

The Chair
CABINET

QUALITY REGULATION REVIEW - SECOND MILESTONE REPORT

PROPOSAL

- 1 This paper forms the Second Milestone Report for the Quality Regulation Review. It summarises progress to date and sets out the key issues for the next stage of the review. This paper also reports on specific regulatory issues identified in the February 2007 report entitled "Quality Regulation Review: Progress Report" [CBC Min (07) 3/7 refers]. This paper should be read in conjunction with the companion paper entitled, "*Quality Regulation Review – First Tranche of Legislative Amendments*".

EXECUTIVE SUMMARY

- 2 The Quality Regulation Review ("the Review") is heading into its final stages and is on track for completion in July 2007. Good progress has been made to address the regulatory concerns of business, with a number of initiatives having been achieved, including those that have not required Cabinet approval or legislative amendment.
- 3 However, in light of the issues raised by business in the sector study interviews, the solutions identified and implemented to date, and the reports from departments previously requested by Cabinet on key regulatory issues, I consider that more could be achieved. This paper recommends that relevant departments undertake further work on some key areas that may make a real difference to New Zealand's regulatory environment to ensure that New Zealand retains its standing as one of the best places in the world to do business, and report to the Ministerial Group for the Review by 28 May 2007. However, for this further progress to be made, Ministers will need to provide direction to their departments on work priorities over the next few months.

BACKGROUND

- 4 On 23 May 2006, Cabinet agreed to the scope and broad work programme for a Review of regulatory frameworks (i.e. the Quality Regulation Review) to ensure that the regulatory environment for business is supportive of the government's economic transformation agenda [CAB Min (06) 18/3 refers].
- 5 Cabinet considered the *Quality Regulation Review - First Milestone Report* in October 2006 [POL Min (06) 23/4 refers]. The Cabinet Business Committee considered a further Progress Report on the Review on 7 February 2007 and directed relevant departments to further consider specific regulatory issues

raised during the review and report back as part of the Second Milestone Report with proposed solutions or a reason why maintaining the current arrangements is the best of the feasible options for addressing these issues [CBC Min (07) 3/7 refers].

- 6 This paper forms the Second Milestone Report on the Review. The associated paper, entitled "*Quality Regulation Review – First Tranche of Legislative Amendments*" outlines the first set of proposed legislative amendments arising from the review (i.e. 'the Omnibus Bill'), and should be read in conjunction with this paper.

COMMENT

- 7 The key messages to the business community regarding the Review have been that "we are in this together" and that "no issue is too small" for consideration in the Review. To help ensure that the Review identifies the issues of greatest importance to business, the identification of issues and proposed solutions has been driven by business, rather than departments and officials. Wherever possible and sensible, solutions to issues have been implemented as they arise (i.e. "fast-tracking"), rather than waiting until the end of the Review. The government is also committed to ensuring that the key learnings from the Review for the design, implementation and administration of future regulation are captured and inform government mechanisms and processes. Annex One provides a brief summary of progress on projects being undertaken as part of the Review.

Achievements

- 8 As noted above, the government is not waiting until the end of the Review to implement solutions to the regulatory issues identified, but is implementing solutions as the issues arise wherever possible and sensible. The Taskforce has been promoting "fast-tracking" administrative and managerial responses for issues raised by submitters, where this can be effective. In the February 2007 Progress Report, it was noted that Cabinet has already agreed to a number of proposals that address some of the issues raised during the Review, and that a number of initiatives are being implemented by Ministers and their departments already. Annex Two summarises the achievements to date, including those that are expected to be delivered prior to July 2007, and the legislative amendments identified already for inclusion in the Omnibus Bill. The solutions vary in nature and scope, and include:
 - a **direct responses to individual businesses** – by the completion of the Review, all submitters will receive a response to the issues they raised. Where possible, this will be in the form of the proposed solution (e.g. clarifying regulatory requirements). However, it is important to note that it will not be possible for departments to resolve all of the issues raised by submitters. In a number of cases, the outcome desired by the submitter may not be consistent with the purpose of the relevant regulatory framework. Furthermore, the ability to resolve this issue may often be outside the influence of central government;

