THE NEW ZEALAND
AUTOMOBILE
ASSOCIATION
INCORPORATED

342-352 Lambton Quay
Wellington
New Zealand
PO Box 1
Wellington
New Zealand

T. +64 4 931 9986
F. +64 4 931 9960

25 October 2018

Levy Consultation
ACC
PO Box 242
WELLINGTON 6140
Email: levies@acc.co.nz

2018 Levy Consultation

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2018 ACC Levy Consultation and review of the Motor Vehicle Account and Vehicle Risk Rating.

The NZAA represents over 1.6 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.

The comments in this submission reflect the combined views of NZAA Motoring Affairs, which advocates on behalf of NZAA Members and motorists, and NZAA Motoring Services, which represents the NZAA on the Australasian New Car Assessment Programme (ANCAP) and the Used Car Safety Ratings (UCSR).

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

A. Proposed Motor Account levies
B. Motorcycle Safety Levy
C. Should safe motorcyclists get a financial reward?
D. The Motor Vehicle Account review
    i. Future work on levying electric vehicles and plug-in hybrid vehicles
    ii. Investigating a shift to distance-based levying for motor vehicles
    iii. Investigating discounts for owners of multiple vehicles
E. Vehicle Risk Rating (VRR)

A. Proposed Motor Account levies

The increase in motor vehicle levies had been signalled by ACC, and the proposal is in line with the forecast. Ordinarily the NZAA would support the approach to spread this between an increase to the fixed portion of the licence levy, and a 1.9 cent per litre (cpl) increase to petrol levies in order to preserve the current split of levies funded from excise and licence fees. The NZAA supports collecting a portion 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. This is especially important if VRR is to be scrapped (see E below).

However, we question whether the time is right to raise petrol excise.

Already, petrol prices are at near-record highs (in real terms, just shy of the record $2.60/litre in mid-1985 [in 2017 dollars]), as are taxes. This year, petrol excise has risen 3.5cpl, and is scheduled to rise another 3.5cpl annually over the next two years. In Auckland, petrol excise has risen another 10cpl (excl. GST) with the introduction of the Regional Fuel Tax. Total excise now amounts to almost 70cpl, not including the Auckland Regional Fuel Tax and the Emissions Trading Scheme (ETS) levy (approximately 5.5cpl, and likely to continue rising). Including GST, at current petrol prices, total tax equates to about $1.07/litre (~$1.18/litre in Auckland), representing 43% of the price of a litre of fuel. This is important because, while commodity prices and the exchange rate fluctuate, taxes generally only go up. The future price of fuel is uncertain, but taxes will continue to rise and there is the possibility that the ETS component could increase significantly following recommendations from the Productivity Commission.

By contrast, the cost of relicensing a car has substantially fallen in recent years and is comparatively low, thanks mostly to the improvement in ACC accounts in recent years, and for some cars, the advent of Vehicle Risk Rating. The NZAA contends, if levies must rise, that it will be more acceptable to motorists to have slightly bigger increase in the re-licence fee (approximately an extra $20 than proposed), than a further increase in petrol prices (especially if they remain relatively high).

These comments aside, the NZAA supports the proposed approach by ACC that all vehicle classes are charged the full cost of the risk they pose, apart from motorcycles and heavy goods vehicles (HGVs). The NZAA also supports the approach by ACC to increase the levy rate for HGVs by approximately double the average increase, and for the cross-subsidy to HGVs to be gradually removed over the next two levy rounds.

B. Motorcycle Safety Levy

The NZAA supports maintaining the Motorcycle Safety Levy (MSL) at $25, and we support the initiatives for this fund, including investing in expanding the rollout of the Ride Forever training programme, which is contributing to a lower injury rate for participants.

C. Should safe motorcyclists get a financial reward?

The NZAA supports ACC investigating offering a rebate to motorcyclists who undertake a ‘silver’ and ‘gold’ Ride Forever course. Motorcyclists are the highest injury-risk road users, and it’s claimed that participants who have completed Rider Forever are 23% less likely to suffer injury. Motorcyclists who are making the effort to reduce their injury risk should be rewarded, and this is a reasonable incentive. If the rebate scheme leads to higher participation in the course then it should continue.

To that end, we also think ACC should consider whether, if this initiative is successful, that similar rebate schemes could be offered to other road users, such as drivers who complete a defensive driving course.

D. The Motor Vehicle Account review

i. Future work on levying electric vehicles and plug-in hybrid vehicles

The NZAA supports the current RUC exemption for electric vehicles (EVs) until 2021 as a modest incentive to encourage the uptake of EVs, and likewise we agree that ACC should review the levy rates for EVs (and PHEVs) when this RUC exemption is due to expire.

ii. Investigating a shift to distance-based levying for motor vehicles

The NZAA supports ACC investigating distance-based levying, especially for non-petrol vehicles. The NZAA has encouraged ACC for some time to investigate collecting a portion of

ACC levies for non-petrol vehicles via RUC, to be equivalent to the petrol excise, so that the licence levies for both petrol and non-petrol vehicles are equivalent. This would be more equitable and would mean owners of non-petrol vehicles would pay an amount that more accurately reflects their risk exposure, rather than a flat levy regardless of distance travelled.

