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SUBMISSION ON 2017/19 LEVIES FOR MOTORISTS

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2017/19 Motor Vehicle levies.

The NZAA represents over 1.5 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 13%
B. Motor Vehicle licence (rego) levy
C. Decrease the petrol levy to 6 cents per litre
D. Maintain the Motorcycle Safety Levy at $25
E. Changes to vehicle risk rating (VRR)
F. Goods Service Vehicles
G. Electric vehicles
H. The future shape of the Motor Vehicle Account

A. Reduce the combined average Motor Vehicle levy by 13%

The NZAA supports the proposal to reduce the current average Motor Vehicle levy by 13%, to be held at an average of $113.94 for the next two years, which reflects an improvement in the solvency of the Motor Vehicle account.

B. Motor Vehicle licence (rego) levy

We draw attention to what we perceive to be an anomaly in the proposed rates in the rate table published in the discussion document, relating to Class 2 and Class 6 vehicles. The proposed rates for these 'miscellaneous' passenger vehicles are almost twice that of light goods vehicles in Classes 5L and 9L. However there will be some vehicle models in Class 2 and 6 that are fundamentally the same as Class 5L and 9L and therefore should be charged the same levy. For example, a courier van (goods vehicle) versus the same model which has been converted into a campervan (which would fall into Class 2 or 6). This is anomalous for two reasons; firstly they are structurally the same with the same safety technology so the risk exposure should be similar; secondly a goods vehicle is more likely to do a higher mileage than a campervan (so if anything goods vehicles should pay more, not less). We would like to suggest that this anomaly be reviewed.

C. Decrease the petrol levy to 6 cents per litre

For consistency, ACC is also proposing a 13% decrease in the petrol levy, down from 6.9 cents per litre (cpl) to 6 cpl. However, we note that the proportion of the average levy collected from petrol will rise from 57% currently to 60%, significantly up from the approximately one-third collected from petrol tax under levy settings prior to 2015/16.

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 who travel low mileages 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).

Consequently, the NZAA considers that collecting at least half of the levy from petrol tax, as currently, and the proposed increase to 60%, to be fair and meets the outcomes noted above. Therefore, the NZAA supports the proposal to reduce the petrol levy by 0.9cpl (additionally, this reduction will also extend to motorcycle owners, who are otherwise not getting a reduction in their licence levy).

We recognise that without this reduction, a majority of the average motor vehicle levy would be collected from petrol tax and that levies for (petrol) passenger cars risk-rated as Band 4 might be negative, which might not accurately reflect risk as not all risk is a function of exposure for which distance travelled is a proxy.

However, while the average motor vehicle is now to be set for two-yearly periods, the NZAA would like there to be some medium-term consistency to the petrol levy, i.e. that there are not frequent adjustments to the petrol levy every two years. Inevitably the petrol levy may need to rise as projected levies are expected to increase over the next decade, without which the relative proportions of levy collected from petrol tax and the annual licence fee will fall out of balance and the increase in the licence levy would be disproportionately high. But petrol excise is far more complex than just ACC (currently totalling almost 67.3cpl), and the NZAA does not support regular piecemeal adjustments to excise (and hence the ACC petrol levy) as this is not well understood or even noticed by motorists (a recent AA Member survey showed just over 38% of Members correctly estimated the correct amount of tax they pay on fuel; its doubtful few understand how much of this tax is for ACC).

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

The NZAA supports maintaining the Motorcycle Safety Levy (MSL) at $25. Given ACC's reported success of the Ride Forever advanced training programme, the NZAA also supports proposals to use the MSL to expand this programme to more rider places, and suggests that this could be bolder than planned and that more of the MSL could be used to fund this successful programme.

E. Changes to vehicle risk rating (VRR)

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

While the levy consultation is now for a two year period, the NZAA supports the risk ratings continuing to be reviewed on an annual basis (although consideration could be given to not publicly consulting on this in future, but rather devolving it to the MVIEG, e.g. referring to it in the regulations rather than including it in the regulations for consultation). We endorse the rationale put forward for this in the discussion document: that ratings are as up-to-date as possible; that levies are fairer based on known risk; and that the latest information on new models entering the fleet can be incorporated. Amongst other reasons, the NZAA does not support two-yearly changes as this may result in more significant movements in ratings.

On balance, the NZAA does not support introducing capping. With the improvement of the confidence levels in the VRR methodology, and provided risk ratings continue to be reviewed annually, the likelihood of many models moving more than one band a year should be low, and our preference would be that the bands accurately reflect the current data. In addition, capping could mean that the VRR is at odds with the available Used Car Safety Rating for the same model, which could undermine credibility of the programme.

F. Goods Service Vehicles

The NZAA fully supports the proposal to change the definition of ‘goods service vehicles’ and ‘heavy goods service vehicles’ to ‘goods vehicles’ to correct an anomaly in the current ACC definition and properly align with Land Transport Rule definitions. The NZAA endorses the submissions made by Trevor Lister who has raised the existing anomalies with authorities in respect of this matter.

For clarity, the NZAA supports categorising goods vehicles as either light (under 3,500kg) and heavy (over 3,500kg) using the Land Transport Rule classifications of Class NA for ‘light’ and classes NB and NC for ‘heavy’.

