



COVERSHEET

Minister	Hon Jenny Salesa	Portfolio	Building and Construction
Name of package	Cabinet papers relating to the Electrical Workers and Licensed Building Practitioners Fees	Date of issue	21 March 2019

List of documents that have been proactively released

Date	Title	Author
26 September 2018	<i>Approval to amend Licensed Building Practitioners and Electrical Workers occupational registration and licensing fees</i>	<i>Office of Hon Jenny Salesa Minister for Building and Construction</i>

Information withheld

No information is being withheld from these documents.

In Confidence

Office of the Minister for Building and Construction
Chair, Cabinet Economic Development Committee

Approval to amend Licensed Building Practitioners and Electrical Workers occupational registration and licensing fees

Proposal

1. This paper seeks agreement to policy decisions on the funding for Electrical Workers and Licensed Building Practitioners schemes, and to amend the occupational registration and licensing fees set out in the Electricity (Safety) Regulations 2010 and the Building Practitioners (Licensing Fees and Levy) Regulations 2010.

Executive Summary

2. In 2012, electrical worker fees were set below cost to return past surpluses to practitioners [CAB Min (12) 25/7 refers]. This strategy has reduced the memorandum account surplus and unless fees are increased a large deficit will now be incurred by 30 June 2019.
3. The Licensed Building Practitioners (LBP) fees and levy have not changed since the scheme was introduced 10 years ago, but the cost of running the LBP scheme has increased since fees were set. The LBP scheme has had a history of funding issues and deficit write-offs, due in part to the initial uptake of the licensing regime being significantly lower than anticipated, resulting in reduced revenue.
4. Since electrical worker fees were last adjusted in 2013, new cost pressures have arisen. These are primarily input-driven costs that 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, better competency training material and assessments, and enhancement of the investigations function to ensure effective delivery.
5. The costs of running the LBP scheme have increased since the scheme was introduced in 2008. In addition, costs to develop and maintain new IT business systems in the LBP scheme, rapid change and growth in the building and construction sector, and better visibility of the scheme have resulted in greater demand for the LBP scheme's services (e.g. assessments, renewals and complaints handling) and a need for ongoing quality improvement.
6. Revenue collected from Electrical Worker and Licensed Building Practitioner fees and levies is currently forecast at \$8.433m per annum. I am seeking Cabinet's approval to increase the annual operating funding to these occupational licensing schemes by \$2.058 million to ensure the ongoing provision of effective and efficient occupational licensing schemes. In order to achieve this, I propose that the fees and

levy within the electrical workers and licensed building practitioners schemes are amended to accurately reflect costs by type of service.

7. In June 2018, Cabinet agreed to release discussion documents on proposed changes to fees for public consultation [CAB-18-MIN-0282 refers]. Two separate discussion documents were published on 18 June 2018 for a period of five weeks' consultation. 119 submissions were received on the proposed Electrical Workers fees changes and 121 submissions were received on the proposed LBP fees and levy changes.
8. The majority of submitters opposed the proposed increase in charges. Those 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.
9. Cost pressures are at a critical point for these schemes. If fees are not increased now, a large deficit will be incurred in the electrical workers memorandum account by 30 June 2019, and the Ministry will either need to seek cuts to core activities (i.e. registration or auditing activities) or a capital injection will be required to fund this deficit, resulting in taxpayers and not users funding the services. If funding (and therefore fees) is not increased for the LBP scheme, it will be unable to keep pace with the increased volume and complexity of complaints it is receiving, which will impact on the efficacy of the regulatory system
10. The proposed fees have sought to strike a balance between minimising additional costs to workers while ensuring the schemes are able to effectively regulate the sector. The proposed fees are comparable to fees in other building sector occupations with similar average incomes. Work is underway to address feedback on how the schemes can be improved to ensure long-term effectiveness of the regulatory system. However, fees for the current licensing and registration schemes need to be increased to ensure the system is adequately resourced to continue its work in the interim.
11. In order to ensure that the scheme continues to be adequately resourced and operating efficiently, and that over-recovery or under-recovery is minimised, fees should also be reviewed again in three years' time (2021).

