

2015

REVIEW OF FEES AND LEVY

[LOOKING AT THE OPTIONS]



PUBLIC CONSULTATION DOCUMENT

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2015

REVIEW OF FEES AND LEVY SUMMARY

The three yearly review of the fees and levy paid by tradespeople is underway. Any changes that are made will be introduced for the licence year that commences on 1 April 2016.

This is the first of two consultation opportunities that there will be this year.

Information about the review and how changes to one fee will affect other fees, are contained in the consultation document.

A form for telling us your views is attached to this consultation document. We need your comments by 22 April 2015.

Once feedback about options is received, the Board will prepare a specific fees and levy proposal and will hold meetings around New Zealand to discuss it with tradespeople. This second consultation opportunity will start in August this year.

At this stage we want to know things like:

Take Note!

1. Should there be changes to fees for people holding more than one licence?
2. Should there be changes to fees for people moving from the licensed class of registration to certifying?
3. What other changes you think should be made to the way the fees and levy are set?
4. Do you support photo licence cards?
5. Do you think we should issue licences for two years at a time?



INTRODUCTION

Every three years the Board reviews its fees and levy. The review will happen over the next nine months with the new fees and levy being introduced in time for the licence year that starts on 1 April 2016.

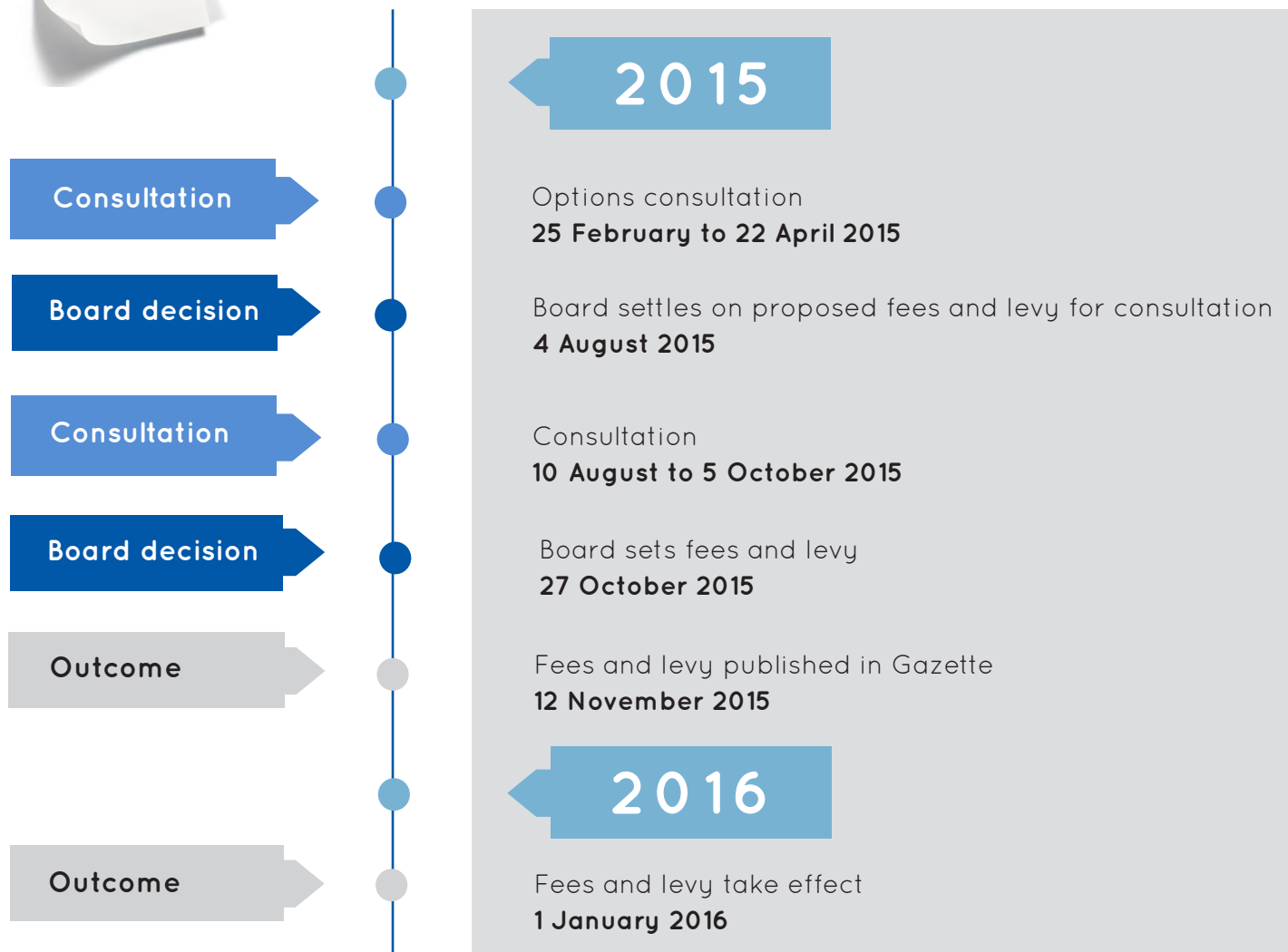
We are just starting work on the review and want to hear the opinions of tradespeople so that they can be considered early in the process. That is what this consultation is about.

