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NZ Automobile Association submission on:

ACC Levy Rates Proposals
2024 Levy Consultation

SUBMISSION TO: Accident Compensation Commission

REGARDING: ACC Levy Rates Proposals 2024 Levy Consultation

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Executive Summary

The New Zealand Automobile Association (NZAA) welcomes the opportunity to comment on the proposed 2024 ACC Levy Consultation.

The NZAA represents over 1.1 million Personal Members on issues affecting road users. The NZAA's advocacy and policy work mainly focuses on protecting the freedom of choice and rights of road users, keeping costs fair and reasonable, and enhancing safety. Accordingly, we have a particular interest in the ACC levy because of its safety and financial implications for all vehicle owners. Our comments are limited to the Motor Vehicle Account only.

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

- Proposed Motor Account levies
- Investigating a shift to distance-based levying for motor vehicles
- Removal of the discounted levies from battery electric vehicle (BEV) and plug-in hybrid electric vehicles (PHEV)
- Changes to levies for motorcycle owners, including reclassification of motorcycles
- Recognition of motorcycle riders with advanced riding skills
- Motorcycle Safety Levy

Overview of AA views on proposed Motor Account Levies

We acknowledge that the Motor Vehicle Levy rate needs to reflect rising costs and at the same time ensure that the amount of money held by ACC is sufficient to pay for the future costs of claims. This minimises the need to raise more money from future levy payers to pay for the cost of historic claims. We also are aware that a solid business case was made three years ago to increase the levy but the then Minister declined to increase the levy rates due to the economic climate of the time. This has put more pressure on the Motor Vehicle account to balance the future cost of claims.

However, we are concerned about the high rates proposed by ACC for the Motor Vehicle levy compared to the Work Account and the Earnings Account. The Motor Vehicle rate proposals are around 38% more per annum than the other two Accounts.

We are concerned that the increase in the Motor Vehicle levy starting next year will be 7.8% and an additional increase of 7.4% for each of the following two years. This proposal comes at a time when our annual inflation is 3.3% and our annual GDP growth rate to June 2024 is -0.2%. The economy is not in a robust state and any additional charges to motorists will add to cost-of-living pressures.

We would like to see the annual increase for 2025/26 to be less than the proposed 7.8% as many New Zealanders are still facing difficult financial times. By deferring the increases to the latter part of the review period, hopefully economic conditions will have improved, and people will be better able to absorb the increases.

The current levy rates for motorcyclists mean they contribute 28% towards the costs of supporting injuries and it is proposed to move this contribution up to 37%. We think this increase is too severe and it will lead to evasion and avoidance. We think an increase is needed, but not at the level proposed. More detail on our thoughts on this issue is included later in this submission.

We think an option to consider is to increase the 6 cents per litre petrol ACC levy and depending on the size of the increase, decrease the size of the registration component of the levy. As outlined below we recognise that a distance-based levy for all vehicles is the best course of action in theory. However, a pragmatic option is to still use a mixture of levy collection methods, collecting a levy from each litre of petrol and a registration component. While officials work on moving to a distance-based collection system, an increase in the AAC petrol levy will allow a smaller decrease in the registration portion of the levy. At the end of the 2027/28 levy period, the Government has said it wants a modernised Road User Charge (RUC) system in place, which would also enable the transition to a more equitable distance-based collection of the ACC levy.

Meanwhile, a one or two cent increase in the petrol levy will be less noticeable to the average motorist than a larger one-off increase to the registration fee, as the petrol levy is paid in smaller amounts less frequently so is less noticeable. Without an increase to the petrol levy, the registration component will be larger and more noticeable and possibly motivate people to avoid or evade registering their vehicles.

Collecting a portion of the levy via a charge per litre is the cheapest way to collect revenue and the hardest to evade. Also, it addresses the concerns of multiple vehicle owners who pay a registration fee for each vehicle yet can only drive or ride one at a time. The collection via a petrol charge per litre partly mitigates this issue of “double dipping”.

AA support for distance-based levying for motor vehicles

We support ACC continuing to work on distance-based levying for all vehicles, regardless of their fuel source. The Minister of Transport has acknowledged that collecting fuel excise duty (FED) will become problematic in the coming years as petrol engines become more efficient. FED is collected from petrol powered vehicles to help fund the building and maintenance of New Zealand’s road network, PT operations and cycleways. Petrol consumption is used as a proxy for distance travelled, which is itself a proxy for risk.

Using petrol consumption as a proxy for distance (i.e. risk) is also the case for the Motor Vehicle Levy. Although it is proposed to continue collecting a portion of the levy via a charge on petrol, as with the collection of FED, in coming years, a partial levy on petrol will become a less equitable means to collect the Motor Vehicle Levy. However, it is still a cost-efficient method of collecting a portion of the levy until a distance-based levy scheme is developed.

The Minister of Transport is keen for officials to explore a national electronic Road User Charges (RUC) system for road funding. This will replace the current FED and paper-based diesel RUC regime. If implemented, this system could be a cost-effective system to also collect revenue for the Motor Vehicle Levy. This would allow for a more accurate correlation between distance travelled and exposure to risk. It would also recognise that the owners of multiple vehicles can only drive one at a time. Therefore, the current duplication of levy payments through the multiple ownership of registered vehicles would be eliminated.

AA support for removal of discounted levies for BEV and PHEV

We agree with the principle that the levy system should be fairly and consistently applied according to risk. The previous policy decision to reclassify BEV and PHEV vehicles to 2a classification, which provided a rebate of $58.98, was contra to the principle of same class, same risk, same levy. The policy intervention was well-meaning but was not a significant factor when motorists consider purchasing a BEV or PHEV.