ACC is also seeking feedback on how they levy goods vehicles. As the NZAA has previously submitted, we support introducing a distance-based ACC charge for non-petrol vehicles, roughly equivalent to that of the ACC petrol levy.

We repeat comments made in our earlier submissions that ACC should undertake analysis and develop proposals to facilitate the collection of a distance-based levy from Road User Charges (RUC) in the interests of fairness. While motor vehicle levies have pleasingly fallen overall, it remains 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. There is added 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.

G. Electric vehicles

Whilst the NZAA supports the governments electric vehicle (EV) programme, our view is that ACC policy and associated levers should be driven solely by safety and not unrelated objectives like environmental emissions. To use ACC levies to incentivise EVs for environmental or other non-safety objectives would be to corrupt the principle of the ACC scheme and open the door to manipulating all ACC accounts for purposes other than what the scheme was initially founded for.

Therefore, the NZAA does not support ‘pure’ EVs paying a lesser ACC levy than they currently do, and we consider they should continue to be classified as a ‘non-petrol’ vehicle and pay the associated levy according to their risk rating (and class).

However, we do agree there is an anomaly with plug-in hybrid electric vehicles (PHEVs) in that they are also classed as ‘non-petrol’ but also contribute to ACC via petrol tax so could pay more than their fair share of ACC Motor Vehicle levies. While this is a flaw in the way PHEVs are identified and defined for ACC purposes, in the absence of readily identifying PHEVs as distinct from EVs, or a straightforward rebate system for the petrol tax contribution (which would be administratively undesirable for owners anyway), the NZAA does support re-classifying PHEVs as ‘petrol-driven’ (i.e. treated the same as non plug-in hybrids) and to pay the associated licence levy. However this may need to be reviewed in future when there are a sufficiently large number of PHEVs in the fleet or they can be more easily identified in the Motor Vehicle Register.

H. The future shape of the Motor Vehicle Account

As noted in section C above, the NZAA supports collecting a portion of ACC through petrol tax, and considers this mechanism will continue to be fair and practicable for the medium-term given the profile of the light vehicle fleet.

In the longer term it may need to be reviewed, and a “pay as you go” system may be able to be considered once a national electronic road user charges system for road funding (to replace the current petrol excise and diesel RUC) has been implemented.

However, the NZAA would not support using the mileage recorded at the WoF as another measure of risk exposure as this information can be manipulated and using mileage as such a measure would incentivise some vehicle owners to do so. Indeed, with the current RUC system, some diesel vehicle owners install switches which deactivate the odometer, to underestimate their true mileage, and it is also possible to purchase electronic equipment which interferes with the true odometer reading.

These methods of fraud continue to leave petrol tax as a reliable means of collecting ACC (and road taxes), and a proxy for risk, as petrol tax is impossible to avoid.

While the NZAA agrees in principle with the idea that advanced safety technologies, especially active crash-avoiding technologies or Safety Assist Technologies (SATs), should be incorporated into determining vehicle levies, this is impractical to do so as these technologies are not recorded in the Motor Vehicle Register. However, these technologies do determine a vehicles’ NCAP rating, and certain SATs will need to be fitted as standard in order to achieve a 5-star NCAP rating. Therefore, with VRR methodology using NCAP ratings for vehicles up to 6 years of age (where published), will ensure vehicles with these technologies incur the lowest ACC levy.

The NZAA supports classifying trikes as motorcycles, for the reasons outlined in the ACC discussion document. It is an anomaly that they currently are not. In our view, the determining criteria should be whether the vehicle is enclosed (or semi-enclosed in the case of convertibles), fitted with seatbelts, and controlled by a steering wheel. If none of these apply, e.g. the rider is exposed, with no seatbelts and the vehicle is steered by handlebars, then it should be treated as a motorcycle irrespective of the number of wheels.

The NZAA also does not believe that certain low volume vehicles (namely kit cars and scratch-built vehicles) should receive default risk ratings based on age. This is particularly an issue for those kit cars or scratch-built vehicles which may be quite new but are simply not built to the standards of modern mass produced cars and will not have advanced structural safety design, crumple zones and safety features like airbags, or meet frontal impact standards etc.

By way of illustration, it is possible to hand-assemble a brand-new Ford Model T, which is identical to those originally made by the factory 100 years ago. Although these vehicles will be used sparingly, and therefore exposed to low risk, it is anomalous that they could receive a Band 4 risk rating on the basis of age when they are entirely absent of any safety features (because they are a 'scratch built' low volume vehicle they are not classified as a vintage vehicle for ACC purposes).

The NZAA proposes in the interests of scheme credibility that kit cars and scratch-built vehicles should be treated differently under the Vehicle Risk Rating, and automatically allocated Band 1. We suggest ACC consult with LVVTA on this matter to confirm if this is the appropriate rating.

However, this rule should only apply to kit cars or scratch-built vehicles, i.e. those that are identified as such ('make' name) in the Motor Vehicle Register. This will exclude mass-produced light vehicles that have subsequently been modified and received a LVVTA certification, which remain identified by their brand name. In many cases the modifications for these vehicles are relatively minor, and as such the vehicles should be rated the same as an un-modified version.

Yours sincerely

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