Background

12. The Ministry of Business, Innovation and Employment (the Ministry) is responsible for administering the legislation regulating six occupational groups¹ within the building sector, and providing services to the Electrical Workers Registration Board (EWRB) and Building Practitioners Board (BPB), including administering the registers, employing the Registrars, investigating complaints and employing staff who support the work of the boards. The costs of these schemes are recovered primarily through third party fees, with a small contribution from electricity and building levies to cover investigations into unlicensed workers.

¹ Licensed Building Practitioners; electrical workers; plumbers, gasfitters and drainlayers; registered architects; chartered professional engineers and engineering associates.

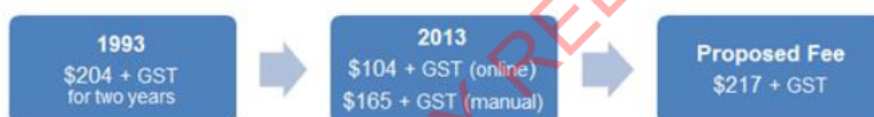
13. In 2012, electrical worker fees were set below cost to return past surpluses to practitioners [CAB Min (12) 25/7 refers]. This strategy has reduced the memorandum account surplus and unless fees are increased, a large deficit will now be incurred by 30 June 2019.
14. The Licensed Building Practitioners (LBP) fees and levy have not changed since the scheme was introduced 10 years ago, but the cost of running the LBP scheme has increased since fees were set. The LBP scheme has had a history of funding issues and deficit write-offs, due in part to the initial uptake of the licensing regime being significantly less than anticipated, resulting in reduced revenue.
15. Revenue collected from Electrical Worker and Licensed Building Practitioner fees and levies is currently forecast at \$8.433m per annum. I am seeking Cabinet's approval to increase the annual operating funding to these occupational licensing schemes by \$2.058 million to ensure the ongoing provision of effective and efficient occupation licensing schemes. In order to achieve this, I propose that the fees and levy within the electrical workers and licensed building practitioners schemes are amended to accurately reflect costs by type of service.
16. In June 2018, Cabinet agreed to release discussion documents on proposed changes to fees for public consultation [CAB-18-MIN-0282 refers]. The discussion documents proposed:
 - Increasing revenue collected from Electrical Worker fees by \$0.823 million in 2018/19 and outyears to fund an increase in input-driven costs. These proposed changes would mean an increase of \$152 (excl. GST) for a new worker registration, and an additional \$52 to \$113 (excl. GST) per worker to renew their practising licence every second year. Additional changes to some registration and administrative fees were also proposed.
 - Increasing revenue collected from LBP fees and levies by \$1.235 million in 2018/19 and outyears to fund an increase in demand-driven costs. These proposed changes would mean a small reduction in the fees payable by Licensed Building Practitioner licence applicants and an increase of \$34.50 (excl. GST) in annual charges for renewing LBPs. Additional changes to some registration and administrative fees were also proposed.
17. The outcome of this consultation, and recommended changes, are provided below.

Proposal

Electrical Workers

18. I proposed to increase electrical worker fees to ensure the Electrical Workers scheme has sufficient resources to address new cost pressures that have arisen since the fees were last adjusted in 2013, and to fully recover costs.
19. These cost pressures are primarily input-driven costs that 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, including:

- Development and implementation of IT systems to improve efficiency of registration and licensing processes. IT systems will also improve the management of complaints and provide online access to services for electrical workers;
 - Development and enhancement of the Board's competency training material and assessments; and
 - Enhancement of the investigations function to ensure effective delivery.
20. For some fee categories, more accurate costing (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 licence renewal and overseas registration fees. These fee categories have the largest proposed fee increases.
21. To recover these costs, revenue collected from fees would need to increase by \$0.823 million in 2018/19 and outyears.
22. The illustration below shows the change to the licence renewal fee for electrical workers over time, based on two-yearly payment cycles.