- b **changes to administrative processes and procedures** – e.g. ACC and Inland Revenue have agreed to work together to investigate and implement where possible, ways to improve the coordination of data collection and share information on businesses;
 - c **communication and information dissemination initiatives** – e.g. the Department of Labour is developing guidance on how to manage the health and safety of contractors; and the changes to the www.biz.org website, which will be launched in August 2007;
 - d **inclusion of issues in existing reviews and departmental work programmes** – e.g. Inland Revenue is proposing that the issues of what constitutes an invoice for GST purposes and the requirement to pay PAYE twice-monthly for employers engaged in the horticulture sector be added to the government’s Tax Policy Work Programme and considered under the Generic Tax Policy Process;
 - e **the establishment of new work programmes** – e.g. the Ministry of Health is undertaking a project to review the contractual and legislative requirements for audits of health and disability service providers; and Cabinet has agreed to a detailed work programme to be undertaken by the Department of Building and Housing (DBH), the Department of Internal Affairs (DIA), the Ministry for the Environment (MfE) and Local Government New Zealand (LGNZ) to resolve issues around the interface between building and resource consents processes [CBC Min (07) 3/8 refers];
 - f **legislative enactments** – e.g. following the passage of the Customs and Excise Amendment Bill in February 2007, the due dates for the excise levy and the Alcohol Advisory Council of New Zealand (ALAC) levies paid by the wine industry are now aligned to 1 July;
 - g **proposals for further legislative amendments** – the companion paper entitled, “*Quality Regulation Review – First Tranche of Legislative Amendments*” outlines the first set of proposals for minor legislative amendment arising from the Review. In addition, departments working in other areas where, subject to further analysis, legislative amendment may also be proposed as the appropriate solution (e.g. the Building/Resource Interface Study work programme agreed by CBC in February 2007 [CBC Min (07) 3/8 refers]); and
 - h **changes to government mechanisms and processes for developing legislation and regulation** – e.g. changes to the Regulatory Impact Analysis requirements, which came into effect on 1 April 2007.
- 9 In addition to the areas noted above, there are two further areas where it is useful to note progress in the context of the Review. First, the Review process has highlighted a number of issues that are already being addressed through legislation, information provision or process changes. While these initiatives have not been initiated by the Review, they nevertheless directly address issues raised during the Review.

- 10 Second, the Review has resulted in a number of insights and useful reminders for departments in terms of their perspectives and processes for developing, implementing and evaluating regulation, and in particular:
- a a recognition and understanding of the importance of information provision by departments; and
 - b departments actively seeking to work together to identify solutions, and ensure they continue to improve the regulatory environment.
- 11 These types of insights and shifts in departmental thinking will be critical for ensuring constant vigilance in maintaining New Zealand's high standard of regulatory quality, and a commitment to continuous improvement.

Further progress

- 12 A number of departments have made good progress in finding solutions to issues raised during the Review. Annex Three provides a summary of the responses provided by departments to the specific regulatory issues identified in the February 2007 Progress Report [CBC Min (07) 3/7 refers]. However, I consider that more can be achieved before the Review's completion in July 2007.
- 13 However, a key reason why the rate of progress on the Review to date has been slower than expected is that departments are working on their responses to the Review in addition to already heavy workloads on a number of other government priorities. Therefore, they have had to make choices about relative priorities. Where work arising from the Review represents new, unplanned, and unresourced work for departments, in many cases it simply has not been given high enough priority.
- 14 To make the type of progress we need to ensure New Zealand's regulatory environment is fit to achieve our economic goals and priorities over the next decade, Ministers need to consider the relative priority of the work for their departments under the Review against the other outputs expected from their departments, and provide clear direction to departments on what should be progressed as a matter of priority prior to July 2007.
- 15 The specific areas I consider should be progressed before the next stage of the Review are summarised below. I recommend that relevant departments undertake the further work and report to the Ministerial Group overseeing the Review on 28 May 2007 so I can include the solutions as part of the Quality Regulation Review - Final Report, by 31 July 2007.

Resource Management Act

- 16 A number of issues relating to the Resource Management Act (RMA) were raised by businesses during the sector study interviews. I recommend that the Minister for the Environment report on:

- a the outcome of the recent enhancements to the provisions in the RMA for dealing with vexatious submissions; and
- b the adequacy of the existing disciplines on local authorities in setting charges under the RMA and the Local Government Act 2002, including charges for resource consents, development charges and annual fees.

