

VOTE *Commerce*

Commerce

Overview

Appropriations sought for Vote Commerce in 2006/07 total \$80.709 million. This amount is to be applied as follows:

Departmental Appropriations

Appropriations for departmental output expenses total \$47.947 million (59.5% of the Vote). This is sought to purchase services from the Ministry of Economic Development including:

- \$9.323 million (11.6% of the Vote) for policy advice on business and competition.
- \$1.100 million (1.4% of the Vote) for administration of trade remedies.
- \$352,000 (0.4% of the Vote) for administering import legislation.
- \$10.427 million (12.9% of the Vote) for registration and granting of intellectual property rights by the Intellectual Property Office and granting of plant variety rights by the Plant Variety Rights Office.
- \$10.146 million (12.6% of the Vote) for administration of insolvencies and management of proceeds of crime orders.
- \$16.599 million (20.6% of the Vote) for registration and provision of statutory information.

Non-Departmental Appropriations

Appropriations sought for non-departmental output expenses total \$22.923 million (28.4% of the Vote). These relate to the role of the Commerce Commission, the Securities Commission, the Takeovers Panel, and the Accounting Standards Review Board. Details are provided under Part C.

Appropriations sought for non-departmental other expenses total \$9.839 million (12.1% of the Vote). These relate to the Crown's membership in various organisations associated with the activities within Vote Commerce and possible litigation activities for the Commerce Commission, the Securities Commission and the Takeovers Panel.

Crown Revenue and Receipts

The Crown is forecast to collect \$4.515 million in 2006/07.

Details of how the appropriations are to be applied appear in Parts B1, C and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

AASB	Australian Accounting Standards Board
APEC	Asia Pacific Economic Cooperation
ASRB	Accounting Standards Review Board
BCCU	Business Compliance Costs Unit
BIA	Building Industry Authority
CCCFA	Credit Contracts and Consumer Finance Act 2003
CEP	Closer Economic Partnership
DIRA	Dairy Industry Restructuring Act
EIRA	Electricity Industry Reform Act 1998
FRC	Financial Reporting Council
FSAP	Financial Sector Assessment Program
FTA	Free Trade Agreement
GAAP	Generally Accepted Accounting Practice
HSNO	Hazardous Substances and New Organisms Act 1996
IASB	International Accounting Standards Board
IFAC PSC	International Federation of Accountants Public Sector Committee
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
MED	Ministry of Economic Development
NZX	New Zealand Exchange
RIAU	Regulatory Impact Analysis Unit
RMA	Resource Management Act
SME	Small and Medium-sized Enterprises
SPs	Strategic Priorities
TTASAG	Trans Tasman Accounting Standards Advisory Group
WTO	World Trade Organization

Minister Portfolio Table

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Commerce

VOTE MINISTER: Minister of Commerce

ADMINISTERING DEPARTMENT: Ministry of Economic Development

The Minister for Economic Development is the Responsible Minister for the Ministry of Economic Development

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Outcomes

A priority for the Government is working to progress New Zealand's economic transformation to a high income, knowledge based market economy, which is both innovative and creative, and provides a unique quality of life to all New Zealanders.

Within the economic transformation agenda there are the following sub-themes:

- Growing globally competitive firms.
- World class infrastructure.
- Innovative and productive workplaces, underpinned by high standards in education, skills and research.
- An internationally competitive city - Auckland.
- Environmental sustainability.

The appropriations in Vote Commerce will enable the Ministry of Economic Development (MED) and other delivery agencies to provide advice, and deliver activities and outputs that contribute to ensuring that the legal and regulatory environment supports business growth and innovation.

Strategic Issues

New Zealand businesses today operate in a highly competitive global environment. The exposure of businesses to stronger international competition over the years has been a key driver of business performance. Export success is being achieved on a number of fronts notwithstanding the constraints of business size and distance from markets.

The future of New Zealand businesses are, directly or indirectly, tied to their ability to integrate into the global economy. Government can provide direction, regulation and facilitation to support business growth in this environment. The globalisation of economic activity provides opportunities for business, and new policy challenges, particularly in relation to the international coordination of laws to support cross-border trade and investment. Businesses are also looking for deeper global regulatory integration to further open up markets, reduce the cost associated with trade in goods and services, and raising capital. Strong pressures are emerging for increased convergence of business laws, and international developments are increasingly providing the context for domestic law reform. The distinctions between 'domestic' and 'external' policy thus are becoming more and more blurred.

This has two implications. On the one hand, international fora are taking an increased interest in the quality of domestic regulatory practices. On the other, New Zealand's domestic business law and regulatory reform must increasingly reflect the new international norms and best practice in areas such as insolvency, securities, insurance, and intellectual property protection. These norms will provide the basis for the negotiation of new international rules. Effective regulation for New Zealand will be increasingly dependent on co-operation with other countries to ensure that our objectives are not undermined.

The strategic priority under Vote Commerce over the next three years is to continue to refine the microeconomic foundations for growth. This work is being pursued in the following broad strategic context:

- Ensuring New Zealand's business laws (with financial sector law the current priority) are robust and effective, encourage participation in the sector and, where appropriate, are consistent with international best practice and developments in Australia, in order to position New Zealand as a quality place to invest.
- Ensuring New Zealand's intellectual property statutes support the growth of innovation in the economy.
- Driving improvements in government departments' quality of regulation and reducing compliance costs.
- Improving New Zealand businesses' ability to compete internationally by contributing to bilateral free trade negotiations and reducing technical barriers to trade.
- Protecting and advancing New Zealand's economic interest under international agreements including the next round of trade negotiations under the World Trade Organization.
- Ensuring environmental and conservation measures, in particular the Resource Management Act 1991 and the Hazardous Substances and New Organisms Act 1996, are implemented in a well targeted, effective and low cost way.
- Enabling all New Zealanders to participate in the growth opportunities offered by the new electronic environment supported by the internet.