In the longer term however, petrol excise will become a less equitable means to collect ACC levies (or road tax generally) as cars become more fuel-efficient, and therefore a distance-based levying scheme will eventually be needed for all vehicles. This will only become feasible once a national electronic road user charges system for road funding (to replace the current petrol excise and diesel RUC) has been successfully implemented.

However we support ACC commencing investigating distance-based levying, including the possibility of an opt-in scheme. Such a scheme would also be more equitable for multiple vehicle owners, who currently pay multiple fixed licence levies even though they can only drive one vehicle at a time, or for fleet owners where some vehicles get limited use.

iii. Investigating discounts for owners of multiple vehicles

As outlined in our comments above, we recognise that multiple vehicle owners are disadvantaged by the current ACC funding model. This is why the NZAA supports the lower licence levy for ‘vintage’ class vehicles, as well collecting a portion of the levy via petrol excise which is a proxy for exposure.

Consequently the NZAA also supports ACC investigating developing discounts for owners of multiple vehicles. We consider this should be investigated for all vehicle types, although proof of concept could be initially trialled for motorcycles. Such a scheme would be worthwhile implementing if distance-based levying (above) is not to be proceeded with in the medium-term, but otherwise distance-based levying would be a fairer and administratively-simpler means to address the equity issues for owners of multiple vehicles.

E. Vehicle Risk Rating (VRR)

The NZAA fully supports retaining the VRR scheme and the principle of ACC motor vehicle levies reflecting the inherent safety of light passenger vehicles.

The nascent VRR scheme has helped raise public awareness about vehicle safety and contribute to encouraging New Zealanders to make safer choices when purchasing cars. This is an important component that must be retained to support the government’s Safer Journeys strategy (referenced in the *Safer Journeys Action Plan 2016-2020*), and to help improve road safety by improving the safety of the vehicle fleet. Safer vehicles is one of the four pillars of the internationally recognised *Safe System* approach to improving road safety, but which in New Zealand has been a hitherto overlooked area where there is much opportunity to make progress.

VRR helps to educate motorists that at any given budget, not all cars are equal in regards to safety. Some old cars worth just a few thousand dollars are rated Band 3 or 4 (the highest), while some late-model cars rate poorly.

The annual licence renewal serves as a reminder of the vehicle safety rating and may promote thinking about relative safety ratings. Although VRR has not been operating long enough, in the long run we believe it will help change the purchase behaviour of New Zealanders, including influencing the safety standard of vehicles sourced by importers. Where motorists are unable to afford to upgrade to a safer car, there are other mechanisms that could be explored by government to assist motorists into a safer car.

The NZAA believes that scrapping VRR will be at the expense of road safety, and this would be a retrograde step at a time when a rising road toll is demanding more actions to improve road safety.

We also understand MBIE are considering changes to the Consumer Information Notice (CIN) that must be displayed on all cars sold by motor vehicle dealers, including whether vehicle safety ratings should be included. In our 2017 election calls the NZAA also called for a requirement for vehicle safety information to be displayed at the point of sale. VRR is the only scheme which rates all cars under 40 years of age, and so would be a leading choice for the rating model to be used for the CIN or otherwise displayed at point of sale.

According to the Motor Vehicle Account discussion document, if the ACC motor vehicle levy reverts to a fixed levy for all light passenger vehicles, then the average levy will be almost equivalent to the 2019/21 Band 3 levy (for either petrol-driven or non-petrol).

Presently, 46% of all cars are rated Band 4, the highest safety rating, and 23% rated Band 3, with only 16% rated Band 2 and 15% rated in the lowest Band 1. Therefore, if VRR is scrapped, nearly half of Kiwi motorists will end up paying proportionately much higher ACC licence levies than currently – more than double. This will be unpopular. Whereas if VRR is retained, levies for 46% of cars would actually fall slightly despite the rise in ACC costs (if petrol excise is increased).

In late June/early July 2018 the NZAA undertook a random member survey about VRR, which was completed by 1,769 respondents (with a margin of error of 2.3%).

In response to the question: *"The amount paid should vary with scientific crash test results and real world crash outcomes"*, 48.6% of respondents either supported or strongly supported this proposition, with 28.4% neither supporting nor opposed (neutral), and 23% either opposed or strong opposed.

In response to the question: "*Vehicles which inflict more damage on others (higher and heavier) should pay more"*, 54.5% of respondents either supported or strongly supported this proposition, with 20.4% neutral, and 25% either opposed or strong opposed.

In the NZAA's view, whilst VRR is still in its infancy and there is unlikely to be universal public awareness or full understanding of the scheme, our member survey results demonstrate a level of public support for VRR, with a much larger percentage of members supporting the principle of risk-rating compared to those that oppose it.

We note in the Motor Vehicle Account discussion document, that ACC wants to recognise New Zealanders "who are taking responsibility for their own health and safety" because they're helping to drive down costs for others (page 42). This argument can also be applied to support the retention of VRR, as people who buy safer vehicles are also taking responsibility for their safety on the road, and are contributing to improved road safety and reduced crash costs. VRR also reflects the principles of the entire ACC scheme, which is to charge levies according to risk.

Yours sincerely

Mark Stockdale
Principal Advisor – Regulations

Stella Stocks
General Manager Motoring Services