Labour Market Issues

- 17 The Department of Labour has been undertaking a range of work aimed at identifying and implementing improvements to the processes for managing and resolving employment relationship problems. To date this work has identified concerns with awareness about and the effectiveness of the current arrangements, particularly for managing performance issues or probationary periods, and concerns about costs as a driver of outcomes in disciplinary and dismissal procedures. Currently planned work due to be completed by the end of June 2007 is highlighted in Annex Two.
- 18 In parallel, the Department is undertaking a mediation practice review to ensure the Department's mediation services are best practice and will implement any recommended changes, in consultation with stakeholders, from August 2007. The Department is also reviewing other dispute resolution and workplace related institutions that deal with labour issues to identify any potential improvements to meet the objectives of Government and relevant legislation.
- 19 Following the work outlined in paragraph 18 a more substantive policy review (in June and July 2007) will consider options such as:
 - a implementing a Code of Employment Practice for disciplinary and dismissal procedures under section 100A of the Employment Relations Act;
 - b reviewing the impacts that costs have on problem resolution, including the costs of lawyers and other advocates (in particular the impact of "no-win / no-fee" contingency arrangements), and whether further information about costs would improve dispute resolution; and
 - c improved communications activities about how to effectively manage employment relationship problems.
- 20 The above options will improve the functioning of the current system by improving awareness of the available options and providing greater assistance to employers and employees to work within the current policy settings. I recommend that the Minister of Labour report to Cabinet by 31 July 2007 on options to improve the functioning of the employment relationship problems resolution system.
- 21 The online tool for assisting businesses with their entitlement calculations under the Holidays Act represents significant progress in addressing the issues raised by business. I propose that the Minister of Labour report to Cabinet by 30 June

2008 on the implementation and effectiveness of the online tool, including any recommended changes to the tool.

Hazardous Substances Management

- 22 The proposed changes to the Hazardous Substances and New Organisms Act 1996 (HSNO) and the work on the compliance and enforcement regime should help to address the compliance costs for business under HSNO. In addition, I recommend that the Ministers for Biosecurity and the Environment report back on:
- a progress on the project looking at the interface between the Biosecurity Act 1993 and HSNO Act with respect to the importation of new organisms, recognising this project is awaiting a Court of Appeal decision on honey imports; and
 - b possible simplification of the licensing requirements under HSNO to remove any unnecessary costs to business associated with renewing licences, and to remove any duplication of licensing requirements.

Local Government and Regulation

- 23 A number of issues raised by submitters relate to local authorities' performance of their regulatory functions. There are suggestions of inconsistent interpretation, application and enforcement of the legislation they administer that affects business. These issues cross a number of areas, including the RMA, Building Act and food safety. The underlying concern is not inconsistencies caused by local differences, but different interpretations of statutory requirements and how council capability may impact decision-making. While many of the issues raised will be addressed by the work programme agreed as a result of the report on the Resource Management Act/Building Act Interface study findings [CBC Min (07) 3/8 refers] some issues fall outside the scope of that work. I therefore recommend that the Minister of Local Government (lead), Minister for Building and Construction, Minister of Housing, Minister for the Environment and the Minister for Food Safety report on:
- a whether there are any issues relating to local authorities' performance of their functions that have been identified by stakeholders in the Review that will not be addressed by the current work programmes, and options to address those issues, if appropriate; and
 - b whether or not these issues are a consequence of local authority capacity and capability, and how these issues might best be addressed.

- 24 In addition, from a broader quality of regulation perspective, I recommend that the Minister for Local Government report on the adequacy of the existing disciplines on local authorities around developing, implementing and evaluating their own regulation.
- 25 To provide a local government perspective on how best to address the inconsistency issues raised in the Review, LGNZ has agreed to work with its member local authorities to identify where local authorities are having difficulty implementing legislation or regulations due to inconsistencies in the legislation, and where local authorities have needed to introduce regulatory measures to deal with gaps in central government legislation or regulation. LGNZ note that they, and individual local authorities, have raised many of these issues with central government departments in the past and, in some cases, there are current work programmes underway, which will help local authorities address inconsistency issues.

Liquor licensing

- 26 While the Ministry of Justice's view is that the issues raised by submitters in relation to liquor licensing are significant policy issues, I believe a number of changes could be made that would make a material difference for business, but not change the risk profile of those businesses or weaken the overall controls on liquor licensing. Hence, I recommend that the Minister of Justice report on:
- a options for simplifying the licence requirements for winemakers who do not sell wine for consumption on their premises;
 - b whether the mechanisms for approving and issuing special licences under the Sale of Liquor Act 1989 are achieving the intended objectives; and
 - c options for late licence renewal applications and for businesses to continue to trade while the renewal application is being considered.
- 27 In addition to the above reports for 28 May 2007, I also recommend that the Minister of Justice incorporate a review of the following issues into the Ministry of Justice's ongoing work on reviewing licensing laws:
- a Consider removing the requirement for advertisements in the newspaper when reapplying for an on or off (premise) licence and replace this with better onsite information about what people should do if they have a complaint;
 - b Consider abolishing on and off (premise) re-licensing and general managers re-licensing; and
 - c Consider extending the length of the on and off (premise) licence following the probationary period from 3 to 5 years.