Appropriations Linkages to the Government's Outcomes

Departmental output expenses

The Ministry has identified five strategic priorities (SPs) that are considered to be the most important areas for the Ministry to focus on over the next three to five years. Of these, policy advice activities undertaken in Vote Commerce will, in particular, contribute to the International Linkages SP: Improving the international linkages that allow firms to benefit from trade, knowledge transfer and investment; and the Regulatory Environment SP: Strengthening the growth focus in the regulatory environment for business.

The Ministry's strategic priorities describe the things it will put particular emphasis on in order to best promote growth. However the Ministry's work goes beyond the priorities to include a large number of activities that may make a less significant contribution to growth but are nevertheless important in maintaining an effective environment for business. The entirety of the Ministry's work, including work on the strategic priorities, is captured by the Ministry's Business Environment outcomes. The table below summarises the contribution that different outputs make to the Ministry's Business Environment outcomes.

Outcome	Contribution of Appropriations to Outcomes
<p>Building International Links</p> <p>New Zealand's international connections support transformation of the New Zealand economy through growth in trade, and through improved flows of investment, skills and technology.</p>	<p>Policy advice on intellectual property, competition law, policy, government procurement, standards and conformance and technical barriers to trade.</p> <p>Policy advice in relation to border and international issues and trade agreements, including policy advice on tariffs and trade remedies.</p>
<p>Protecting Dynamic Competition</p> <p>Competition regulation promotes dynamic markets and innovation.</p>	<p>Policy advice on the creation and maintenance of a regulatory environment, including primary advice on approximately 50 statutes, including competition policy and law.</p>
<p>Promoting Responsible Business Governance</p> <p>The rules governing corporate behaviour in New Zealand effectively balance accountability with the need to support innovation.</p>	<p>Policy advice on the creation and maintenance of a regulatory environment, including corporate and competition policy and primary advice on approximately 50 statutes, that provides greater certainty for, and positively encourages, business innovation and growth.</p> <p>Work of the Ministry's Regulatory Impact Analysis Unit (RIAU) in building departmental capability across government departments in regulatory impact analysis.</p> <p>Purchase advice in relation to Crown entities that maintain part of the regulatory framework for business.</p> <p>Policy advice on the creation and maintenance of a regulatory environment.</p> <p>Prosecution and enforcement functions under the Companies Act 1993, Securities Act 1978 and Corporations (Investigation and Management Act) 1989.</p> <p>Policy advice on legislation that creates obligations on market participants to disclose information (eg, regulating securities and financial reporting law).</p> <p>Registration functions providing for the protection of intellectual property rights.</p> <p>Registration and provision of a range of documents and information required to be filed on public record, for example by corporate entities, and the provision of information related to these.</p> <p>Policy advice on corporate and commercial law, including capital markets, and insolvency law.</p>
<p>Promoting Dynamic and Trusted Capital Markets</p> <p>The business community has confidence in the integrity and effectiveness of New Zealand capital and financial markets.</p>	<p>Policy advice on capital market regulation.</p>
<p>Making the Most of Intellectual Property</p> <p>Intellectual property rights in New Zealand support investment in innovation and the sharing of ideas.</p>	<p>Policy advice on intellectual property law and policy.</p> <p>Services relating to the administration of legislation providing for the protection of intellectual property rights.</p>

Non-departmental output expenses

Crown Entities assist economic growth by ensuring that businesses and consumers have confidence in the integrity and effectiveness of New Zealand markets and can make well informed decisions. Appropriations are sought in this Vote to purchase outputs from a number of Crown Entities. The table below summarises the contribution that the entities make to the Government's key goal to create a growing, inclusive and innovative economy for the benefit of all.

Crown Entity	Contribution to Economic Growth
<p>Accounting Standards Review Board (ASRB)</p> <p>The ASRB approves New Zealand's financial reporting standards under the Financial Reporting Act 1993. They also have a new role in the adoption of international accounting standards and, with Australia, influencing the development of those standards.</p>	<p>The ASRB contributes to the improvement and the quality of external financial reporting in the public and private sectors giving investors, creditors, analysts and regulatory authorities confidence in the information provided in financial reports, thereby enhancing the integrity of the market.</p>
<p>Commerce Commission</p> <p>The Commerce Commission is a competition and regulatory agency. Funded through Vote Commerce, the Commission enforces the:</p> <ul style="list-style-type: none"> • Commerce Act 1986, excluding Part 4A • Fair Trading Act 1986 • Electricity Industry Reform Act 1988 • Dairy Industry Restructuring Act 2001, and • Credit Contracts and Consumer Finance Act 2003. <p>In addition, the Commission enforces the:</p> <ul style="list-style-type: none"> • Telecommunications Act 2001 funded through Vote Communications, and • Commerce Act, Part 4A electricity sector regulation funded through Vote Energy. 	<p>The legislative framework the Commission operates under protects the competitive process in New Zealand markets, prohibits misleading or deceptive conduct in trade and requires disclosure of information about aspects of consumer and product safety. Through implementation of the legislation the Commission:</p> <ul style="list-style-type: none"> • encourages markets that are dynamic and provide goods and services at competitive prices • gives consumers confidence in the accuracy of information they receive when making choices, and • encourages regulated industries to invest appropriately and share efficiency gains with consumers.
<p>Securities Commission</p> <p>The Securities Commission is New Zealand's securities regulator. It enforces the Securities Act 1978 and Securities Markets Act 1988.</p>	<p>The Securities Commission strengthens confidence in New Zealand's capital markets, both in New Zealand and overseas, by promoting the efficiency, integrity and cost effective regulation of these markets, thereby fostering capital investment in New Zealand.</p>
<p>Takeovers Panel</p> <p>The Takeovers Panel is established under the Takeovers Act 1993 and enforces the Takeovers Code.</p>	<p>Enforcement of the Code ensures equal treatment of shareholders and a transparent takeover process, resulting in confidence of domestic and international investors in the integrity of our market.</p>

As part of New Zealand's standards and conformance infrastructure two other Crown Entities under the purview of this Vote but whose activities are third party funded, Standards New Zealand and the Testing Laboratory Registration Council of New Zealand also play an important role in meeting the government's goals. Technical requirements are now an increasingly important issue for many businesses, particularly those in the export sector. Meeting standards or other specific technical requirements and businesses obtaining independent confirmation that they meet these requirements have become essential for business success.

