

The Treasury

Budget 2011 Information Release

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [3] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [10] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Vote Consumer Affairs

FOUR YEAR BUDGET PLAN

Version [1]

1 December 2010

Submitted by:

Ministry of Consumer Affairs

Section 1: New Baseline and Summary of Changes

Vote Consumer Affairs supports the operation of dynamic and trusted markets by providing policy advice, information, and technical services to help ensure consumers are well-informed and adequately protected, and that honest businesses are protected from rogue business practices.

The Minister of Consumer Affairs' focus for Vote Consumer Affairs over the next four years is to contribute to the Government's growth policy drivers of regulatory reform and better public services by continuing to simplify and improve consumer regulation, to address consumer credit issues, and to ensure consumers are well-informed about their rights and responsibilities under consumer law. The Minister's focus is reflected in the three priorities outlined in Section 2 below.

Having been relatively stable around \$5.9 million, the Vote Consumer Affairs baseline was increased to \$9.2 million in 2010/11 as a result of two funding additions.

- The first is a one-off, time-limited (1 October 2010 – 31 March 2014) appropriation of \$4.5 million which is limited to upgrading the capability of Consumer NZ's Powerswitch website and promoting and facilitating its use by consumers. This activity is levy-funded.
- The second, a non-departmental appropriation, is a permanent addition to the baseline of around \$1.69 million per annum for the operation of the financial services consumer disputes resolution reserve scheme. The intention is that this sum will be recovered through the fees and levies.

Operating	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Measurement and Product Safety Compliance and Enforcement	2,326	2,243	2,243	2,243	2,243
Policy Advice and Information on Consumer Affairs (excluding Motor Vehicle levy)	3,503	3,397	3,399	3,399	3,399
Financial Service Providers Reserve Dispute Resolution Scheme (to be funded from fees & levies)	1,709	1,694	1,680	1,680	1,680
Upgrading and Promoting the Consumer Powerswitch Website (MYA) (funded from electricity levies)	1,500	1,250	1,250	500	000
Motor Vehicles Sales Act information programme (funded from Motor Vehicle levies)	168	168	168	168	168

Current Baseline	9,206	8,752	8,740	7,990	7,490
Cost of new/increased activities	000	000	000	000	000
Amount reprioritised	000	000	000	000	000
New baseline	9,206	8,752	8,740	7,990	7,490

Capital	Impact (\$000s)				
	2010/11	2011/12	2012/13	2013/14	2014/15
Capital proposals seeking decisions in Budget 2011	000	000	000	000	000
Capital proposals seeking new funding in Budget 2011.	000	000	000	000	000

Section 2: Vote Priorities and Pressures

Vote Consumer Affairs priorities

The Minister of Consumer Affairs' three key priorities are as follows.

(1) Consumer Law Reform

The top priority in Vote Consumer Affairs remains the work on the reform of consumer laws, which aims to:

- have in place principles-based consumer law that:
 - enables consumers to transact with confidence
 - protects reputable suppliers and consumers from inappropriate market conduct
 - is up to date and relevant now and into the future
 - is easily accessible to those who are affected by it
 - is in line with international best practice, as appropriate
 - is effective and enforceable
- achieve simplification and consolidation of the existing law
- achieve harmonisation, as appropriate, with Australian Consumer Law, in accordance with the government's agenda of a single economic market with Australia (SEM).

As a result of this work, the Minister's expectation is that the seven consumer laws that are currently being reviewed will be reduced to three. The Minister's aim is to have this legislation introduced and passed in 2011.

This Consumer Law Reform priority supports the Government's growth policy drivers of regulatory reform and better public services.

(2) Credit Law Reform

The Minister of Consumer Affairs' second priority is to progress work on the reviews of the Credit Contracts and Consumer Finance Act 2003 and the Credit (Repossession) Act 1997.

During the economic downturn some consumers have been particularly affected by indebtedness related to credit issues. There have been calls for the government to consider interest rate caps and responsible lending initiatives. The Minister's aim is to develop measures that provide adequate levels of protection for vulnerable consumers but without adding unhelpful distortions to credit market operations. That work should result in legislative amendments that would be passed in 2012.

This priority contributes to the government's initiatives to improve New Zealand's economic performance and enhance the consumer and investor confidence in New Zealand's financial markets.

(3) Information and awareness activities to enhance consumer self-reliance and drive competitive markets

The third Ministerial priority is to ensure that consumers are well-informed about their rights and responsibilities under consumer law.

This is critical to meeting the principle that consumer law is effective and enforceable - particularly as the effectiveness of New Zealand consumer law (much of which is “self-enforced” by consumers) relies on consumers’ ability to hold sellers to account, and seek redress when necessary.

This work also directly supports the Government’s growth policy drivers of regulatory reform and better public services.

Other Priority

[6]

Vote Consumer Affairs pressures

Vote Consumer Affairs has been used to managing within relatively static or declining baselines. Where additional funds are secured these tend to be time-limited and/or their use is tightly constrained (often by virtue of being third party-funded). The Ministry of Consumer Affairs has dealt with this situation through constant reprioritisation, re-phasing of work and through finding innovative and efficient ways of delivering its services. As noted above, pressures on the policy advice resource have necessitated careful decisions around the prioritisation of projects.

Product Safety

The Ministry of Consumer Affairs is a provider of both policy and operational services. In the Measurement and Product Safety area, fiscal pressures have necessitated trade-offs between the number of weights and measures and product safety incidents that can be investigated and the desirable level of proactive surveillance activity. This situation is being managed by the Measurement and Product Safety Service through increasingly tighter prioritisation of work, based on an assessment of likely risk. While this strategy has been successful to date, for day-to-day activities, should a major product safety incident occur, additional funds would need to be sought from outside the Vote to deal with it successfully.

Dispute Resolution Reserve Scheme

Under the new Financial Service Providers and Financial Advisors regime, all providers of financial services are required to be registered with an approved dispute resolution regime in order to trade. A Reserve Scheme was established as part of the new regime:

- to provide certainty that there would be a scheme that would accept all types of financial service providers
- to provide a back-up in the event that a scheme had its approval withdrawn or was otherwise no longer operational.

[2]

Information Provision to Support Effective Implementation of Consumer Law Reform

It is expected that the Consumer Law Reform Bill will be passed during 2011. Because consumer law is largely self-enforced by consumers, to be effective this major piece of legislative simplification and reform will need to be well-known and understood by consumers and businesses. Achieving this will require a national education campaign and targeted information for consumer advisors (such as Citizen's Advice Bureaux). Initial estimates of the cost of a modest two-year campaign of this kind are around \$500,000. This funding would have to come from outside Vote Consumer Affairs.

Section 3: Proposed Changes for Budget 2011 (Reprioritisation)

No significant reprioritisation will occur.

Section 4: Summary of Financial Movements

There are no changes proposed to the Vote (see attached CFIS report).