Interface between the Sale of Liquor, Holidays and Shop Trading Hours Acts

- 28 The experiences over the Easter period demonstrated again that there are inconsistencies between the Sale of Liquor Act, Holidays Act and Shop Trading

Hours Act, in relation to the hours and days on which businesses may operate, and the days which should be treated as statutory holidays. Therefore, I recommend that the Ministers of Justice and Labour report on how these inconsistencies could be resolved.

Business Statistics

- 29 The Department of Statistics has a number of initiatives in place to minimise respondent load and reduce duplication. However, given the concerns of business I recommend that the Minister of Statistics report on:
- a ways of improving communication with businesses regarding the use and value of the information they provide, as well communicating the value of statistical information to businesses and sectors more broadly; and
 - b the extent to which the current suite of initiatives being undertaken by the Department of Statistics will deliver real reductions in respondent load at the firm level.

ACC and IRD Information Sharing

- 30 To address concerns about information sharing and coordination within government, I recommended that the Minister of ACC and Minister of Revenue report on opportunities for speeding up work to investigate, and implement where possible, initiatives to improve the coordination of data collection and data dissemination, and the sharing information on businesses (with their permission), and extend these initiatives to also include the Department of Statistics and the Companies Office.

Exports and Imports

- 31 To address business concerns with procedures related to exporting and importing, I recommend that:
- a the Ministers for Biosecurity and Food Safety report on the progress of phasing in the updated standards for plant exports, taking into account the potential structural separation of the New Zealand Food Safety Authority from the Ministry of Agriculture and Forestry (MAF); and
 - b the Minister for Biosecurity to report on projects to redesign the way biosecurity import standards are set, taking into account the structural integration of Biosecurity New Zealand and MAF Quarantine Service by 1 July 2007, including reporting on the priority of addressing the lack of level 3 quarantine facilities in New Zealand for importing plant material.

CONSULTATION

- 32 The following government departments have been provided with a copy of this paper for comment: The Treasury, the Departments of Labour, Conservation, Internal Affairs, Building and Housing, the Ministries of Transport, the Environment, Agriculture and Forestry, Fisheries, Justice, Health and Consumer Affairs, the Accident Compensation Corporation, Statistics New Zealand, the

New Zealand Food Safety Authority, the New Zealand Customs Service, the Inland Revenue Department. All comments have been incorporated. The Department of Prime Minister and Cabinet has been informed of this paper.

Ministry of Justice view regarding liquor licensing:

- 33 The Ministry of Justice considers that the changes have the potential to significantly change the risk profile of business and constitute major policy issues. The object of the Sale of Liquor Act 1989 is to establish a reasonable system of control over the sale and supply of liquor to the public with the aim of contributing to the reduction of liquor abuse, so far as that can be achieved by legislative means. Liquor licensing policy reflects a delicate tension between competing industry, community, public health and criminal justice objectives.
- 34 The majority of the sector study participants seek greater liberalisation of the liquor licensing regime, by extending or removing licence periods, restructuring the licence requirements, removing advertising requirements and varying or removing training and certification requirements for bar managers. These are all major policy issues under the Sale of Liquor Act 1989 as they relate to the relaxation of controls relating to the sale and supply of liquor. The issues surrounding the proposals are sensitive and complex, as the processes currently in place (including advertising requirements and licence periods) are intended to reduce alcohol-related harms to communities.
- 35 The government is currently undertaking a Review of the Sale and Supply of Liquor to Minors, which goals include developing policy proposals that address the causes of harms arising from the sale and supply of liquor to minors. The Ministry's liquor policy expertise and capacity is dedicated to that review at this time and work on wider liquor licensing proposals seeking liberalisation of the liquor licensing regime would conflict with the objects of that review as well as the government's wider policies seeking to reduce alcohol-related harm.

FISCAL IMPLICATIONS

- 36 There are no fiscal implications arising from this paper.

HUMAN RIGHTS

- 37 There are no human rights implications arising from this paper.

LEGISLATIVE IMPLICATIONS

- 38 There are no legislative implications arising from this paper at this stage.

REGULATORY IMPACT ANALYSIS

- 39 As there are no legislative implications at this stage, a Regulatory Impact Statement has not been prepared. A RIS will be prepared for subsequent legislative or regulatory proposals.

