

NEW ZEALAND
Annual Report on Consumer Issues
2002

I. INSTITUTIONAL DEVELOPMENTS

Ministry of Consumer Affairs

The Ministry of Consumer Affairs was established in 1986. It is an operating branch of the Ministry of Economic Development (MED) and under Vote Consumer Affairs and Vote Energy provides services to the Government, and to consumers and businesses on behalf of the Government. On policy advice and other contracted outputs relating to consumer affairs issues, the General Manager (under delegation from the Chief Executive of MED) reports directly to the Minister of Consumer Affairs.

In 1999 the Energy Safety Service was formed from parts of the former Energy Inspection Group and attached to the Standards and Safety Group of Consumer Affairs.

The current vision of the Ministry of Consumer Affairs is:

“Well-informed consumers, fair trading practices, safe products used safely”.

The Ministry works with consumers and business to:

- provide high quality advice to the Government on laws, practices and policies affecting consumers;
- promote consumer and public rights to safe products and services, and their responsibility for using products safely;
- provide information, education and advice to consumers and business;
- ensure that transactions based on weight and measure are accurate, fair and consistent with international standards; and
- promote improved consumer practices and encourage compliance with codes, standards and laws.

The Ministry operates in the areas of policy, information and education, and trading standards (trade measurement and consumer safety). In addition, the Energy Safety Service is responsible for electricity and gas safety, supply quality and measurement, and petroleum fuel quality monitoring.

There are 67 staff in the Ministry of Consumer Affairs and the annual Vote: Consumer Affairs budget is approximately NZ\$5.3 million (mainly Crown funded). The Energy Safety Service has a budget of NZ\$4.5 million, funded mainly by industry levies.

The Ministry administers and enforces the Weights and Measures Act 1987 as well as regulations made under that legislation. It also administers¹:

- the Door to Door Sales Act 1967;
- the Hire Purchase Act 1971;
- the Layby Sales Act 1971;
- the Unsolicited Goods and Services Act 1975;

¹ The Commerce Commission enforces the Fair Trading Act and the remaining Acts are self-enforcing - ie, enforced by the acts of individual consumers seeking redress.

- the Fair Trading Act 1986 and regulations;
- the Consumer Guarantees Act 1993; and
- the Credit (Repossession) Act 1997.

The Energy Safety Service administers and enforces those parts of²:

- the Electricity Act 1992 and associated regulations covering safety, supply quality and measurement requirements;
- the Gas Act 1992 and associated regulations covering safety, supply quality and measurement requirements;
- Petroleum Products Specifications Regulations 1998 covering supply quality requirements; and
- the Ministry of Energy Abolition Act 1989 and associated regulations, covering electricity and gas levy requirements.

In 2002 a review was commenced of the role and functions of the Ministry of Consumer Affairs to ensure its continued effectiveness within a changing economic, social and consumer environment. A key issue arising from the review will be the need for the Ministry to improve its knowledge and understanding of consumer and market behaviour. The review will be completed by September 2003.

Commerce Commission

The Commerce Commission is an independent quasi-judicial body with responsibility for enforcement and regulatory control under a number of general and specific regulatory regimes set out in the: Commerce Act 1986, Fair Trading Act 1986, Electricity Industry Reform Act 1998, Telecommunications Act 2001, the Dairy Industry Restructuring Act 2001 and associated regulations.

The specific focus of the Commission's activities under the Fair Trading Act is guided by the application of its enforcement criteria that considers conduct, detriment, public interest and strategic priority.

The Commission's fair trading strategic priority areas up to June 2002 were travel, motor vehicle sales, real estate, food and telecommunications. The Commission's current strategic priorities, from July 2002, are hidden conditions, misleading representations about the size of discounts, content/value/benefit claims relating to food, electricity, telecommunications, financial services industries, and product safety standards.

Subject to the passage of legislation, the Commission will become responsible for enforcing the Motor Vehicle Information Standard Regulation and a new regulatory regime under the proposed Consumer Credit Bill. The standard will be promulgated under the Fair Trading Act, and is related to the motor vehicles sales reform under the Motor Vehicle Sales Act 2003.

The Commission has a number of enforcement responsibilities and powers under the Fair Trading Act. For instance, the Commission may apply for injunctions to stop particularly serious breaches of the Act quickly. In addition, the Commission may seek criminal penalties, or compensation or redress for parties affected by breaches of the Act.