The NZAA agree that petrol-powered PHEVs should return to Class 2 (petrol-powered) vehicles, with no change to their levies. BEVs and diesel-powered PHEVs should move to Class 6 (non-petrol-powered) vehicles, and they would no longer have their levies discounted. This is a sensible approach as BEVs and diesel-powered PHEVs don't use petrol, so they don't contribute to the levy by the 6 cent ACC levy applied to petrol. The increased levy component of their vehicle licence will ensure similar vehicles with the same risk profile will make a similar contribution.

Concern that increases to levies for motorcycle owners, including reclassification of motorcycles, will encourage levy avoidance

We note the number of motorcycles in the fleet has more than doubled in the past 20 years. During the same period the growth to the light private vehicle fleet was 38%.

It is proposed to change the classification of motorcycles from three categories to four categories. Under this new categorisation we are concerned that the riders of motorcycles over 750cc will have a steep increase in the price of registration.

The Government has signalled a $50 increase in registration cost for 750cc motorcycles. Combined with the proposed ACC levy increase, Motorcycle Safety Levy and additional GST, the cost to register a motorcycle over 750cc in 2027/28 will be over $988 per annum. We note that under the current proposals, this new class of motorcycle would be paying 48% of the total increases proposed for motorcycles over the three year period.

This high cost to register a 750cc motorcycle could, in our view, lead to evasion or avoidance and lead to those motorcyclists who register their bikes carrying the burden for others that won't. At the end of August, official records show there were 66,700 registered motorcycles, with an additional 98,800 that had their registration exempted and a further 17,900 were unlicensed. This indicates that even at the current ACC levy rate, motorcyclists will exempt the bike registration for the months over winter to avoid paying the full amount.

We believe that the ACC Levy increases for large motorcycles are too high over the short three-year period and should be knocked back a bit.

Support for recognising Advanced Riding Skills

We fully support the proposal to introduce a 25% lower levy rate for motorcycle riders who have undertaken advanced rider training. Motorcycle riders are the most vulnerable of our road users as they only have the protection they wear. The 25% reduction in the ACC levy should act as an incentive for riders to do the advanced riding skills training.

It is proposed to introduce the lower levy rate from 1 July 2026 to provide sufficient time to transition from the cashback programme. However, in the first year the levy rises, 2025, riders will be unable to access the 25% discount because the transition to the new advanced riding skill training will not be in place.

We are concerned that some of the safety benefits of attending an advanced riding skill course may be missed due to the proposed lower levy rate not coming into effect until July 2026. Many riders may delay doing the course in 2025 as they will not get the full benefit of the levy reduction as it only applies for a two-year period after completion of the course. It would seem logical that riders would apply to attend courses as close to July 2026 as possible to get the full two-year benefit.

We recommend that any rider attending an advanced skills riding course in 2025 be allowed the lower rate for a three-year period and that the lower levy rate then applies for two years from 2026. Alternatively, a lower rate be set for 2025 due to the discount rate not being available.

Support for maintaining the Motorcycle Safety Levy

We support ACC in maintaining the Motorcycle Safety Levy. It will continue to be collected at the current rate of $25 each year, per motorbike or moped. ACC statistics show that attendees of a RideForever course are 26% less likely to be injured in a road crash.

We accept that courses delivered to the same standard as ACC's Gold RideForever could reduce risk equally. The addition of alternative training providers that met the Motorcycle Safety Advisory Council's criteria will go some way to providing further capacity for these services.

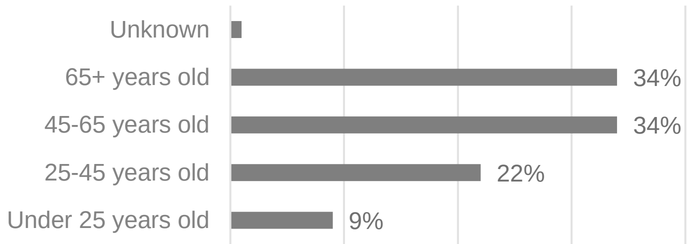
About the New Zealand Automobile Association

The NZAA is an incorporated society with over 1.1 million Personal Members who belong to the Association, representing a large proportion of New Zealand's road users. The AA was founded in 1903 as an automobile users' advocacy group, but today our work reflects the wide range of interests of our large membership, many of whom are cyclists and public transport users as well as private motorists.

Across New Zealand, drivers regularly encounter the AA through our breakdown officers, 36 AA Centres and other AA businesses. Meanwhile, 18 volunteer AA District Councils around New Zealand meet each month to discuss local transport issues. Based in Wellington and Auckland, our professional policy and research team regularly surveys our Members on transport issues, and Members frequently contact us unsolicited to share their views. Via the AA Research Foundation, we commission original research into current issues in transport and mobility. Collectively, these networks, combined with our professional resource, help to guide our advocacy work, and enable the NZAA to develop a comprehensive view on mobility issues.

Motorists contribute over $4.5 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. This money is reinvested by the Government in our transport system, funding road building and maintenance, public transport services, road safety work including advertising, and Police enforcement activity. On behalf of AA Members, we advocate for sound and transparent use of this money in ways that improve transport networks, enhance safety, and keep costs fair and reasonable.

Our advocacy takes the form of meetings with local and central government politicians and officials, publication of research and policy papers, contributing to media on topical issues, and submissions to select committees and local government hearings.

Total Membership	**2.1+ million New Zealanders belong to the AA** Over 1.1 million are Personal Members Over 1 million are Business Vehicle Memberships
% of licenced drivers	At least 29% of licensed drivers are Personal AA Members (based on Class 1 licences for cars and light vehicles)
Gender split	54% Female 46% Male
Age range & Membership retention	**Age of AA Members**  53% of AA Members have been with us for over 10 years.