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SUBMISSION ON 2016/17 LEVIES FOR MOTORISTS

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2016/17 Motor Vehicle levies.

The NZAA represents over 1.45 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. reduce the combined average motor vehicle levy by 33%
b. decrease the petrol levy to 5.7 cents per litre
c. motorcycle levies
d. reduce the Motorcycle Safety Levy to $25 per year per motorcycle
e. enhancements to vehicle risk rating (VRR)
f. putting a levy on Road User Charges
g. proposed Government funding policy for future levy consultations

A. Reduce the combined average Motor Vehicle levy by 33%

The NZAA welcomes and supports the proposal to reduce the current combined average Motor Vehicle by 33%, which reflects the healthy financial state of the Motor Vehicle and the removal of the residual levy. This will ensure that vehicle owners do not pay more than is required to fund the future costs of motor vehicle injury crashes.

B. Decrease the petrol levy to 5.7 cents per litre

It is pleasing to learn that currently, approximately 44% of the average motor vehicle levy is collected from petrol tax, and 56% from the licence levy (for petrol vehicles). This is up from the approximately one-third collected from petrol tax under previous levy setting.

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. Similarly, collecting a greater portion from petrol tax is also fairer for low/fixed income earners and people who own multiple vehicles but who can only use one at a time.

Fuel tax is also impossible to avoid, with 100% compliance, unlike vehicle licencing (the Ministry of Transport estimates 2% of vehicles are unlicensed at any given time).

On balance, the NZAA does not support lowering the petrol levy. We consider the reduction is too small to be noticed by motorists at the pump, whilst passing on all of the levy reduction via the annual licence fee will be more meaningful and well-received, especially by owners of band 1 or 2 passenger cars or vintage cars, whose licence fee reduction will be less than the average $64.

The NZAA considers that ACC's proposals offer the potential for annual licence levies to be abolished for the safest band of vehicles in future, especially by retaining petrol tax at 6.9 cents per litre. With the average levy reduction of $64, the ACC component of the licence levy for band 4 petrol-engined vehicles will be virtually nil, leaving owners paying approximately $50 in total (mostly the National Land Transport Fund levy), which could be added to petrol tax (for all vehicles). No longer needing to re-licence a vehicle, and avoiding the corresponding time and administration costs may present an opportunity to incentivise motorists to purchase safer vehicles, which the NZAA recommends ACC consider for future levy reviews.

C. Motorcycle levies

The NZAA supports retaining the current levy for petrol-driven motorcycles and mopeds, and reducing the levy for non-petrol driven motorcycles.

The NZAA considers that ACC should aim to recover a greater portion of costs from users over time to reduce cross-subsidisation within the Motor Vehicle account. Thus it is appropriate that motorcycle and moped levies remain at current levels when ACC figures show motorcycle licence levies currently only cover 26% of the cost of motorcycle injuries.

By retaining motorcycle levies at current levels, the cross-subsidy from passenger vehicle owners has fallen from approximately $80 per vehicle just a few years ago, to $24.36 today.

While motorcycle and moped owners may be disappointed that levies are not falling, it is important to note that overall ACC levies for motorcycles have fallen due to the reduction in petrol tax this year and proposed reduction next year.

The NZAA also supports ACC undertaking more analysis on the merits of widening the number of motorcycle groups from the current three broad groupings for consultation in subsequent levy years. In particular, it is worth investigating introducing new groupings between the current 'moped' and '<600cc' groups.

However, we do not support risk-rating motorcycles by model at this time and consider that the risk-rating program for light passenger vehicles needs to be well-established with credible ratings that are accepted and understood by vehicle owners before ACC investigates expanding it to other vehicle classes.

D. Reduce the Motorcycle Safety Levy to $25 per year per motorcycle

The NZAA supports the proposal to reduce the MSL from $30 to $25. We have noted in earlier submissions that progress remains slow on approving motorcycle-specific safety initiatives that have been developed by the Motorcycle Safety Advisory Council (MSAC), so in light of this it is reasonable not to over-collect funds.

