



## **ELECTRICAL WORKERS REGISTRATION BOARD**

### **DISCUSSION PAPER**

### **FEES REVIEW**

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Registrar  
1 March 2012

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## **Introduction**

In January 2011 the Government announced that it would be undertaking a review of the electrical certification requirements and a review of the fees covered by the Electrical (Safety) Regulations 2010 (the Regulations). The review relating to fees covered by the regulations was initially to be carried out by the Department of Building and Housing (the Department).

In June 2011 the task of carrying out a review of the fees payable under the regulations was given to the Electrical Workers Registration Board (the Board) by the Minister for Building and Construction.

Also in January 2011 the Government announced changes to the certification requirements for prescribed electrical work. The key changes for the purposes of the fees review is that as from 1 July 2013 the Board will no longer be supplying Certificates of Compliance nor will there be any prescribed fee for a Certificate of Compliance.

Fundamentally, the changes to the electrical certification requirements will mean a reduction in the work of the Board and a reduction of approximately \$1,500,000 per annum in Board's revenue.

The Board has completed the first stage of the fees review as required by the Minister and is now seeking the views of practitioners and other interested parties on the Board's proposals.

## **Executive Summary**

The key elements of the Board's proposals are;

- delineate registration application fees for New Zealand and overseas trained applicants to recognise the additional resources required to consider applications from overseas;
- standardise and cross subsidise all written examination fees and associated examination functions to ensure there is no monetary impediment to persons wishing to enter the industry;
- amend the requirement for practitioners to uplift an annual practising licence in favour of a two yearly requirement which aligns with the two yearly competency programmes the majority of practitioners are required to carry out for the issuing of practising licences;
- delineate between online and manual practising licence applications to recognise the time taken to process the different applications and thereby;
  - set the on line practising licence fees at \$120 per two years as opposed to the present annual fee of \$94.04 (a reduction of \$34.04 per annum);
  - set the manual practising licence fee at \$190 per two years as opposed to the present annual fee of \$94.04 (a reduction of \$1 per annum);
- draw down on the Board's Memorandum Account reserves over the next few years to offset the increase in fees;

- review the fees at least once every two years in the future.

## **Background**

### Board finances

The following chart summarises the Board's "Actual" accounts for the 2010/2011 financial year;

	Actual 2010/2011 \$000's
<b>INCOME</b>	
Practising licences	1,867
Examination and registration fees	489
Sale of publications	29
Certificates of compliance	1,574
Miscellaneous revenue	33
<b>Total</b>	<b>3,992</b>
<b>EXPENDITURE</b>	
Personnel	645
Operating	2,157
Depreciation and capital charge	208
Support services	782
<b>Total</b>	<b>3,792</b>

### Memorandum Accounts

Memorandum Accounts are a tool to improve transparency in relation to fees paid to agencies such as the Board. These Accounts record accumulated surpluses or deficits. The monies which form the balance of the Accounts are excluded from any surpluses required to be paid to the Crown and remain available for use by the agency.

At 30 June 2011 the Board's Memorandum Account had a balance of \$3,834,000.

It has been budgeted that a surplus of \$351,000 will be added to the account at the end of the 2011/2012 financial year. While no figure has been projected for the 2012/2013 financial year on current trends it is anticipated that the surplus for that year would be in the order of \$250,000 giving an approximate balance of \$4,435,000 in the Memorandum Account as at 30 June 2013.

### Fees payable to the Board

With minor exceptions, the fees payable to the Board were set prior to the introduction of the Electricity Regulations 1993. Whilst substantial electrical industry consultation on these fees was carried out by the Ministry of Economic Development on reviewing the fees in 2004/2005 the fees were not amended at that time.

In 2007/2008 the Department developed a Board fee model however a fee review was not proceeded with at that time as a new IT system was being introduced for electrical workers and the introduction of new electrical regulations was pending. It was considered that a fee review would be more appropriate when the IT system was

operational and the regulations were in place. Both the IT system and the regulations are now in place.

