



## Summary of Submissions: Electrical Workers Fees Review 2018

### Background to the review

In 2012, Cabinet agreed to a long-term strategy for electrical worker fees, which included setting fees at below cost for a period of time to return past surpluses to practitioners. The strategy also committed to reviewing the fees model every two years to ensure they remain at an appropriate level.

Consistent with the two-yearly review cycle, the electrical worker scheme fees have been reviewed. The review found that the strategy to reduce the memorandum account surplus will be achieved in 2018/19. Unless fees are increased, a large deficit will be incurred by the end of that fiscal year.

For some fee categories, more accurate cost modelling (including a time-recording process to provide more accurate information about the costs of its various processes and functions in each regime) has identified that fees are currently substantially below cost. In particular, manual license renewal and overseas registration fees are currently set well below cost and have the largest proposed fee increases.

In addition, costs have increased since 2013 due to the increased resource required to maintain an effective and efficient licensing and registration scheme during a time of increased construction. These cost pressures primarily result from the resource required to develop and maintain new IT business systems, and to provide for certain expansions to the electrical worker work programme.

The Ministry of Business, Innovation and Employment (the Ministry) consulted on a proposal to increase electrical worker fees to fully recover costs and ensure the scheme has sufficient resources.

The proposed fees sought to strike a balance between minimising additional costs to electrical workers while ensuring the scheme is adequately resourced. Comparing the proposed electrical worker registration and licence fees with other building sector occupations indicates that the electrical fee arrangements are reasonable compared to other occupations and their average incomes.

### Consultation statistics

The discussion document was published on 18 June 2018 for a period of five weeks' consultation on the proposed fee changes.

Information about the consultation was also provided via the following channels:

- Electron, the Electrical Workers Registration Board (the Board) Newsletter;
- email to all registered Electrical Workers (49,000) and a reminder email one week before consultation closed; and

- individual emails to key industry organisations with a reminder email one week before consultation closed.

The consultation document sought feedback on the individual/business impact of the increase in charges for registration, licensing, and limited certificates, views on the proposed simplification of fees into larger categories, and the impact of the proposed increase in overseas registration fees.

Information placed on the Ministry's website was viewed over 1,200 times. The full discussion documents were accessed over 200 times. While a substantial number of those contacted chose not to submit on the consultation, these figures indicate a relatively high level of awareness of the proposals.

In total, 119 submissions were received on the proposed Electrical Workers fees changes. Comparison of the number of views with the number of submissions may indicate that the fee increase is not considered to be significant to electrical workers.

### **Summary of submissions**

The majority of submitters (64 per cent) opposed the proposed increase in charges. 24 per cent were neutral and 11 per cent agreed with the proposed increases.

#### *Impact of proposed increases*

Submitters mentioned that the cost would be passed on to consumers, that the electrical worker would have to bear it, and noted concerns about a general environment of rising construction costs. Some noted they felt that the industry has to pay for the poor performance of a minority of workers. The majority of submitters who provided direct feedback on the impact of the increase noted either that they would be comfortable with the fees increase only if it improved services and processes, or that they did not think a fee increase was justified.

Many submitters provided feedback that fell into the following categories:

- fees should reflect a simple and efficient service offering
  - General feedback received discussed that the fees should reflect the service offering and questioned the types of benefits received by the average ('compliant') electrical worker.
  - A majority of the submitters saw the value in simplifying the process across registrations, certifications and licences. Most preferred registering online and proposed a reduction in online fees and an increase in manual fees. A small subset of submitters expressed their difficulty in registering online with a lack of resources or technological capabilities.
- keeping up with costs
  - Most electrical workers were happy to cover their own fees, training and licences, but raised issues around balancing the extra overhead within competitive markets.
  - New entry, social, part-time and or retired workers also raised concerns around breaking even with their income, and needing to take on additional small jobs to keep up with costs.

- Some submitters noted the risk that more work will be done by unregistered workers if the increased fees price workers out of the market.

A number of submitters agreed with the proposal for additional fees to contribute towards the development of a simplified system, enhancement of the Board's competency training/assessment material and investigations function.

#### *Fees increase for overseas-trained workers*

Some submitters – including organisations who work to support workers to move to New Zealand – opposed the fees increase for overseas workers, stating this would discourage overseas electrical workers to immigrate and build their skillset. Other overseas submitters suggested that the increase wouldn't significantly add to costs given the general cost of immigration. Some also noted that the fees would allow employers to employ local talent, and raise competency and regulation in the industry.

### **Impact analysis and Ministry response**

There are 28,435 licensed electrical workers (as at 27 March 2018). The proposed changes to the fees would mean an electrical worker would pay \$52-\$113 more to renew their practising licence every second year, as well as additional changes administration ('Other') fees, and changes to the registration fee which will affect new entrants to the industry.

