Financial Markets Authority reduction in discretionary funding	0.500	-	Implement from 2024/25	The savings will be delivered by reducing spend on contractors and consultants.
<b>Initiative 4:</b> Te Ara Ahunga Retirement Commission reduction in discretionary funding	0.170	-	Implement from 2024/25	The savings will be delivered by reducing consultancy spend on research, Māori development, and evaluation of the Sorted in Schools programme.
<b>Initiative 5:</b> External Reporting Board reduction in discretionary spending	0.230	-	Implement from 2024/25	The savings will be delivered by reducing spend on contractors and consultants
<b>Initiative 6:</b> Disestablish the Consumer Advocacy Council	1.597	3 FTE	Implement from 2024/25	This will reduce the advocacy for residential and small business electricity consumers.

**Confidential advice to Government, Constitutional conventions**

**Confidential advice to Government**

<b>Total</b>	3.897 – <small>Confidential advice to Government</small>	3 FTE		The total savings range from between 2.6% -10.0% of Crown funding, and 1.2% -4.7% of total funding of the portfolio.
--------------	--	-------	--	--

The Fiscal Briefing has further details on options and the implications of these choices. Items marked \*are drawn from, or consistent with, Manifesto Commitments and/or the Coalition Agreement. Options with FTE implications will need to be phased, and may incur transition costs.

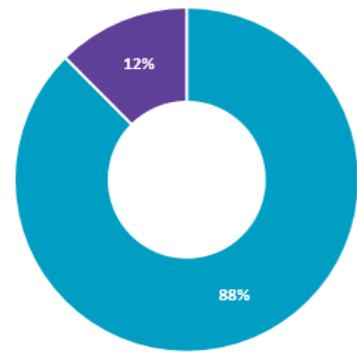
## People Resources in MBIE

The Commerce and Consumer Affairs Portfolio is supported by MBIE with 448.8 FTE as of 30 September 2023, which is 7 per cent of total MBIE workforce.

This is broken down as follows:

### Portfolio by Policy/Operational Function ONLY

In the Commerce and Consumer Affairs portfolio, 88% is operational and 12% is policy. Enablement functions (corporate, ICT) have not been included.



■ Operational  
■ Policy

#### Operational

All positions (including people leaders) in INZ and TWSD & as identified by HoPs/HR Advisory.

#### Policy

Positions in BRM, LSE, TWP that have 'Policy' in the title & as identified by HoPs/HR Advisory. APO (excl. admin staff) is captured as policy.

#### Enablement

Includes corporate and support functions such as finance, legal, communications, ICT, Ministerial Services.

#### Portfolio FTE by Function

Function	Portfolio FTE	Portfolio %
Operational	392.9	88%
Policy	55.9	12%
<b>Total staff</b>	<b>448.8</b>	<b>100%</b>

\*The portfolio view does not include enablement functions (e.g. finance, legal, communications, ICT, Ministerial Services). Therefore the graph above is only capturing 79% of the organisation.

Note:

All numbers are represented as FTE

Data is as at 30 September 2023

Around half of the operational staff in the CCA portfolio are employed at the Intellectual Property Office of New Zealand (**IPONZ**) working on examining, granting and registering IP rights and other related matters including intellectual property awareness programmes. Most of the other operational staff work at the Companies Office and the Insolvency and Trustee Service. Smaller numbers are employed in Consumer Services and the Criminal Proceeds Integrity and Enforcement team.

## Manifesto Commitments/Coalition Agreement

The Government has made eight commitments on the Commerce and Consumer Affairs Portfolio across the National Party manifesto and coalition agreements. The high-level costing estimates are set out below these commitments are as follows:

Source	Manifesto Commitment/Coalition Agreement	High level cost estimate (\$m, per annum)**	FTE implication	Implementation	Comment on estimates
National Party	Repeal the Water Services Economic Efficiency and Consumer Protection Act 2023 and replace it with a new regulatory regime under Part 4 of the Commerce Act	1.250	5.2 FTE	First 100 days	Cost includes following staff only: 0.2 x GM, 0.5 x Director, 0.5 x Manager, 1 x Principal, 2 x Senior, 1 x Advisor for the policy development stage. No additional funding included for consultants or travel.
	Update Part 4 of the Commerce Act	1.620	7.2 FTE	TBC	Cost includes following staff only: 0.2 x GM, 0.5 x Director, 0.5 x Manager, 2 x Principal, 2 x Senior, 2 x Advisor.
	Address issues with consumer credit and conduct of financial institutions regulation	1.620	7.2 FTE	TBC	Cost includes following staff only: 0.2 x GM, 0.5 x Director, 0.5 x Manager, 2 x Principal, 2 x Senior, 2 x Advisor. This includes work on both the CCCFA and COFI running concurrently. This involves two separate policy teams.
	Allow KiwiSaver users to choose more than one provider	0.400	2 FTE	TBC	Cost includes following staff only: 1 x Principal, 1 x Advisor.
ACT	Focus competition studies on reducing regulatory barriers to new entrants to drive competition	0.350	2 FTE	TBC	Cost includes following staff only: 1 x Senior, 1 x Advisor.
NZ First	Options to strengthen the powers of the Grocery Commissioner, to improve competitiveness, and to address the lack of a third entrant to remove the market power of a duopoly	0.81	3.75 FTE	TBC	Cost includes following staff only: 0.1 x GM, 0.25 x Director, 0.25 x manager, 1 x Principal, 1 x Senior, 1 x Advisor.
	Support select committee inquiry into banking competition with broad and deep criteria to focus on competitiveness, customer services, and profitability	0.350	2 FTE	TBC	Cost includes following staff only: 1 x Senior, 1 x Advisor.

\*\* The High level cost estimate (\$m, per annum) excludes implementation costs that could be incurred or any indirect costs to Crown entities within the CCA portfolio.