ACC Levy Consultation 2013/14

Levies for motorists

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SUBMISSION ON 2013/14 LEVIES FOR MOTORISTS

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2013/14 levy rates for motorists.

The NZAA represents over 1.3 million Members on issues affecting motorists. The NZAA's advocacy and policy work mainly focuses on protecting the freedom of choice and rights of motorists, keeping the cost of motoring fair and reasonable, and enhancing the safety of all road users. Accordingly, we have a particular interest in the ACC levy because of its safety and financial implications for all motor vehicle owners.

We make our comments on the ACC proposals under the following headings:

- Maintaining the combined average motor vehicle levy
- Introducing sub-classes for goods service vehicles
- Fleet Safety Incentive Programme
- Keeping the petrol levy at 9.9 cents per litre
- Keeping the Motorcycle Safety Levy at $30 per year per motorcycle
- Removing the trade plate exemption
- Introducing a distance-based levy for diesel-driven vehicles
- Collecting ACC levies on alcohol sales

A. Maintaining the combined average motor vehicle levy

The NZAA does not agree that the combined average motor vehicle levy ('the levy') should remain at $334.52 for the next financial year. The NZAA believes the information in the ACC consultation documents show there is scope to reduce motor vehicle levies, for some classes at least, to reduce the burden of what remains a record-high motor vehicle levy, and one which anecdotal evidence suggests is leading some motorists to deliberately avoid paying.

We note that ACC expects the motor vehicle account to be close to 100% fully funded by June 2016, three years ahead of the planned deadline. The cost of new motor vehicle claims, plus scheme costs, during 2012/13 are slightly lower than the projected cost, and we are concerned that what would otherwise be a modest $11.66 per vehicle decrease in the aggregate levy is being hidden by a boosting the funding adjustment to meet the full funding deadline unnecessarily sooner. The AA supported legislation that extended the full-funding deadline to 2019 for affordability reasons. We are therefore pleased the motor vehicle scheme is performing above expectations to enable this target to be met earlier. But the target remains at 2019, and the positive performance suggests motorists are being overcharged to surpass the deadline with haste. Our preference would be for the levy, specifically the funding adjustment, to be reduced to provide relief to motorists sooner, while still meeting the original deadline. The figures suggest the levy could drop by as much as

$150 or more per vehicle by 2016. This is substantial, but it would be preferable that any adjustments be more manageable and the NZAA contends there is scope to begin reducing levies now, thereby avoiding motorists paying record high levies for longer which do not appear justified from the ACC figures.

As we stated in earlier submissions, the AA also opposes the stated funding mid-point target of 116%. Our view is the levy should be set to only cover the claims expected to arise under the present accounting and medical system, with a target of 100% of whatever the net liability is calculated to be at the time. The anticipated future liabilities are based on a number of variables which are subject to change. There is also an inter-generational equity issue, with current levy payers funding the increased costs of future medical treatments. While the NZAA does support some certainty or consistency of levies from year to year, a target of 116% does not change the variability of the net liabilities, and in the end only 100% of liabilities will ever need to be funded.

Lowering the annual licence fee would also send the right message to motorists in light of well-publicised improvements in ACC accounts, including the Motor Vehicle Account. While the NZAA would not favour raising motorcycle levies, it would be acceptable to maintain current rates if passenger vehicle levies were reduced in favour of a higher petrol levy, in recognition of the lower petrol tax contribution by motorcycles due to their superior fuel economy, and the failure to account for this previously over several years when the petrol tax component of aggregate motor vehicle levies rose.

As we have also noted in previous submissions, ACC passenger vehicle levies remain artificially high in part due to the cross-subsidisation to the motorcycle class. While the NZAA would not support raising motorcycle levies due to affordability and equity issues, if a decision has been taken to cross-subsidise the motorcycle class for reasons outside cost recovery then it should be funded from an outside source. There is no reason other motor vehicle owners should be burdened with cross-subsidising another vehicle class to the tune of $70 per vehicle per year (35% of the petrol-powered passenger vehicle levy). We suggest that as much of the motorcycle activity is recreational in nature, the current cross-subsidy should instead be funded from a combination of the Earners' and Non-Earners' Accounts rather than the Motor Vehicle Account. This would lower other motor vehicle levies to reflect their true ACC costs, and more accurately reflect the true risk-rating of different transport modes which is one of the stated goals of the levy-setting process.