The proposed increase to fees is substantial due to fees being set below cost recovery, and thereby discounted, since 2013. However, the overall risk associated with the fees proposal has been assessed as low due to the fee levels being similar to charges for other building and construction sector occupational licensing regimes. Many submitters did not acknowledge the decision to set fees below cost. This suggests low levels of awareness about the 2013 fees decisions and the use of the memorandum account surplus to cover the scheme's costs.

As would be expected when charges are increased, the majority of submitters (64 per cent) opposed the proposed increase in charges. 24 per cent were neutral and 11 per cent agreed with the proposed increases.

Electrical workers provided feedback on different ways the service could be structured to provide better benefits, and ensure the on-going viability of the licensing and registration processes. This feedback will be provided to the Board to review, and incorporated in to work underway on other initiatives (for example, the reviews of the registration process and the competency assessment process which are underway).

#### *Simplification of fees categories*

In order to maintain a fair scheme, the proposed fee increases continue the current approach of simplifying certain fees across like activities (specifically, applications for domestic registrations, applications for limited certificates and general administrative fees. This is based on the objectives of equity and simplicity. Individuals in similar situations should be treated similarly and individuals in different situations differently. We have sought to set as many individual fees as are necessary to recover the costs in an efficient manner, without creating undue transaction costs for the organisation or workers who must pay it.

In consulting with electrical workers, the Ministry also proposed to simplify the online and manual license renewal fees. Submissions on this were mixed: some questioned why a manual application was still an option; and some others indicated that fee payers did not see these as comparable situations, preferring these fees remain separate. Following these submissions, the Ministry undertook further analysis to assess the impact of splitting these costs out again. With only 3.5 per cent of users forecasted to use the manual renewal option in the next relicensing round, the administrative costs of maintaining two fee types outweighs any benefit of providing a financial incentive for users to use the more efficient online renewal process. In addition, maintaining separate fees for online and manual could place an unfair burden on those without good connectivity, resulting in workers in more remote locations leaving the industry due to the high cost.

#### *Overseas workers licensing fees*

The most significantly impacted fee-payer in these proposals is one applying for registration as an overseas-trained electrician. Processing overseas-trained registration applications is much more costly to process than other registration applications. This is primarily as a result of the difficulty in verifying a qualification that was conducted and awarded in a different regulatory system or in a foreign language. Some submitters also noted that the increase wouldn't significantly add to costs given the general cost of immigration. It is proposed that the fee be set to recover the full cost of overseas-trained applications.

The Ministry's assessment is that the proposed overseas licensing fee for the electrical workers is comparable to other occupations in New Zealand and other jurisdictions. Assessing overseas registration applications is a complex manual process which has higher costs than a domestic application. If costs were spread across both domestic and overseas applicants (ie by providing a single 'application assessment fee'), this would raise the cost of domestic applications from the proposed \$304 to \$631 - an additional cost of \$327 per domestic applicant. Because of this, the Ministry does not consider it would be appropriate to expect domestic workers to subsidise the substantially higher cost of assessing these applications.

#### **Conclusions and recommendations**

The primary focus of this fees review is ensuring that the electrical workers registration and licensing scheme is adequately funded to assess the qualifications and competency of workers, and to undertake auditing and investigating to prevent the harm that unregistered workers can cause to the public and to property. If fees are not increased, a large deficit will be incurred by the end of the 2018/19 fiscal year and the Ministry will need to cut core activities (ie registration or auditing activities) or seek a deficit write-off to manage fiscal risk.

The proposed fees have sought to strike a balance between minimising additional costs to electrical workers while ensuring the scheme is adequately resourced. Detailed time-recording of scheme activities to improve the accuracy of the cost information underpinning the model, and a regular review of the fees is in place to ensure that costs are reasonable. Comparing the proposed electrical worker registration and licence fees with other building sector occupations indicates that the electrical fee arrangements are reasonable compared to other occupations and their average incomes.

On the whole, the feedback received conveys a strong expectation that the Ministry manage costs, continue to seek efficiencies, and consider the impact of any fees changes in the context of rising

compliance costs for electrical workers. Some of the comments received reflected different levels of awareness of how the system is designed, previous decision making, and what the cost drivers are. Further engagement with the industry outside of the fees review process may improve understanding of the system. This feedback will be passed on to the Board, with a recommendation that the Board improve communications to electrical workers about the purpose and activities of the scheme.

On balance, taking into account the feedback from electrical workers that they are in a general environment of rising construction costs with the expectation that the scheme is adequately resourced, the Ministry recommends that:

- the fees increases set out in Table 1 be put in place as soon as possible in order to ensure the ongoing viability of the scheme; and
- the Ministry continue to seek efficiencies within the scheme, taking into account the recommendations provided by submitters.

A well-resourced electrical worker licensing and registration system will ensure electrical workers have the required skills and abilities to do the work in their specialty and they continue to have up-to-date regulatory and technical knowledge to support the Government's building priorities.

We also recommend future reviews of the fees consider opportunities to return cost savings to users, and the viability of fees increases on the sector. It is recommended that regulations be made requiring electrical workers to pay the recommended fees to ensure the electrical workers registration and licensing scheme is adequately funded.