Part A2 - Trends in Vote

Departmental Output Trends: 2001/02 - 2006/07

Expenditure for classes of outputs increased between 2001/02 and 2006/07, reflecting a number of activities including:

- the development and implementation of the Personal Property Securities Register (PPSR) across 2000/01 and 2001/02
- implementation of the Government's electronic commerce strategy in 2001/02, and
- funding of operations of the Takeovers Panel.

There has been a significant increase in resources between 2002/03 and 2004/05 reflecting:

- increased resources for the BCCU which administers the Government's Regulatory Impact Statement/Business Compliance Cost Statement regime across the public sector
- additional funding for an interdepartmental package of resource support for WTO negotiations and bilateral CEP/FTAs
- the provision of building regulatory policy within the MED, which was transferred from the Department of Internal Affairs starting from 1 January 2003
- increased funding to implement a strategy for the adoption of International Financial Reporting Standards and to advance New Zealand's interests in international standard setting
- additional costs associated with upgrading the Companies Office Electronic Register (BIZNET), costs associated with the implementation of the Motor Vehicle Traders Register, costs associated with the establishment of the Charities Commission Crown entity and its related registration functions, and ongoing monitoring of the Commission
- funding for the Commerce Commission's new responsibilities to enforce consumer credit law under the CCCFA
- funding for the Securities Commission to enable it to pilot a scheme to review financial reporting practices of public issuers; establish a public education programme (both paid for from surpluses in the memorandum account operated in Vote Commerce departmental output expense Registration and Provision of Statutory Information); and to effectively regulate futures markets
- funding for the APEC Seminar of the Fire Safe use of Timber in Construction, and
- funding for posting a senior MED advisor to Canberra to strengthen resource investment in economic integration with Australia.

These are offset by the transfer of Information Technology policy from Vote Commerce to Vote Communications. This was a technical change to better align appropriations with portfolio accountability.

Further increases between 2004/05 and 2005/06 mainly reflect the decisions agreed as part of the 2005 Budget.

Increases included funding to the Commerce Commission, and Takeovers Panel to strengthen their capability to meet increased responsibilities. Furthermore, an additional increase was to address MED capability requirements associated with its responsibilities for international connections, single economic market and business law activities, which was offset in part by the transfer of building policy work from MED to the Department of Building and Housing.

Appropriation Changes from 2006/07

Further increases between 2005/06 and 2006/07 mainly reflect increased costs associated with the administration and management of new proceeds of crime orders by the Official Assignee and the need to respond appropriately to the increasing complexity and risks associated with these orders; and new responsibilities assigned to the Government Actuary to ensure that providers of KiwiSaver products comply with statutory minimum standards and that investors in KiwiSaver products are adequately protected.

For further details of new initiatives agreed, refer to the "New Policy Initiatives by Appropriation" below.

Other expenses

The major reasons for increases in these types of expenses are related to the establishment of litigation funds to meet the cost of major litigation activity undertaken by Crown entities administered under the Vote.

The increase in 2006/07 reflects additional funding which has been provided for both the Commerce Commission and the Securities Commission to provide these regulatory agencies with adequate funding to meet forecast litigation activity.

Crown revenue and Capital receipts

Variations reflect the nature of receipts classified under the respective line items. Penalties imposed under the Commerce Act 1986 and receipts collected under the Proceeds of Crime Act 1991 vary between years.

Capital contributions

The capital contributions reflect further investment in Crown entities administered under this Vote.

One off funding in 2003/04 reflected an additional investment in the Securities Commission to meet accommodation needs, and BIA working capital requirements until access to previous levy reserves was possible.

The one off withdrawal in 2004/05 reflects the transfer of Building policy work from the Ministry of Economic Development to the Department of Building and Housing.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2005/06	2006/07	2007/08	2008/09	2009/10
Securities Commission Litigation Fund - to meet additional costs associated with forecast new litigation costs	Other Expenses to be Incurred by the Crown - Securities Commission Litigation Fund	151	1,720	2,404	854	854
International travel in support of WTO and CEP/FTA negotiations	Departmental Output Expense - Policy Advice - Business and Competition	519	-	-	-	-
Run the tender process for and contribute to the policy and legislative process around Kiwisaver	Departmental Output Expense - Policy Advice - Business and Competition	679	-	-	-	-
	Multi-class Output Appropriation - Policy Advice and Investigative Services - Regulatory Environment	-	376	-	-	-
Proceeds of Crime demand driven activity	Departmental Output Expense - Administration of Insolvencies	500	1,000	1,000	1,000	1,000
Kiwisaver Providers Registration, Conversion, Exemption and Monitoring	Departmental Output Expense - Registration and Provision of Statutory Information	-	318	283	227	227
Commerce Commission Litigation Fund - to meet additional costs associated with forecast new litigation costs	Other Expenses to be Incurred by the Crown - Commerce Commission Litigation Fund	-	4,900	2,900	-	-
Total Initiatives		1,849	8,314	6,587	2,081	2,081

