



la Ara Aotearoa Transporting New Zealand

submission to:

Accident Compensation Corporation

on:

**2021 Levy Consultation
ACC levy rate proposals**

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la Ara Aotearoa Transporting New Zealand (Transporting New Zealand) submission to Accident Compensation Corporation on: 2021 Levy Consultation, ACC levy rate proposals

1. Representation

- 1.1 la Ara Aotearoa Transporting New Zealand (Transporting New Zealand) is made up of several regional trucking associations for which Transporting New Zealand provides unified national representation. It is the peak body and authoritative voice of New Zealand's road freight transport industry which employs 32,868 people (2.0% of the workforce), and has a gross annual turnover in the order of \$6 billion.
- 1.2 Transporting New Zealand members are predominately involved in the operation of commercial freight transport services both urban and inter-regional. These services are entirely based on the deployment of trucks both as single units for urban delivery and as multi-unit combinations that may have one or more trailers supporting rural or inter-regional transport
- 1.3 According to Ministry of Transport research (National Freight Demands Study 2018) road freight transport accounts for 93% of the total tonnage of freight moved in New Zealand

2. Introduction

- 2.1 Transporting New Zealand provides sector leadership and believes we all need to operate in an environment where the following must be managed and co-exist:
 - The safety and wellbeing of our drivers and other road users; our drivers are our most valuable asset
 - The impacts of transport on our environment
 - The transport of goods by road is economically feasible and viable and it contributes the best way it can to benefit our economy.
- 2.2 Transporting New Zealand welcomes the opportunity to comment on the proposed levy rate changes set out in various Accident Compensation Corporation (ACC) Levy Consultation Documents (2022-25), along with changes intended to create safer, healthier workplaces. ACC's paper seeks views on recommendations to increase levy rates over the next three-year period 2022 - 2025.
- 2.3 Like Transporting New Zealand, Business NZ is also providing feedback to ACC on these proposals. Business NZ consulted us while developing its submission and we agree with its feedback, particularly related to the changes to the Earners' Account and the Work Account, and we would like ACC to note that support. As a consequence, we have focussed our comments below to the changes effecting vehicles, and more particularly heavy vehicles as these are of particular interest to our members.

2.4 The ACC consultation includes explanation of the philosophical commercial approach it takes and information on performance to date. Given our comments are based on our interpretation of the information you provided, we have documented the key points as we understand them below and we request ACC advise us if any of these are incorrect:

- the reason for ACC's proposing to set levies on a three-year outlook is to provide certainty to those expected to pay the respective fees
- last year there was a \$1.39 billion shortfall between the \$3.24 billion collected in levies and the \$4.63 billion expected cost of injuries. Despite the recommended increases over the next three years, that 43 percent shortfall is expected to continue for each of the next three years
- last year ACC invested \$100m in injury prevention programmes for a benefit to cost ratio of 1.8
- for the next three years ACC expect the costs of injuries to increase by 4-6 percent each year due to:
 - rising number of injuries
 - increasing costs of providing support
 - longer recovery periods in some cases
- based on the current 2021/22 rates the motor vehicle class 9H (non-petrol driven goods vehicle over 3,500kg) levy will increase approximately 31 percent from \$241.80 to \$316.21 in 2024/25 with incremental increases occurring in the between years. A similar percentage increase will apply to heavy goods vehicles in the FleetSaver programme
- the vehicle fleet is expected to grow from 4.11 million vehicles to 4.26 million vehicles between the years 2022-2023 and 2024-2025
- in the event the costs related to injury management are less than the levies collected for the respective year then that surplus is in essence returned to those paying for the scheme by way of reduce the levies.

3. General comments on the philosophical approach

3.1 Generally, we agree with the fundamental philosophical market approach that those that are responsible for creating the costs should pay for those costs.

3.2 We agree with ACC's intent to provide a degree of certainty to those contributing to the fund by setting levies for a three-year period however, we are concerned that ACC has not sufficiently explained the risks, positive or negative, with this approach. For example:

- ACC forecast that the \$1.39 billion variance will remain relatively the same over the coming three-year period and it expects increase in costs in the motor vehicle account. Transporting New Zealand is concerned that ACC's prediction is completely at odds with Ministry of Transport's Road to Zero road safety strategy.

