ACC levy consultation 2014/15

NZAA submission

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SUBMISSION ON 2014/15 LEVIES FOR MOTORISTS

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2014/15 Motor Vehicle levies.

The NZAA represents over 1.35 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:

- reduce the current combined average motor vehicle levy by 15%
- maintain the current levy charged to owners of motorcycles and mopeds
- introduce risk rating of the light passenger fleet
- expand the ACC Fleet Saver programme to include businesses that rent trucks
- maintain the Petrol levy at 9.90 cents per litre
- maintain the Motorcycle Safety Levy at $30 per year per motorcycle
- collecting ACC levies on alcohol sales

A. Reduce the current combined average Motor Vehicle levy by 15%

The NZAA fully supports proposals to reduce the current combined average Motor Vehicle by 15%, with a further reduction the following year, in light of well-publicised improvements in ACC accounts including the Motor Vehicle Account. In last year's submission the NZAA noted there was scope to reduce levies, although this was not forthcoming, and it is unlikely motorists will accept any justification to retain levies at current levels any longer in light of ACC's strong financial performance.

The proposals to reduce annual vehicle licence levies for the majority of light vehicles from October 2014 (under the risk rating proposals) will be a welcome relief to motorists who have been paying record high ACC levies.

B. Maintain the current levy charged to owners of motorcycles and mopeds

The NZAA supports retaining the current levy for motorcycles and mopeds. While there is unlikely to be any appetite from the ACC Board or ministers for raising motorcycle and moped levies to more accurately reflect their greater injury costs, over time we believe ACC should aim to recover a greater portion of costs from users. So, while most other vehicle classes are scheduled to pay lower levies in the next financial year, it is appropriate that

motorcycle and moped levies remain at current levels so that in effect riders are contributing a greater share and the cross-subsidy from passenger vehicles is reduced. While motorcycle and moped owners may be disappointed that levies are not falling, it is important that ACC explains to riders that keeping levies unchanged will also account for the lower petrol tax contribution by motorcycles due to their superior fuel economy, and the failure by ACC to account for this previously over several years when the petrol tax component of aggregate motor vehicle levies rose.

Furthermore, as the NZAA has previously stated, because the decision to cross-subsidise the motorcycle class has been made for reasons other than cost recovery, there is no particular reason why it should be wholly funded from the Motor Vehicle account in our view. This is especially so when much of the motorcycling activity (and associated accidents) is recreational in nature, and when other recreational accidents (like cycling) is funded from a combination of the Earners' and Non-Earners' Accounts. 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.

C. Introduce risk rating of the light passenger fleet

The NZAA cautiously supports these proposals, which are consistent with the Safe System approach in NZ's Safer Journeys road safety strategy. We consider that motorists should be incentivised to buy the safest vehicle they can afford, and that levies should more closely reflect actual risk. In the long term risk-rated ACC levies may help achieve this in conjunction with other incentives such as favourable fringe benefit tax and lower vehicle insurance premiums if such incentives are developed in future.

Overall, we believe it is important that the majority of car owners benefit from ACC's improved financial performance in the form of lower levies, and these proposals achieve that to a greater or lesser extent. While the four risk rating groups are broad aggregates, the modest licence levy for petrol vehicles in particular provides little scope for a wider range.

The devil will however be in the detail, and the data used to assess risk could lead to some vehicles being incorrectly rated, so ACC should provide a mechanism to review ratings for models if additional safety information is available. Additionally, ACC should explain (via a website or leaflet) to motorists how ratings were derived when they receive their licence renewal (and why they may differ from NCAP ratings), and this information should also be made available to vehicle traders and websites like TradeMe so that the annual licence fee can be determined by prospective buyers to enable them to make the safest choice. If the licence fees or ACC's risk ratings cannot be easily identified then in effect the graduated levies will only reward or penalise owners of a car they have already bought, when the ratings would be more effective if they were a determinant in the purchase decision which is the long-term goal of risk-rating.

Nevertheless, the licence levy may remain unreasonably high for some vehicle sub-classes or user groups, and we would encourage ACC to investigate ways to address this in the interests of fairness.