Part B - Statement of Appropriations

Summary of Financial Activity

	2001/02	2002/03	2003/04	2004/05	2005/06		2006/07 Appropriations to be Used				2007/08	2008/09	2009/10	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	54,667	55,987	61,416	64,912	70,974	70,674	47,947	-	22,923	-	70,870	70,686	70,940	70,940
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	670	1,193	4,369	4,942	6,592	6,592	-	-	9,839	-	9,839	8,289	3,839	3,839
Capital Expenditure	-	-	5,006	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	55,337	57,180	70,791	69,854	77,566	77,266	47,947	-	32,762	-	80,709	78,975	74,779	74,779
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	119	3,667	2,754	1,984	1,946	1,946	N/A	N/A	N/A	N/A	4,515	6,280	8,580	10,080
Capital Receipts	-	-	440	3,660	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	119	3,667	3,194	5,644	1,946	1,946	N/A	N/A	N/A	N/A	4,515	6,280	8,580	10,080

Part B1 - Details of Appropriations

Appropriations	2005/06				2006/07		Scope of 2006/07 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Administration of Insolvencies (M13)	9,641	-	9,641	-	10,146	-	- Administration of insolvencies and proceeds of crime orders.
Administration of Part II Tariff Concessions (M13)	352	-	352	-	352	-	- Assessing applications by importers to be exempted from import duties under the tariff concessions policy.
Administration of Trade Remedies (M13)	1,029	-	1,029	-	-	-	- Investigative services to establish whether New Zealand industries require remedies to prevent injury caused by dumped or subsidised imports or sudden import surges. Reason for Change: Transferred to Policy Advice and Investigative Services - Regulatory Environment MCOA from 2006/07.
Policy Advice - Business and Competition (M13)	10,519	-	10,219	-	-	-	- Policy advice on the business legal framework; competition law policy; intellectual property rights; the impact of environmental issues on economic development; standards and conformance issues and technical barriers to trade, tariff and border protection policies; trade remedies; and operation monitoring of Crown entities and Statutory Boards. Transferred to Policy Advice and Investigative Services - Regulatory Environment MCOA from 2006/07. Reason for Change: Transferred to Policy Advice and Investigative Services - Regulatory Environment MCOA from 2006/07.
Policy Advice and Investigative Services - Regulatory Environment MCOA							Basis: Both output classes are directed at the intermediate outcome of NZ's international connections facilitating sustainable economic growth through increased international trade, foreign investment and knowledge transfer.
Administration of Trade Remedies	-	-	-	-	1,100	-	- Investigative services to establish whether New Zealand industries require remedies to prevent injury caused by dumped or subsidised imports or sudden import surges.
Policy and Purchase Advice - Business Law and Competition Policy	-	-	-	-	9,323	-	- Policy advice on the business legal framework; competition law policy; intellectual property rights; the impact of environmental issues on economic development; standards and conformance issues and technical barriers to trade, tariff and border protection policies; trade remedies; and operation monitoring of Crown entities and Statutory Boards.
Policy Advice and Investigative Services - Regulatory Environment (M13)	-	-	-	-	10,423	-	
Registration and Granting of Intellectual Property Rights (M13)	10,423	-	10,423	-	10,427	-	- Administering legislation providing for the protection of intellectual property rights by the granting of patents and plant variety rights, the registration of trademarks and designs.

	2005/06				2006/07		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2006/07 Appropriations
Registration and Provision of Statutory Information (M13)	17,206	-	17,206	-	16,599	-	- Registering and provision of documents and information services in respect of all corporate entities, securities over insurance and superannuation schemes and securities over personal property (excluding land).
Total Departmental Output Expenses (General)	49,170	-	48,870	-	47,947	-	
Non-Departmental Output Expenses							
Administration of the Takeovers Code (M13)	1,344	-	1,344	-	1,344	-	- The performance of statutory functions by the Takeovers Panel as specified in the Takeovers Act 1993.
Approval and Review of Financial Reporting Standards (M13)	830	-	830	-	830	-	- Reviewing and approving financial reporting standards, and work relating to the international harmonisation of financial reporting standards.
Enforcement of Dairy Sector Regulation (M13)	905	-	905	-	905	-	- Commerce Commission funding for dispute resolution relating to and enforcement of the Dairy Industry Restructuring Act 2001 and related regulations.
Enforcement of General Market Regulation (M13)	12,502	-	12,502	-	13,343	-	- The promotion of competition and fair trading through the administration, enforcement and adjudication activities undertaken by the Commerce Commission.
Performance of Securities Market Functions (M13)	5,983	-	5,983	-	6,501	-	- The performance of statutory functions by the Securities Commission in relation to the Securities Act 1978 and the proposed Security Markets and Institutions Act 1988.
Statutory Management - CH Finance Limited and Others - Payment of Statutory Managers (M13)	-	240	-	240	-	-	- This is a Permanent Legislative Authority to provide statutory management within the scope of section 63(3) of the Corporations (Investigation and Management) Act 1989.
Total Non-Departmental Output Expenses	21,564	240	21,564	240	22,923	-	
Other Expenses to be Incurred by the Crown							
Commerce Commission Litigation Fund (M13)	4,254	-	4,254	-	6,400	-	- To meet the cost of major litigation activity undertaken by the Commerce Commission arising from its general market or sector specific enforcement activities outside the normal routine or scope of its general litigation activity. Criteria for the use of the fund are set out in the annual Output Agreement.
Contributions to International Organisations (M13)	520	-	520	-	520	-	- Annual fee for New Zealand's membership of the International Copyright and Patent Union; International Patent Documentation Centre; International Standards Association; International Union for the Protection of New Plant Varieties; and a share of New Zealand's annual subscription and obligations arising from the Basel Convention.
Risk Capital Fund - Directors' Fees (M13)	5	-	5	-	5	-	- Payment of directors' fees for attendance at meetings.