B. Introducing sub-classes for Goods Service Vehicles

The NZAA is very supportive of changes to the GSV class, and commends ACC for splitting the class into light and heavy vehicles, something we have called for in previous submissions. This will have a significant positive impact on a large number of private owners of diesel GSVs in particular, who only travel moderate annual mileages and do not use them for commercial purposes, yet who have been subsidising the heavy commercial GSV sector which travels higher mileages and who have higher ACC costs as a result. Due to the inability to collect a distance-based levy from diesel GSVs, private owners of these vehicles are severely disadvantaged under the current classification which does not fairly reflect risk, and we know that this is perversely encouraging owners not to re-licence their utes or vans, which undermines the equity of and public support for the ACC scheme.

It's important to note the indicated reduction in light diesel ACC levies of $112 ($32 for light petrol GSV's) will benefit the owners of some 341,000 light GSV's, whereas less than a third that number (111,000) of heavy GSV's will face a levy increase. This increased cost for the commercial sector, which more accurately reflects their actual ACC costs, can be recovered from commercial charges (unlike private owners), and may also incentivise fleet operators to adopt ACC's Fleet Safety Incentive Programme to help reduce levy costs.

C. Fleet Safety Incentive Programme

The NZAA supports the introduction of a Fleet Safety Incentive Programme. We think the FSIP could also be applied to light vehicle fleets, such as couriers and taxis. Given the proven safety and financial benefits of fleet safety programmes, we do wonder why fleets are not already adopting these practices, but an ACC discount may sufficiently incentivise them to do so.

We do note however that parallel fleet safety programmes are also operating, such as the SAFED programme developed by the Ministry of Transport, or the Operator Rating System administered by the NZ Transport Agency, and we question whether the administration of the FSIP could be more closely aligned with these.

The NZAA also considers there is a case for work-related vehicle trips to be funded from the Work Account rather than the Motor Vehicle Account. Approximately 14% of the vehicle fleet is directly involved in work-related business, and as these vehicles are effectively places of work, the safety of the occupants should have the same payment systems as any other place of work. Doing this would send the correct incentives to businesses to improve safety outcomes, which would also benefit general road safety when drivers practice safer driving not only in fleet vehicles, but also their private vehicles.

D. Keeping the petrol levy at 9.9 cents per litre

The NZAA continues to call for a moderate increase in the ACC petrol levy. We have long supported collecting a greater proportion of the ACC levy from petrol rather than the annual licence fee, in order that ACC motor vehicle costs are funded by those who have a greater exposure to being involved in a road crash. Because fuel consumption relates to distance travelled on the road, it is a proxy for risk exposure, and so the more levy collected from petrol, the more frequent users of the road pay compared to those who travel infrequently or own more than one vehicle yet still pay a significant portion via licence fees. Fuel tax is also difficult to avoid with 100% compliance, unlike annual vehicle licensing, and so integrity of the motor vehicle fund is more assured.

We would support a 3 cent per litre increase in the petrol levy, which would enable a $35 reduction in the annual licence levy for petrol-engined passenger vehicles, which will be welcomed by vehicle owners who travel average, or below-average annual mileages, and those who own multiple vehicles.

E. Keeping the Motorcycle Safety Levy at $30 per year per motorcycle

The NZAA supports the purpose of the MSL, and retaining the annual charge at $30. However, we note that progress has been slow on approving motorcycle-specific safety initiatives that have been developed by the Motorcycle Safety Council (MOTO). Motorcyclists will be expecting to see some return for their investment which we understand now totals some $5 million before their support for paying the levy is eroded by a lack of visible action.

