



COVERSHEET

Minister	Hon Poto Williams	Portfolio	Building and Construction
Title of Cabinet paper	Proposal to increase the annual registration fee under the <i>Engineering Associates Fees Regulations 2002</i>	Date to be published	4 April 2022

List of documents that have been proactively released

Date	Title	Author
16 February 2022	<i>Proposal to increase the annual registration fee under the Engineering Associates Fees Regulations 2002</i>	<i>Office of the Minister for Building and Construction</i>
16 February 2022	DEV-22-MIN-0008	<i>Cabinet Office</i>
2 February 2022	Stage 2 Cost Recovery Impact Statement	<i>MBIE</i>

Information redacted

NO

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In Confidence

Office of the Minister for Building and Construction

Cabinet Economic Development Committee

Proposal to increase the annual registration fee under the *Engineering Associates Fees Regulations 2002*

Proposal

- 1 This paper seeks Cabinet's agreement to amend the *Engineering Associates Fees Regulations 2002* to increase the annual registration fee from \$95.00 to \$200.00 (including GST) from 1 April 2022.
- 2 Subject to Cabinet's agreement to this policy proposal, the paper further seeks authorisation for the submission of the *Engineering Associates Fees Amendment Regulations 2022* to the Executive Council.

Executive Summary

- 3 The Engineering Associates Act 1961 (the Act) provides for a credential of 'Registered Engineering Associate' (REA) to be held by those who meet minimum standards for registration. This is a voluntary credential, held by engineering technologists and technicians working across all engineering disciplines.
- 4 The Engineering Associates Registration Board (the Board) sets minimum standards for registration, confirms individuals' eligibility for registration, maintains the Register of Engineering Associates and communicates with REAs and the engineering and construction sectors about the credential.
- 5 The costs of the REA scheme are intended to be fully recovered from REAs and the Act provides for fees to be set in regulations. The current fees in the *Engineering Associates Fees Regulations 2002* (the *Fees Regulations*) were last revised in 2013. The application fee for initial registration is \$150.00 and the annual registration fee is \$95.00 (both GST inclusive).
- 6 The number of REAs has declined over the last ten years and there are now fewer than 800 registered people. The current fee levels do not adequately recover the Board's costs. The Board projects it will not have funds to operate by 2023/24. The future of the Act will be addressed through wider reforms to the occupational regulation of engineers, but an interim solution is needed.
- 7 I consider that a fee increase is the only feasible option to ensure that the Board can perform its statutory functions in the coming years. I propose that the annual registration fee under the *Fees Regulations* is increased to \$200.00 from 1 April 2022. The Ministry of Business, Innovation and Employment (MBIE) has prepared a Stage 2 Cost Recovery Impact Statement at Appendix 2.

- 8 I also propose to remove a \$10.00 prompt payment discount currently provided by the *Fees Regulations*. Following consultation with the Board, I understand that most REAs pay on time each year and it is not clear that the discount is an incentive for prompt payment.
- 9 The Parliamentary Counsel Office has prepared the *Engineering Associates Fees Amendment Regulations 2022* (the *Amendment Regulations*) that would implement the policy decisions sought. Subject to Cabinet agreeing to the proposed fee increase, I seek authorisation for the *Amendment Regulations* to be submitted to the Executive Council.