During 2010 KPMG carried out a review of fees payable under the regulations. Key Findings from that review were as follows;

- the fees payable to the Board have not been regularly reviewed;
- the fees, in aggregate, have consistently been over recovering costs (which has, as referenced above, resulted in a Memorandum Account balance of \$3,843,000 as at 30 June 2011) and that suggested that the fees themselves do not fully reflect current Government guidelines, however with that said the Board fee model developed by the Department is sound and can form the basis of effective ongoing fee management;
- the Memorandum Account balance should be targeted at zero;
- that a comprehensive review be carried out in terms of costs and benefits as well as a comparison with other occupational licensing bodies to estimate an ongoing cost base;
- any cross subsidisation of activities be clearly documented and the rationale for any cross subsidisation be clearly documented;
- budgets be zero based in future and this should include an examination of whether planned activities are affordable and whether outcomes are achievable and are of benefit to the electrical industry and stakeholders;
- budgets be set to a multi year medium view as opposed to a static one year model;
- a review be conducted of the registration, examination, licensing and certificate of compliance “cost pools”.

### **Government guidelines for setting fees**

The general fee setting expectations based on Treasury and Controller and Auditor General guidelines are that;

- the fee will be consistent with the purpose and scope of the legal authority to charge a fee;
- there will be clear policy rationale for charging and for deciding what proportion of costs is intended to be recovered;
- the fee should reflect the costs incurred in producing or providing that good, activity or service. This generally involves;
  - identifying the different goods or services being produced (and then decide if and how they should be grouped together for costing purposes);
  - identifying the resources used in producing each good or service (eg labour, materials, overheads, capital costs);

- estimating the volume of each good or service to be produced in a given period; and
- estimating the volume and cost of resources required to produce each good or service in that period (taking into account the impact of direct and indirect, fixed and variable costs);
- having set a fee or charge, the agency will monitor its fee(s) and will undertake regular charging reviews;
- the agency will demonstrate a focus on efficiency and delivering value for money.

### **Board's approach to the fee review**

The Board has carried out the fee review in accordance with Government guidelines for fee setting having regard as far as practicable with the KPMG Key Findings. In summary the Board has;

- ensured that there is a legal authority for all proposed fees in either the Electricity Act 1992 or the Electricity (Safety) Regulations 2010;
- identified sixteen different services to which the proposed fees would apply and grouped applicable services for costing purposes;
- has used information provided by Martin Jenkins & Associates, an independent Wellington Strategic Advisor, to identify all resources used in producing each service to which a proposed fee applies and the volumes applicable to each service over a selected period;
- compared the fees charged by other occupational licensing bodies in New Zealand and electrical licensing bodies in Australia;
- plans to publish clear policy relating to the charges of fees and cross subsidisation of those fees;
- has reviewed its budgets for the next two years taking into account that Certificates of Compliance will not be required to be purchased from the Board and the other changes being proposed;
- determined that it will continue to focus on providing value for money in the services it provides to the electrical industry.

### **Outcomes of the Board's fee review**

The outcomes of the Board's fee review are as follows;

- (a) the sixteen different functions to which proposed fees would apply have been independently costed in accordance with the Government's guidelines for fee setting. The independent costing for the sixteen functions was \$3,977,000.

- (b) following consideration of the independent costing figure, additional savings of \$543,000 have been identified in relation to;
- costs associated with the Certificate of Compliance programme;
  - amending the requirement for practitioners to uplift a practising licence every two years instead of annually;
  - savings by restricting a consumer awareness programme to the 2011/2012 financial year;
  - savings in support services payable to the Department.
- (c) when the abovementioned savings are taken into account the Board's expenditure budget would be \$3,434,000 per annum;
- (d) in order to offset any fee increases the Board proposes to draw down on its Memorandum Account;
- (e) the Board will review the fees payable to it every second year.