	2005/06				2006/07		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2006/07 Appropriations
Other Expenses to be Incurred by the Crown - cont'd							
Securities Commission Litigation Fund (M13)	1,369	-	1,369	-	2,470	-	- To meet the cost of major litigation activity undertaken by the Securities Commission arising from it carrying out functions under the Securities and Markets Act. Criteria for the use of the fund will be set out in the annual Output Agreement.
Takeovers Panel Litigation Fund (M13)	444	-	444	-	444	-	- To meet the cost of major litigation activity undertaken by the Takeovers Panel arising from it carrying out functions under the Takeovers Act 1993 and the Takeovers Code. Criteria for the use of the fund will be set out in the annual Output Agreement.
Total Other Expenses to be Incurred by the Crown	6,592	-	6,592	-	9,839	-	
Total Appropriations	77,326	240	77,026	240	80,709	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy and Purchase Advice - Business Law and Competition Policy

This appropriation provides policy advice that ensures that the regulation of economic activity is efficient and meets the Government's objectives. This policy advice includes strategic and technical policy advice on the creation and maintenance of a regulatory environment that provides greater certainty for, and encourages business innovation and growth. Outputs within this appropriation include policy advice on:

- the multilateral and bilateral trade agenda including the Doha Round, and New Zealand's economic relationship with Australia
- corporate and commercial law, including capital markets, insurance, insolvency, and intellectual property law, including the administration of about 50 statutes
- competition policy and law, including advice on the competition policy implications of sector specific regulation and facilitation initiatives
- contributing to the policy and legislative development process and evaluation of KiwiSaver, and leading the tender selection for default providers
- improvement of the overall quality of government regulation through maintenance and development of the Regulatory Impact and Business Compliance Costs Statements regime, and support for building departmental capability in regulatory impact analysis
- trade rules, especially trade remedies and tariff policy
- the standards accreditation and certification infrastructure, both domestic and international
- government procurement policy, both domestic and international
- the impact of environmental measures on economic development with a particular focus on the RMA and HSNO
- multilateral environmental agreements that impact directly on New Zealand businesses, and the administration of domestic requirements pursuant to the Montreal and Basle Conventions with respect to the import and use of ozone-depleting substances and the import and export of hazardous wastes respectively, and
- monitoring, advice and appointments to Crown entities and statutory boards.

Administration of Part II Tariff Concessions

This appropriation provides the assessment of applications for exemption from import duties as defined by the tariff concessions policy. This service is conducted under the Tariff Act 1988.

Administration of Trade Remedies

This appropriation provides investigative services to establish whether New Zealand industries require remedies to prevent injury caused by dumped or subsidised imports or sudden import surges. This service is conducted under the Temporary Safeguard Authorities Act 1987 in relation to import surges, and the Dumping and Countervailing Duties Act 1988 in relation to dumped and subsidised goods.

Outputs in this class are:

- assessments of applications for dumping and subsidy investigations
- investigations of dumping, subsidisation and resulting injury to New Zealand industries, and
- investigations of the need for safeguard action against import surges.

Registration and Granting of Intellectual Property Rights

The Minister of Commerce will purchase services relating to the administration of legislation that provides for the protection of intellectual property rights by:

- granting patents under the Patent Act 1953
- registering trade marks and designs under the Trade Marks Act 1953 and 2002, and the Designs Act 1953, and
- granting plant variety rights under the Plant Variety Rights Act 1987.

Administration of Insolvencies

This appropriation provides the administration of bankruptcies and liquidations by the Official Assignee pursuant to the Insolvency Act 1967 and the Companies Act 1993, and the management or disposal of property restrained or forfeited under the Proceeds of Crime Act 1991.

Outputs in this class are:

- administration of bankruptcies and liquidations, and
- administration of proceeds of crime orders.

Registration and Provision of Statutory Information

This appropriation provides services relating to the registration and provision of a range of documents and information required to be filed on a public record by corporate and non-corporate entities, insurance and superannuation funds, issuers of securities and holders of securities over personal property interests (excluding land), motor vehicle traders and the provision of information services relating to these. This purchase of service includes an enforcement component.

Outputs in this class are:

- Companies Office services
- Insurance and Superannuation Unit services, including extending responsibilities for ensuring KiwiSaver Superannuation Schemes meet all the requirements specified in legislation and regulations, and
- Personal Property Securities and Motor Vehicle Traders Register services.

Part C2 - Non-Departmental Output Expenses

Administration of the Takeovers Code

This appropriation covers the cost of purchasing the performance of the following functions by the Takeovers Panel in accordance with the Takeovers Act 1993:

- Review the Takeovers Code as the Panel sees fit and recommend amendments to the Minister of Commerce, and consult with MED as required.
- Code Approvals - for independent advisors and experts under the rules of the Takeovers Code.
- Code Exemptions - class and individual exemptions from the rules of the Takeovers Code.
- Enforcement - maintaining oversight of takeover activity and intervening where necessary in accordance with its statutory powers.
- Review of market practice relating to takeovers - surveillance of takeover activity.
- Public understanding - promoting public understanding of the Code.
- International liaison - maintaining relationships with similar overseas bodies, including Australia.

Performance measures

Where appropriate, comparative targets for the previous year are shown in parentheses.