Background

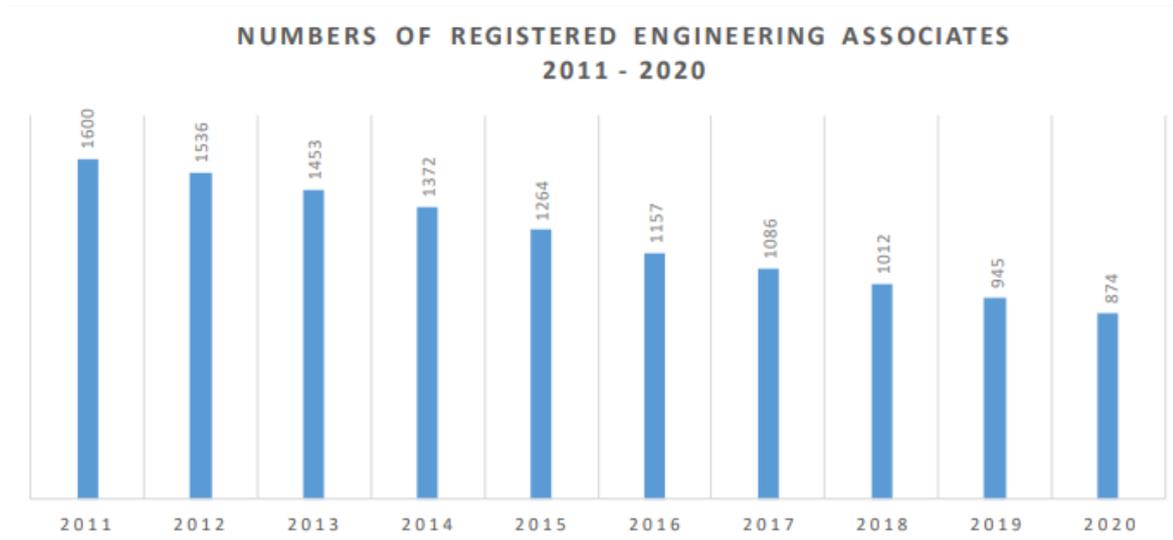
- 10 The *Engineering Associates Act 1961* (the Act) provides for a credential of 'Registered Engineering Associate' (REA) to be held by those who meet minimum standards for registration.
- 11 REAs are engineering technicians and technologists who work in all engineering disciplines, including civil, structural, electrical, air-conditioning, mechanics, electronics or gas. REAs often play a 'bridging role', such as interpreting designs by a chartered professional engineer that are constructed by tradespeople. In practice, many work in construction monitoring, supervision, quality control and audit processes.
- 12 The Act establishes the Engineering Associates Registration Board (the Board) to administer the REA scheme. The Board's key functions and activities include setting minimum standards for registration as an REA, confirming individuals' eligibility for registration, maintaining the Register of Engineering Associates and communicating with REAs and the engineering and construction sectors about the credential.

As construction has evolved, the number of Registered Engineering Associates has declined

- 13 Registration as an REA is voluntary: a practitioner does not need to be registered to work in their field. At 10 November 2021, there were 763 REAs. The Ministry of Business, Innovation and Employment (MBIE) estimates this is fewer than five per cent of the engineering technicians and technologists working in New Zealand.
- 14 The REA scheme was established in the 1960s when government agencies carried out major public works in New Zealand. It provided an internationally-recognised credential that was considered to be a valuable career step for REAs working in public works, as well as the private sector.
- 15 The credential has been in decline since engineering work shifted from government entities, like the former Ministry of Works, to the private sector. Some of the intended benefits of the REA credential are now provided by industry associations and private entities.

- 16 Figure 1 shows the trend in overall registrations in the last decade. The number of REAs has declined on average around 7.5 per cent per year in the last five years.

Figure 1: Numbers of Registered Engineering Associates 2011 – 2020



The current fees do not adequately recover the Board’s operating costs

- 17 The costs of the Board’s activities are intended to be fully recovered from REAs. I consider this is appropriate, given the benefits are enjoyed by practitioners who gain the right to use the credential in their career for the period that they are registered.
- 18 The Act provides for fees paid by REAs to be set in regulations. The current fees in the *Engineering Associates Fees Regulations 2002* were last revised in 2013. The application fee for initial registration is \$150.00 and the annual registration fee is \$95.00 (both GST inclusive).
- 19 The Board has reported financial deficits in recent years as the number of REAs has declined. It has drawn on its reserves (that are intended for emergency and unexpected costs) to fund its normal operations¹. MBIE and the Board project that the Board will not have funds to operate by 2023/24.