23. The table below outlines the proposed changes to fees:

Table 1: Electrical workers current and proposed fees

Fee type	Current fee - set in 2013 (\$)	Unit cost of service (\$)	Proposed fee (\$)
REGISTRATIONS			
Application for registration – New Zealand time-based training		360	304
Application for registration – Competency based training	152	180	
Application for registration – Trans Tasman mutual recognition (TTMRA)		240	
Application for registration (overseas-trained)	304	1,438	1,435
LIMITED CERTIFICATES/PROVISIONAL LICENCES			
Application for provisional licence	79	- 2	113
Application for limited certificate – first & second application	79	96	

² This does not have a cost to service listed as there were 0 applications. Costs have been estimated based on comparable activities within the same category.

Application for limited certificate – third and subsequent application		120	
LICENCES (paid every two years)			
Application for practising licence – electronic	104	204	217
Application for practising licence – manual	165	814	
Application for employer licence	2,148	1,860	2,148
OTHER FEES			
Registration certificate	50	60	65
Replacement certificate or licence	50	60	
Certified copy of entry in register	50	2	
Restoration of name to register	99	120	113

24. This fees structure has been designed to deliver full cost recovery at the scheme level, and full cost recovery at the activity level unless there are clear policy reasons to depart from this principle. A full list of current scheme fees and proposed changes is attached as Appendix One. The proposed fee changes will affect all workers seeking to renew their licence, new registrations and administrative services. Some classes of fees will increase more than others.
25. The proposed changes to the fees would mean an electrical worker would pay \$52 to \$113 (excl. GST) more to renew their practising licence every second year.
26. The most substantial change is in the overseas worker registration fee. Following an full assessment of administration costs, this fee has been identified as substantially under cost. It is proposed to increase by \$1,131 to \$1,435 (excl. GST). This cost is still comparable to the charges for overseas licensing in other building and construction sector occupational licensing regimes, and is less expensive than overseas electrical worker registration in Australia³.

Licensed Building Practitioners

27. I propose to increase the licensed building practitioner fees and levy to ensure the LBP scheme has sufficient resources to achieve its current purpose, and to fully recover costs.
28. The fees and levy have not changed since the LBP scheme was introduced 10 years ago. A 2017 review of the LBP scheme fees and cost model found that:
- the costs of running the LBP scheme have increased since fees were set meaning the current appropriation is insufficient to cover the costs of providing an effective and efficient LBP scheme.

³ The cost for overseas registration/assessment in the Chartered Professional Engineers scheme is \$1,175; overseas registration/assessment for the Plumbers Gasfitters, and Drainlayers Scheme is up to \$4,490. Where overseas qualifications are recognised in the Australian electricity licensing schemes, the cost is \$3,450-\$3,700. Fees for recognising qualifications between Australia and New Zealand are different due to the provisions of the Trans-Tasman Mutual Recognition Agreement.

- rapid change and growth in the building and construction sector and better visibility of the scheme have resulted in greater demand for the LBP scheme's services (e.g. complaints handling, as well as assessments and renewals) and a need for ongoing quality improvement.
 - the structure of the fees and levy do not provide adequate transparency of the costs of the LBP scheme.
29. To cover current costs, develop and maintain new IT business systems and ensure complaints functions are resourced to handle the increasing volume and complexity of cases, revenue collected from fees would need to increase by \$1.235 million in 2018/19 and outyears.
30. The table below outlines the high-level proposed changes to fees:

Table 2: Licensed Building Practitioners current and proposed fees

Fee/levy type	Current fee	Cost to Serve	Proposed fee
Initial licence application fee	\$71.11	\$219.44	\$217.39
Administration fee	\$151.11	n/a	n/a (removed)
Total application fee	\$222.22 plus relevant assessment fee	\$219.44	\$217.39 plus relevant assessment fee
Licence renewal Fee	\$151.11 (Administration fee with certain annual replies)	\$84.17	\$84.35
Scheme levy	\$22.22 (Board levy)	\$123.28	\$123.48
Total annual charge	\$173.33	\$207.45	\$207.83
Reissue documentation	\$26.67	\$37.86	\$43.48
Voluntary suspension	\$44.44	\$37.86	\$43.48

31. This fees structure has been designed to deliver full cost recovery at the scheme level, and full cost recovery at the activity level unless there are clear policy reasons to depart from this principle. A full list of current scheme fees and proposed changes is attached as Appendix Two. The proposed increase in appropriation will be recovered largely through the annual license renewal charges, which all 25,100 LBPs pay. It will amount to an increase of \$34.50 per LBP each year. There will also be an increase to the cost of one-off fees for reissuing documentation, and a slight reduction in the fee for new licence applications.