Performance Measures	2006/07 Performance Standards
<p>Takeovers Code</p> <p>Quantity and quality</p> <p>Keep the Takeovers Code and the Takeovers Act 1993 under review and recommending amendments to the Code as necessary. Participate as required on projects and reviews.</p>	<p>The Panel will comply with its obligations under the Takeovers Act 1993 and with other relevant legislation. It will aim to ensure that the provisions of the Code are effective and relevant to market practice. It will base its work on accurate research into, and analysis of, the existing law and practice.</p>
<p>Timeliness</p> <p>Recommendations for amendments to the Code will be made promptly.</p>	<p>1 per year (1 per year)</p>
<p>Code Approvals</p> <p>Quantity</p> <p>Applications for approval of independent advisors and independent experts.</p> <p>Applications for consent to withdrawal of offers, and in relation to defensive tactics.</p>	<p>40 (40)</p> <p>2 (4)</p>
<p>Quality</p> <p>Applications processed in accordance with the law, Panel's published policies, the rules of natural justice and having regard to feedback from market participants.</p>	<p>100% (100%)</p>

Performance Measures	2006/07 Performance Standards
Timeliness Within 3 working days of receipt of complete application.	To be achieved in 80% of cases.
Code Exemptions	
Quantity Applications for individual exemptions from the Takeovers Code.	30 (24)
Class exemptions from the Takeovers Code.	4 (4)
Quality Applications processed in accordance with the law, the rules of natural justice and having regard to feedback from market participants.	100 (100%)
Timeliness Within timeframe agreed with applicants.	100% (100%)
Enforcement	
Quantity Review of offer documents.	20 (20)
Review of meeting documents.	20 (20)
Section 32 meetings.	8 (8)
Section 35 actions.	1 (1)
Investigation of possible Code breaches.	35 (35)
Quality Documents reviewed for compliance with the law. Remedial action initiated to correct deficiencies.	90% (100%)
Action taken in accordance with the law.	100% (100%)
Meetings conducted in accordance with the law and the rules of natural justice.	100% (100%)
Timeliness Complete enforcement work within timeframes specified in the Takeovers Act 1993.	100% (100%)
Review of Market Practice	
Quantity and quality Keep under review practices relating to takeover activities.	Continuous
Inquiries into market practice with a view to recommending amendments to the Takeovers Code and to the Panel's policies and publishing proposed changes to the Code and Panel policies for public comment.	3 (3)
Timeliness Complete inquiry work promptly.	Review work to be based on accurate research into, and review of, existing practices, including feedback from market participants.

Performance Measures	2006/07 Performance Standards
Public Understanding	
Quantity, quality and timeliness	
Publish a publication designed to provide information about the Takeovers Code and relevant law.	3 times a year (3)
Issue policy statements, guidance notes and commentaries on current issues.	3 times a year (3)
Interface with the market through public and private meetings.	16 meetings a year (5)
Provide news media with relevant information about the Panel and the Takeovers Code.	Continuous.
Maintain a web-site with relevant information about the Takeovers Code and Takeovers Act 1993 and activities of the Panel.	All relevant material posted promptly to the website, within 5 working days of the event or decision.
Receive miscellaneous enquiries from members of the public and professional firms.	Receive 200 enquiries (200). Respond to inquiries within 3 working days (3 working days).
International Liaison	
Quantity and quality	
Liaise with comparable overseas bodies, particularly in Australia, to improve the administration and enforcement of takeovers law, and to promote international understanding of New Zealand's laws.	Respond to enquiries from overseas bodies within five working days.
Maintain reciprocal membership between Australian and New Zealand Takeovers Panels.	Maintain one Australian Panel member on New Zealand Panel and one New Zealand Panel member on Australian Panel.
Timeliness	
Panel representatives to meet regularly with overseas bodies.	1 time per year (1 time per year).

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	1,344	1,344

Provider

Takeovers Panel.

Approval and Review of Financial Reporting Standards

This appropriation covers the cost of purchasing of services from the ASRB to consider and approve as appropriate, financial reporting standards and amendments to financial reporting standards that are submitted to it.

The ASRB will also contribute to the international work associated with developing financial reporting standards and promoting the adoption of International Financial Reporting Standards (IFRSs) as New Zealand's generally accepted accounting practice (GAAP).

Performance Measures

Where appropriate, comparative targets for the previous year are shown in parentheses.

Performance Measures	2006/07 Performance Standards
Approval of Financial Reporting Standards	
Quantity	
Number of applications for standards.	10 (20)
Number of applications for determinations of authoritative support.	1 (1)
Number of applications for exposure drafts.	5 (2)
Quality	
Applications considered in accordance with procedural requirements (including the rules of natural justice and fairness and with all other requirements of law) so that no decisions of the Board are challenged on the basis of failure of the Board to comply with procedural requirements.	100% (100%)
Timeliness	
All applications received will be considered at a meeting of the Board within 2 months.	100% (100%)
All applications will be either approved or declined within 4 months of receipt.	100% (100%)
International Harmonisation	
Quantity and quality	
Contribute to the international harmonisation of financial reporting standards, through participating in meetings of relevant international bodies.	<p>The ASRB or contracted nominees will attend relevant meetings, including those of:</p> <ul style="list-style-type: none"> • the Australian Accounting Standards Board (AASB) • the International Accounting Standards Board (IASB) and IASB Foundation • the International Federation of Accountants Public Sector Committee (IFAC PSC) • the IASB project group dealing with financial reporting by Small and Medium-sized Enterprises (SME project) • the Financial Reporting Council (FRC), and • the TASAG Group. <p>Attendance will be followed by a report to the ASRB to enable it to assess progress on deliverables and to decide on further action. The ASRB will report half yearly to the MED on its performance.</p>
Timeliness	
Attendance at meetings and responses to relevant bodies provided within agreed timeframes.	100%

Performance Measures	2006/07 Performance Standards
Adoption of International Financial Reporting Standards	
Quantity and quality	
Make further recommendations for financial reporting law reform to facilitate the adoption of international financial reporting standards (IFRS) in New Zealand from 1 January 2007 (with early adoption from 1 January 2005).	The ASRB will base its work on accurate research into, and analysis of, the existing law and practice, and will take into account feedback from consultation with market participants.
Participate as required on projects and reviews with MED, other government departments and interested parties.	The ASRB or contracted nominees will attend and participate in meetings with the TTASAG.
Timeliness	
Provide information and responses to the Ministry of Economic Development and others within agreed timeframes.	100% (100%)

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	830	830

Provider

Accounting Standards Review Board.