PUBLICITY

- 40 I intend to make a press statement as soon as possible outlining the key messages of this paper. I also propose that this paper be placed on the Ministry of Economic Development's (MED) website as the Quality Regulation Review Second Milestone Report, along with the paper entitled "*Quality Regulation Review: Progress Report*" [CBC (07) 23 refers].
- 41 In addition, Ministers responsible for the paper previously agreed by Cabinet entitled "*Quality Regulation Review: Resource/Building Interface Study Findings*" [CBC (07) 22 refers] intend to make announcements regarding the contents of that paper, as soon as possible. I recommend that a copy of this paper also be placed on the MED website.

RECOMMENDATIONS

- 42 It is recommended that the Committee:

Background

- 1 **note** that in May 2006, the Cabinet Policy Committee agreed to the scope and work programme for a review of regulatory frameworks to ensure that the regulatory environment for business is supportive of the government's economic transformation agenda [POL Min (06) 9/13];
- 2 **note** that on 23 April 2007, the Cabinet Business Committee considered a companion paper entitled "*Quality Regulation Review – First Tranche of Legislative Amendments*" which provides the first set of proposals for regulatory amendments arising from the Quality Regulation Review ("the Review");

Progress

- 3 **note** that a number of regulatory issues have been raised by submitters so far, and that some of the issues have been determined by departments to be outside the scope of the Review because they relate to policy matters, rather than the implementation and administration of regulation;
- 4 **note** that progress has been made to implement a range of solutions to the issues raised by submitters to date that have not required Cabinet approval or legislative amendment;
- 5 **invite** the Minister of Labour to report to the Cabinet Economic Development Committee (EDC) by 30 June 2008 on the implementation and effectiveness of the online tool for assisting businesses with their entitlement calculations under the Holidays Act 1981, including any recommended changes to the tool;
- 6 **invite** the Minister of Labour to report to EDC by 31 July 2007 on options to improve the functioning of the employment relationship problems resolution system;

- 7 **agree** that the issues of what constitutes an invoice for GST purposes and the requirement to pay PAYE twice-monthly for employers engaged in the horticulture sector be added to the government's Tax Policy Work Programme and considered under the Generic Tax Policy Process;

Area for further work

- 8 **invite** Ministers to consider the work arising from the Review for their departments against the other outputs expected from their departments, to determine the relative priorities, and provide a clear message to their departments as to what should be progressed as a matter of priority prior to the completion of the Review in July 2007;
- 9 **invite** the following Ministers to report to the Ministerial Group overseeing the Review by 28 May 2007 on the following issues:
 - 9.1 the Minister for the Environment to report on:
 - 9.1.1 the outcome of recent enhancements to the provisions in the Resource Management Act 1991 for dealing with vexatious submissions;
 - 9.1.2 possible simplification of the licensing requirements under the Hazardous Substances and New Organisms Act 1996 to remove any unnecessary costs to business associated with renewing licences, and to remove any duplication of licensing requirements;
 - 9.2 the Ministers for the Environment and Local Government to report on:
 - 9.2.1 the adequacy of the existing disciplines on local authorities in setting charges under the Resource Management Act and the Local Government Act 2002, including charges for resource consents, development charges and annual fees;
 - 9.3 the Ministers for the Environment and Biosecurity to report on:
 - 9.3.1 progress on the project looking at the interface between the Biosecurity Act 1993 and the Hazardous Substances and New Organisms Act with respect to the importation of new organisms, recognising this project is awaiting a Court of Appeal decision on honey imports;
 - 9.4 the Ministers of Local Government (lead), Building and Construction, Housing, Environment and Food Safety to report on:
 - 9.4.1 whether there are any issues relating to local authorities performance of their functions that have been identified by stakeholders in the Review that will not be addressed by the current work programme, and options to address those issues, if appropriate;