Vehicles without enough crash history. Although ACC estimate only 3% of passenger vehicles (about 78,000) will not have sufficient crash information to be assigned a rating, the NZAA does not support these vehicles being assigned to risk group 3 as proposed. This could unfairly penalise a large minority of motorists. We suggest that many of these vehicles will either be new vehicles for which crash data is not yet available, or new or late model rare cars, many of which will be Special Interest Vehicles sourced from the USA. Either way, it can be assumed most such new vehicles will have been built to the highest safety standard, and likely superior to the model it replaces, so we propose they should be assigned to risk

group 4 instead. For Special Interest Vehicles, we recommend ACC convert the American NHTSA star ratings (equivalent to NCAP), JNCAP or Euro NCAP ratings, where available, into a risk rating or otherwise default to risk group 4 as such vehicles will be low-use secondary vehicles so their crash risk exposure will be low in any case.

Cars over 30 years age. The NZAA supports other vehicle classes such as motorcycles (class 4&8), GSVs (class 5&9) and vintage/veteran vehicles (class 3&7) being excluded from the risk rating proposals. However, as vintage vehicles are defined as being over 40 years old, it is likely that some younger enthusiast vehicles will be captured by the proposals. While such vehicles may not commonly feature in Australasian crash statistics, or have ANCAP data, we are concerned that they may be assigned a high risk rating (group 1 or 2). Such vehicles are typically secondary vehicles and used sparingly so their crash risk exposure is low.

The Vintage Car Club NZ recognises vehicles over 30 years as being eligible for membership, and the NZ Federation of Motoring Clubs has also proposed to NZTA that the legal definition of 'vintage' should be amended to 30 years and over (and renamed 'heritage'). Vehicles aged over 30 make up 2.5% of the NZ vehicle fleet, and are under-represented in crashes. Warrant of Fitness data shows that vehicles over 30 years do low annual mileages, which suggests that they are not being used as primary mode of transport.

This is another reason to favour collecting more ACC from petrol tax (and equivalent diesel RUC which is yet to eventuate), as the risk ratings do not take into account exposure risk as a function of distance travelled. Owners of such vehicles inevitably pay more in ACC levies than is justified since they can only drive one vehicle at a time.

The data would seem to suggest that, ideally, vehicles aged between 30-40 should be exempted from risk-rating in the same way as vintage class 3&7. Therefore, the NZAA proposes passenger vehicles between 30 and 40 years should automatically be allocated to risk group 3 or 4 instead as this would be fairer and more accurately reflect their risk.

D. Expand the ACC Fleet Saver programme to include businesses that rent trucks

The NZAA supports extending this programme as proposed, and we would also support investigating extending it to include light vehicles in commercial service.

E. Maintain the petrol levy at 9.90 cents per litre

The NZAA has previously called for a moderate increase in the ACC petrol levy because fuel consumption relates to distance travelled on the road and so is a proxy for risk exposure, meaning more frequent users of the road pay more compared to those who travel infrequently or own more than one vehicle. Fuel tax is also difficult to avoid with 100% compliance, unlike the annual vehicle licence.

However, in light of proposals to reduce the annual licence levy for most passenger vehicles, in effect a greater portion of the total annual levy will now be contributed by the petrol levy by the majority of motorists, and on that basis the NZAA supports retaining the petrol levy at 9.90 cents per litre.

The NZAA has commented in our previous submissions that it is imperative an equivalent distance-based levy also be added to RUC for light diesel vehicles in the interests of fairness. This continues to be an anomaly in the Motor Vehicle account and a constant frustration for the many owners of non-commercial diesel vehicles who are paying the same levies as light commercials which travel higher mileages. In our view, this is a priority for ACC's work programme, and is more important than introducing risk ratings.

F. Maintain the Motorcycle Safety Levy at $30 per year per licensed motorcycle

The NZAA supports the purpose of the MSL, and retaining the annual charge at $30. However, we note that progress remains slow on approving motorcycle-specific safety initiatives that have been developed by the Motorcycle Safety Council (aka MOTO). Motorcyclists will understandably be expecting to see some return for their investment which we understand now totals some $6.8 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 supports the work of MOTO, 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.

G. Collecting ACC levies on alcohol sales

As noted in our previous submissions, 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.

We restate our position 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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