

VOTE *Consumer* *Affairs*

Consumer Affairs

Overview

Appropriations sought for Vote Consumer Affairs in 2006/07 total \$5.979 million. This amount is to be applied as follows:

Departmental Appropriations

- \$3.604 million (60.3% of the Vote) on purchasing policy advice and information on issues, policies and programmes affecting or potentially affecting the ability of consumers to transact with confidence.
- \$2.209 million (36.9% of the Vote) on purchasing the promotion and enforcement of a supportive measurement and product safety infrastructure for businesses and consumers.

Non-Departmental Appropriations

Appropriations sought for non-departmental output expenses total \$166,000 (2.8% of the Vote) and relate to a pilot programme for obtaining data from the New Zealand Association of Citizens Advice Bureaux to improve access to key information on consumers.

Crown Revenue and Receipts

The Crown forecasts to collect \$20,000 of Crown Revenue in 2006/07 as fees paid by traders issued with infringement offence notices for breaching weights and measures legislation.

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

Terms and Definitions Used

APLMF	Asia-Pacific Legal Metrology Forum
CCCFA	Credit Contracts and Consumer Finance Act 2003
IT	Information Technology
MCA	Ministry of Consumer Affairs
MCOA	Multi-class Output Appropriation
MED	Ministry of Economic Development
OIML	Organisation Internationale de Metrologie Legale
SPs	Strategic Priorities

Minister Portfolio Table

17	Minister of Consumer Affairs
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Consumer Affairs

VOTE MINISTER: Minister of Consumer Affairs

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.

Services purchased through Vote Consumer Affairs contribute to this goal through helping to create an environment in which all consumers can transact with confidence including more vulnerable consumers and in which honest businesses are protected from rogue business practices. Consumers are not simply the beneficiaries of a fair, thriving economy, they can also play an active part in its development and growth through stimulating greater economic efficiency and innovation.

Transacting with confidence is not just important for the individual, it is also essential to a thriving, innovative and sustainable economy. When consumers demand higher quality products and services make effective choices among the offerings of competing suppliers and seek satisfaction when their purchasing expectations are not met, they can stimulate greater economic efficiency and innovation. Effective markets need demanding consumers who take action if business does not meet their needs and demand better service, new products and better value for money.

Best practice consumer policy can also give greater confidence to overseas consumers transacting with New Zealand firms. It can also give New Zealand exporters a platform on which to build consumer confidence in export markets or establish compliance with taking an active interest in the work being progressed in Australia on reforming product safety systems.

Strategic Issues

Technology, globalisation, and changing consumer characteristics are altering the nature and mix of the consumer issues to which Vote Consumer Affairs needs to respond. Globally there is increasing

recognition that consumers not only benefit from competition, they play an important role in its activation. More attention is being paid to the role of consumer law in ensuring that consumers can exercise effective choice. This in turn has led to a realisation of the paucity of work linked to understanding how consumers behave and make decisions. New literature in behavioural economics is beginning to redress this issue. Work designed to improve understanding of how consumers help create competitive markets is the subject of a number of significant projects across the OECD including a major project on demand-side economics for consumer policy.

A strategic opportunity for government is to work with businesses to achieve new and innovative ways of reducing regulatory costs and at the same time enhance consumer protection through industry-led regulation such as voluntary codes of conduct and consumer dispute resolution schemes. The Ministry of Consumer Affairs will continue to lead work on industry-led regulation on behalf of the wider Ministry of Economic Development during 2006/07.

Developing a deeper understanding of consumer and business behaviour and its implications for the effectiveness of consumer and competition policies remains a key strategic issue for the future.

The major thrust of the work programme within Vote Consumer Affairs for 2006/07 will be in the following areas.

Enhancements to consumer related law

In 2006/07 focus on improving the effectiveness of consumer-related policy will continue through:

- advancing the programme of work arising from the Australian Productivity Commission's recommendations on trans-Tasman competition and consumer policy coordination
- continuing to work with Australian agencies on projects with the potential to further harmonise trans-Tasman product safety and trade measurement approaches
- completing a review of consumer enforcement and redress law
- progressing changes to the Fair Trading Act 1986, including any proposed changes arising from the review of consumer enforcement and redress law that provide for new enforcement strategies
- progressing recommendations arising from the review of the operation of the Motor Vehicle Sales Act 2003
- reviewing whether there is an enhanced role for government in assisting industry to develop and operate effective industry-led regulatory schemes
- providing advice on the role of consumer law in promoting a competitive and well-functioning marketplace and innovative firms, and
- contributing to major reviews of financial markets regulation.