### Proposed fees

The following chart shows the functions for which fees are proposed along with anticipated volumes and proposed revenue for two out years;

Function	Estimated Volumes	Proposed fee (GST incl)	Proposed fee (GST ex)	Proposed revenue (year 1)	Proposed Revenue (year 2)
Application for registration	1,486	175	152.17	226,125	226,125
Application for registration (overseas trained)	414	350	304.35	126,000	126,000
Application for provisional licence	20	91	79.13	1,583	1,583
Application for limited certificate	1,500	91	79.13	118,695	118,695
Registration certificate	2,000	57	49.57	99,140	99,140
Replacement certificate or licence	25	57	49.57	1,239	1,239
Certified copy of entry in register	0	57	49.57	0	0
Restoration of name to register	25	114	99.13	2,478	2,478
Application for employer licence	15	2,470	2,147.83	32,217	32,217
Application for written examination entry	4,100	85	73.91	303,031	303,031
Application for remarking examination	260	85	73.91	192,166	192,166
Return of	10	85	73.91	739	739

examination script					
Application for late examination	175	85	73.91	12,934	12,934
Application for practical assessment	1,000	85	73.91	73,910	73,910
Application for special examination	POA	0	0	0	0
Application for practical examination	POA	0	0	0	0
Certificates of Compliance	0	0	0	0	0
Practising licences on line	14,340	120	104.55	1,499,247	0
Practising licences manual	10,384	190	165.22	1,715,644	0
<b>TOTAL REVENUE</b>				<b>4,405,148</b>	<b>1,190,257</b>

### Notes

- (a) the chart shows a two year total revenue of \$5,595,405 and with the above referenced \$3,434,000 expenditure per annum (\$6,846,000 per two yearly) a shortfall in two yearly revenue of \$1,250,595 occurs. It is proposed that the shortfall be funded from the Memorandum Account for the first two years at which time the fees would be subject to another review;
- (b) if the Memorandum Account was not drawn down and the concept of the standardisation and cross subsidisation of written examination fees was retained all fees with the exception of the aforementioned examination fees would need to be increased in the order of \$25 per annum. The Memorandum Account should then remain as a reserve fund for the Board. Since, however, the fees are ultimately determined by the Government by Regulation the Board considers that there is the possibility that the Government would set the fees at the lower level to ensure that the amount in the Memorandum Account is reduced over a number of years. The Board has not explored this option in any detail given the advice from KPMG and the substantial amount of monies currently in the Memorandum Account.

### **Rationale relating to proposed fees**

In proposing the abovementioned fees the Board has;

- (a) made a delineation between application for registration fees for New Zealand and overseas trained applicants to recognise the additional resources required to consider applications from overseas;
- (b) standardised and cross subsidised all written examination entry fees and associated examination functions to ensure there is no monetary impediment to persons wishing to enter the industry;
- (c) amended the requirement for practitioners to uplift an annual practising licence in favour of a two yearly requirement which aligns with the two

yearly competency programmes the majority of practitioners are required to carry out for the issuing of practising licences;

- (d) delineated between online and manual practising licence applications to recognise the time taken to process the different applications;
- (e) not set application fees for special or practical examinations as the number of such applications has been extremely low in recent years. If special and practical examinations are required from time to time application fees will be set on a full cost recovery basis.