E. Enhancements to vehicle risk rating (VRR)

Through our involvement in the Motor Vehicle Industry Expert Group (MVIEG), the NZAA has supported the proposed enhancements to VRR methodology to improve the credibility of the data, including:

- recognising model series rather than sorting ratings according to arbitrary year dates
- reducing the confidence interval of TSSI scores to 2%
- greater use of NCAP ratings for vehicles without credible TSSI scores

In terms of methodology to assign ratings, the NZAA supports the following hierarchy in order of preference:

Step 1: use NCAP ratings for all new vehicles up to 6 years of age
Step 2: if no NCAP data is available then use credible TSSI data
Step 3: for vehicles over 6 years of age, use credible TSSI data
Step 4: if there is no credible TSSI data, use NCAP ratings
Step 5: if there is no NCAP ratings, apply Market Groupings
Step 6: if no credible Market Group data, default to year of manufacture

Our rationale for this hierarchy is that most new vehicles have NCAP ratings, be they generated in Australia, Japan, Europe or Korea etc. Whilst NCAP is a laboratory test rather than real world crashes, it is structured to represent real crashes. It offers consistency and simulates most crash situations. NCAP tests also include pedestrian ratings which are relevant for VRR incorporating harm to vulnerable road users.

We contend the NCAP ratings issued for older cars are credible in the year they were assessed (or for model series). Although they may not be comparable with newer ratings as vehicle safety features have developed, they could however be age-adjusted using a simple formula to assign the appropriate VRR band.

In the NZAA's view, TSSI relies on accurate and consistent recording of data, but as the data is captured by a variety of people it can be very subjective. In addition it also relies on sufficient crashes and therefore credible data in each set. The majority of TSSI data is Australian whereas New Zealand has a different fleet make-up and vehicle specifications which can often have better safety equipment than Australian-market variants. Whilst the reduction of confidence intervals will assist with this, the NZAA recommends using NCAP data for newer vehicles, and for older vehicles wherever it is available.

F. Putting a levy on Road User Charges

While not a formal proposal, the NZAA restates its support for introducing a distance-based ACC charge for non-petrol vehicles, equitable to that of the ACC petrol tax. We would encourage ACC to undertake further analysis to establish the costs of introducing such a system and develop proposals for further consultation.

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 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.

As we have noted before, the incompatibility between ACC licence levies for equivalent petrol and diesel-engined vehicles is a common complaint by AA Members who own diesel vehicles, and who perceive diesel licence fees to be substantially higher and discriminatory. This undermines the perceived economic benefits of owning a more fuel-efficient diesel car. There is also confusion with the introduction of vehicle risk-rating, with some diesel car owners believing their car has a poorer risk-rating than the equivalent petrol version, because of its higher annual licence fee.

Provided the ACC levy on RUC levy is equivalent to the petrol tax and means the same petrol and diesel models pay the same annual licence fees, this will resolve these public misperceptions. It will also help consumers to fairly compare the annual licence costs of similar petrol and diesel models (and plug-in electric vehicles from 2020 when they are scheduled to pay RUC), which would also assist in encouraging people to make informed vehicle choices based on safety and fuel economy.

G. Proposed Government funding policy for future levy consultations

In principal, the NZAA supports smoothing the levy rates to keep levies stable over a longer period to avoid constant annual fluctuations and provide more certainty for motorists. In regards to ‘smoothing’, the NZAA prefers that levies remain ‘flat’ or unchanged for the target period. However the suggested period of 10 years is too long and we would recommend cycles of 2-3 years.

However, because of the large reduction proposed for 2016/17 in comparison to projected levies over the next eight years, the NZAA supports delaying the introduction of smoothing until the 2017/18 levy year.

From cycle to cycle, levy rates will inevitably fluctuate, and the NZAA supports capping any increases in the average levy rate. The discussion document proposes a 15% cap on the yearly increase in the average levy rate, but as we propose a flat cycle of 2-3 years, this cap may need to set slightly higher accordingly. In addition, we propose that while the cap applies to average motor vehicle levies, it may need to exclude individual motor vehicle sub-classes where there has been a significant increase in levy costs for that class between cycles. If there has been a significant deterioration in the ACC motor vehicle account, there may also need to be the ability to trigger a mid-term review of levies if account solvency falls well below 100%.

Yours sincerely

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