¹ At 10 November 2021, the Board’s available funds were \$68,936 (of which \$45,000 is held in a Short Term Investments fund).

Table 1: Engineering Associates Registration Board financial performance

	2021	2020	2019
Total revenue	67,061	74,366	83,961
Total expenses	98,151	89,304	101,793
Surplus/(Deficit)	(30,090)	(14,938)	(17,832)

A fee increase is the only feasible option to ensure the Board has funds to operate in the coming years

An interim solution is needed while work is underway to address the future regulation of the engineering sector

- 20 An interim solution is needed to ensure that the Board can operate in the coming years while we address the future of the REA credential. We need to re-evaluate government’s role in regulating engineering technicians and technologists and options to do so efficiently. Past and present REAs have valued registration, but the scheme is no longer widely recognised in the construction and engineering sectors. The Act is outdated and does not reflect modern, best practice occupational regulation.

- 21 I am progressing this work separately as part of broader reforms to how engineering services are regulated in New Zealand. I will introduce these reforms in 2022 as part of Phase Two of the Building System Legislative Reform Programme, which will focus on ensuring that the public can have confidence in engineers and regulated building practitioners².

- 22 In April 2021, Cabinet agreed to MBIE consulting publicly on the discussion document *A Proposed Occupational Regulatory Regime for Engineers* [DEV-21-MIN-0087]. MBIE asked whether REAs and other associate roles in the engineering field should be included in a new mandatory registration regime for professional engineers, overseen by a new engineering regulator.

- 23 I intend to bring final policy decisions for the occupational regulation of engineers to the Cabinet Economic Development Committee in the coming weeks.

MBIE advises that other alternatives to a fee increase are not feasible

- 24 MBIE has determined that increasing the fees paid by REAs is the only feasible option to assist the Board’s financial position in the medium term. Table 2 summarises why other options are not feasible.

² The Building System Legislative Reform Programme is a series of reforms to building laws to lift the efficiency and quality of building work and provide fairer outcomes if things go wrong. Phase One of the Reform Programme is the *Building (Building Products and Methods, Modular Components and Other Matters) Amendment Act*, enacted in June 2021.

Table 2: Further options discounted as they are not feasible

Option discounted	Reason why option not feasible
Further reducing Board costs	<p>MBIE advises that the Board has made efforts to control its costs (such as using teleconferencing for meetings where appropriate) but its ability to deliver the services it is required to deliver at less cost is limited.</p> <p>The Board’s expenses generally represent fixed costs of maintaining the Register, governing the regime and communicating with REAs and others about the credential. The Board meets only three to four times per year, the Registrar is the Board’s only employee and the office is staffed part time.</p>
Raising the number of REAs	<p>While the Board promotes the REA credential and attracts some new registrations each year, MBIE projects that the overall number of registrations will continue to decline.</p> <p>Many current REAs have indicated to MBIE that they are nearing retirement. The REA credential is also voluntary, with some of the intended benefits now provided by industry groups and private firms.</p>
Funding the REA scheme from other sources (Crown or building levy)	<p>Occupational schemes in the building and construction sector are generally cost-recovered from beneficiaries, i.e. those who hold registration or licences.</p> <p>It would not be appropriate to regularly fund the REA scheme using Crown funding. MBIE will provide a one-off payment to support the Board to meet the cost of the audit of its financial statements for 2019/20.</p> <p>The costs cannot be met by the building levy, which may only be applied for activities under the Building Act 2004 or to functions held by the chief executive of MBIE under other legislation.</p>

Proposal to raise the annual registration fee to \$200.00 (including GST)

- 25 I seek Cabinet’s agreement to amend the *Engineering Associates Fees Regulations 2002* to increase the annual registration fee from \$95.00 to \$200.00 (including GST).
- 26 I propose that the initial application fee remains at \$150.00 (including GST). There are few (on average seven per year) new applications and the current level fully cost recovers the time required to process an initial application. Any increase in the application fee could also deter new entrants.
- 27 The Board supports the level of the proposed fee increase. MBIE worked with the Board to survey REAs’ views in mid-2021. The majority (68 per cent) of REAs who responded agreed that the proposed fee increase was ‘fair and reasonable’³.
- 28 The *Fees Regulations* provide for a \$10.00 discount when the annual registration fee is paid before 1 July. Following consultation with the Board, I

³ Approximately one third of REAs responded to MBIE’s survey.

