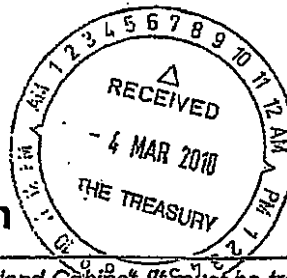




Cabinet

Minute of Decision



CAB Min (10) 7/12

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Proposal for a New Zealand Productivity Commission

Portfolio: Finance / Regulatory Reform

On 1 March 2010, following reference from the Cabinet Economic Growth and Infrastructure Committee (EGI), Cabinet:

Background

- 1 noted that in August 2009, EGI directed Treasury, in consultation with relevant departments, to report back with detailed analysis and design recommendations for a possible Productivity Commission [EGI Min (09) 17/15];

New Zealand Productivity Commission

Role and functions

- 2 agreed to establish a New Zealand Productivity Commission (Commission);
- 3 agreed that the purpose of the Commission is to improve productivity in both the public and private sectors in a way that is directed at supporting the overall well-being of New Zealanders;
- 4 agreed that the functions of the Commission (subject to legislative drafting) should be:
 - 4.1 on referral by the Responsible Minister, in conjunction with the relevant portfolio Minister and, in the case of reviews of regulatory regimes, the Minister for Regulatory Reform, to:
 - 4.1.1 hold inquiries into, and report to the referring Minister(s) about, productivity-related matters that are referred to it by the Minister;
 - 4.1.2 conduct *ex post* reviews of regulatory regimes;
 - 4.1.3 conduct reviews of the efficiency and effectiveness of regulatory agencies;
 - 4.1.4 undertake *ex ante* regulatory impact analysis for a small number of specific regulatory proposals;

4.2 on its own initiative, to:

4.2.1 undertake and publish its own research into productivity-related matters to build its institutional knowledge and, as such, support its inquiry and reviews functions;

4.2.2 promote public understanding of productivity-related matters;

5 agreed that the Commission should not have the provision to hold a limited number of inquiries into, and report to the relevant Minister(s) about, productivity-related matters that are determined by the Commission to warrant investigation;

Independent Crown Entity

6 agreed that the Commission be headed by 3-4 Commissioners, and be supported by an establishment of approximately 21 FTEs;

7 agreed that provision be made to appoint Associate Commissioners;

8 agreed that the Commission be an Independent Crown Entity;

General provisions

9 agreed that the annual work programme of the Commission, and terms of reference of inquiries/reviews, must be made public;

10 agreed that the Commission be expected to consult widely when undertaking inquiries, reviews, and regulatory impact analyses;

11 agreed that the Commission be allowed to determine its own procedures, and may publish its reports and research, subject to any constraints in the terms of reference, which may specify the scope of the inquiry, procedures that the Commission must follow, and the date by which the Commission must submit its report;

12 agreed that the Commission have the capacity to undertake joint inquiries or studies with the Australian Productivity Commission;

13 agreed that reports produced by the Commission pursuant to a referral be required to be tabled in the House of Representatives, but that the government not be required to respond to the reports;

14 agreed that the Commission will be a government agency for the purpose of the Statistics Act 1975;

15 noted that the Official Information Act 1982 will apply to the Commission;

16 agreed that the Minister of Finance be the Responsible Minister, and that Treasury be the responsible department;

Administrative and analytical support

17 noted that there are two options for the provision of support to the Commission:

17.1 option 1: employing its own analytical staff, but sharing back office services with another agency;

17.2 option 2: entering into an arrangement with Treasury to provide both analytical and back-office services;

- 18 agreed that the Commission employ its own analytical staff, including using secondments if appropriate, but share back office services with another agency;

Legislative implications

- 19 noted that legislation is required to establish the Commission;
- 20 invited the Minister of Finance to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above decisions;
- 21 authorised the Minister of Finance and the Minister for Regulatory Reform to take decisions on minor policy issues that arise as the Bill is drafted;

Financial implications

- 22 agreed that, subject to paragraphs 24 and 26, the establishment and operating costs of the Commission will be met by reductions to direct Crown funding of the following departments and Crown entities, with no impact on the government's operating balance:

Agency	Contribution		
	2010/11	2011/12	2012/13 & outyears
Treasury	\$237,000	\$467,000	\$500,000
Ministry of Economic Development	\$237,000	\$467,000	\$500,000
Department of Labour	\$236,000	\$467,000	\$500,000
Ministry of Agriculture and Forestry	\$70,000	\$140,000	\$150,400
Ministry of Transport	\$70,000	\$140,000	\$150,400
Ministry of Foreign Affairs and Trade	\$70,000	\$140,000	\$150,400
Ministry of Research, Science and Technology	\$70,000	\$140,000	\$150,400
Ministry for the Environment	\$70,000	\$140,000	\$150,400
Statistics New Zealand	\$70,000	\$140,000	\$150,400
Inland Revenue Department	\$70,000	\$140,000	\$150,400
Te Puni Kōkiri	\$70,000	\$140,000	\$150,400
Ministry of Fisheries	\$70,000	\$140,000	\$150,400
Ministry of Education	\$70,000	\$140,000	\$150,400
State Services Commission	\$70,000	\$140,000	\$150,400
Department of Building and Housing	\$70,000	\$140,000	\$150,400
Ministry of Social Development	\$70,000	\$140,000	\$150,400
Ministry of Health	\$70,000	\$140,000	\$150,400
Justice Sector (Justice, Courts, Corrections, Police)	\$70,000	\$140,000	\$150,400
Department of Internal Affairs	\$70,000	\$140,000	\$150,400
New Zealand Customs Service	\$70,000	\$140,000	\$150,400
New Zealand Food Safety Authority	\$70,000	\$140,000	\$150,400
Land Information New Zealand	\$70,000	\$140,000	\$150,400
Housing Corporation	\$70,000	\$140,000	\$150,400

New Zealand Transport Agency	\$70,000	\$140,000	\$150,400
Tourism Board	\$70,000	\$140,000	\$150,400
New Zealand Trade and Enterprise	\$70,000	\$140,000	\$150,400
Tertiary Education Commission	\$70,000	\$140,000	\$150,400
Accident Compensation Corporation	\$70,000	\$140,000	\$150,400
Total	\$2.460m	\$4.901m	\$5.260m

- 23 noted that the following agencies are still considering the funding proposal: Housing New Zealand Corporation; New Zealand Transport Agency; and New Zealand Tourism Board;
- 24 24.1 agreed that the Ministry of Tourism and the Ministry for Culture and Heritage also contribute funding for the establishment and operating costs of the Commission;
- 24.2 authorised the Minister of Finance and the relevant Vote Minister to determine the amount of the contribution from these agencies;
- 25 noted that:
- 25.1 the following agencies have argued that, because of their relatively small size and/or pressures on their baselines and implications for outputs, they should contribute at a lower rate: Department of Labour; New Zealand Food Safety Authority; and Land Information New Zealand;
- 25.2 the New Zealand Customs Service would also prefer a greater differentiation based on size, but accepts the proposed level of contribution;
- 25.3 Statistics New Zealand and New Zealand Trade and Enterprise would prefer to make a contribution of their expertise rather than direct funding;
- 26 authorised the Minister of Finance, in consultation with relevant Vote Ministers, to make any necessary adjustments in relation to the contributions from smaller agencies set out in the table in paragraph 22, to take account of further contributions from other agencies;
- 27 agreed that the technical details of the transfers and the necessary changes to appropriations will be addressed as part of the Baseline Alignment Proposals due from each Vote Minister on 8 March 2010;
- 28 noted that the final approval of the technical changes to the identified baselines set out in paragraph 27 above will be sought in the Budget 2010 Cabinet paper;

Review after two years

- 29 invited the Minister of Finance and the Minister for Regulatory Reform to undertake a review of the Commission and its funding two years after it is established to assess its effectiveness, and to report back to EGI on the outcome of the review.

Secretary of the Cabinet

Reference: CAB (10) 69; EGI Min (10) 3/2