Enforcement of Dairy Sector Regulation

The Minister of Commerce will purchase services to:

- conduct enforcement activities under the Dairy Industry Restructuring Act (DIR Act) into behaviour that appears to be in breach of the DIR Act or of regulations made pursuant to the DIR Act
- consider applications for determinations from parties in dispute with Fonterra concerning Fonterra's obligations under the DIR Act or any associated regulations.

The Minister of Commerce will also purchase services for the conduct of litigation activity arising from the above and for the provision of information to businesses, shareholders and consumers to promote greater understanding of the parties' statutory rights and obligations under the DIR Act.

Where appropriate, comparative standards for the previous year are shown in parentheses.

Performance Measures	2006/07 Performance Standards
Quantity	
Dairy Industry Behaviour Investigations closed	1 (0 - 2)
Dairy Industry Behaviour Determinations closed	0 - 1 (0 - 2)
Decisions to take Civil Proceedings or Appeals filed against/reviews of Commission decisions	0 - 1 (0 - 1)
Quality	
Successful challenges to the Commission's processes during the course of an investigation/determination	Nil (Nil)

Performance Measures	2006/07 Performance Standards
Timeliness	
Average elapsed time for closing investigations/determinations within stated standards	100% (100%)

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	905	905

Provider

Commerce Commission.

Enforcement of General Market Regulation

The Minister of Commerce will purchase services for the promotion of competition and fair trading under the Commerce Act 1986 (excluding Part 4A), the Fair Trading Act 1986, the Electricity Industry Reform Act 1998 (EIRA) and the Credit Contracts and Consumer Finance Act 2003 (CCCFA). These services are for the:

- conduct of enforcement investigations relating to anti-competitive market behaviour, anti-competitive mergers and acquisitions, misleading and deceptive conduct, false representation and unfair practices, compliance with consumer safety and information standards and compliance with consumer credit contract requirements
- conduct of adjudication services in response to applications to the Commerce Commission for rulings relating to authorisation of co-ordinated market behaviour, clearance or authorisation of proposed mergers and acquisitions that may substantially lessen competition in a market, and consideration of applications for exemptions under the EIRA
- conduct of inquiries and provision of reports to the Minister on matters relating to regulatory control of specified goods or services
- provision of information to businesses and consumers promoting greater understanding of the parties' statutory rights and obligations under the legislation enforced by the Commerce Commission, and to international authorities and fora to promote New Zealand's cross-border business activity and to support enforcement activity in other jurisdictions.

The Minister of Commerce will also purchase services for the conduct of litigation activity arising from the above.

Where appropriate, comparative standards for the previous year are shown in parentheses.

Performance Measures	2006/07 Performance Standards	
Quantity		
Competition:		
Market Behaviour Investigations (Completed)	35 - 45	(35 - 45)
Market Structure Investigations (Closed)	25 - 30	(25 - 30)
Restrictive Trade Practice Authorisations (Decided)	0 - 2	(0 - 2)
Business Acquisition Clearances (Decided)	25 - 30	(25 - 30)
Market Structure Authorisations (Decided)	0 - 3	(0 - 3)
Civil Prosecutions	1 - 2	(0 - 2)
Criminal Prosecutions	1 - 2	(0 - 1)
Appeals filed against/reviews of Commission decisions	3 - 5	(3 - 5)
Consumer:		
Fair Trading Investigations (Closed)	300 - 320	(325 - 345)
Standards Investigations (Closed)	60 - 70	(60 - 70)
Civil Prosecutions	1 - 3	(0 - 3)
Criminal Prosecutions	25	25 - 35
Credit Contracts:		
CCCFA Investigations (Closed)	20 - 30	(20 - 30)
Civil Proceedings	0 - 3	(0 - 3)
Criminal Prosecutions	1 - 3	(1 - 3)
Reports to the Minister:		
Regulatory Control Reports completed	(0)	(0)
Quality		
<ul style="list-style-type: none"> Successful challenges to the Commission's processes during the course of an investigation/adjudication or report to the Minister. 	Nil	(Nil)
<ul style="list-style-type: none"> Judgements with no adverse comment on the Commission's conduct of litigation. 	100%	(100%)
Timeliness		
<ul style="list-style-type: none"> Average elapsed time for closing investigations/adjudications within stated standards. 	100%	(100%)

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	12,502	13,343

Provider

Commerce Commission.

Performance of Securities Market Functions

This appropriation covers the cost of purchasing of the following functions by the Securities Commission:

- Enforcement - inquiring into suspected breaches of securities law and intervening in the interests of investors in accordance with its statutory powers.
- Monitoring and market oversight - maintaining oversight of securities market activity and taking actions in accordance with its statutory powers.
- Enforcement-based law and practice reform - reviewing securities law and practice and making recommendations for reform.
- Exemptions and authorisations - considering and deciding on applications for exemptions from the provisions of the Securities Act 1978, Securities Markets Act 1988 and the Securities Regulations 1983; considering and deciding on applications for authorisation of market participants, for example futures exchanges and dealers, trustees and statutory supervisors; reviewing existing authorisations.
- International recognition - promoting New Zealand as a well-regulated country, keeping abreast of developments in global standard-setting and contributing the Commission's views to this process.
- Public Understanding and Market Presence - promoting public understanding of the law and practice of securities.

Performance measures

Where appropriate, comparative standards for the previous year are shown in parentheses.

Performance Measures	2006/2007 Performance Standards
Enforcement	
Quantity	
Complete enforcement inquiries, with a focus on insider trading, illegal/unacceptable practices, offer documents, and financial intermediaries.	5 (4)
Quality	
Enforcement action taken in accordance with the law, including the requirements of natural justice.	100% compliance (100%)
Timeliness	
Complete litigation, from investigation to the filing of proceedings.	On average, within 24 months of commencement.
Complete other enforcement inquiries.	On average, within 6 months of commencement.