- 9.4.2 consider whether or not these issues are a consequence of local authority capacity and capability, and how these issues might best be addressed;
- 9.5 the Minister of Local Government to report on the adequacy of the existing disciplines on local authorities around developing, implementing and evaluating their own regulation;
- 9.6 the Minister of Justice to report on:
 - 9.6.1 options for simplifying the licence requirements for winemakers who do not sell wine for consumption on their premises;
 - 9.6.2 whether the mechanisms for approving and issuing special licences under the Sale of Liquor Act 1989 are achieving the intended objectives; and
 - 9.6.3 options for late licence renewal applications and for businesses to continue to trade while the renewal application is being considered;
- 9.7 the Minister of Justice to incorporate a review of the following issues into the Ministry of Justice's ongoing work on reviewing licensing laws:
 - 9.7.1 removing the requirement for advertisements in the newspaper when reapplying for an on or of (premise) licence and replace this with better onsite information about what people should do if they have a complaint;
 - 9.7.2 abolishing on and off (premise) re-licensing and general managers re-licensing;
 - 9.7.3 extending the length of the on and off (premise) licence following the probationary period from 3 to 5 years;
- 9.8 the Ministers of Justice and Labour to report on resolving the inconsistencies between the Sale of Liquor Act, Holidays Act and Shop Trading Hours Act, in relation to the hours and days on which businesses may operate and the days which should be treated as statutory holidays;
- 9.9 the Minister of Statistics to report on:
 - 9.9.1 ways of improving communication with businesses regarding the use and value of the information they provide, as well communicating the value of statistical information to businesses and sectors more broadly;

- 9.9.2 the extent to which the current suite of initiatives being undertaken by the Department of Statistics will deliver real reductions in respondent load at the firm level;
- 9.10 the Ministers of ACC and Revenue to report on opportunities for speeding up work to investigate, and implement where possible, initiatives to improve the coordination of data collection and data dissemination, and the sharing information on businesses (with their permission), and extend these initiatives to also include the Department of Statistics and the Companies Office;
- 9.11 the Ministers for Biosecurity and Food Safety to report on the progress of phasing in the updated standards for plant exports, taking into account the potential structural separation of the New Zealand Food Safety Authority from the Ministry of Agriculture and Forestry (MAF);
- 9.12 the Minister for Biosecurity to report on projects to redesign the way biosecurity import standards are set, taking into account the structural integration of Biosecurity New Zealand and MAF Quarantine Service by 1 July 2007, including reporting on the priority of addressing the lack of level 3 quarantine facilities in New Zealand for importing plant material;
- 10 **invite** the Minister of Commerce to report to the Cabinet Policy Committee with the Quality Regulation Review – Final Report, including a consolidated list of proposed solutions, by 31 July 2007;
- 11 **note** that as part of the Final Report, the Minister of Commerce intends to recommend that a report summarising the key messages heard during the sector study interviews be publicly released;
- 12 **note** that the Minister of Commerce intends to make a press statement as soon as possible on the key messages in this paper;
- 13 **note** that Ministers responsible for the paper entitled “*Quality Regulation Review: Resource/Building Interface Study Findings*” [CBC (07) 22] previously agreed by Cabinet, intend to make announcements regarding the contents of that paper as soon as possible;
- 14 **note** that the Minister of Commerce intends to publish this paper on the website of the Ministry of Economic Development as the Review’s Second Milestone Report, along with the papers entitled “*Quality Regulation Review: Resource/Building Interface Study Findings*” [CBC (07) 22 refers] and “*Quality Regulation Review: Progress Report*” [CBC (07) 23 refers].

Hon Lianne Dalziel
Minister of Commerce

ANNEX ONE: UPDATE ON REVIEW PROJECTS

Since May 2006, officials have been working on a number of specific projects that form the basis of the Review. The key features and objectives of the specific projects are detailed in the First Milestone Report [POL (06) 322 refers]. Good progress is being made in all of the projects, with work on track to meet the 31 July 2007 final report back on the Review [CAB Min (06) 18/3 refers]. The key points to note are:

- **Sector Studies** – interviews of businesses in the four sectors¹ have now been completed and the regulatory issues identified passed to the relevant government departments for response. I have orally briefed the heads of each sector about progress on the Review. A report summarising the key messages heard from business and the responses provided by government is currently being prepared, and I intend to seek Cabinet approval to release this report as part of the Quality Regulation Review – Final Report, in July 2007;
- The **Interface Study** on the interaction of building and resource consent processes resulted in Cabinet considering a paper entitled “*Quality Regulation Review: Resource/Building Interface Study Findings*” in February 2007 [CBC (07) 22 refers].
- **Fast Track Vehicle (i.e. the Omnibus Bill)** – the first set of proposals for legislative amendments to address issues raised during the Review are contained in the companion paper entitled “*Quality Regulation Review – First Tranche of Legislative Amendments*”, and are summarised in Annex Two. Pieces of legislation covered include: the Crown Minerals Act 1991, Hazardous Substances and New Organisms Act 1996 (HSNO), and the Health and Safety in Employment Act 1992;
- The new, strengthened **Regulatory Impact Analysis (RIA)** requirements agreed to by Cabinet in October 2006, came into force on 1 April 2007; and
- The **Standards and Conformance Infrastructure (SCI)** review is expected to report to Cabinet in May 2007. The report is expected to contain recommendations about improving the links between that review and the Quality Regulation Review, given both are focusing on the quality of regulation.