- ACC claim that its injury prevention programmes provide a benefit to cost ratio of 1.8. Transporting New Zealand would like to see ACC provide much more detail supporting that claim so due consideration could be given to investing more than \$100 million with an aim to reduce the \$1.39 billion variance.
- We note the forecast motor vehicle account costs are predicated on the size of the vehicle fleet (page 33 of the ACC Motor Vehicle Account 2022/25 Pricing Report for Consultation refers). We are not challenging the validity of that assumption however, we request ACC consider whether vehicle kilometres travelled would have a stronger relationship with injury than fleet size, and furthermore ACC consider the impact on fleet and levy income given Government’s strategy to shift transport mode choice to public transport.

4. Specific comments on proposed changes

- 4.1 Page 11 of the 2021 Levy Consultation, ACC levy rate proposals (the Paper) shows a histogram of past and projected injuries from road crashes for the years 2019 to 2026. ACC predict a trend that is generally increasing. ACC have not provided sufficient information to show how it has arrived at this forecast. However, on the face of it, ACC’s projections appear to be completely at odds with Government transport policy and in particular its Road to Zero safety strategy¹. That strategy sets an initial target to reduce deaths and serious injuries on New Zealand’s roads, streets, cycleways and footpaths by 40 percent by 2030.
- 4.2 Page 13 of the Paper refers to the New Year Claims costs and these are shown in row 2 of the table below. In row 3 of the table, we have added the ACC costs that effects most of our members, Class 9H non-petrol-driven goods vehicles over 3500 kg (page 26 of the Paper refers) and we have calculated the year-on-year changes.

Costs to support injuries from road crashes				
Row 1	Year	2022 -2023	2023 – 2024	2024 – 2025
Row 2	\$ (million)	872	905	946
Row 3	% change year-on-year		+ 3.9%	+ 4.5
Row 4	Vehicle class 9H Levy (\$)	275.41	295.11	316.21
Row 5	% change year-on-year		+7.2%	+7.1%

- 4.3 While we acknowledge that in absolute terms the cost increases, circa \$20 per year per vehicle, are not a great amount, we are concerned that the percentage changes faced by truck business operators are disproportionately high when

¹ <https://www.nzta.govt.nz/safety/what-waka-kotahi-is-doing/nz-road-safety-strategy/>

compared with the forecast injury costs. We would like ACC to justify why trucks appear to be paying a higher share of the predicted increasing injury costs.

- 4.4 Page 25 of the Paper refers to a “57% lower levy in 2022/23 for pure electric vehicles compared to other non-petrol-powered light vehicles ... to help incentivise the uptake of electric vehicles”. We are aware of Government’s climate change policy that is promoting cleaner fuel however, unless ACC can show a good correlation between injury costs and motive power type, we would urge ACC to maintain a true course between vehicle types and their respective costs and levies. ACC has shown no rigorous or robust evidence to justify why it is incentivising electric vehicles and this approach creates risk of cross subsidisation of costs across the sector and undermines the fundamental philosophical market approach that those responsible for creating the costs should pay for those costs.
- 4.5 Page 25 of the Paper refers to \$374 million to support injuries related to motorcycles over the next three years. By our calculation that equates to approximately 14 percent of the total road crash injury new year claim costs of \$2,723 million referred on page 13 for the same period. We feel that motorcycle injury crash costs are grossly disproportionate to their travel which is less than 1 percent of vehicle kilometres travelled by the whole fleet². We are very concerned that motorcycles are not contributing their fair share to recover the injury costs they cause and we do not agree with Government’s decision not to review the motorcycle levy at this time.

5. Concluding comments

- 5.1 ACC’s consultation does not provide sufficient detail to justify the increases nor its proposed allocation of those costs, particularly those to Class 9h.
- 5.2 Transporting New Zealand does not believe Government is doing enough proactive work to reduce motor vehicle injury costs. Transporting New Zealand has been in discussion with Waka Kotahi New Zealand Transport Agency and WorkSafe seeking their support of an industry initiative to improve heavy vehicle road safety outcomes and has had experienced difficulty getting meaningful traction to make tangible progress. We welcome the opportunity to discuss our recommendations with ACC officials.
- 5.3 Transporting New Zealand recommend a thorough investigation of Motor Vehicle Account funding be carried out to enable associated costs to be more closely allocated to claimants, based on risk, not vehicle type or transport mode.
- 5.4 Transporting New Zealand welcome the opportunity to discuss any parts of our submission with ACC officials and/or the ACC Board as appropriate.

² <https://www.transport.govt.nz/statistics-and-insights/road-transport/sheet/vehicle-kms-travelled-vkt>