### Comparison of fees charged by other occupational bodies

The following chart which has been derived from the websites of other New Zealand occupational licensing bodies shows the application, registration and licensing fees charged by those bodies;

Body	Registration Fee (\$)	Licence Fee (\$)	Disciplinary Levy/Offences Fee (\$)	Licence Renewal Fee (\$)	Licence Duration
PG&DB	357.78	102.22	265	367.22 <sup>1</sup>	1 year
LBP	0	536.67 <sup>2</sup>	0	199.34 <sup>3</sup>	1 year
NZTC	81.77 <sup>4</sup>	139.03 <sup>4</sup>	0	220.80	3 years
MCNZ	434.45	654.20	120.11	654.20	1 year
NCNZ	1,250 <sup>5</sup>	80	30	110 <sup>6</sup>	1 year
EWRB (proposed)	175.00 (NZ trained) 350.00 (overseas trained)	120.00 (on line) 190.00 (manual)	0	120.00 (on line) 190.00 (manual)	2 years

#### Notes

- 1 includes annual disciplinary levy and offences fee;
- 2 includes application fee, administration fee and assessment fee based on a carpentry licence;
- 3 includes Board levy and administration fee;
- 4 based on TC2 application;
- 5 based on application for registration as nurse practitioner (including prescribing);
- 6 includes \$30 disciplinary levy.

#### Key to abbreviations;

PG&DB	-	Plumbers Gasfitters and Drainlayers Board
LBP	-	Licensed Building Practitioners
NZTC	-	New Zealand Teachers Council
MCNZ	-	Medical Council of New Zealand
NCNZ	-	Nurses Council of New Zealand

The following chart which has been derived from the websites of electrical licensing bodies in Australian States and Territories shows the electrician application, registration and licensing fees charged by those bodies;

State	Application Fee (\$)	Registration Fee (\$)	Licence fee (\$)	Licence Renewal Fee (\$)	Licence Duration
Q	0	0	64	64	5 years
NSW	129	0	392	462	3 years
V	0	0	339.70	169.80	5 years
SA	0	173	308	308 215	1 year 3 years
T	0	0	294	294	3 years
WA	39	0	350	350	5 years
NT	0	0	50	50	5 years
ACT	0	0	85	200 450	1 year 3 years
EWRB (proposed)	0	175.00 (NZ trained) 350.00 (overseas trained)	120 (on line) 190 (manual)	120 (on line) 190 (manual)	2 years

Key to abbreviations;

Q	-	Queensland
NSW	-	New South Wales
V	-	Victoria
SA	-	South Australia
T	-	Tasmania
WA	-	Western Australia
NT	-	Northern Territory
ACT	-	Australian Capital Territory

**Explanatory note**

Department functions associated with the electrical industry

The Department, not the Board, carries out investigatory functions in the electrical industry. As those functions are not funded from Board fees they do not form part of this discussion paper.

**Comments sought on this discussion paper**

The Board would appreciate any comments about the implications and impact of the proposals in this discussion paper by 11 April 2012. Comments should be sent to:

The Registrar  
Electrical Workers Registration Board  
PO Box 10156  
WELLINGTON

Or Fax (04) 473 2395 (marked for the attention of Trish Tchernegovski)

Or by e-mail to: [trish.tchernegovski@dbh.govt.nz](mailto:trish.tchernegovski@dbh.govt.nz)

The Board would also appreciate receiving submissions in the following format:

Page No.	Section Title	Comment/Reason for comment
		I support/disagree with ..... because .....

### **Official Information Act 1982**

Please note that any submissions received by the Board will constitute 'official information' under the Official Information Act 1982. That Act is designed to give the people of New Zealand access to information, but with exceptions to preserve the public interest and personal privacy.

The Board will prepare a summary of submissions received, together with the Board's responses. This summary is intended for circulation to parties who have made submissions.

In providing your submission, please advise the Board if you have any objections to the release of your submission, and, if you do object, the parts of your submission that you want withheld, and the grounds, under the Official Information Act, for withholding them. The Board will carefully consider your reasons when preparing and releasing any summary, and in considering any formal Official Information Act requests that might be received in the future.

### **Privacy Act 1993**

Any personal information that you supply to the Board in the course of making your submission will be used by the Board only in conjunction with the consideration of matters covered by this discussion paper.

Your name will be included in any summary unless you inform the Board that you do not wish your name to be included.



John Sickels  
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1 March 2012