² In addition, the Energy Safety Service enforces, but does not administer, the Hazardous Substances and New Organisms Act 1996 and associated regulations covering provisions for the handling of fuel gases.

II. CONSUMER SAFETY

The Ministry of Consumer Affairs works with a number of other agencies in the consumer safety spectrum responsible for product safety in specialist areas:

- Commerce Commission - see below under *Fair Trading Act*
- Accident Rehabilitation and Compensation Insurance Corporation - safety promotion and research
- Environmental Risk Management Authority - hazardous and noxious substances
- Land Transport Safety Authority - road vehicles and accessories
- Ministry of Health - medicines and toxic substances
- Ministry of Labour - workplace related safety, dangerous goods
- New Zealand Customs Service- import bans of unsafe goods
- New Zealand Food Safety Authority - foods and pesticides
- Standards New Zealand – voluntary national standards.

Because of this, some consumer safety reports and complaints the Ministry receives are referred to other agencies for action.

Fair Trading Act

Under the Fair Trading Act 1986 the Minister of Consumer Affairs may recommend the making of product safety standards and the Commerce Commission may prosecute parties for breaching those standards. The Minister may also declare goods to be unsafe (i.e. ban them) or require a supplier to recall goods which do not comply with product safety standards, or which otherwise may put the public at risk of injury. Goods which contravene product safety standards, or which have been declared unsafe goods, or which are subject to compulsory recalls may not be supplied in New Zealand and are deemed to be prohibited imports under section 54 of the Customs and Excise Act 1996.

A new product safety standard for baby walkers was introduced with effect from 1 March 2002. This standard requires baby walkers to be supplied with detailed product information and safety warnings. In addition, manufacturers have to include packaging descriptions of the safety features that help prevent baby walkers from tipping or toppling downstairs.

An Unsafe Goods Notice was also gazetted to take effect for an indefinite period from January 2002 in regard to candles containing more than 0.06% lead by weight in their wicks.

The Commerce Commission enforces six Product Safety Standards. They are for:

- baby walkers;
- pedal bicycles;
- children's night clothes;
- cigarette lighters;
- household cots; and
- toys for children aged up to three years.

The Commission conducted 23 investigations into likely breaches of the Product Safety Standards during 2002. The suppliers who were investigated had been identified through inspection programmes the Commission carried out of 262 businesses, and through information provided to the Commission by consumers and other members of the public.

The Commission's investigations resulted in three compliance advice letters, nine warnings, and nine settlements with individual businesses. The Commission took criminal prosecutions against two businesses in the period, both concerning breaches of the product safety standard for bicycles.

The Ministry received 87 reports about allegedly unsafe goods in 2002. A risk assessment procedure is applied to all product safety reports received in order to assist the Ministry in prioritising its work. The procedure involves combining ratings for four factors (maximum potential injury, probability of hazard occurrence, probability of the hazard being recognised, and product availability) on a nomograph to give a numerical risk assessment.

Of the reports received during 2002, 11 resulted in recalls, modifications or safety publicity, 17 were referred to other agencies for investigation, 26 were recorded for ongoing monitoring, and 33 reports were deemed low risk, unsubstantiated or requiring no action. The largest number of reports received was for toys (16) and nursery equipment and supplies (12), followed by housewares, kitchen appliances, packaging/containers and personal use items (all 8). Products voluntarily recalled by suppliers during 2002 included toys, garage doors, axle stands, toasters, kettles and digital cameras.

New Zealand will be giving consideration to adopting the ISO 8124 standard for toys.

Energy Safety

The EnergySafe project continued during 2002. This project commenced in 1999 and is aimed at introducing greater accountability to the existing electrical and gas safety regimes. The principal goal is to ensure that all workplace energy safety responsibilities are transferred from the Electricity Act 1992 and Gas Act 1992 to the Health and Safety in Employment Act 1992. Other aspects of the project relate to licensing and registration of workers; certification of work; the amount, range and scope of penalties; the role of licensing authorities; and related gas safety issues.