32. A change in the structure of the annual charges is also proposed to provide better transparency of the costs of the LBP scheme. The current 'administration fee with certain annual replies' and 'board levy' will be renamed to 'licence renewal fee' and 'scheme levy' to better reflect who receives the benefit from the activity charged for.

Industry Feedback/Outcome of Public Consultation

33. Two separate discussion documents were 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 Newsletter;
 - *Codewords*, the Ministry's building sector newsletter;
 - Email to all registered Electrical Workers (49,000) and Licensed Building Practitioners (25,100), 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.
34. Information placed on the Ministry's website was viewed over 1,200 times for Electrical Workers, and over 1,700 times for Licensed Building Practitioners. The full discussion documents were accessed over 200 times for each scheme. While a substantial number of those contacted chose not to submit on the consultation, these figures indicate a high level of awareness of the proposals.
35. In total, 119 submissions were received on the proposed Electrical Workers fees changes and 121 submissions were received on the proposed Licensed Building Practitioners fees and levy changes.

Electrical Workers Feedback

Overall feedback

36. 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. 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 comments 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.

Impact of proposed increases

37. 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.
38. 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.

Simplifying fees across categories

39. Submitters broadly supported continuing with this approach, but there were mixed views on a new proposal to combine the online and manual licence renewal fees in to a single fee: 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.
40. With only 3.5 per cent of users now forecast to use the manual renewal option in the next licensing round, I consider continuing with two fee types would place an unfair burden on those without good connectivity, resulting in some workers leaving the industry due to the high cost of licence renewals.

Fees increase for overseas-trained workers

41. 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.
42. I consider that it would not be equitable to cover these costs as part of a general registration fee paid by both domestic and overseas applicants. If costs were spread across both domestic and overseas applicants (i.e. 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. As the proposed overseas licensing fees for the electrical workers are comparable to other occupations in New Zealand and other jurisdictions, and current data indicates the supply and demand for this trade are in balance, it is proposed that the fee be set to recover the full cost of overseas-trained applications.

Feedback about performance of EW registration scheme

43. Electrical workers provided feedback on different ways in how the service could be structured to provide better benefits, and 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).

Licensed Building Practitioners Feedback

Overall feedback

44. As might be expected with a fee increase, the majority of submitters (75 per cent) preferred no increase in charges. 14 per cent were neutral and 11 per cent agreed with the increases, although some qualified their support with comments to the effect that so long as the increase in fees resulted in better service.
45. A number of submitters also identified ways in which LBP scheme processes and systems could be improved. The Ministry is considering this feedback as part of work on improving the LBP scheme.

Impact of increases

46. Comments on the cost impact were varied and included the cost would be passed on to consumers, that the LBP would have to bear it, and concerns about a general environment of rising construction costs.

Separate licence renewal fee and replacement levy

47. Two changes to the structure of charges were proposed to align with good practice and provide better transparency and accountability around what the fee/levy payer receives for that fee or levy. Comments about whether the separate licence renewal fee and replacing the existing board levy with a scheme levy made it clearer as to what LBPs are paying for either said it was clearer, or that they viewed it as just an administrative change.

Feedback about the performance of the LBP scheme

48. General feedback received in this consultation has also highlighted that the LBP scheme may not be working as expected. This fees review has focused on ensuring that fees settings are adequately recovering costs, and that the schemes are adequately resourced to deliver on current objectives. Feedback that the Ministry have received on the performance of the scheme in general will be considered as part of work that is currently underway reviewing the system of occupational regulation, which includes a project to review the LBP scheme.