Later in the year, once we have heard your ideas, the Board will develop a detailed proposal and give you the opportunity to comment again before making a final decision.

At that time, we will hold a series of meetings around New Zealand, particularly in the main population centres, to explain the proposal.



TIMELINE





HOW ARE FEES AND THE LEVY CALCULATED?

The Board will prepare budgets for the three years that start on 1 April 2016.

These budgets will be done for each of the functions that the Board carries out. The main functions are:

- licensing
- registration
- examinations
- complaints and discipline
- prosecution of offences.

As part of preparing the Budgets, the Board will review the way it currently operates to see if it can identify savings that can be made by providing services more efficiently.

We will also look at how we allocate overhead costs to our various functions.

For example, how should the salaries paid to staff, be charged to the various functions?

We do this by assessing how much of each person’s time is used for each function. Other costs such as photocopying and postage are allocated in much the same way.

The Board has made operating surpluses over the past few years, and will allocate any reserve funds that are surplus to

requirements, to the review. This will have the effect of subsidising fees and/or the levy.

We can then calculate the total funds that need to be raised for each function, having taken into account the use of any reserve funds.

The next step is to estimate how many transactions there will be for each function. Dividing the total funds requirement by the estimated number of transactions calculates the fees that need to be charged.

For example, if the total funds required for the licensing function was \$100,000 and there were 1,000 licences to be issued, the fee would be $\$100,000 \div 1000 = \100 .

THE TOTAL COST OF OPERATING THE BOARD



The total cost of operating the Board in the **current year (2014/15)** is estimated to be \$3,787,000. This is funded as shown in the table below.

Function	Cost
Licence fees	\$ 1,110,000
Disciplinary levies	\$ 949,000
Offences fees	\$ 479,000
Examination fees	\$ 410,000
Registration fees	\$ 240,000
Interest	\$ 150,000
Fines and costs	\$ 110,000
Other income	\$ 54,000
Reserve funds	\$ 285,000



SOME OF THE OPTIONS

The Board often receives suggestions about fees. Not surprisingly most of these suggestions are about reducing one or other fee or levy. **What needs to be remembered is** that the Board needs to collect a certain amount of money to be able to carry

out its functions. This means that if you reduce one fee, you will most likely have to increase some other fee to make up for it. The following questions are some that are often raised with the Board. Some information about the effect of change follows each question.

1. I am registering in the second half of the year so why do I have to pay a full year's fees?

If people registering in the second half of the year were only required to pay half fees and levy, for example, the fees and levy for everyone else would change as follows:

- the licence fee would increase by about \$1.30*
- the offences fee would increase by about \$0.75*
- the disciplinary levy would increase by about \$1.75*.

2. I hold licences in more than one trade. I only get one licence card so why do I have to pay full licence fees for each of my trades?

If people with licences in more than one trade paid half fees for the second and third trades, for example, the fees for everyone else would change as follows:

- the licence fee for one trade would increase by about \$13.00*
- the licence fees for two trades would decrease by about \$24.45*
- the licence fees for three trades would decrease by about \$61.85*.



SOME OF THE OPTIONS CONT ...



*These figures (options 1-5) are based on the current financial model and this year's budgets and transaction numbers. They do not take into account any changes in budget or transaction numbers, or the use of surplus funds that might apply for the 2016 year. The figures should be regarded only as an indication of the effect of changing the fees structure.

3. I am changing my registration from licensed to certifying. Why do I have to pay another registration fee?

If a half registration fee was charged for people moving from licensed to certifying, for example, the change for other people would be as follows:

- either the standard registration fee would increase by about \$95*, or
- the licence fee would increase by about \$5.60*.

4. Why can't our licences be issued for two years like electricians?

We could reduce Board costs by about \$50,000 a year if licences were issued for two years rather than one.