We understand some of the difficulty is in how section 263 of the ACC Act is interpreted with regards to approving preventative measures that are “most likely” to lead to reductions in ACC costs. That may be appropriate to general levies, but the MSL is a specific charge to fund motorcycle-specific safety measures that are intended to reduce motorcycle accidents, not solely ACC motorcycle accident costs. We also understand the ACC funding policy does not permit the use of the statistical cost of life or injury which the Ministry of Transport and NZ Transport Agency use for their cost justifications.

The NZAA enjoys good relations with MOTO and supports their work, and we recommend that ACC permit more flexibility in the use of the MSL levy, and support the advisory council

to implement projects they have nominated to be funded by the levy. We believe the current impasse on approving any initiatives is not allowing MOTO to deliver on its promises to motorcyclists who directly fund the MSL.

F. Removing the trade plate exemption

The NZAA supports requiring motor vehicle dealers to pay an ACC levy for the use of trade plates when transporting unregistered vehicles, for the reasons outlined in the discussion document.

We do however note that a trade plate levy would not be necessary if most or all of the ACC levy was collected in the price of fuel instead, which would thereby reduce the cost of compliance for motor vehicle dealers.

Of course, with unregistered diesel vehicles not being required to pay RUC, this would not work for them. This is an example of government policy instruments not being joined up. If light diesel vehicles paid fuel tax instead of RUC, then ACC could be collected on all fuel instead of just petrol. There would then be less need to split the GSV class into light and heavy, and they'd be no need for motor vehicle dealers to pay an ACC levy for trade plates.

G. Introducing a distance-based levy for diesel-driven vehicles

We take the opportunity to restate the NZAA's position on introducing a diesel vehicle distance-based ACC charge equitable to that of the petrol levy. Development of such a charge cannot come soon enough, and it is disappointing work has not been progressed on this by ACC as a higher priority. From the NZAA's perspective, this is the single-most important issue with the motor vehicle account, and all other changes in the consultation document are merely tweaking around the edges. While splitting the GSV class is good, it does not reduce the inequity in licence levies between the majority of diesel passenger vehicles and petrol equivalents. Indeed, a distance-based charge for diesel vehicles would largely address the problem the GSV split aims to solve, but for all light diesel vehicles, not just utes and vans.

As we have noted before, the incompatibility between ACC licence levies for equivalent petrol and diesel-engined vehicles has been a common complaint by AA Members who own diesel vehicles, and who perceive diesel licence fees to be substantially higher and discriminatory. Provided the distance-based diesel levy is approximately equivalent to the petrol tax, the same fixed licence fees will resolve these public misperceptions and help consumers to fairly compare the annual ACC levies of similar petrol and diesel models, which would also assist in encouraging people to make accurate vehicle choices based on safety and fuel economy.

Based on the volume of complaints to the NZAA on this issue, we expect that there must have been many hundreds of complaints from the public to ACC and Ministers on this issue during the last few years. The lack of action in this area is bringing the ACC scheme into disrepute and encouraging avoidance of paying licence levies or increases in applications for "Class B" exemptions or ambulances or hearses, and the level of public frustration will only continue to grow unless it is promptly addressed.

H. Collecting ACC levies on alcohol sales

We note that approximately 13% of motor vehicle injury accidents and 36% of motor vehicle fatalities, and associated ACC costs, are due to alcohol-impaired driving. The NZAA considers that as ACC levies are generally set on a user-pays and risk-rated principle, then alcohol-related accident costs should be funded from a levy on alcohol sales. It has been

estimated that the costs to the taxpayer of alcohol-related harm could be $1.2 billion per annum, and yet none of this is directly funded by alcohol users. In the case of alcohol-related motor vehicle crashes, these are funded by all registered motor vehicle owners when only a minority are responsible for alcohol-related harm. The NZAA's position is that the ACC should investigate imposing an ACC levy on the price of alcohol to cover the ACC costs of all alcohol-related accidents, thereby enabling levies for the Motor Vehicle, Work, Earners' and Non-Earners' accounts to be reduced.

Yours sincerely

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