Policy decisions underpinning the fees structure

49. The guidelines for setting fees in the public sector⁴ note that the fees should, as a rule, avoid over-recovery and cross-subsidisation. As noted above, the fees structures for these schemes have been designed to deliver full cost recovery at the scheme level, and full cost recovery at the activity level unless there are clear policy reasons to depart from this principle.

⁴ The Legislation Design and Advisory Committee's Legislation Guidelines (2018), the Office of the Auditor General's good practice guide Charging fees for public sector goods and services (2008), and Treasury's Guidelines for Setting Charges in the Public Sector (2017).

50. There is potential for limited over-recovery (approximately \$5 on documentation fees) for both the electrical workers and LBP schemes. This is because the model incorporates a modest margin to account for the volatility in application volumes, and the relatively high proportion of the costs to provide these services being fixed (i.e. not changed on volume). In practice, a change in volumes could pose the risk of under- or over-recovery. The model used to determine the level of fees aims to trend the memorandum account to zero, and regular reviews of the fees structure will enable the scheme to be adjusted as appropriate.
51. The guidelines note that there may be situations where cross subsidisation at the activity level is appropriate and justified for policy reasons. With respect to the proposed fees some cross-subsidisation of fees (primarily in the electrical workers fees structure) is proposed. Any cross-subsidisation needs to be clearly documented, transparent, and appropriate. There are limited grounds for the Regulations Review Committee to draw regulations to the attention of the House of Representatives under Standing Order 319. For example, on the grounds that fee cross-subsidisation may be an unusual or unexpected use of powers conferred by the enactment under which it is made (Standing Order 319(2)(c)). Fees reviews have historically been of interest to the Regulations Review Committee. I consider some cross-subsidisation of fees in the electrical workers scheme is justified as:
- a) the regulation-making powers in the Electricity Act 1992 are broad and permit “prescribing the matters in respect of which fees are payable under this Act; prescribing the amounts of the fees or the method by which they are to be assessed; and prescribing the persons to whom the fees are to be paid”,
 - b) it supports broader objectives of the regulatory system, including:
 - i) supporting electrical trainees to choose the registration path that best suits their learning needs (e.g. apprenticeship or polytechnic) by avoiding introducing cost incentives for different registration and licensing paths; and
 - ii) balancing the desire to encourage electrical workers to use more cost-effective electronic services with ensuring those who find it harder than most to adopt new technology and systems are not priced out of the workforce (e.g. older workers, people in rural communities).
52. The proposed approach to sharing these costs among fee payers is set out below. Note that alternative approaches to balancing these costs would require new cost modelling to ensure the overall fees structure is still recovering the full costs of the scheme.

Electrical workers: applications for domestic registrations

53. I propose to continue the current approach of simplifying fees across the following activities, as set out in Table 1:
- Application for registration – New Zealand time-based training
 - Application for registration – Competency based training

- Application for registration – Trans Tasman mutual recognition (TTMRA)
54. While further cost modelling has identified that the underlying costs for different types of applications are different, maintaining a single fee for domestic applications, supports electrical trainees to choose the registration path that best suits their learning needs (e.g. ‘time-based training’, with an informal apprenticeship outside the NZQA system, or ‘competency based training, with and apprenticeship supported by an industry training organisation under the NZQA system), instead of seeking the cheapest registration or licensing path. It also avoids the additional administrative cost of setting up and maintaining multiple fee types for domestic registration applications.
55. I consider this approach strikes a balance between setting 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.

Electrical workers: applications for limited certificates

56. I propose to continue the current approach of simplifying fees across the following activities, as set out in Table 1:
- Application for limited certificate – first and second application
 - Application for limited certificate – third and subsequent application
57. Limited Certificates enable trainees to undertake work while they are training. While further cost modelling has identified that the underlying costs for the third and subsequent applications are different, maintaining a single fee for limited certificate applications supports electrical trainees to continue with their training. It also avoids the additional administrative cost of setting up and maintaining another fee type for trainees who have applied more than two times for a limited certificate.
58. I consider this approach strikes a balance between setting 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.