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propose that this discount is removed. Most REAs pay on time each year and it is not clear that the \$10.00 discount is an incentive for prompt payment.

The proposed annual registration fee assumes that the number of REAs will continue to decline while costs remain steady

- 29 The proposed new annual registration fee is intended to allow the Board to continue to meet its minimum functions under the Act.
- 30 MBIE estimates that the Board's expenses will be around \$90,000 per year. This is based on expenditure from the past three years, and assumes the Board will not expand its operations. It also assumes that the current costs to the Board are generally fixed costs and are unlikely to decrease in proportion with declining registrations.
- 31 The expected revenue from the proposed annual registration fee depends on how many REAs are likely to register and pay the fee in the coming years. Table 3 shows MBIE's expected range of fee-paying REAs over three years.
- 32 If registrations are at the higher end of MBIE's estimated range, the new fee may generate a modest surplus for the Board. However, MBIE considers that actual numbers of REAs are likely to be lower. Eighty-five per cent of REAs are aged 55 or older and, when responding to MBIE's survey, many indicated they are considering retirement in the short or medium term. For those who continue working, the credential is voluntary.
- 33 The higher estimates of registrations assume that the number of REAs will continue to decline at around 7.5 per cent, per year (the average rate of decline for the last five years).
- 34 The lower estimates of registrations assume that up to a further 32 per cent of REAs, who are registered in 2021, will choose not to register in 2022 due to the fee increase. This rate is based on the rate of REAs who did not agree that the proposed fee increase was 'fair and reasonable' when surveyed by MBIE in June 2021.

Table 3: Estimated revenue from the proposed annual registration fee, and estimated expenses

	2022	2023	2024
Based on assumed fee-paying REAs	496 to 730	458 to 675	424 to 624
Expected revenue from annual registration fee	\$85,000 to \$126,000	\$79,000 to \$116,000	\$73,000 to \$107,000
Estimated expenses	\$90,000.00	\$90,000.00	\$90,000.00
Potential surplus/(deficit) <i>with higher registrations</i>	\$36,000	\$26,000	\$17,000
Potential surplus/(deficit) <i>with lower registrations</i>	(\$5,000)	(\$11,000)	(\$17,000)

Risks

35 There is a risk that more REAs leave the scheme than MBIE has anticipated, and that the Board continues to face financial uncertainty. MBIE and the Board will monitor the rate of registrations and the costs to the Board in 2022 and report to me with further advice if required.

Financial Implications

36 The proposal does not have any financial implications for Crown appropriations.

Legislative Implications

37 The fee increase requires an amendment to the *Engineering Associates Fees Regulations 2002*. Parliamentary Counsel Office have prepared the Amendment Regulations at Appendix 1, which are consistent with the policy decisions sought in this paper.

38 I seek Cabinet’s authorisation for submission of these Amendment Regulations to the Executive Council.

39 The Amendment Regulations will come into effect from 1 April 2022.

40 The Amendment Regulations comply with:

- 40.1 the principles of the Treaty of Waitangi;
- 40.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
- 40.3 the principles and guidelines set out in the Privacy Act 2020;
- 40.4 relevant international standards and obligations;

40.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

41 I do not consider there are any grounds for the Regulations Review Committee to draw the Order to the attention of the House of Representatives under Standing Order 327.