Understanding of the impact of consumer policy

Monitoring and evaluation framework have been put in place to facilitate the evaluation of recent changes to consumer law, including the Credit Contracts and Consumer Finance Act 2003 (CCCFA) which was fully implemented on 1 April 2005. Monitoring of the CCCFA will continue with a view to reviewing its operation and implementation as at 1 April 2007, two years after commencement.

During 2005/06, two major baseline surveys of consumer and business awareness and experience of consumer legislation, such as the Fair Trading Act and Consumer Guarantees Act were undertaken. The survey results will be analysed and reported on in the first quarter of 2006/07.

Through further development of its data collection and analysis capability in 2005/06 and 2006/07, the Ministry is strengthening its ability to identify, understand, and report on consumer issues affecting consumers, particularly those more vulnerable to dishonest market practices, in order to support policy development, information provision and/or enforcement action.

Consumer representation and consumer and trader information

The Ministry will continue to develop consultation and consumer representation practices that will improve the way in which consumers' interests are included in decision-making processes that impact on them. In 2006/07, there will be an emphasis on promoting the Consumer Representative Guidelines to government officials and chairpersons of boards and committees, and on further development of the Consumer Representatives Network, from where nominations are accessed for consumer representative positions. In particular, the Ministry will facilitate meetings of the Consumer Representatives Network in order to provide opportunities for consumer representatives to develop and build their effectiveness through sharing skills, networks, resources and experience.

Emphasis will continue to be placed on providing information about laws and self-regulatory mechanisms that enable business/consumer transactions to occur in a fair and ethical way; and the provision of information that enables consumers to make appropriate choices in their purchases. Particular attention will continue to be focussed on ways of improving the penetration of consumer information to more vulnerable consumers.

Appropriations Linkages to the Government's Outcomes

The Ministry of Economic Development has identified five strategic priorities (SPs) areas in which it believes it can make the biggest contribution to improving growth over the next three to five years. Of these, the activities undertaken in Vote Consumer Affairs will be focussed on the International Connections 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 appropriations in Vote Consumer Affairs primarily contribute to MED's "Empowering Consumers" Business Environment Outcome (BEO), which is related to the Government's key goal stated above. The Ministry provides advice on a wide range of consumer issues. The following table summarises the contributions the different outputs make to that BEO:

Outcome	Contribution of Appropriations to Outcomes
<p>Empowering Consumers</p> <p>Consumers can transact with confidence.</p>	<p>Policy advice aimed at creating an environment where consumers have choice, appropriate information and safe products, within a legal framework that provides redress and enforcement mechanisms that meet the needs of both consumers and business, for example reviewing the way consumer protection law is enforced.</p> <p>Administering and enforcing legislation aimed at ensuring that goods supplied in trade are accurately measured, providing certainty in trade, for the benefit of both consumers and business.</p> <p>Provision to consumers and business of appropriate, accurate, and accessible information, education, and advice on their rights and responsibilities under consumer law in particular providing key information about recent law changes.</p> <p>Ensuring that consumers have accurate information about products and services, including how to use them safely, for example funding the Powerswitch comparative information facility and educating and informing consumers and businesses about consumer safety.</p> <p>Best practice consumer law can provide overseas consumers with increased confidence in transacting with NZ firms. Best practice consumer law can also give NZ exporters a platform on which to build consumer confidence in export markets or establish compliance with consumer policy in those markets. For example, the application of international measurement standards assists NZ exporters to establish overseas measurement requirements thus reducing transaction costs. As part of a project on consumer protection law and its enforcement, attention will be given to cross-border enforcement issues.</p>

Part A2 - Trends in Vote

Increases in appropriations since 2002/03 reflect a number of areas where additional resources have been provided. These include additional funding:

- to implement the CCCFA information programmes, with a high impact campaign in 2004/05 followed by maintenance programmes in out-years
- to enhance measurement and product safety
- to enhance the policy advice and research and monitoring capability of the Ministry
- for the phased implementation of a pilot programme for obtaining data from the New Zealand Association of Citizens Advice Bureaux, and
- for the State Sector Retirement Saving Scheme contributions.

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	4,871	4,839	5,280	5,946	6,028	5,840	5,813	-	166	-	5,979	5,896	5,898	5,898
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	4,871	4,839	5,280	5,946	6,028	5,840	5,813	-	166	-	5,979	5,896	5,898	5,898
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	3	3	3	4	20	20	N/A	N/A	N/A	N/A	20	20	20	20
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	3	3	3	4	20	20	N/A	N/A	N/A	N/A	20	20	20	20