Following widespread public and industry consultation, the Government agreed to changes being made to the legislation and policies associated with electrical and gas safety, and proposed by a broadly representative EnergySafe Working Party. During 2002, the detailed implementation of these changes was further discussed with affected parties. Drafting instructions were prepared to enable a Bill to proceed for Parliamentary consideration. These drafting instructions are planned for completing in the first half of 2003.

During the year, changes were made to the electrical appliance safety regime, in a two-stage process. From 1 March 2002, five listed appliance types required a supplier declaration, and two appliance types required pre-sale approval. From 1 September, 42 listed appliance types required a supplier declaration, and five required pre-sale approval. These changes were made as part of New Zealand's mutual recognition arrangement with Australia.

A new mandatory gas-appliance declaration regime came into effect in New Zealand from 18 November 2002. This scheme requires anyone who manufactures or imports any gas appliance to complete a supplier declaration, affirming compliance with the safety requirements of the Gas Regulations 1993, before supplying the appliance and, if requested to do so, to produce documentation to substantiate the declaration.

Both the Gas and Electricity Regulations were amended during 2002. The former introduced a mandatory supplier declaration scheme for gas appliances, as well as changes to certification of gasfitting work, requirements for CNG stations, and amendments to interpretations and offence provisions. The changes to the latter were principally made so as to align wiring practices between Australia and New Zealand. They also contained significant amendments to work on live overhead electric lines, safe approach distances, responsibilities for workplace safety, testing and certification, residual current devices and isolation fittings, electrical safety, and fittings and electrical appliances.

2002 saw a slight drop in the numbers of notified fatalities and injuries resulting from electrical and gas related accidents over 2001. The figures for 2002, with comparable ones for the years 1998 to 2001, are shown in the table below.

Year	Electrical		Natural Gas		LPG	
	Fatalities	Injuries	Fatalities	Injuries	Fatalities	Injuries
2002	5	64	0	11	1	12
2001	6	88	0	5	3	8
2000	2	66	0	2	0	6
1999	6	78	1	4	1	5
1998	8	79	1	4	3	7
Totals	27	375	2	26	8	38

Notified Electrical and Gas Fatalities and Injuries (1998 to 2002)

Community and public safety initiatives continued during 2002. The Ministry attended public and industry events throughout the country to promote electrical and gas safety. Particular targets during the year were predominantly rural areas (Wairarapa and Gisborne), and building relationships with groups working with 'at-risk' consumers in the child and family safety area.

The Ministry's partnership arrangement with the Maori Women's Welfare League, begun in 2001, delivers effective safety (and other general consumer protection) messages to Maori families. Further training was provided to key League representatives during 2002. A report on the 2002 promotional activities showed a high measure of confidence in the processes and increasing Maori consumer awareness.

The Ministry has concluded the active phase of its safety programme with communities around Gisborne on the East Coast of the North Island. Monitoring visits occur to ensure the 'self-help' approach continues effectively. Evaluation of the scheme gave a positive response to the concept and to its delivery.

During 2002, a gas and liquefied petroleum gas (LPG) safety campaign was conducted with gas safety brochures being delivered to households and LPG safety swing tags being attached to gas bottles at refilling points.

The Ministry's Energy Safety Service maintains a website with information for consumers, the public and the energy industry at www.ess.govt.nz.

III. PROTECTION OF CONSUMERS' ECONOMIC INTERESTS

Electronic Commerce

The New Zealand Model Code for Consumer Protection in Electronic Commerce was issued in October 2000. It is based on the Australian Best Practice Model for Electronic Commerce and draws on the OECD Guidelines on Consumer Protection in the Context of Electronic Commerce. The Electronic Marketing Standards Authority (eMSA) was launched in April 2001. This self-regulatory initiative is a joint venture of the Direct Marketing Association (DMA) and the Advertising Standards Authority (ASA). eMSA is a web-based initiative, allowing consumers to make complaints online, and will enforce the codes of the DMA and ASA. The DMA has re-issued its code of marketing practice, which is based on the Model Code.

Electricity

Following the reforms of the 1990s, which culminated in a split between lines and retail power companies, the Government conducted an inquiry into the electricity industry in 2000. This resulted in the Ministry of Consumer Affairs' involvement in a number of key initiatives, including the Electricity Consumer Code of Practice and the Electricity Complaints Commissioner Scheme -

both of which are covered in the Ombudsman Schemes section of this report. The Ministry also contributed to the development of a self-regulatory rule book intended to govern the operation of the wholesale electricity market.

