

Vote Consumer Affairs
Baseline Alignment Proposal

Version [1]

24 February 2010

Submitted by: **Hon Heather Roy**
Minister of Consumer Affairs

Section 1: Alignment to Government Priorities

[Information deleted in order to maintain the effective conduct of public affairs through the free and frank expressions of opinions].

My first priority is to ensure that New Zealand's consumer laws remain relevant, up-to-date and effective. Our consumer laws are spread across a number of statutes, many of which have never been reviewed. Effective consumer laws help to create a competitive business environment in which consumers can transact with confidence and honest businesses compete on a level playing field. But, like other business regulation, where consumer laws do not achieve their objective or are no longer relevant to the way the market operates, they can be a drag on the innovative potential of businesses. This project will contribute to better regulation which is one of the Government's main economic policy drivers. A potential risk is that there will be insufficient capacity in the legislative timetable to meet the proposed timeframes.

My second priority is to establish 'One Door' through which consumers can access information to improve their decision-making, understand their rights and responsibilities and make effective use of complaints, redress and disputes mechanisms. There are a wide range of these services currently available to consumers. The challenge for consumers is to find their way to the information or service they need when they need it. I want to make it as simple as possible for consumers to find this information. This work will contribute both to better regulation and also to better public services which is another of the Government's main economic policy drivers. The risk of this goal not being achieved is low.

My third priority is to ensure that consumers of financial services have access to effective dispute resolution services as part of the implementation of the new Financial Service Providers regime. This work will also contribute to better regulation. The main risk is of fees and levies collected not being sufficient to meet the costs of the reserve scheme.

Other priorities include advice on the operation and effectiveness of the Credit Contracts and Consumer Finance Act 2003 and facilitating the development of an industry-led voluntary code for Country of Origin labelling of whole foods. These priorities will similarly contribute to better regulation.

I will achieve my "One Law" priority by carrying out a significant review of nine existing consumer laws and three commerce laws which affect consumer transactions. The success criteria will be that clear statutory consumer law principles are in place and consumer related laws will be incorporated into an enhanced Fair Trading Act and the Consumer Guarantees Act.

The "One Door" priority will be achieved by delivery of a paper to me featuring an appropriate one-door mechanism, identifying a number of options, including building on or raising awareness of mechanisms already in existence.

The third priority, Consumer Disputes Resolution, is being achieved by the Reserve Scheme rules being issued by order in Council by 31 March 2010 and consultation being carried out on the Reserve Scheme Fees. Fees to support the implementation of the Consumer Dispute Resolution requirements of Part 3 of the Financial Service Providers (Registration and Dispute Resolution) Act have been agreed. These will provide base funding mitigating some of the financial risk noted. The collection of these fees is dependent on the registration system being implemented between June and December 2010, without delays.

As you are aware, it has recently been agreed that the establishment of a New Zealand Productivity Commission is a priority for the Government. As a result Vote Consumer Affairs has been asked to contribute financially towards the wider MED contribution to the Commission in 2010/11 and out-years.

Section 2: Reprioritisation

There are no changes to the appropriation being allocated to consumer policy advice. However the "One Law" review has been given a higher priority than the review of the Credit Contracts and Consumer Finance Act (CCCFA), which will now be undertaken over a longer timeframe. The One Law review contributes to the government's commitment to prioritising regulatory responsibility. There are risks associated with deferring the CCCFA review in that the government may be accused of not being sufficiently responsive. The risk is mitigated in that the review is still proceeding although on a slower timeframe.

There are no changes required to the allocation to meet the objectives for One Door, as it is probable that they will be achieved through developments within the non-government sector.

Vote Consumer Affairs has also been asked for a contribution towards the Productivity Commission as part of the wider MED contribution as follows:

- \$17k in 2010/11
- \$32k in 2011/12
- \$35k in 2012/13 and outyears.

While the Vote will absorb the reduction in the baselines to accommodate the contribution to the Productivity Commission, it may require reduction, deferral and/or termination of some activities.

Please note:

Cabinet has agreed [CAB Min (09) 43/44] to the establishment of a contestable fund for the purpose of promoting the benefits of consumer switching in the domestic electricity market. \$1.5m of this fund is to be administered by the Ministry of Consumer Affairs from 1 October to 31 March 2014 to upgrade and promote the Powerswitch website. The funding is derived from a levy on the electricity industry and may not be put to any other purpose. Appropriation will be sought as part of implementation plans in early 2010.

Section 3: Summary of Financial Movements

See attached table.