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Association



ACC levy consultation 2015/16

NZAA submission

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SUBMISSION ON 2015/16 LEVIES FOR MOTORISTS

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2015/16 Motor Vehicle levies.

The NZAA represents over 1.4 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 combined average motor vehicle levy by 40%
- maintain the petrol levy at 9.90 cents per litre
- maintain the current levies charged to motorcycle and moped owners
- introduce risk rating for light passenger vehicles
- maintain the Motorcycle Safety Levy at \$30 per year per motorcycle
- collect a portion of ACC levies on alcohol sales

A. Reduce the combined average Motor Vehicle levy by 40%

In the NZAA's view, reduced levies have been unjustly denied to motorists for two years in a row now, so we fully support proposals to reduce the current combined average Motor Vehicle by 40%, with a further reduction likely the following year. In light of improvements in the Motor Vehicle Account, and the deferral of the levy reduction proposed for the 2014/15 year, such a reduction is justified and overdue.

B. Maintain the petrol levy at 9.90 cents per litre

The NZAA does not support ACC's proposal to reduce the petrol levy from 9.9 cents per litre to 5.9 cents per litre. The NZAA has long supported collecting more of ACC motor vehicle costs from the 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.

Given the scheduled reductions in the annual licence levy for most vehicles, retaining petrol tax at 9.9 cents per litre means a greater portion (approximately 50%) of the 2015/16 average motor vehicle levy will now be contributed by the petrol levy as is desirable, and on that basis the NZAA supports retaining the petrol levy at 9.90 cents per litre.

Furthermore, we note the discussion document proposes that if the petrol levy is reduced, motorcycle and moped levies will remain unchanged, in effect meaning that overall levies for motorcycles and mopeds will drop. This seems contrary to ACC's aim to maintain motorcycle and moped levies at current levels. For the reasons outlined in section C below, the NZAA would oppose reducing motorcycle and moped levies, so if petrol tax fell by 4 cents per litre, it would be necessary to raise motorcycle and moped licence levies by a corresponding amount. Alternatively, ACC's intention to retain motorcycle and moped licence levies at current levels (and thereby reducing the cross-subsidy for all other vehicle classes) would be achieved by retaining the petrol levy at 9.9 cents per litre.

While ACC suggests that distance travelled only accounts for 14-30% of the risk of a crash, collecting a greater portion of ACC levies via fuel tax is desirable because fuel tax is impossible to avoid with 100% compliance. In contrast it is estimated by the MoT that approximately 2% of vehicles used on public roads (67,000) are unlicensed, yet the users of these vehicles are covered by New Zealand's 'no-fault' ACC scheme – subsidised by other motorists. Similarly, collecting a greater portion from fuel tax is also fairer for low/fixed income earners and people who own multiple vehicles but who can only use one at a time.

We repeat comments made in our previous submissions that ACC should prioritise efforts to permit the collection of an equivalent distance-based levy from RUC for light diesel vehicles in the interests of fairness. It continues to be an anomaly in the Motor Vehicle account and a constant frustration for the many owners of non-commercial diesel vehicles that they are paying the same levies as light commercials which travel higher mileages.

C. Maintain the current levies charged to motorcycle and moped owners

The NZAA supports retaining the current levy for motorcycles and mopeds. 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 riders are contributing a greater share of motorcycle injury costs and the cross-subsidy from passenger vehicles is reduced. According to the ACC discussion document, by retaining motorcycle levies at current levels, the cross-subsidy from passenger vehicle owners will have fallen from approximately \$80 per vehicle just a few years ago, to \$24.36. This is to be applauded, and is an endorsement of the policy to retain motorcycle levies at current levels.

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. As noted in section B above, although the annual amount motorcycles and mopeds contribute in petrol tax is low, it would be necessary to raise motorcycle and moped licence levies slightly to retain equity if the petrol tax was reduced 4 cents per litre.

D. Introduce risk rating for light passenger vehicles

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 initiatives to encourage motorists to buy safer vehicles.

Further, we support the reductions proposed for all four risk-rated bands, as all passenger car owners should benefit to some extent from ACC's improved financial performance. The

reductions are more pronounced for all bands, even the lowest band (band 1, \$73), if the ACC petrol levy remains at 9.9 cents per litre. This reduces to just \$25 for band 1 if the petrol tax is lowered, which will largely go unnoticed by the 20% of motorists with vehicles in this band, further justification in our view to retain petrol tax at 9.9 cents per litre.

However, the NZAA has some reservations about the methodology and data used to assess risk, which could lead to some vehicles being incorrectly rated.

Whilst the TSSI data is from actual crashes, it is reliant on the accuracy with which it's recorded at the time of the crash. We understand that not all crashes are properly recorded, and those that are rely on the interpretation of the people recording the details which is subject to human fallibility as well as the inevitable constraints associated with recording information at crash scenes.

Additionally, the reliability of the data is a function of sample size, and there may not be sufficient numbers of a particular model involved in crashes to generate an accurate rating.