The Government continues to sponsor an online service to help consumers compare retail electricity prices and plans (www.powerswitch.org.nz). The service is a collaboration between the Ministry of Consumer Affairs, the Consumers' Institute, and the Citizens' Advice Bureaux. Consumers without access to the website can enlist the assistance of their local Citizens' Advice Bureau or call the Bureau toll-free to access the information on their behalf.

Telecommunications

Following the Ministerial Inquiry into Telecommunications, the Government passed legislation coming into effect in 2002 to regulate the telecommunications industry and establish a Telecommunications Commissioner within the Commerce Commission. The Commerce Commission is responsible for resolving disputes between members of the industry over regulated services and to determine the costs of, and liabilities for, telecommunication service obligations.

Review of Consumer Credit Law

In September 2002 the Consumer Credit Bill was introduced into Parliament. The new legislation will replace the Credit Contracts Act 1981 and the Hire Purchase Act 1971 and will modernise the law. The Bill will provide improved redress for consumers, a public enforcement agency to prosecute breaches of the law (the Commerce Commission), better information for consumers to help them make credit decisions, and a fairer deal in relation to interest charges, fees, and early repayment. The Consumer Credit Bill is currently before Parliament. It proposes a transition period of up to 24 months before commencement.

Consumer Guarantees Act Amendment

The Consumer Guarantees Act (consumer post-sale legislation covering goods and services) is being amended to cover utilities and computer software, after a court decision held that electricity and associated line function services are neither goods nor services for the purposes of the Act. Draft legislation was introduced to Parliament late in 2001. In 2002 the Bill received detailed scrutiny from the Parliamentary Commerce Select Committee and is awaiting the final stages of Parliamentary processes.

Motor Vehicle Sales Act

The Motor Vehicle Sales Act 2003 has recently been passed, although it is not yet in force. The Act overhauls the occupational regulation of the used car sales industry. It sets up a registration system for motor vehicle traders and a register of banned persons and expands the authority of the Motor Vehicle Disputes Tribunal. It also removes any role for the industry association and the compulsory fidelity fund. Fines for breaches of the Act are substantial.

Fair Trading Act

The Fair Trading Act prohibits misleading and deceptive conduct, misrepresentations and unfair practices such as bait advertising and pyramid selling.

The Commerce Commission carries out enforcement activities with respect to business practices and behaviours under the Fair Trading Act. Regulations relating to consumer information and product safety standards are made pursuant to the Act. The regulations apply to anyone, including individuals and voluntary organisations, as well as businesses, who supply new and second-hand products.

During the 2002 calendar year, the Commission received information from 11,957 individuals / members of the public on a wide range of matters. A total of 353 matters were subsequently investigated by the Commission under the Fair Trading Act. The Commission resolved

247 of these matters by issuing compliance advice letters and warnings about a particular practice or entering into a settlement with a business.

During 2002, the Commission filed 24 prosecutions (excluding product safety cases). These included:

- three pyramid selling schemes;
- two cases relating to misleading claims about mobile phone safety devices;
- three cases relating to misleading advertising regarding pricing in the airline industry;
- two cases relating to misleading claims about food, both in respect of chickens (free-range eggs and antibiotic-free chickens);
- two cases relating to misleading advertising in the telecommunications industry; and
- two cases relating to misleading claims in the electricity industry.

The Commission enforces three Consumer Information Standards Regulations relating to country of origin labelling, fibre content labelling and care labelling.

During 2002, the Commission prosecuted two souvenir and tourist businesses for misleading representations relating to the implied origin of goods. Both were found guilty by the courts for supplying clothing that failed to comply with the Country of Origin (Clothing and Footwear) Labelling Regulations 1992 regarding souvenir t-shirts.

The Commission also successfully prosecuted a third company for misleading representations about the place of origin of its cling film wrap product.

A Bill was introduced to Parliament in December 2001 to strengthen enforcement in a number of ways. The Bill increases penalties across the board, and proposes a new commercial gain penalty for pyramid selling schemes, which would allow the Courts to impose an additional penalty to effectively cancel out pyramid scheme profits.