Performance Measures	2006/2007 Performance Standards
Monitoring and Market Oversight	
Quantity	
Complete monitoring and market oversight inquiries, with a focus on insider trading, substantial security holder disclosure, illegal/unacceptable practices, offer documents, futures dealers, financial intermediaries, and financial reporting by issuers.	200 (180)
Complete NZX review.	1 time in the year (1)
Complete financial reporting surveillance programme.	1 time in the year (1)
Consider and comment on continuous disclosure applications under the Memorandum of Understanding with the NZX.	12 times (8)
Advise the Minister on proposed changes to Conduct Rules of the NZX.	3 times in the year (2)
Quality	
Monitoring and market oversight activities undertaken in accordance with the law, including the requirements of natural justice.	100% compliance (100%)
Timeliness	
Complete monitoring and market oversight inquiries.	Within 3 months of commencement
Complete NZX review.	Within 6 months of commencement
Complete financial reporting surveillance programme.	Within 9 months of commencement
Advice is provided to the Minister on Rule approvals or proposed changes to Conduct Rules of NZX within timeframes agreed with the Exchange and allowing the Minister to exercise powers within the timeframes specified in the Securities Markets Act 1988.	100% (100%)
Enforcement Based Law and Practice Reform	
Quantity	
Make recommendations for securities law reform and market practice in accordance with obligations under the Securities Act 1978 and other relevant legislation.	The Commission will make recommendations to comply with its obligations under the Securities Act 1978 and with other relevant legislation. The Commission's contributions to reform will arise in particular from its experience gained in the course of its enforcement work.
Review exposure drafts of financial reporting and auditing standards, and Financial Reporting Act.	Review as required.
Participate on projects and reviews with the Ministry of Economic Development, other government departments and interested parties.	Participation as required.
Quality	
Reform recommendations are appropriate, given the prevailing securities law and practice.	The Commission will base its work on thorough and accurate research into, and analysis of, the existing law and practice.
Timeliness	
Provide information and responses to the Ministry of Economic Development and others within agreed timeframes.	100% (100%)

Performance Measures	2006/2007 Performance Standards
Exemptions and Authorisations	
Quantity	
Consider applications for exemptions and authorisations of market participants.	Exemptions: 75 (70) Authorisations: 15 (10)
Review existing exemption notices and authorisations.	As required
Quality	
Proportion of notices issued in accordance with the law including and, where appropriate, the rules of natural justice.	100% (100%)
Timeliness	
Percentage of exemption applications and authorisations completed within 6 weeks, or within otherwise agreed target period.	100%, as agreed with applicants.
International Recognition	
Quantity	
Take part in the work of IOSCO's Executive Committee, Asia Pacific Regional Committee and Committee on the Implementation of Objectives and Principles of Securities Regulations.	Participated, as required.
Meet regularly with overseas regulators and institutional investors.	Met and conferred, as required.
Contribute towards trans-Tasman initiatives.	Contributed
Contribute towards implementation of the FSAP recommendations for New Zealand.	Contributed
Quality	
The Commission will aim to present itself as a constructive and co-operative member of the international community of regulators. Views expressed to IOSCO will take into account the relevant New Zealand values and principles.	The Commission will base its presentations and views to the international community of regulators on sound research, consultation and analysis.
Timeliness	
Attendance at meetings and responses to committees provided, within agreed timeframes.	100% (100%)
Contribute towards trans-Tasman initiatives, within agreed timeframes.	100% (100%)
Contribute towards implementation of the FSAP recommendations for New Zealand, within agreed timeframes.	100% (100%)
Public Understanding and Market Presence	
Quantity	
Publish "The Bulletin".	4 times a year (4 times a year).
Deal with inquiries from the public.	1,450 a year (1,400 a year).
Manage the Commission's website.	Website is available.
Maintain relationships with the news media.	Liaison as required.
Continue the Commission's public education programme.	Develop and implement approved sub-projects.

Performance Measures	2006/2007 Performance Standards
<p>Quality</p> <p>"The Bulletin" is interesting and relevant.</p> <p>Education programme meets target objectives.</p> <p>Inquiries are dealt with effectively.</p> <p>Information on the website is relevant and accurate.</p> <p>Relationships with the news media are constructive.</p>	<p>80% of reader response to survey.</p> <p>Objectives of sub-projects met.</p> <p>Absence of material number of complaint.</p> <p>Accuracy and relevance of content.</p> <p>Commission and media enjoy mutual respect.</p>
<p>Timeliness</p> <p>"The Bulletin" is produced on time.</p> <p>Education programme development is achieved to agreed timetable.</p> <p>Inquiries are handled within 5 working days of receipt.</p> <p>Information on the website is up to date.</p> <p>Meetings with and responses to media meet agreed timetable.</p>	<p>January/April/July/October.</p> <p>Achieve sub-projects milestones.</p> <p>100% (100%)</p> <p>At all times.</p> <p>At all times.</p>

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	5,983	6,501

Provider

Securities Commission.

Part E - Explanation of Capital Flows

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth 2006 \$000	Forecast Net Worth 2007 \$000
Crown Entities:			
Accounting Standards Review Board	30 June	100	70
Commerce Commission	30 June	3,400	3,400
Securities Commission	30 June	3,174	3,168
Standards Council	30 June	3,039	3,039
Takeovers Panel	30 June	1,050	960
Testing Laboratory Registration Council (TELARC)	30 June	3,565	3,812

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2005/06		2006/07	Description of 2006/07 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Accounting Standards Review Board	830	830	830	Recovery of costs from fees payable under section 5 of the Financial Reporting Order 1994.
Proceeds of Crime	1,116	1,116	3,685	Revenue collected under the Proceeds of Crime Act 1991.
Total Non-Tax Revenue	1,946	1,946	4,515	
Total Crown Revenue and Receipts	1,946	1,946	4,515	