¹ Retail, Hospitality, Wine and Horticulture.

ANNEX TWO: QUALITY REGULATION REVIEW - ACHIEVEMENTS

Achievements to April 2007:

- A new framework for strengthening Regulatory Impact Analysis requirements has been agreed by Cabinet and came into force on 1 April 2007;
- The Department of Internal Affairs undertook a targeted information provision campaign to the gaming industry on how to deal with problem gamblers in March 2007;
- An on-line tool to assist businesses with entitlement calculations under the Holidays Act was released in March 2007;
- The Customs and Excise Amendment Bill was passed in February 2007, aligning the due dates for excise levies and Alcohol Advisory Council (ALAC) levies paid by the wine industry;
- Regulations have been amended to address problems arising from a legal technicality that removed the eligibility of certain vehicle dealers (primarily boat and trailer dealers) to hold trade plates;
- The definition of what constitutes a 'goods service' vehicle, and therefore requires a goods service licence, has been reviewed to remove the requirement for all vehicles with a gross laden weight of less than 6000kg to have a goods service licence, regardless of whether they are being used for 'hire and reward' or not.

Future Deliverables to 31 July 2007:

- A Business Cost Calculator, that determines the compliance cost of proposed regulation on business, will be ready for application within government departments in the first half of 2007 for a two year trial;
- Cabinet has agreed to a detailed work programme to be undertaken during 2007/08 by the Department of Building and Housing, Department of Internal Affairs, Ministry for the Environment, and Local Government New Zealand to help resolve issues around the interface of the Resource Management Act and the Building Act, including possible legislative amendment;
- The Ministry of Health is undertaking a review of the contractual and legislative requirements for audits of health and disability service providers. A qualitative survey has been completed and possible solutions will be reported by July 2007;
- An on-line Hazard Builder for SMEs, aligning Health and Safety in Employment Act requirements with the ACC Workplace Safety Discount programme information, will be completed by June 2007;
- Preliminary consultation has been undertaken with business on the interaction of Health and Safety in Employment, Hazardous Substances and New Organisms, and ACC legislation. A feedback document testing solutions with business will be released in April 2007 by the Department of Labour;
- The Department of Labour (DOL) is developing a new Health and Safety Enforcement Strategy that sets out the role that DOL staff play across the information – enforcement continuum under the Health and Safety in Employment Act, the Hazardous Substances and New Organisms Act and Employment Relations Act - to be completed by 30 June 2007, for implementation starting 2007/08;
- The Department of Labour is undertaking a number of initiatives in the first half of 2007 to improve the information and guidance provided to business on a range of issues, including

use of probationary periods, how to manage the parental leave process and returning to work, managing the health and safety of contractors, and a review of current publications on managing employment relationship problems to respond to employers feedback, for example, to provide explicit guidance targeted at employers on “how to fire”;

- The Department of Labour is undertaking research into the costs and benefits of settling/resolving employment disputes under the Employment Relations Act - to be completed by July 2007;
- Cabinet has agreed that the Immigration Bill, due for introduction in mid-2007, will allow employers to seek information on the immigration status of prospective or current employees without their explicit consent, addressing concerns about risks to business from employing people working illegally;
- Cabinet has agreed, as part of the Immigration Bill, to provide for ‘interim’ visas for applicants who would otherwise become unlawful while a further application is considered;
- The Department of Labour is reviewing the temporary work policy for low/unskilled labour occupations, and Working Holiday schemes, to address perceived inflexibility, and will report to Cabinet by May 2007 for work policy and late 2007 for Working Holiday schemes;
- The Department of Labour is implementing a Recognised Seasonal Employer Scheme (RSE) policy for the horticulture and wine sectors, to facilitate the employment of seasonal workers - due to start in April 2007. Cabinet agreement included additional funding for compliance officers and labour inspectors. This will allow for a greater emphasis on education, ensuring employers fully understand their obligations and are well supported;
- ACC is providing more understandable and accessible information to businesses about its services and how it sets levies, and will ensure that new levy invoices will provide clearer information, by June 2007;
- Cabinet has agreed to strengthen the offence provision for non-notification of vehicle ownership change and create an offence for this, enforceable by Police, local authorities and Land Transport New Zealand - for introduction mid 2007.