The Bill also proposes to broaden the Commerce Commission's search powers and creates a new power that would allow the Commerce Commission to issue a notice requiring witnesses to release documents or information to assist with its investigation. The Bill is at the final stages of Parliamentary consideration.

Internet Sweep Days

The Commerce Commission, Ministry of Consumer Affairs and Ministry of Health participated in ICPEN's 2002 internet sweep day.

The 2002 sweep related to the marketing and promotion of health products. Over 1,400 suspicious web-sites were identified world-wide. These were examined for claims that were likely to be false or misleading about the health benefits of products. Included in this examination were oral treatments such as pills, skin treatments such as lotions, devices, weight loss products, "cures" for HIV/AIDS, cancer and arthritis, folk or traditional treatments and sexual performance enhancing products.

Fifty three of these sites appeared to be operating from New Zealand.

All sites targeted were sent an email advising them of the sweep and of the need to comply with legislation relating to the fair trading and safe sale of health-related items.

The Ministry has participated in each annual IMSN, ACCC co-ordinated, sweep day since 1997.

Scams

In September 1999, in response to complaints being received from the public about prize and lottery promotions from overseas, the Ministry introduced a Scamwatch service on its website. The site now provides the public with information and warnings on over 200 different financial scams.

The site lists pyramid selling schemes (both prosecuted or warned by the Commerce Commission), fake prize and lottery competitions, pro forma invoicing schemes (false billing), "Nigerian letter" frauds (also known as 419 frauds), unregulated investment schemes, work from home schemes, and frauds promoted on the Internet. Through the function of the online Scam Report, New Zealand consumers can instantly provide the Ministry with information on scams they have received. This enables the Ministry to keep abreast of scams circulating in New Zealand.

The growth area in scams during 2002 has come from letters and emails advising consumers of winnings in Spanish and Netherlands based "lotteries". The most common version announces a win in the El Gordo Sweepstake Lottery. This scam takes its name from a legitimate lottery operated in Spain. The scam operates as a type of advanced fee fraud, requesting funds in advance from "winners" for administrative costs related to release of their prize money. Scamwatch now lists over twenty variations of this type of fraud.

The Ministry continues to work with the Commerce Commission, Securities Commission, and Serious Fraud Office to share information on scams. It also liaises with overseas authorities regarding investigations into prize and lottery schemes by providing information from consumers targeted by the schemes. Information on current scams is also provided to Australian consumer protection agencies monthly through an online Scam Alert System (SAS). The Ministry has also contributed to the development of material for a postal scams education and awareness campaign called Beat the Cheats with Australian agencies. This campaign was to be trialled in New South Wales, with other New Zealand and Australian agencies set to conduct the campaign through 2003.

Trade Measurement

The Weights and Measures Act 1987 requires that the system of weights and measures for use in trade in New Zealand be metric, and it specifies the procedures for compliance with internationally accepted requirements for legal metrology. The Ministry's Trading Standards Service administers the Act and its regulations.

The Ministry operates a trade measurement accreditation scheme whereby private sector organisations are accredited to test and verify measuring instruments used for trade. Applicants are required to operate a quality management system and to demonstrate competence in the testing procedure. A full review of the accreditation scheme was commenced in 2002. The purpose of the review is to determine whether any changes can be made to improve the administration, enforcement and accountability of the private verification system.

The three Trading Standards Service laboratories and their staff are accredited to ISO Guide 17025 for their work in calibration and verification of standard measures of mass, volume and length.

Regulations prescribing the requirements for quantity marking on packaged food came into force in December 2002. They replaced quantity marking requirements within the Food Regulations 1984 revoked when the Joint Australia New Zealand Food Standard Code came into force.

A strategic inspection programme was maintained to check for weights and measures compliance on measuring instruments and on food and non-food products. Two prosecutions were undertaken and 38 infringement offence notices and 32 warnings were issued.

Consumer Representation

In 2002, the Ministry of Consumer Affairs completed research into consumer representation and the factors inhibiting its effectiveness. The research also identified the ways in which the

Ministry could promote its effectiveness. The research results were unequivocal. Consumer representation would be more effective if officials were clear about its purpose and value, and could identify appropriate nominees. Consumer representatives themselves would be more effective if their presence and opinions were valued equally within the group, if conflict between members was deftly dealt with, and a range of practical problems were resolved.