42 The Amendment Regulations are certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Impact Analysis

Regulatory Impact Statement

43 Treasury's Regulatory Impact Analysis Team has determined that the proposal to increase the registration fee for Registered Engineering Associates is exempt from the requirement to produce a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals and not-for-profit entities.

44 The exemption is granted on the condition that a Stage 2 Cost Recovery Impact Statement is completed to accompany the Cabinet paper, which provides justification for the fee increase. The Cost Recovery Impact Statement is not required to go through a formal quality assurance process.

45 MBIE's Stage 2 Cost Recovery Impact Statement is attached to this paper as Appendix 2.

Climate Implications of Policy Assessment

46 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as there is no direct emissions impact.

Population Implications

47 MBIE has not identified any significant population implications. The impacts of the proposal will be confined to a small group (REAs and those considering becoming REAs).

Human Rights

48 The proposal does not have any human rights implications.

Consultation

49 The Treasury were consulted on this paper. The Parliamentary Counsel Office and Department of the Prime Minister and Cabinet were informed.

50 MBIE has engaged with the Engineering Associates Registration Board on options to address its financial difficulties and the level of the proposed fee increase. The Board supports the proposed fee increase.

- 51 MBIE and the Board also surveyed Registered Engineering Associates on the proposed fee increase in June 2021. MBIE received a good response to the survey, with approximately 35 per cent of all current REAs completing the survey. The majority (68 per cent) of people who responded agreed that the proposed fee increase was 'fair and reasonable'.

Communications and publicity

- 52 The Board will communicate the fee increase to REAs and persons who may be considering registering as an REA in the 2022 registration round.

Proactive Release

- 53 I intend to proactively release this Cabinet paper, subject to redaction as appropriate under the Official Information Act 1982, within 30 business days of decisions being confirmed by Cabinet.

Recommendations

The Minister for Building and Construction recommends that the Committee:

- 1 **note** that the Engineering Associates Act 1961 provides for a voluntary credential of 'Registered Engineering Associate' to be held by those who meet the minimum standards for registration;
- 2 **note** that the Registered Engineering Associates scheme should be fully cost-recovered from fees paid by registered persons and set by Order in Council;
- 3 **note** that the number of Registered Engineering Associates has steadily declined, and annual registration fees received by the Engineering Associates Registration Board do not adequately recover the Board's costs;
- 4 **note** that the Engineering Associates Registration Board has reported deficits in recent years, is drawing on reserves to meet its normal operating costs and projects it will not have funds to operate by 2023/24;
- 5 **note** that I intend to address the longer term future of the Registered Engineering Associates scheme as part of legislative reforms to the occupational regulation of engineers;
- 6 **note** that an interim solution is needed to ensure that the Engineering Associates Registration Board can meet its statutory obligations over the next three years;
- 7 **agree** to amend the Engineering Associates Fees Regulations 2002 to increase the annual registration fee from \$95.00 to \$200.00 (including GST);
- 8 **agree** that the fee increase at paragraph 7 will apply from 1 April 2022;
- 9 **agree** to remove the discount currently provided under the Fees Regulations, of \$10.00 when the annual registration fee is paid before 1 July;

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- 10 **note** that, subject to Cabinet agreement, the Engineering Associates Fees Amendment Regulations 2022 will give effect to the decisions referred to in paragraphs 7 to 9 above;
- 11 **authorise** the submission to the Executive Council of the Engineering Associates Fees Amendment Regulations 2022;
- 12 **note** that the Engineering Associates Fees Amendment Regulations 2022 come into force on 1 April 2022, and
- 13 **note** that the Engineering Associates Registration Board will communicate the fee increase to Registered Engineering Associates, and to people considering applying for registration in 2022.

Authorised for lodgement

Hon Poto Williams

Minister for Building and Construction

Appendices

Appendix 1: Engineering Associates Fees Amendment Regulations 2022

Appendix 2: Stage Two Cost Recovery Impact Statement: *Proposed fee increase – annual registration fee for Registered Engineering Associates*