Proposed Legislative Amendments for Inclusion in Omnibus Bill

The amendments proposed to date for the Omnibus Bill relate to:

- the process for renewing design registrations under the Designs Act 1953;
- the ability to update material incorporated by reference within the Hazardous Substances and New Organisms Act 1996 (HSNO);
- combining inspections under the HSNO Act and the Health and Safety in Employment Act 1992;
- the revocation of outdated health and safety regulations;
- the co-regulatory arrangements under the Gas Act 1992 as applies to gas used for feedstock;
- the treatment of liquid petroleum gas (LPG) under both the Weights and Measures Act 1987 and Gas Act 1992; and
- the audit requirements for certain classes of New Zealand subsidiaries of overseas-incorporated companies and companies that have 25% or more overseas ownership under the Companies Act 1993.

ANNEX THREE: REPORTS ON KEY REGULATORY ISSUES

On 7 February 2007, Cabinet directed relevant departments to further consider some specific issues raised during the Review, and report back with proposed solutions or a reason why maintaining the current arrangements is the best of the feasible options for addressing these issues [CBC Min (07) 3/7 refers]. The key points are outlined below:

Liquor Licensing

- The Ministry of Justice considers that a number of the issues raised by submitters in relation to liquor licensing are significant policy issues and are therefore not within the scope of the Review. The Ministry's policy resources are currently focused on the Review of the Sale and Supply of Liquor to Minors. However, the Ministry notes that there are some discrete issues that have been raised by submitters under the Quality Regulation Review that could be considered for inclusion in the Sale of Liquor Amendment Bill, proposed for introduction in 2007.

Cost of Compliance with HSNO

- Recent work, including a review of the compliance and enforcement regime for hazardous substances, has led to mechanisms being put in place to address the compliance costs for business under HSNO. In addition, several amendments to HSNO are proposed for inclusion in the Omnibus Bill.

Variability in Territorial Authority Approaches to Regulation and Prescriptive Detail and Alleged Creep of Plans

- Significant work is underway across a number of portfolios to improve the quality of local government's involvement in regulatory activities. In addition, DIA has published "Policy development guidelines for regulatory functions involving local government" to assist central government departments to better consider the most appropriate role for local authorities in regulatory activities.

Multiple and Extensive Requests for Information

- Statistics New Zealand has a number of initiatives in place to minimise respondent load and reduce duplication around information collection, and is increasingly investigating new ways of achieving this.

Long-term Council Community Plan Audit Requirements

- DIA considers that the reviews of the operation of the Local Government Act 2002 (LGA) and the Local Electoral Act 2001, that will be undertaken by the Local Government Commission later this year, are the most appropriate vehicle for considering matters relating to the auditing of Long-term Council Community Plans.

Multiple Audits of Providers in the Health Sector

- The Ministry of Health has initiated a project to identify where contractual and legislative requirements could be better targeted and enhanced to ensure that audits of health service providers are efficient and effective, and to remove duplication.

Information on Automatic Payments and Client Overpayments

- Inland Revenue considers that the means by which the information on automatic payments is currently provided to taxpayers is sufficient for the majority of taxpayers to be aware of their options, but is reviewing ways of improving systems and information regarding client overpayments.

Information on Parental and Paid Parental Leave Entitlements

- The Department of Labour (DOL) is putting in place a number of initiatives to improve information and employer understanding of parental leave and paid parental leave entitlements, by 30 June 2007.

Provision of Cross Government “High Quality Information”

- The Ministry of Economic Development (MED) is leading a cross-government project to identify options for improved communication with business around regulation as part of a “high quality information provision campaign”, and will report to Cabinet on the progress of this project by 31 July 2007.

Difficulties with the Holidays Act

- DOL responded to concerns about certainty and clarity of options for businesses when calculating Holidays Act entitlements by releasing an on-line tool that will assist with entitlement calculations. While other options, such as legislative change to provide greater certainty and clarity, were considered, the Minister of Labour, following consultation with the New Zealand Council of Trade Unions and Business NZ, did not consider these appropriate. The Minister of Labour will, however, report to Cabinet on the implementation and effectiveness of the online tool, including any recommended changes to the online tool, by June 2008.

Invoices for GST Purposes

- Following further work, it is no longer proposed that the matter of what constitutes an invoice for GST purposes be addressed through the Omnibus Bill. Officials consider that this matter is more appropriately addressed through the normal Generic Tax Policy Process and it is recommended that it be added to the Government’s Tax Policy Work Programme.