Government has now approved Guidelines for Consumer Representation. The Guideline for Officials describes the purpose and value of consumer representation, identifies the qualities of an effective consumer representative, provides advice on a range of practical ways in which officials can assist consumer representatives, and requires officials to identify the consumer constituency for each consumer appointment. This requirement draws attention to the nature and diversity of the group of consumers to be represented. The Guideline for Chairpersons provides a similar range of information but also focuses on the ways in which a Chairperson can reduce the isolation of consumer representatives by using a participative approach, inviting and valuing responses from all members equally, and dealing deftly with conflict.

In terms of the identification of appropriate candidates for consumer representative positions, the Ministry has, in addition, trialled an active approach to this search. This trial is now being reviewed and initial indications are that this approach has provided a greater number of candidates and a more diverse range of appropriate candidates, and has achieved a significantly improved strike rate in appointments.

The Ministry has also established a Network for Consumer Representatives. The Network is designed to promote contact between consumer representatives for the purposes of support, assistance, and mentoring. The consumer representatives involved value it.

IV. CONSUMER INFORMATION AND EDUCATION

Ministry of Consumer Affairs Programmes and Resources

The Ministry of Consumer Affairs targets much of its information, education and compliance programmes towards consumers who are most likely to experience a “bad deal” and towards the traders who deal with those consumers. Issues that cause most problems to consumers frequently involve credit and/or motor vehicles.

The 92 Citizens’ Advice Bureaux throughout New Zealand are a key source of consumer information through their toll free services. The Ministry provides a user-friendly consumer law manual for bureaux workers and a hotline on which they may call the Ministry’s legal advisors for extra consumer help for their clients. The Ministry also provides a comprehensive annual training programme in consumer law for Citizens’ Advice Bureaux and Family Budgeting Services.

The Ministry uses radio and community newspapers to reach Maori and Pacific Island consumers, and undertakes community activities to promote consumer rights and responsibilities.

The Ministry produces on average one media release per week. Topics range from product safety warnings, to education on current issues (eg, scams) and legislative changes (eg, changes to the Fair Trading Act).

The Ministry also produces *A Word of Advice* every fortnight. This is a column designed specifically for community newspapers, which are delivered free to letterboxes. The column focuses on consumer rights and responsibilities, and current consumer issues. Over 60 community newspapers receive the column.

The Ministry’s Consumerkids website (www.consumerkids.govt.nz) provides students aged from 8 to 15 and their teachers with an electronic resource that is closely aligned with relevant parts

of the school curriculum. Visitors to the site have a choice of either English or Maori language. The aim of the site is to help children become familiar with the Internet, learn while they play on the Internet, and become smart shoppers.

The Ministry's main website is an extensive information resource for both consumers and traders. It includes information and advice about their rights and responsibilities, lists scams currently circulating in New Zealand, alerts consumers to product warnings or recalls, and calls for input on policy/discussion papers.

The Ministry produces a newsletter, *Consumer Affairs*, three times a year, which is sent to approximately 1,500 groups and individuals.

Commerce Commission Programmes and Resources

The Commerce Commission provides general information to both businesses and consumers about their rights and obligations under the Fair Trading Act. In addition to its enforcement responsibilities, the Commission publicises the results of its enforcement activities to deter the business from repeat or new illegal behaviour, and also deter other businesses from breaching the Act.

The Commission provides information using a variety of media, including publications, regular newsletters, seminars, briefings, speeches and access to public versions of Commission documents and material through its web site.

During 2002, the Commission gave 20 presentations to various business groups in relation to the Fair Trading Act. The Commission also issued 47 media releases relating specifically to fair trading issues.

The Commission completed a comprehensive review of its publications in 2002. Following the review, the Commission has amalgamated its two previous Commission-wide newsletters into one all purpose quarterly communication, *Communique*, the first of which was released in March 2003.

The Commission also published a companion document to its Annual Report to Parliament for 2001/2002 called Regulatory and Enforcement Activities of the Commerce Commission. This publication contains a comprehensive statement of the Commission's activities during the year, including descriptions of significant investigations and prosecutions under the Fair Trading Act and associated standards. The publication lists all of the businesses that the Commission prosecuted, entered into settlements with or issued warnings to during the year, along with a brief description of the behaviour or practices that were of concern to the Commission.