In the NZAA's opinion, New Car Assessment Program (NCAP) testing is more objective proof of a vehicles' crash worthiness, and should be incorporated into the TSSI methodology (in favour of UCSR data) where NCAP (or equivalent) scores are available.

As this is a new initiative, the TSSI database may need fine-tuning as errors are identified or improved data obtained from other sources. Consequently, we propose that ACC should engage with industry experts such as the NZAA, NZTA, MIA and IMVIA to improve the reliability of the TSSI crash scores, and to 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.

NZAA also generally supports proposals to default vehicles without crash history into band 3 if manufactured prior to 2003 or band 4 if manufactured from 2003 on. Even so, there are some newer vehicles which rate poorly in NCAP crash testing, and so if TSSI data is not available, we recommend ACC convert NCAP or equivalent star ratings, where available, into a risk rating rather than automatically default to the highest rating which could give prospective buyers a false sense of a vehicle's true safety standard and unintentionally incentivise the uptake of unsafe vehicles.

Abolishing licence levies for band 4 passenger vehicles. The NZAA considers that ACC's proposals offer the potential for annual licence levies to be abolished for the safest band of vehicles, especially following further motor vehicle levy reductions anticipated in 2016-17.

By retaining petrol tax at 9.9 cents per litre, ACC's proposals indicate the licence levy for band 4 petrol-engined vehicles will be just \$35.45 a year. This is negligible, and could easily be added to petrol tax (based on a typical mileage and fuel consumption, this could be recovered by adding about 3 cents per litre to petrol tax a year, if not entirely eliminated in 2016-17). To abolish licence fees for band 4 petrol vehicles altogether would also require collecting the fixed \$43.50 contribution to the National Land Transport Fund (NLTF) from petrol tax, adding another 4 cents per litre (but further lowering licence fees for all petrol

vehicles). Likewise, the same could be achieved for band 4 diesel vehicles if the equivalent charge was levied on RUC.

The NZAA suggests there is a real opportunity for ACC to be bold with the introduction of risk rating and truly incentivise motorists to purchase safer vehicles. ACC estimates some 35% of the light passenger fleet fall into band 4 (approximately 900,000 petrol vehicles), which could benefit from no longer having to pay an annual licence. Consider the incentive value for owners or prospective buyers of these vehicles knowing that they will no longer have to re-licence them and avoid time and administration costs of re-licensing.

Although this will require shifting the fixed NLTF levy onto petrol tax, there is an opportunity for joined-up thinking amongst Government agencies. ACC want to incentivise safer vehicles, as do the Ministry of Transport and NZ Transport Agency under the Safer Journeys strategy. Over time, as the safety of the fleet improves, more and more vehicles could be exempted from annual licensing. This will only serve to incentivise more people to seek out safer vehicles in order to avoid having to re-licence vehicles every year. Additionally, this will further minimise late-payment of licence fees (and the risk of incurring penalties), but also non-payment, as it's impossible to avoid paying taxes levied on fuel.

Therefore the NZAA recommends ACC investigate with MoT and NZTA the pros and cons of amending legislation to collect all NLTF funds for petrol vehicles from fuel tax so that, by 2016-17 it will be possible for band 4 vehicles to be exempted from annual licensing.

Cars aged 30-39 years. As noted in our submission on these proposals last year, 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.

Assuming most of these 30-39 year vehicles have the highest risk rating (band 1), then ACC's proposed licence levies are \$125.45 if petrol tax stays at 9.9 cents per litre. However, surveys by the Federation of Motoring Clubs suggest that 41% of heritage vehicles do less than 3000km a year, and 49% do less than 1000km a year. Assuming an average fuel consumption of 10 litres per 100km, a 30-39 year-old car travelling 3000km a year would pay an additional \$29.70 in ACC petrol tax, or just \$10 for an annual mileage of 1000km. Added to the licence levy, and the net contribution for owners of these older, low-use cars is about \$135-155. However, ACC propose a licence levy of \$173.83 for band 1 vehicles if petrol tax is reduced to 5.9 cents per litre. Coupled with the petrol tax contribution ranging from \$5.90 to \$17.70 for annual mileages of 1000km and 3000km respectively, owners of these cars will therefore be some \$36-45 a year worse off if petrol tax is reduced.

This is another reason to favour collecting more (or the same) ACC from petrol tax, to maximise the proposed savings in ACC licence levies for owners of multiple, low-use heritage or enthusiast vehicles aged under 40 years. Owners of such vehicles inevitably pay more in ACC levies than is justified since they can only drive one vehicle at a time.

E. 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, as noted in earlier submissions, progress remains slow on approving motorcycle-specific safety initiatives that have been developed by the Motorcycle Safety Advisory Council (MSAC). The NZAA supports the work of MSAC, and we commend ACC to support the MSAC to implement projects they have nominated to be funded by the levy.

F. Collect a portion of 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 could be partly 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 take the opportunity to restate our position that the ACC should investigate the merits of 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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