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)							
Enforcement and Conformance (M17)	2,209	-	2,209	-	-	-	- Promotion and enforcement of a supportive measurement and product safety infrastructure for business and consumers. Reason for Change: Transferred to Policy Advice, Promotion and Conformance - Consumer Issues MCOA from 2006/07.
Policy Advice and Support on Consumer Issues (M17)	3,602	-	3,602	-	-	-	- Provision of policy advice and information on issues, policies and programmes affecting or potentially affecting the ability of consumers to transact with confidence. Reason for Change: Transferred to Policy Advice, Promotion and Conformance - consumer Issues MCOA from 2006/07.
Policy Advice, Promotion and Conformance - Consumer Issues MCOA							Basis: Both output classes contribute to the outcome of creating an environment in which consumers can transact with confidence.
Policy Advice and Support on Consumer Issues	-	-	-	-	3,604	-	- Provision of policy advice and information on issues, policies and programmes affecting or potentially affecting the ability of consumers to transact with confidence.
Promotion and Enforcement of Measurement and Product Safety Infrastructure	-	-	-	-	2,209	-	- Promotion and enforcement of a supportive measurement and product safety infrastructure for business and consumers.
Policy Advice, Promotion and Conformance - Consumer Issues (M17)	-	-	-	-	5,813	-	
Total Departmental Output Expenses (General)	5,811	-	5,811	-	5,813	-	
Non-Departmental Output Expenses							
Consumer Data Capture Pilot (M17)	217	-	29	-	166	-	- The purchase of data from the NZ Association of Citizens Advice Bureaux to enhance the Ministry of Consumer Affairs' policy advice and research and monitoring capability and to improve access to key information on consumers.
Total Non-Departmental Output Expenses	217	-	29	-	166	-	
Total Appropriations	6,028	-	5,840	-	5,979	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Policy Advice and Support on Consumer Issues

This appropriation provides policy advice and information on issues, policies and programmes affecting, or potentially affecting, the ability of consumers to transact with confidence.

Outputs for this appropriation are:

- monitoring and advising Government on emerging consumer issues and the effectiveness of New Zealand's consumer policy framework including enforcement, conformance and redress mechanisms
- providing information and education to consumers, the community organisations that work with them, and businesses on their legal rights and obligations and access to remedies and redress
- implementing a programme of activities that promotes the value of the representation of consumer interests on decision-making bodies and extending and developing the pool of potential consumer representatives
- contributing to a trans-Tasman project aimed at preventing Consumer fraud. This will include researching the NZ consumer experience and behaviour in respect of non-investment type scams to identify options for minimising the detrimental impact of consumers' 'investment' in scams
- funding the Powerswitch comparative information facility for domestic electricity consumers, and
- participating in international fora including those that address issues of international deceptive practices targeting New Zealand consumers.

Promotion and Enforcement of Measurement and Product Safety Infrastructure

This appropriation provides services for the promotion and enforcement of a supportive trade measurement and product safety infrastructure for business and consumers, particularly through the administration of the Weights and Measures Act 1987 and the product safety provisions of the Fair Trading Act 1986.

Outputs for this appropriation include:

- implementing the recommendations made from the review of the Trade Measurement Accreditation Scheme
- managing New Zealand's trade measurement environment to meet international standards in relation to goods sold by weight, measure or number
- participating in the activities of inter-governmental organisations dealing with legal metrology, including the OIML and the Asia-Pacific Legal Metrology Forum (APLMF) to enhance the credibility of the New Zealand measurement system
- developing and reviewing relevant voluntary and mandatory consumer safety standards, and contributing to the development of consumer safety policies
- educating and informing consumers and businesses about consumer safety

- investigating and resolving consumer safety complaints
- administering the mandatory powers provisions of the Fair Trading Act 1986
- building and maintaining national and international consumer safety networks, and
- contributing to the interdepartmental injury prevention activities through the New Zealand Injury Prevention Strategy Steering Group.

Part C2 - Non-Departmental Output Expenses

Capture and Provision of Data on Consumer Issues

This appropriation covers the cost of purchasing data from the New Zealand Association of Citizens Advice Bureaux to enhance policy advice and research and monitoring capability and to improve access to key information on consumers.

This will include working with the Citizens Advice Bureaux to develop their IT and personnel capability to extract and provide timely, consistent and relevant data.

Quantity, quality, timeliness and cost

Performance Measures	2006/07 Performance Standards
Quantity	
Required data is received in all selected categories	90%
Quality	
Data provided meets negotiated Ministry quality standards	90%
Timeliness	
Receipt of data reports as per negotiated standards	90%

Cost

	2005/06 \$000	2006/07 \$000
Total output class expenses	217	166

Provider

New Zealand Citizens Advice Bureaux.

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				
Trade Measurement Unit Infringement Fees	20	20	20	Fees paid by traders who have been issued with infringement offence notices for breaching weights and measures legislation.
Total Non-Tax Revenue	20	20	20	
Total Crown Revenue and Receipts	20	20	20	