Electrical workers – online and manual licence renewal fees

59. I propose to combine the online and manual electrical worker licence renewal fees into a single fee of \$217 (excl. GST), as set out in Table 1.
60. Licence renewal fees were split into separate online and manual fees in 2012 to encourage workers to shift to more cost-effective online services. This approach has been successful, with only 3.5 per cent of users now using the manual renewal option.
61. Further modelling has identified that the cost to provide the manual fee option (\$814 per unit) is now substantially higher than the online option (\$204 per unit). Given this, I have considered whether it is appropriate to continue charging on the direct costs to the users, which would have the result of charging a small group of workers a substantially higher fee.

62. I consider maintaining two fee types would place an unfair burden on those without good internet connectivity, resulting in some workers leaving the industry due to the high cost of licence renewals. Given this, I propose that one fee be charged across online and manual renewal options. In order to do this, the two fee types will be removed and replaced with a single annual licence renewal fee (currently paid every two years, in line with established licensing renewal cycles).

Response and Summary

63. While the majority of submitters opposed the proposed increase in charges, no substantive issues have been identified with the proposed fees structures during consultation.
64. Cost pressures are at a critical point for these schemes. Work is underway to address feedback on how the schemes can be improved to ensure long-term effectiveness of the regulatory system. However, fees for the current licensing and registration schemes need to be increased to ensure the system is adequately resourced to continue its work in the interim.
65. The proposed fees have sought to strike a balance between minimising additional costs to workers while ensuring the schemes are able to effectively regulate the sector. The proposed fees are comparable to fees in other building sector occupations with similar average incomes.
66. The electrical workers and LBP schemes play a crucial part in supporting the building sector to deliver KiwiBuild. The Ministry of Business, Innovation and Employment's initial estimates of the supply and demand for LBPs indicates a significant and growing shortfall of LBPs from 2016 to 2022. Supply and demand for the electrical worker trade is estimated to be in balance. I consider that these fees will have minimal impact on the supply of electrical workers and LBPs, and the small fee increases are necessary to ensure that the schemes are adequately resourced to support the Government's building priorities.
67. Given this, I propose that funding for the Electrical Workers scheme is increased by \$0.823 million and funding for the LBP scheme is increased by \$1.235 million, with the revenue for this funding coming from increased fees. Fees should be recovered based on the proposal set out in the consultation documents released in June 2018 [CAB-18-MIN-0282 refers], with no changes to the structure following consultation.
68. In order to ensure that the scheme continues to be adequately resourced and operating efficiently, and that over-recovery or under-recovery is minimised, fees should also be reviewed again in three years' time (2021). Fees may be reviewed earlier if the Ministry considers an out-of-cycle review is warranted (for example, to align with decisions of policy reviews of the scheme).
69. The proposed new fees will be implemented by replacing the relevant sections of the Electricity (Safety) Regulations 2010 and the Building Practitioners (Licensing Fees and Levy) Regulations 2010 that establish the prescribed fees payable for the schemes. Regulations referring to the fees as GST inclusive will also be changed to reflect the GST exclusive figure. This change will ensure the scheme does not face

financial disadvantage or overcharge workers in the event of any future change in GST.

70. If approved, the new fees will be effective from January 2019. No additional compliance costs are expected.

Financial Implications

71. The primary focus of the electrical workers and LBP fees review is to ensure that these schemes are adequately funded to assess the qualifications and competency of workers, and to undertake auditing and investigating to prevent the harm that poor work by licensed workers can cause to the public and to property.
72. The fees reviews identified a need to address cost pressures in both schemes. An increase in funding in the Occupational Licensing appropriation within Vote Building and Housing of \$2.058 million in 2018/19 and outyears (\$0.823 million for the Electrical Workers scheme and \$1.235 million for Licenced Building Practitioners scheme) is proposed. The fees outlined in this paper have been set to recover this funding increase.
73. The current electrical workers fees are set below cost in order to reduce the surplus in the memorandum account. If fees are not increased now, a large deficit will be incurred by 30 June 2019, and the Ministry will either need to seek cuts to core activities (i.e. registration or auditing activities) or a capital injection will be required to fund this deficit, resulting in taxpayers and not users funding the services.
74. If funding (and therefore fees) is not increased for the LBP scheme, it will be unable to keep pace with the increased volume and complexity of complaints it is receiving, which will impact on the efficacy of the regulatory system.