Consumers' Institute

Comparative product testing and brand name surveys of goods and services are undertaken by Consumers' Institute, a non-governmental consumer organisation. Consumers' Institute produces *Consumer* magazine and provides the *Consumer Online* service for subscribing members. The magazine publishes the Institute's research findings as well as general consumer information and advice, comparative testing, and other public affairs issues. In 2002 it was circulated to 84,595 individuals and organisations.

During 2002 *Consumer Online* (www.consumer.org.nz) continued to grow. The site offers general advice and some free information to non-members; and in-depth studies, background information and test results to subscribers. The Institute has also published a series of guidebooks over the years - from saving for retirement to a series on family health advice. All members of the Institute are entitled to request consumer advice from the Institute's advisory service.

V. REDRESS AND COMPLAINTS FACILITIES

Tribunals

The Department for Courts administers Disputes Tribunals, which provide inexpensive, informal and fair resolution of minor disputes. The Tribunals can deal with claims of up to NZ\$7,500 (or \$12,000 if both parties agree). The cost of taking a claim ranges from NZ\$30 to NZ\$200, depending on the amount claimed. A new position of Principal Dispute Referee was established in 1999 to oversee the consistency and quality of decisions made by Disputes Tribunal referees.

Ombudsman Schemes

The Office of the Ombudsmen has the jurisdiction to make recommendations on the actions of government departments, state owned enterprises and electricity suppliers. Two private sector industries - banking and insurance - have permission to use the term Ombudsman for their external complaints handling resolution schemes. The electricity industry was not permitted to use the term Ombudsman for its external complaints handling resolution scheme (Electricity Complaints Commissioner). However the scheme operates in the same manner as an industry ombudsman scheme.

The Office of the Banking Ombudsman was established in 1992. The Banking Ombudsman Scheme is underpinned by the Code of Banking Practice. A review of the Code undertaken in 2001 resulted in a number of significant improvements in the level of consumer protection provided by the Code. The new Code was released in December 2002.

In 1993, the insurance industry set up an Insurance and Savings Ombudsman Scheme on criteria very similar to the banking industry's scheme. It commenced operations in March 1995. The Insurance and Savings Ombudsman Scheme was reviewed in 2001. It is the view of the Ministry that the Scheme continues to provide an effective and efficient independent external complaints resolution service that complies with Ministry guidelines and international benchmarks.

In August 2001, the electricity industry set up the Electricity Complaints Commissioner Scheme along similar lines to the Banking and Insurance and Savings Ombudsman schemes. The Commissioner took up office in January 2002. During its first year of operation, a key priority for the scheme was obtaining full industry membership. Almost all electricity lines and retail companies have now joined the scheme providing more than 96% of domestic electricity consumers with access to the scheme. The scheme is underpinned by the Electricity Consumer Code of Practice, which was developed by industry in consultation with the Ministry and consumer representatives. The Electricity Consumer Code of Practice is currently under review.

VI. RELATIONS BETWEEN CONSUMER POLICY AND OTHER ASPECTS OF GOVERNMENT POLICY

New Zealand's economy continues to be underpinned by the principle that dynamic, competitive markets support economic growth and prosperity. Recent trends are for the Government to take a more active role in regional and economic development activities and to look closely at the operation of key markets such as electricity and telecommunications, to determine whether the Government's involvement and regulatory frameworks that apply are effective in supporting the delivery of the best outcomes for consumers.

The Ministry's work is based on the premise that dynamic, competitive markets can benefit both consumers and business but that in some cases intervention is necessary to ensure that consumers' expectations of transactions are met. The Consumer Guarantees Act and the Fair Trading Act are two important pieces of legislation that contribute to meeting consumers' expectations. New emphasis is being put on credit law, motor vehicle sales law, electronic

commerce, and broader issues such as consumer representation in policy development to enhance the position of consumers.

The Ministry promotes the concept of self-regulation and works with industry towards the development of Codes of Practice. Two key Ministry documents assist industry to develop self-regulatory initiatives: the *Guideline for Developing a Code of Practice* and the *New Zealand Model Code for Consumer Protection in Electronic Commerce*. The Ministry continues to liaise with and give assistance to industry groups as required.