This means the licence fee would reduce by about \$6.50* over a two year period. Some people may have expected a higher figure but most of the Board's costs are fixed. For example office rent would not change because licences were for two years rather than for one year.

Of course moving to a two year licence may have other positive effects for tradespeople in the form of reduced administration.

5. Why aren't our licence fees reviewed more frequently than three yearly when the Board has surplus funds?

A three yearly review provides some fee stability so that fees are not jumping up and down on an annual basis and so that tradespeople and the Board can plan with confidence. Any surplus funds are returned to tradespeople in the form of subsidised fees when a review is carried out.

At the 2012 review, approximately \$500,000 of surplus funds were allocated to the review.



PHOTO LICENCES

Having photos on licence cards would cost about \$1.75 per licence per year.

TELL US WHAT YOU THINK

These days some licence cards for other industries contain a photograph of the licence holder.

The Board has received a number of requests for photos to be included on our licences as a means of reducing identity fraud. We are keen to know what the general view of industry is about this matter.

As the “ask for the card” campaign gathers momentum, having photos on licences would certainly increase surety for consumers that the person doing their plumbing, gasfitting or drainlaying is who they say they are, and that they are authorised to carry out the work.



If the scheme were to proceed, it would likely operate as follows:

- licence holders would need to have their photo taken every ten years
- the Board would contract with someone like the Automobile Assn (AA) to take the photos at any of their premises throughout New Zealand
- there would be no direct fee charged to tradespeople for the photography
- the photos would be sent electronically to the Board by the photographer and would be held within the database
- tradespeople would apply for licences in the normal way.



We can't propose actual fees or levy at the present time. That comes later in the process. What we want to know now are your views about the fairness of the current fees and levy structure:

- **what works well, and**
- **what needs to change and why?**

OTHER ISSUES

The Board's review of the fees and levy will be guided by the Auditor General's publication "Charging fees for public sector goods and services."

The publication deals with things such as cross-subsidisation, memorandum accounts and consultation.

The Board will also engage external consultants (KPMG were used at the 2012 review) to review the fees model to provide additional quality assurance.

One of the things that will change with this review is that the existing separate offences fee and disciplinary levy will be replaced by a single combined disciplinary and prosecution levy. This is a consequence of the 2013 changes to the Plumbers, Gasfitters and Drainlayers Act.

BACKGROUND INFORMATION

- Plumbers, Gasfitters and Drainlayers (Fees and Disciplinary Levy) Notice
<http://www.pgdb.co.nz/~downloads/Gazette%20notice%20-%202013%20fees%20and%20levy.pdf>
- "Charging fees for public sector goods and services" – OAG publication
<http://oag.govt.nz/2008/charging-fees/docs/charging-fees.pdf>
- Power to set fees: Section 142, Plumbers, Gasfitters and Drainlayers Act 2006
<http://www.legislation.govt.nz/act/public/2006/0074/latest/DLM397748.html>
- Power to set a disciplinary and prosecutions levy: Section 143, Plumbers, Gasfitters and Drainlayers Act 2006
<http://www.legislation.govt.nz/act/public/2006/0074/latest/DLM397749.html>
- Plumbers, Gasfitters and Drainlayers Board annual accounts to 31 March 2014
http://www.pgdb.co.nz/~downloads/Annual%20Report_Low%20Res_18-09-2014.pdf

HOW TO SEND US YOUR COMMENTS

- 1.** You can complete the online form at www.pgdb.co.nz/consultation/current
- 2.** You can send your written comments by email to submissions@pgdb.co.nz
- 3.** You can mail your comments to: The Registrar, PGDB, PO Box 10655, Wellington 6143.

If there is not enough room on the form (page 9 & 10), please feel free to attach your response on separate sheets.

REVIEW OF FEES AND LEVY - THE OPTIONS

[Photo licences]

3. Do you support the introduction of photo licences? (please circle) YES / NO

Please make any comments to explain why you support, do not support or suggest alternatives you think the Board should consider.

[Two year licences]

4. Do you support a move to two year licences? (please circle) YES / NO

Please make any comments to explain why you support, do not support or suggest alternatives you think the Board should consider.

[Your contact details]

Name:
Registration number (if applicable):
Organisation:
Address:
Email:
Phone:

Thank you for your submission. The Board appreciates the time you have taken to make your comments and can assure you that they will be carefully considered.

Privacy statement

The Board may publish submissions on the Board's website. If you are happy for your personal details to be included, please tick the following box.