Consultation

75. The Treasury have been consulted in the preparation of this paper. The Department of the Prime Minister and Cabinet has been informed.

Legislative Implications

76. The fees for these schemes are set out in the fees Electricity (Safety) Regulations 2010 and the Building Practitioners (Licensing Fees and Levy) Regulations 2010. In order to amend these fees, these regulations must be amended.

Impact Analysis

77. The regulatory impact analysis requirements apply to the proposals in this paper. A Stage 2 Cost Recovery Impact Statement has been prepared for each scheme. These are attached as Appendices 3 and 4.

Quality of the impact analysis

78. The Regulatory Impact Analysis Review Panel has reviewed the attached Cost Recovery Impact Statement (CRIS) prepared by the Ministry of Business, Innovation and Employment. The Panel considers that the information and analysis summarised

in the CRIS meets the criteria necessary for Ministers to fairly compare the available policy options and take informed decisions on the proposals in this paper.

Human Rights

79. There are no human rights implications in this proposal.

Publicity

80. A summary of submissions and the Cost Recovery Impact Statements will be released on the Ministry's website subject to Cabinet's approval of the Regulations (expected in late November 2018).
81. Subject to regulations being approved, all currently registered electrical workers and licensed building practitioners will be contacted to advise them of the fees change by December 2018. Information will also be provided in newsletters (*Electron* and *Codewords*).
82. Communications will be coordinated alongside announcements about other changes and work underway in the occupational regulation space

Recommendations

The Minister for Building and Construction recommends that the Committee:

1. **note** that Ministry of Business, Innovation and Employment consulted on proposed changes to electrical workers and licensed building practitioners fees and levies in June 2018;
2. **note** that 119 submissions were received on the proposed Electrical Workers fees changes and 121 submissions were received on the proposed Licensed Building Practitioners fees and levy changes;
3. **note** that in 2012, electrical worker fees were set below cost in order to return past surpluses to practitioners and the electrical workers memorandum account has now been reduced;
4. **note** that it is possible the Regulations Review Committee will seek explanation of the cross-subsidisation in some of the proposed fees, but this has been assessed as limited and justified;
5. **agree** that the proposed fee structure for electrical workers should:
 - i. continue the current approach of simplifying fees across the following activities:
 - Application for registration – New Zealand time-based training
 - Application for registration – Competency based training
 - Application for registration – Trans Tasman mutual recognition (TTMRA)

- ii. continue the current approach of simplifying fees across the following activities:
 - Application for limited certificate – first and second application
 - Application for limited certificate – third and subsequent application
 - iii. combine the online and manual electrical worker license renewal fees in to one single fee;
6. **agree** to amend the Electricity (Safety) Regulations 2010 to increase electrical worker fees to the rates specified in Appendix One;
 7. **agree** to amend the Building Practitioners (Licensing Fees and Levy) Regulations 2010 to increase licensed building practitioner fees and levy to the rates specified in Appendix Two;
 8. **agree** that the amendments in recommendation 6 will remove the separate online and manual annual licence renewal fees, and replace them with a single annual licence renewal fee;
 9. **agree** that the amendments in recommendation 7 will also change the title of the ‘administration fee with certain annual replies’ to ‘license renewal fee’, and the title of the levy from ‘board levy’ to ‘scheme levy’ in the Building Practitioners (Licensing Fees and Levy) Regulations 2010;
 10. **agree** that the proposed fees and levy in recommendations 6 and 7 will be stated as GST exclusive;
 11. **agree** to increase the funding for the Electrical Workers scheme by \$0.823 million and the Licensed Building Practitioners scheme by \$1.235 million to develop and maintain IT business systems and enhance scheme services;
 12. **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 6, 7 and 11 with no corresponding impact on the operating balance:

	\$m – increase/(decrease)			
Vote Building and Housing Minister of Building and Construction	2018/19	2019/20	2020/21	2021/22 & outyears
Departmental Output Expense: Occupational Licensing (funded by revenue other)	2.058	2.058	2.058	2.058

13. **agree** that the proposed change(s) to appropriations for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

Authorisation for drafting instructions and minor or technical changes

14. **invite** the Minister for Building and Construction to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions in this paper;
15. **authorise** the Minister for Building and Construction to make decisions on any minor or technical matters that may arise during the drafting process;

Next review of fees, levies and funding

16. **direct** the Ministry of Business, Innovation and Employment to review the Electrical Workers scheme and Licensed Building Practitioners scheme fees and levy by December 2021;
17. **invite** the Minister of Building and Construction to report back on the outcome of the review by December 2021; and

Publicity

18. **note** that a summary of submissions and the Cost Recovery Impact Statements will be released on the Ministry's website later in the year, subject to Cabinet's approval of the Regulations.

Authorised for lodgement

Hon Jenny Salesa

Minister for Building and Construction

PROACTIVELY RELEASED

Appendix One: Proposed changes to Electrical Worker Fees set out in Schedule 6 of the Electricity (Safety) Regulations 2010

	Current fee (\$)	Proposed fee (\$)
REGISTRATIONS		
Application for registration	175 (GST incl.)	304 (GST excl.)
Application for registration (overseas-trained)	350 (GST incl.)	1,435 (GST excl.)
LIMITED CERTIFICATES/PROVISIONAL LICENCES		
Application for provisional licence	91 (GST incl.)	113 (GST excl.)
Application for limited certificate	91 (GST incl.)	113 (GST excl.)
LICENCES		
Annual practising licence applied for electronically	60 (GST incl.)	removed
Annual practising licence applied for manually	95 (GST incl.)	
Annual practising licence fee	new	108.50 (GST excl.)
Application for employer licence	2,470 (GST incl.)	2,148 (GST excl.)
OTHER FEES		
Registration certificate	57 (GST incl.)	65 (GST excl.)
Replacement certificate or licence	57 (GST incl.)	65 (GST excl.)
Certified copy of entry in register	57 (GST incl.)	65 (GST excl.)
Restoration of name to register	114 (GST incl.)	113 (GST excl.)
EXAMINATION AND ASSESSMENT FEES		
Application for written examination entry	85 (GST incl.)	85 (GST incl.)
Application for remarking examination	85 (GST incl.)	85 (GST incl.)
Return of examination script	85 (GST incl.)	85 (GST incl.)
Application for late examination	85 (GST incl.)	85 (GST incl.)
Application for practice assessment	85 (GST incl.)	85 (GST incl.)

Appendix Two: Proposed changes to Licensed Building Practitioners Fees and Levy set out in the Building Practitioners (Licensing Fees and Levy) Regulations 2010

	Current fee (\$)	Proposed fee (\$)	notes
LICENCE APPLICATION			
Application fee (r4)	80 (incl. GST)	217.39 (excl. GST)	
Administration fee (r5)	170 (incl. GST)	0	Remove fee type
LICENCE RENEWALS			
Administration fee with certain annual replies (r12)	170 (incl. GST)	84.35 (excl. GST)	Rename to "Licence Renewal Fee"
Board levy rs13)	25 (incl. GST)	123.48 (excl. GST)	Rename to "Scheme Levy"
OTHER FEES			
Voluntary suspension fee (r10)	50 (incl. GST)	43.48 (excl. GST)	
Reissue fee (r11)	30 (incl. GST)	43.48 (excl. GST)	
Late fee (r14)	25 (incl. GST)	25 (incl. GST)	(no change)
ASSESSMENT FEES (regulations 6-9)			
(no changes proposed to these regulations)			

PROACTIVELY RELEASED

Appendix Three: Cost Recovery Impact Statement - Electrical Workers Fees

PROACTIVELY RELEASED

Appendix Four: Cost Recovery Impact Statement - Licensed Building Practitioners Fees and Levy

PROACTIVELY RELEASED